



Responsible, Sustainable Cocoa Farming: Individual Company Efforts

SUBMITTED ON BEHALF OF:

- **Archer Daniels Midland**
- **Armajaro**
- **Barry Callebaut**
- **Cadbury Schweppes plc**
- **Cargill**
- **Kraft Foods**
- **Mars Incorporated**
- **Nestlé**

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Overview

In July, 2007, the chocolate and cocoa industry submitted an initial report detailing the work that is being done, on an industry-wide basis, to improve the well-being of children, families, and communities in the cocoa farming sector.

This industry-work is done through a number of organizations, such as the World Cocoa Foundation. Yet it is by no means the only work being done in cocoa farming communities in West Africa.

In fact, many individual companies have undertaken extensive work, throughout Africa, to help both the people and the communities that depend upon cocoa for their livelihood.

What follows in this report is an overview of programs, currently underway, supported on an individual company basis by the following:

- Archer Daniels Midland
- Armajaro
- Barry Callebaut
- Cadbury Schweppes plc
- Cargill
- Kraft Foods
- Mars Incorporated
- Nestlé

These programs profiled on the pages that follow are making a real difference, improving conditions in West African cocoa farming communities and the lives of the people who live and work there.

While this is not an exhaustive list of all the activity on the ground, it provides a snapshot of how these eight companies - and others like them - are making a difference.

Archer Daniels Midland Company (ADM)

Archer Daniels Midland Company / ADM Cocoa Sifca

Health & Safety, Compliance & Ethics, HIV/AIDS Programs

Objective

- Provide world-class business operations standards and provide services and training to ADM employees. Beyond compliance with Ivorian social and labor regulation, ADM Cocoa Sifca offers programs to all of its Ivorian operations and participating suppliers.

Programs

- Health & Safety Program - ADM Cocoa Sifca has developed health, safety and security policies and programs at our factories that apply to full-time employees and day laborers, including a permanent staff of medical professionals to assist employees.
- Compliance & Ethics Program - ADM's Cocoa Division (like all divisions of ADM) participates in "The ADM Way" a company-wide Compliance and Ethics Program.
- HIV/AIDS Program - ADM Cocoa Sifca has initiated a public health education, prevention and treatment program available to all full-time staff, their families, day laborers, retired employees and participating farmer co-op suppliers.

Partners

- The HIV/AIDS Program is administered while working closely with the National Agency for Tropical and Infectious Diseases.

Duration

- These programs will remain in place as ADM continues to support the communities in which it operates.

Impact

- These programs impact all 400 permanent and 1000+ temporary and seasonal ADM Cocoa Sifca employees at facilities in Cote d'Ivoire.

ADM Cocoa Sifca: bean sourcing and drying in Abidjan (Anyama, Stocaci)

UNICO: bean drying in San Pedro

UNICAO: bean processing in Abidjan

- The programs have had a positive impact on thousands since their inception.

Cooperative Capacity Building Programs

Objectives

- Positively impact economic, social and environmental practices and outcomes with participating farming cooperatives.
- Management capacity building within farmer co-operatives.

Program

- The Technical Training Program developed by ADM Cocoa Sifca includes specific information and elements on labor, farm safety and HIV/AIDS prevention. The program sensitizes/educates co-op members regarding well established, international conventions relating to the differences between child labor and child work.

- To encourage positive development efforts within farmer co-ops, the ADM Cocoa Sifca Technical Training Programs include training, assistance and incentives:
 - Transparent Quality / Value Scale
 - Transparent Quality Control and Weighing Procedures
 - Financial support: Seed money as crop season begins along with millions of dollars of revolving credit at very low interest rates.
 - Crop End Quality Bonus and Volume Bonus: ADM Cocoa Sifca is recognizing premium co-op deliveries by paying premiums for quality and quantity leading to an increasing share of cocoa sourced from such co-ops.
 - Co-op capacity building
 - Co-op management training
 - Donation of more than 100 computers to co-op partners.

Partners

- ADM Cocoa Sifca developed these programs in-house and now is working with the STCP Program to broaden the impact of both programs.

Duration

- ADM Cocoa Sifca initiated, developed and began conducting Technical Training Programs in 2001. The Training Programs continue as conditions in Cote d'Ivoire (safety, stability, etc.) permit.

Impact

- These programs are operating throughout the cocoa growing regions in the Cote d'Ivoire.
- ADM Cocoa Sifca Technical Training Programs have provided seminars to over 10,000 co-op member attendees. Indirectly, these programs are estimated to have benefited over 100,000 including individual farmers and their immediate families.

Relationship with the Sustainable Tree Crops Program (STCP)

Objectives

- ADM has long supported the Sustainable Tree Crops Program (STCP). Today, ADM Cocoa Sifca helps provide opportunities for farmers from newly enrolled cooperatives to participate in the STCP's Train the Trainer Field Schools.
- ADM Cocoa Sifca contributed funds so that eight co-ops in the Eastern region of Cote d'Ivoire could participate in the STCP's Train the Trainer Field School. These training activities use the co-op channel to train technical advisors to disseminate training among thousands of co-op members.

Program

- ADM Cocoa Sifca entered into a memorandum of understanding with the STCP in October 2003.

Partners

- ADM is actively supporting the STCP and ADM personnel are members of the STCP Steering Committee.

Socially & Environmentally Responsible Agricultural Practices (SERAP) Pilot Program

Objective

- The SERAP Program seeks to transparently amplify economically, socially and environmentally sustainable, responsible practices within participating farming co-operatives.

Program

- The SERAP Program transparently rewards certain co-ops committed to implement Socially & Environmentally Responsible Agriculture Practices.

- Establishes specific criteria for grading participating co-ops.
- Co-ops are scored on their efforts to achieve SERAP objectives.
- Aspects of scoring include:
 - Co-operative Management (judicial and fiscal responsibility; acceptance of SERAP audits; formal commitment to SERAP values and plan; independent audits of compliance).
 - Quality Management criteria.
 - Social Environment Management (sensitizing on international labor conventions and best practices; action plans; HIV/AIDS prevention; security training on pesticide use; respect for labor and contract laws; action plans for continued education).
 - Physical Environment Management (integrated pest management use; safe/ effective insecticide/fertilizer use; forest protection).
 - Respect for Commitment to SERAP premium plan.

Partners

- ADM Cocoa Sifca developed this pilot program to address customer needs.

Duration

- ADM Cocoa Sifca developed and launched the Socially & Environmentally Responsible Agricultural Practices (SERAP) Program in West Africa in 2005.

Impact

- SERAP Program was scaled up (from six co-ops to 10 co-ops) for the 2006/07 growing year.
- 2005-06 growing year: six co-ops participating, involving approximately 10,000 co-op farmer members. Over 4,000MT of cocoa sourced.

- 2006-07 growing year: 10 co-ops participating representing over 15,000 co-op farmer members. Over 10,000 MT of cocoa was sourced.

Ivorian School Canteen Program

Objectives

- Improve nutritional status and health of children through regular inclusion of protein in school meals.
- Provide incentive to parents/caretakers to send children to school.
- Invest in education and nutrition for the general economic well being of the communities and the country.

Partners

- ADM Cocoa Sifca works in conjunction with the World Food Program and the Ivorian School Canteens Program of the Ministry of Education.

Duration

- Pilot program started in school year 2004/05, overlapped into school year 05/06 due to security situation.
- Second phase has just started. (Expected impact will be approx 80,000 children.)

Impact

- Pilot project reached 257 primary schools and 79,000 children in five areas of the country.

UPCOCOA Project - Cameroon

Project web site: <http://www.iscom.nl/upcocoa/>

Objectives

- Improve the upstream trade of cocoa in Cameroon by means of sustainable supply chain management within farmer cooperatives.
- Improve the capacities at co-operatives by addressing marketing, institutional and social capacities, quality management, productivity and sustainable agriculture.

Partners

- Partners represent stakeholders throughout the cocoa value chain: the Institute for Sustainable Commodities (ISCOM); the International Institute of Tropical Agriculture/Sustainable Tree Crops Program (IITA/STCP); ADM Cocoa B.V.; Masterfoods/Mars; Rabo International Advisory Services (RIAS); and the UPCOCOA Consortium of Cocoa Cooperatives in Cameroon (UCCC).

Duration

- UPCOCOA started in October 2006.
- This is a four-year project.

Impact

- The project will initially work with eight cooperatives, comprising about 1,600 farmers.
 - The learning experiences from this project will be available to the Cameroonian cocoa sector and the wider business community.
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Armajaro

Armajaro

Armajaro has sourcing operations throughout West Africa with its principal activity in Ghana and Ivory Coast. The firm has a strong belief that poverty is the main problem facing West Africa.

Armajaro in Ghana

In Ghana, Armajaro is one of only two international firms active in the domestic market buying cocoa from farmers. It is also the only company able to supply traceable Ghana cocoa to customers after carefully developing a system with the CMC to ensure the integrity of all cocoa categorized as traceable.

With specific regard to child labor, it should be noted that in Ghana the cocoa industry is well regulated and Cocobod is in charge of this issue as it pertains to cocoa. Our district managers have participated in several workshops organized by Cocobod and are actively involved in disseminating such information to the cocoa farmers. Our commitment to traceable cocoa as the ideal model going forward, will intensify our close links to individual farmer groups especially in the Juabeso District where the traceability project first developed.

In collaboration with the Sustainable Tree Crops Program (STCP) we have arranged that farmers receive video training sessions. Such programs emphasize good agricultural practices designed to boost yields and quality, but in the context of encouraging sensitivity to the environment - both physical and social. Particular attention is paid to safety where training involves correct use of tools, equipment and the use of potentially dangerous chemicals on the trees and soil.

In addition, as part of its general corporate tradition, the Armajaro Foundation continues to supply practical assistance to local communities in the form of hand-dug wells, electricity poles and school furniture.

Armajaro in the Ivory Coast

In Abengorou and Daloa, Armajaro is an active partner in a multi-disciplinary project that brings together Kraft, GTZ and USAID as well as the Rainforest Alliance. The objective of the plan, which runs from November 2005 to March 2009, is to increase smallholders' income while simultaneously adding ecological and social benefits to the community.

As in the Ghana model, the program aims to do this by promoting good farming practices whilst also strengthening the existing social infrastructure. ANADER (National Agency for Rural Development) is involved in the provision of extension services.

Armajaro contributes its commercial and marketing expertise with the objective of stabilizing farm income and facilitating medium term planning for participant farmers.

Other parts of the project will focus on management of natural resources e.g. soil fertility and social programs (GTZ) that aim to eliminate any forms of abusive child labor thereby helping restore the reputation of Cote d'Ivoire in the world market.

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Barry Callebaut

Barry Callebaut

Empowering cocoa farmers - Barry Callebaut has long been engaged in activities to support cocoa farmers and cocoa farming communities. We regard these activities as an important factor in ensuring a sustainable cocoa industry.

Ivory Coast:

Barry Callebaut Partenaire de Qualité / Quality Partner Program

Barry Callebaut and its Ivory Coast subsidiaries Société Africaine de Cacao (SACO), Barry Callebaut Négoce and SN Chocodi launched a multi-year initiative with cocoa farmer cooperatives in September 2005.

Called Barry Callebaut - Partenaire de Qualité (Quality Partner), the program aims to create a sustainable, positive spiral in a difficult economic and political environment.

Creating a quality spiral

The goal is to provide farmers with access to better training in agricultural techniques and how to manage their business and personal finances, as well as access to healthcare for themselves and their families, and sensitization about child labor issues and the importance of schooling for their children. The training enables farmers to improve the quality of their farms and business practices and to deliver more and better-quality cocoa beans. Higher crop yields of better-quality beans create opportunities for farmers to earn more. The significant increase in the incomes of farmer families will enable them to improve their living conditions and achieve greater economic security.

Why training is needed

Farmers in Ivory Coast grow cocoa on small family-run farms and do not always have the means or the skills to apply best practices in growing and harvesting their crops.

Working in partnership with cocoa cooperatives and the rural development agency ANADER (Agence Nationale d'Apui au Développement Rural) of Ivory Coast, we have invested in training and health initiatives for farmers. The purpose of the training is to enable farmers to improve the quality of their agricultural and business practices so that they can continually increase their crop yields as well as the quantity and the quality of their beans over time.

Three levels of quality partners

To improve the quality of the cocoa beans can take several years. To ensure that the partnership will have a major and enduring influence on the lives of cocoa farmers and their families, Barry Callebaut has worked to set realistic short-, medium- and long-term goals. These goals correspond to the three levels of partnership in the Quality Partner program.

A cooperative at the first level - "recognized partner" - is required to contribute at least 250 tons of beans, of which more than 20% are quality grade, per season. In addition, the cooperative must have at least one warehouse.

A cooperative at the second level - "preferred partner" - is required to contribute more than 750 tons of beans, of which more than 30% are quality grade, per season. In addition to at least one warehouse, the coop must also own at least one motor truck.

A cooperative at the third level - "privileged partner" - is required to contribute more than 1,500 tons of beans, of which more than 50% are quality grade. In addition to a warehouse and truck, the coop must have a computerized business system.

Barry Callebaut's goal is to provide training and support so that each selected cooperative progresses from the entry level of "recognized partner" to the top level of "privileged partner" ideally within a period of three years.

Learning curve

The Quality Partner program was launched in September 2005 for the bean crop season 2005/06. It started with a training program that covered agricultural techniques, administration and accounting, the cocoa markets and sensitization to child labor issues. After an independent audit in the field by ANADER of 58 cooperatives, 30 cooperatives were selected to participate in the new campaign in 2006/07 and 15 new cooperatives were invited to be partner-candidates. Partner-candidates participate in the program and follow its guidelines, but are not categorized as level 1, 2 or 3 partners. They are observed during the year and may become a partner in the next year if the program guidelines are well-respected.

Working together, Barry Callebaut and ANADER conducted training and audited the performance of participating coops in 2007.

As of July 2007, 45 cooperatives, each representing from 150 to 800 cocoa farmers, were participating in the Quality Partner program. Thirty coops were partners and 15 were partner-candidates. Of the 30 categorized partners, eight cooperatives were partners at the first or entry level ("recognized partner") and four were partners at the second level ("preferred partner"). No cooperatives were yet partners at the third or highest level ("privileged partner"). Eighteen of the 30 participating cooperatives had not yet reached the required qualifications of the first level.

Why quality matters

There are clear economic incentives for the cocoa farmers who participate via their cooperatives in the Quality Partner program. For well-dried beans, a premium price is paid by Barry Callebaut to the cooperatives which then pass on the premium to the farmers. An additional premium is paid for well-cleaned beans, which have foreign matter of less than 1% of the beans delivered. In addition, an extra premium is paid at the end of the each bean campaign if the average quality of the beans supplied fulfils certain quality criteria. These three factors combined can enable farmers to earn more than 10% above current prices.

The Quality Partner program benefits Barry Callebaut in distinct ways. It provides access through our cooperative partners to multiple sources of quality beans. It also improves traceability. All participating cooperatives must agree to an independent audit by ANADER. This helps Barry Callebaut ensure that our Quality Partners comply with our standards for ethical business practices.

Training: an investment in the future

Quality Partner training sessions are held in local villages, at Barry Callebaut's training center at its bean collection center in Abidjan and at the ANADER training centers around the country.

Since the program was launched in September 2005, we have conducted 33 training sessions, attended by more than 850 cocoa farmers.

The training programs are tailored for managers and employees of cooperatives, for union managers and employees, and for delegates and cooperative members. A program to raise awareness about child labor is planned for inclusion in the ANADER training sessions.

Training frequency and schedule

The first audit established the training requirements for each partner. On the basis of these results, a three-stage training program spanning a period of three years has been developed. The first stage of training was held from November 2006 to March 2007. The second stage will start in February 2008 and continue through to May 2008, so that the training does not coincide with the main harvest when farmers are unavailable.

How is progress measured?

Progress is reflected in the tonnage subsequently produced and the quality of the beans delivered. Moreover, an audit is planned to check that the knowledge acquired during training is actually being applied on the ground.

Brazil:

Organic cocoa farming creates new opportunities

Barry Callebaut launched a project in 2001 to develop a source of certified organic quality cocoa in the state of Bahia, Brazil. The south of Bahia was historically known as one of the world's largest cocoa producing regions, but a widespread attack of the Witch's Broom fungus devastated the area in the 1990s. Cocoa bean production plummeted from a high of about 400,000 tons to 100,000 tons in 2000. Production has begun to increase slowly, and was about 170,000 tons in 2004/05. Barry Callebaut's Organic Cocoa Project offers cocoa farmers in Bahia an opportunity to improve their livelihoods as they restore their farms.

To meet international standards for organic farming and manufacturing, a product must be cultivated, produced and processed in a highly responsible social and natural environment, without the use of any artificial fertilizers, genetically manipulated substances or chemical preservatives. The Instituto Biodinâmico (IBD) is the

organization that awards and oversees organic certification in Brazil. It is accredited by the International Federation of Organic Agriculture Movements (IFOAM) and by the Deutsche Akkreditierungspruefwesen (DAP-EP). Organic certification is awarded to eligible cocoa farms following an audit by IBD and then once a year an audit must be passed for re-certification.

The Barry Callebaut Brazil cocoa conversion project involves educating farmers about the benefits and techniques of organic cocoa farming; assisting them to convert from conventional to organic farming; hiring and training field technicians for each buying station; and ensuring compliance with the requirements of organic certification.

We collaborate with an advisory firm, Sertão Verde, which specializes in organic conversion programs. Two employees from Sertão Verde, Richard Charity, director of the company, and Rachel Soraggi, a biologist, provide technical and scientific expertise to field technicians and farmers. They visit participating farms, help with project organization and serve as liaisons with IBD.

Seven target areas have been identified for the program: Ilhéus, Itabuna, Ipiaú, Gandú, Ubaitaba, Coaraci and Camacã/Belmonte. From each area, about 25 local farmers have agreed to participate. Over a period of two to three years, participating farmers learn about organic principles and techniques and gradually implement them at their farms. For support, they meet monthly with a field technician from their buying station. The farmers also meet together regularly to exchange experiences, discuss problems and find solutions.

A first group of 43 cocoa farmers received organic certification from IBD in summer 2004 for approximately 1,500 hectares. These farms were re-certified in 2005, and an additional 800 hectares were certified that same year. To date, about 2,300 hectares of cocoa farms have been certified and are supplying organic beans - about 400 tons per year - to Barry Callebaut buying stations.

One of the conditions of the Brazil Organic Program is that Barry Callebaut maintains priority to buy the certified organic cocoa, which is sold at a higher price than conventional beans. In total, there are about 1,500 people benefiting from the Brazil Organic Program, including a labor force of about 500 workers and their family members. To date, participating farmers are very satisfied with the results of the program, in particular, the absence of significant pest attacks and general healthy appearance of their cocoa trees.

The goal of the project is to attain 3,000 or more hectares of organic cocoa fields, belonging to about 85 to 100 farmers. A series of new objectives were approved by the Barry Callebaut CSR Committee in July 2006. These include focusing on achieving a higher yield per hectare by investing in natural fertilizers and additional labor.

Tanzania:

As part of our commitment to corporate social responsibility, we expect our suppliers to maintain high standards and to conduct business in an ethical and responsible way.

Biolands, our exclusive supplier of premium organic cocoa in Tanzania, is a socially responsible company with whom we are proud to do business.

Biolands - Partnering with farmers to produce quality organic cocoa

Organic cocoa is more and more in demand by discerning customers. The unique flavor characteristics of premium organic cocoa from Tanzania are especially prized. Our supplier for organic cocoa from Tanzania is Biolands, a company that has been working since 1997 with local farmers

in the district of Kyela, Mbeya region, to improve the quality of cocoa - and the farmers' quality of life.

Biolands has provided training, technical advice, supplies of seedlings (more than 600,000 to date) and pruning equipment to 21,000 smallholder cocoa farmers. The first crop of certified organic cocoa was shipped in 2000, and since then approximately 8,500 tons have been produced. The Biolands enterprise is one of the single largest organic smallholder cocoa programs in the world.

Thanks to cooperative efforts and business relationships built on mutual trust, Kyela farmers are producing higher yields of high quality cocoa, and they are receiving a fair price relative to the world market.

"For many farmers, this is the first time they are being treated seriously as partners - partners who are expected to produce a good product in return for a better price. They feel that their cocoa and their work are valued," said Eric Smeets - the founder and managing director of Biolands.

Before Biolands started working with farmers, there was no properly fermented, washed and dried cocoa from the area. Now, up to two-thirds of the cocoa crop is processed according to the highest quality standards. "Tanzania's potential as a producer of fine-flavor cocoa is being restored," Eric Smeets said.

Barry Callebaut purchases 100% of Biolands' top grade organic cocoa. "Without Barry Callebaut's steadfast commitment to buy cocoa from us at a fair price, we would not have been able to achieve our mission in Kyela," said Jeremy Lefroy, Biolands finance director. "Barry Callebaut's support as a reliable business partner makes it possible for us to do our work to empower local farmers."

Organic certification and internal controls

The improvements in quality were achieved as a result of rigorous controls instituted by Biolands. The company developed an Internal Control System to introduce, monitor and maintain the organic farming of cocoa under KRAV certification. It is also undergoing ISO9001 certification and expects to be the first agricultural organization in Tanzania to receive this level of certification.

The 20,400 farmers supply cocoa through 130 village buying posts under the supervision of 175 employees in the villages. Biolands has supplied all the village coordinators with bicycles and mobile phones. The village coordinators use text messaging to report on local production yields.

Fair prices, proper payment for weight

When Biolands started to buy organic cocoa in Kyela in May 2000, the existing cocoa buyers faced almost no competition and payments to farmers were very low. Biolands introduced direct payment to farmers at a higher level - provided that the cocoa was organically produced and of good quality. This is about 10 to 20% above what farmers who sell wet, unfermented cocoa receive, according to Jeremy Lefroy.

There are regulations governing the purchase of cocoa in Kyela, including proper payment for weight, but they are not consistently enforced. Biolands uses the kilogram as the standard unit of measure. Other buyers, however, use the 'kopo' (tin), a local unit of measure. Biolands has championed fair buying practices and is trying to persuade the district council to enforce the regulations for all companies. It regularly checks and recalibrates its scales to ensure accuracy. All weights and measures Biolands uses are inspected and certified by the government.

In Tanzania, one of the poorest countries of the world, agriculture is the main source of income for most of the

population. Farms are small - between one and three hectares. Cocoa is an important source of income for farmers in cocoa-growing regions such as Mbeya. Biolands is one of the biggest employers in the Kyela district in Mbeya. It offers full-time, part-time or seasonal employment to at least 270 people, including office staff, loaders, hand pickers, village coordinators, field supervisors and district supervisors.

Investing in the future

In 2005 the farmers produced 2,300 tons of organic cocoa. Biolands is committed to seeing this volume grow. While it might be possible to cultivate additional available land in Tanzania for cocoa growing, Eric Smeets believes the real way to grow is to make farms more productive by continuing to deliver seedlings and providing tools to clear and maintain fields. "Our investment in the Kyela region is an investment in the future - for the farmers and their incomes, as well as for Biolands."

Assisting employees

Barry Callebaut provides various services, including housing, health care, education, and sports and recreation opportunities, for employees at our facilities in origin countries.

Ghana:

Housing

Barry Callebaut has had active operations in Ghana since November 2001. In 2005 we added a new production line, doubling the capacity of our plant in Tema.

The average annual income in Ghana is about USD 2,500. Most people rent their homes at usually high costs due to complex land ownership laws and high mortgage rates.

Having realized housing projects for employees in Abidjan and San Pedro, Ivory Coast, in 1998 and 2005, respectively, Barry Callebaut made a commitment to provide employees in Ghana with secure and convenient living accommodations close to their place of work. A housing project was launched in December 2004. Barry Callebaut organized the purchase of a tract of land, arranged for mortgage financing and hired an architect to create house models.

On November 25, 2005, we inaugurated Barry Village, the housing development for our employees in Tema. About 70% of our work force took the opportunity to purchase one of 54 homes at subsidized prices.

The inauguration ceremony was attended by the Honorable Minister for Works & Housing, Hackman Owusu-Agyemang. Barry Callebaut CEO Patrick De Maeseneire confirmed the importance of Ghana as a key supplier of cocoa to Barry Callebaut: "The Barry Village, as well as the recently announced doubling of our grinding capacity in Ghana, is evidence of our long-term commitment to this country of origin, which is the Number 2 cocoa producer in the world. Through our actions and investments in origin countries such as Ghana, Ivory Coast, Cameroon and Brazil, we strive to improve the livelihoods of farmers and their families as well as of our employees."

Of the total Barry Village project costs of USD 1,080,000, Barry Callebaut made a contribution of USD 300,000, which reduced the costs for each homebuyer by more than USD 5,000. The average price per house was about USD 15,000. The houses have from one to three bedrooms, are conveniently equipped, and can be expanded to add more rooms.

Health

BC Ghana pays all medical expenses for employees and their spouses and children. The company also provides for an annual medical checkup for all employees. A nurse on site at the plant in Tema is responsible for ensuring that all employees are medically fit and also carries out routine medical screening.

Education

If an employee takes an approved correspondence course, with the aim of enhancing his or her efficiency or performance at work, BC Ghana pays for 50% of the examination fees and textbooks upon registration and the remaining 50% when the employee passes the required examination.

Ivory Coast:

Affordable housing for employees

The shortage of adequate housing with access to water and electricity is an acute problem in Ivory Coast. In 1998, the Barry Callebaut subsidiary SACO was the first local cocoa processor in the country to build houses for its employees. In February 2007, 144 more Barry Callebaut employees in Abidjan and San Pedro received the keys to their new homes. It was the culmination of a second housing development project initiated by our three subsidiaries in 2001, a time of political crisis and instability. With the completion of 'Cité SACO I' in Abidjan in 1998 (102 homes) and 'Cité SACO II' in Abidjan (93 homes) and 'Cité SACO San Pedro' (51 homes) in 2007, two-thirds of our colleagues in Ivory Coast now own a home in one of these residential areas.

Barry Callebaut developed 'Cité Saco II' and 'Cité Saco San Pedro' together with local partners, and contributed 19% of

the costs per house. The personal savings of the buyers covered 13% and a mortgage negotiated by Barry Callebaut on behalf of the buyers the remaining 68% of costs. These initiatives have enabled many employees to take the first major step towards home ownership and to give their families an important sense of stability.

Health

All Barry Callebaut employees and their families in Ivory Coast are provided with free access to healthcare and 80% coverage of major medical costs. A doctor is present at the production sites each day. The doctor offers free examinations for employees and their immediate family members. In cases of malaria or stomach diseases, drugs are given free of charge to the employee and family members. Other health services for employees include free vaccinations once a year. The vaccinations cover the diseases yellow fever, meningitis, cholera, typhoid fever, and tetanus.

SACO continues to make a committed effort to provide education and assistance to employees with HIV/AIDS. An AIDS Committee at the company organizes and conducts educational sessions. Employees have received assistance in getting free tri-therapy treatments. Condoms are distributed on a monthly basis.

Education support and sports

For the 'Cité SACO I' housing project, we provided tables and benches, blackboards and teachers' desks for the school, which has nine primary classes. Furniture and materials will also be provided for new schools in the 'Cité SACO II' and 'Cité San Pedro' housing projects.

Each Barry Callebaut employee in Ivory Coast receives an allowance for the schooling of their children. This allowance is the equivalent of two months' of the employee's salary, of which one month is non-refundable and

one month can be refunded over a period of 10 months. To date, many children of employees have continued their schooling and some have completed higher education after the baccalaureate degree.

Barry Callebaut also supports recreational activities for employees, including informal football and, most recently, biking competitions.

Cameroon:

Health

Barry Callebaut's subsidiaries in Cameroon - SIC Cacaos (Société Industrielle Camerounaise des Cacaos SA) and CHOCOCAM (Chocolaterie Confiserie Camerounaise SA) - began operations in 1952 and 1967, respectively. Today about 390 people are employed at our SIC Cacaos and CHOCOCAM production sites in Douala, Cameroon.

There is no social insurance system in Cameroon. Beyond the legal requirement for each company to have a doctor on site and available for employees, Barry Callebaut took a further step and purchased health insurance for its employees. BC Cameroon covers the cost of all or part of the medical expenses for employees and their families. The company also pays for annual medical checkups for all employees. In addition, there is an infirmary on site where employees can have appointments with a doctor. The factories are open 24 hours a day, and five nurses at both sites ensure that all the shifts have access to medical assistance if necessary.

In 2001, BC Cameroon signed a three-year partnership agreement with the Cameroonian National Committee Against HIV/AIDS. Barry Callebaut received USD 20,000 and made a matching contribution to fund the program. The objectives of the agreement were to create a coordination committee, organize prevention activities, provide training to the members of the coordination committee in order to give them skills for sensitizing others employees and their spouses, and to provide condoms to employees. BC Cameroon wanted to

contribute more than this agreement stipulated, and decided last year to pay all medical expenses related to HIV treatment for employees.

Sports and welfare

BC Cameroon believes that sport and fitness have a great impact on the welfare of its employees. When employees feel fit, this has an impact also on their performance and thus on the performance of the whole company. For this reason, BC Cameroon has established a sports association for employees at each of its production sites. Employees may participate free of charge in a range of activities. At SIC Cacaos, the SIC Sports and Leisure Association offers football (soccer), basketball, gymnastics and other team sports. At CHOCOCAM, the CHOCOSPORTS Association currently offers jogging and football, and plans to add other activities such as swimming and gymnastics. BC Cameroon spends approximately USD 46,000 each year on sports activities for employees. Future plans include the consolidation of the two sports associations into one to serve employees at both sites and reinforce a "One Company" feeling.

Brazil:

Health

BC Brazil provides medical and dental care for employees and their spouse and children, and offers insurance coverage. Working mothers who have children under the age of six months receive a child allowance.

Education

BC Brazil sponsors primary and high school education programs for factory workers. The goal of the Supletivo program, which was developed in partnership with Sesi/Senai, is to provide the means for 100% of Barry Callebaut's workforce to complete high school. At the start

of this program, 60% of the factory workers had not completed high school. In 2006, all workers had completed primary school and the last two high school classes for workers got underway. When these employees finish the program, 100% of the workforce will have a high school diploma.

Ilhéus Social Complex

After the acquisition of the Ilhéus plant in 2003, a climate survey was conducted among the employees covering topics such as group morale, leadership, communication, team spirit, working conditions, benefits and site infrastructure. It became very clear that the community facilities had a negative impact on employee satisfaction.

The existing complex was located in an improvised area. The canteen had no air conditioning and, therefore, was a very hot place, especially during summer time. The kitchen was not properly equipped to conserve meals and had a bad sewage system. The changing room was also in poor condition, with a roof made of wood and a bad drainage.

Together with a local architect a new social complex was designed, including a canteen, changing rooms and a leisure area. The key idea was to build a place that would give employees a sense of comfort and invite them to relax during lunch time.

The inaugural ribbon was cut during a ceremony that took place in September 2006. To demonstrate that the new social complex is dedicated to the employees of Barry Callebaut Brazil, all managers in Brazil got together in Ilhéus and served lunch to employees and guests.

Supporting communities

Poor health conditions, the shortage of clean water, malnutrition and diseases such as malaria, tuberculosis and sexually transmitted diseases such as HIV/AIDS have devastating repercussions on families in rural farming communities in Africa. Children are especially at risk.

Ghana:

Sponsoring local health and education initiatives

BC Ghana set up a trust fund in June 2002. The annual donation to the fund is equivalent to USD 1 per metric ton of beans processed. As of October 2006, USD 35,000 has been donated to fund local community projects in Tema in the areas of health, education or the environment. These projects have included:

- Accra Diamond Lions Club - HIV/AIDS Awareness programs for youth in the local secondary schools. The purpose was to educate the students about HIV/AIDS and the impact it could have on their lives. As a sponsor, Barry Callebaut Ghana was invited to participate in the program.
- College of Health Science - Due to the lack of adequate medical resources in Ghana, health care is a source of worry for many people. We are sponsoring five post-graduate medical students to train and educate themselves in specialized areas, such as cardio vascular diseases.
- Kpone Traditional Council - BC Ghana provided funds for the construction of a secondary school. The BC Ghana factory is located on land that is part of Kpone. Some of our employees are also resident in Kpone.

- Tema Presbyterian Secondary School -
BC Ghana supported the school's Computer Literacy project for students, by donating a PC with accessories.
- Tema Rotary Club -
We contributed funds for a library at the Rotary Center to train the disabled at Tema Community 5.
- Tema Lion's Club -
BC Ghana contributed funds to establish an eye-care center at Tema General Hospital.
- Mother Theresa Senya Brekum
BC Ghana contributed funds to support activities at this center dedicated to child education and welfare.

Ivory Coast:

Improving health and education of cocoa farming communities

Barry Callebaut has launched programs to help improve health and education conditions in cocoa farming communities through the Quality Partner program. Community health initiatives for farmers that included the distribution of mosquito nets and first aid services were started in 2007.

Medical Center in Goh village

To support cocoa farmers and their families in the San Pedro region, in the heart of the cocoa growing area, Barry Callebaut initiated the needs analysis and made a financial contribution to the funding of a medical center in the village of Goh, located about 85 km north of San Pedro. The contribution was made after the completion of the 2007 "Winning Together" Ride for Life program, a Group-wide initiative and biking challenge in which all 8,000 Barry Callebaut employees around the world were encouraged to

take part. The aim of the initiative was two-fold: to promote fitness and a balanced lifestyle and to support cocoa farmers in Ivory Coast.

Cameroon:

Distributing drinking water to local communities

Much of the population in Cameroon does not have access to clean drinking water. This is one of the great challenges the Cameroonian government is facing in its fight against poverty. BC Cameroon decided to contribute to the fight by supplying free drinking water to the people living in the areas around its two production sites, CHOCOCAM and SIC Cacaos, in Douala. Both areas are densely populated. SIC Cacaos, for example, is located near the local university attended by some 15,000 students. Each month, an average of 210 cubic meters of water is distributed to the public at CHOCOCAM and 500 cubic meters at SIC Cacaos, for a total of 8,510 cubic meters of water each year.

Tanzania:

Community service

Biolands, our supplier of premium organic cocoa in Tanzania, works together with the local community on a number of health, education and social welfare projects in the Kyela region, providing financial support and other services. It has a long relationship with the local district hospital in Matema and helps pay for the maintenance of the hospital's only ambulance and administrative services such as e-mail.

Biolands has also assisted local primary schools and provided books and helped to finance educational materials about HIV/AIDS. The company also sponsors an employee football team. In January 2006, Biolands helped transport maize from Tanzania to Malawi to famine areas.

Brazil:**Supporting the children of Iguape district**

BC Brazil has undertaken a project to provide education support for the children of the Iguape district in Ilhéus where our factory is located. The overall objective of the project is to reduce the exposure of children and adolescents of the district to social risk situations including violence, child labor and harassment. The specific aims are to contribute to the process of education and social inclusion of the children and adolescents, and provide leisure and cultural activities to help develop social consciousness and broaden their future expectations.

In 2007, BC Brazil plans to work with 140 children from Iguape, focusing mainly in the following areas:

- Portuguese and math reinforcement classes, including activities that complement work done in school;
- Sports, leisure and culture activities, including workshops for soccer, volleyball, handball, recreational circuits; support for reading; reading workshops; and a puppet theatre; and
- Computer classes.

Partnering with Papa Mel to care for the environment

Papa Mel is a non-government organization (NGO) located in Ipiauí that was formed by volunteers who work in various programs focused on the environmental and social improvement of the cocoa region in Bahia. As a complement to our Organic Cocoa Project, Barry Callebaut Brazil established a partnership with this NGO, aiming to develop the following activities:

- Environmental education through participative lectures

- Selective trash collection services, including social consciousness, training in waste selection and monitoring of activities;
- Creation of a reading workshop for children;
- Planning for the recovery of permanent preservation areas;
- Sanitary education and hygiene notions;
- Training for the utilization of organic waste in the agricultural area;
- Sale of the recycled material to invest in the purchase of books for children; and
- Inspection of child labor violations and children's attendance at school

Permaculture at school and eco-literacy

Aiming to participate actively in the creation of an agricultural model focused on food safety in the home and to combat the problem of undernourishment, Barry Callebaut Brazil will select six schools located in the region where the organic cocoa project has been developed, and will implement vegetable gardens in the "permaculture" standards. In the first phase of the program, teachers will be selected and the education program for the students will begin.

Faz Universitário

This project is being developed in partnership with the Government of Bahia. The objective is to sponsor college scholarships for youngsters who went to public schools in Bahia and who do not have the financial means to pay for their university studies. In 2006, Barry Callebaut Brazil sponsored scholarships for 30 students, and in 2007 we plan to increase this number to 45.

Cadbury Schweppes plc

Cadbury Schweppes plc

Sustainable Cocoa Growing in Ghana

Cadbury Schweppes is the world's largest confectionery company with over 200 years of heritage in responsible business.

Our culture is grounded in good business ethics; our founders were renowned for their fair treatment of employees and efforts in supporting sustainable communities long before the term corporate and social responsibility (CSR) was coined. Today, our commitment to CSR and sustainable development are very much part of the way that we do business.

We have a long history with Ghana: Cadbury helped found Ghana's cocoa industry in 1908, when we ceased to buy cocoa from Sao Tomé due to poor labor conditions. Our many partnerships and initiatives in Ghana over those 100 years have played a part in creating beans so good they command a world price premium, and create the UK's favorite chocolate.

All of our cocoa beans for GBI are sourced from Ghana and Cadbury Schweppes buys around 10% of Ghana's production.

Since the early 1900s we've been investing in Ghana cocoa communities in a number of ways, from agricultural training to develop cocoa farming to building local community centers; from supporting school scholarships to providing funds for the establishment of cocoa research foundations, a library building program with books donated by Cadbury Schweppes employees, from launching a farmers' newspaper and radio program offering technical assistance in cocoa growing to providing funds through The Cadbury Schweppes Foundation. To follow is a brief overview of these programs.

Building Fresh Water Wells

Background

Cocoa farmers often live far from a safe water source. In fact, one in four Ghanaians does not have access to safe drinking water. In rural Ghana, where cocoa is grown, women and children, particularly girls, can spend many hours every day collecting water; time which women could spend with their family or earning an income; or children could spend being educated.

Program Benefits

A community with a water well not only benefits from easy access to clean potable water and a subsequent improvement in sanitation and hygiene; more water also means natural resources can be replenished and crops can be watered which means more food and better nutrition. More time is available for farming, other jobs and education, which leads to an all-round improvement in a community's prosperity.

Program Details

We started our hand dug well building program, Ghana: for the Source, in 2001. Enabled by company financial support and considerable employee fundraising. For this phase of the program our partners were the Kuapa Kokoo Social Development Fund and WaterAid. By the end of 2006, together we had built 375 wells, providing access to clean water for around 50,000 people in cocoa growing communities.

We have recently made a new commitment and in 2007/8 we will be building 365 wells. This project will provide potable water facilities to benefit another 55,000 people in cocoa growing communities in the Western, Brong Ahafo, Central and Ashanti regions of Ghana. Our partners for this are local non-government organizations with the experience to deliver this program to time and to budget.

Biodiversity

Background

Since 2005 we have partnered with Earthwatch, the environmental charity, and the Nature Conservation Research Centre in Ghana in an innovative cocoa biodiversity program with the aim of encouraging sustainable cocoa farming in the future.

Program Benefits

The program examines the production of cocoa in biologically diverse environments, encourages new farming methods to support the production of quality cocoa beans in more ecologically balanced ways, and helps re-establish farming and enhance biodiversity on abandoned farms.

Program Details

Cadbury Schweppes provides financial support to the project, which allows a team of Ghanaian students to take part and gain practical field experience. Cadbury Schweppes also offers employees from around the world the chance to volunteer on the project and gain first hand experience of the environment in which cocoa grows in Ghana as well as the challenges in achieving a truly sustainable supply chain. We call this employee development program Earthshare.

The Earthshare program promotes environmental sustainability and sustainable cocoa growing, the protection of ecosystems and establishes eco-tourism as a potential additional income source.

Improved Productivity – Farmer Newspaper

In July 2006 Cadbury Schweppes was one of the partners who introduced a free newspaper for cocoa farmers.

Program Benefits

The Ghana Cocoa farmers' Newspaper is an initiative by the Cocoa Research Institute of Ghana (CRIG) with assistance from Cadbury Schweppes and CABI. The aim is to convey the CRIG recommended cocoa farming practices/technologies in a simple illustrative format and simple English to the cocoa farmers for adoption to increase cocoa productivity.

Program Details

The paper is distributed by the licensed buying companies (LBCs) who sponsored the paper - the Produce Buying Company (PBC), OLAM, Transroyal, ARMAJARO, Akuafo Adamfo and Kuapa Kokoo.

A sample interview among thirty farmers found that nineteen had applied the ideas in the paper fully or partly. Content and distribution methods for the newspaper have been reviewed to increase the effectiveness of the communication. 75,000 copies of each edition of the newspaper are printed but many are passed from farmer to farmer.

Investing in the Community

Access to water is just one barrier to the sustainability of Ghana's cocoa growing communities, there are many others. We also help farmers improve their livelihoods and the facilities for education in their community in order to maintain a decent standard of living to support their families and communities. This includes:

Enterprise Loans

Cadbury Schweppes Foundation funds an Enterprise Loans program for rural youth in Ghana through the Friends of Africa Foundation. A hundred loans will be given in 2007 along with a small business training package for each loan. Young people receive loans to expand small agricultural enterprises or for apprenticeships such as carpenters, bakers and hairdressers.

Books for Ghana

The Books for Ghana appeal was launched in 2006 and Cadbury staff have already donated 9,000 books. This has been supported by a donation from Cadbury Schweppes to build six community libraries.

The libraries are being built in villages where the International Cocoa Initiative's Yen Daa Kye programs are active. The local partner is Participatory Development Associates.

Future Considerations for Sustainable Cocoa Communities

Working with others in a variety of ways, Cadbury Schweppes has - and will continue to - play an effective and supportive role in developing a sustainable cocoa industry in Ghana.

It is in our interests that we create a better world in which our business and Ghanaian cocoa farming communities will grow and thrive.

We have recently funded a study to map sustainable production in Ghanaian cocoa. This has been undertaken by the Institute of Development Studies, University of Sussex and the Department of Agricultural Economics and Agribusiness, University of Ghana. This work is now drawing to a conclusion and the findings of this research will inform the Cadbury Schweppes' forward investment program and our action in Ghana.

Over recent years the investment made into the programs described above, and the Cadbury Schweppes contribution to the cocoa research fund of BCCCA, is estimated to exceed \$2.6 million. This report focuses on investment in Ghana and Cote d'Ivoire and does not include Cadbury Schweppes' investment in other countries. The investment figure excludes administration, employee donations, employee time and joint industry funded programs. Joint industry programs were covered in the earlier submission - and among others these collective activities include a direct annual investment in ICI and STCP.

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Cargill

Cargill

Supporting responsible and sustainable cocoa growing in West Africa

Cargill is one of the world's major originators and processors of cocoa beans. We manufacture high quality cocoa products such as cocoa powder, cocoa butter, cocoa liquor, as well as industrial chocolate, which are used by food and confectionery companies to produce cakes, biscuits, confectionery and other products for consumers around the world.

High quality cocoa, grown in a sustainable way, is essential to the economies and the livelihoods of farming communities in cocoa growing countries, and for Cargill, our customers and consumers. This is why we are investing in, and supporting, activities to help cocoa farmers to improve agricultural working practices and to deliver benefits to local communities.

We have launched a variety of measures to promote sustainable and responsible cocoa growing in the cocoa growing countries in which we operate. These include:

- providing training and support to farmers to improve the quality of their cocoa, and the price they get for it, through better growing and production practices;
- providing transparent information about international cocoa market prices to help farmers get the best price and reward them for good quality beans; and
- helping farmers transport their cocoa beans from rural villages to buying stations to preserve quality and yields, thus increasing their incomes.

Cargill has joined other members of the global cocoa and chocolate industry to take action to ensure that cocoa is grown responsibly, without the worst forms of child and forced labor. Additionally we have put in place programs in

West Africa to promote better working practices and to help prevent children from forced or dangerous work on farms.

We are committed to enriching the communities where we live and work by investing money, time and the talents of our employees in supporting rural communities, in areas such as health and education, to make a positive difference to their livelihoods and well-being.

The following information provides an overview of the activities Cargill is investing in, and supporting, in cocoa growing regions in West Africa. More information about our activities in other cocoa growing regions where we operate, and those specific to our employees, is available at

http://www.cargill.com/news/issues/cocoa_overview.htm

Cargill-CARE Rural Education Project

Project Dates: 2006-2008

Country: Ghana

Funders: Cargill

Implementer: CARE

Overview

In 2006, Cargill and CARE teamed up to launch the Rural Education Project in Ghana to improve educational opportunities for children in the Ahafo Ano North and South districts of Ashanti region of Ghana.

The project is focused on helping nearly 30,000 farmers and their children in 30 communities gain a better life in a region where farming, particularly cocoa production, is the main occupation for more than 80 percent of families.

The Cargill Rural Education project is designed to remove the barriers that are preventing families from sending their children to school. Some of these barriers include poverty or limited family income which forces parents to send their children to work; misconceptions about the limited value of education; and poor quality of education available to children.

Through training for farmers (to increase their cocoa yield and family income), formation of parent-teacher-community organizations, improved training and resources for teachers and school administrators, as well as increased engagement by education officials, families in the project communities of the Ashanti region are gaining the tools to improve the quality of their schools and standard of living, and ultimately help themselves.

Program objectives

The project works closely alongside farming communities to identify and overcome the barriers that are preventing children from attending school and keeping families in poverty. In particular it is seeking to:

- increase children's opportunities to attend quality schooling;
- reduce exploitative child labor; and
- improve local communities' standard of living through better cocoa production.

Progress to date

As a result of the activities outlined above, the following are some accomplishments within the first year.

- **17.5 percent increase in enrolment in schools.** From November 2006 to June 2007, the number of children withdrawn from farm work and enrolled in schools rose to 4,892 children up from 4,156. Across the two districts this was a total of 736 more children benefiting from education.
- **Farmer and Education committees established.** With recognition from the District Authority, these bodies are the key representatives of the communities in advocating for improved social services especially on agricultural and educational development in both districts.
- **12 district staff in place to provide support.** 6 from each district are equipped with community mobilization skills.
- **Strengthening commitment and action on education in all 30 communities.** All 30 communities have taken steps to improve and strengthen School management committees (SMC), and are identifying the needs and challenges for both schools and farmers, in order to put in place actions plans for better educational opportunities for their children. This is supported by improved teacher-

parents' relationships and an increased commitment and understanding from parents for school development.

- **Construction of kitchen and toilet facilities for schools.** 10 communities have completed kitchen structures in support of the national school feeding program. 5 communities - Bokuruwa, Moframentukwa, Anitenfe, Afreseni and Nsuta Nyamebekyere - have completed the construction of urinal and toilet facilities at local schools. All 30 communities are being supplied between 5 and 10 bags of cement towards community initiated school projects.
- **More children provided with basic school equipment.** Parents in each of the 30 communities are now able to provide basic items including school uniforms, footwear, school bags and stationery (pens, pencils, exercise books, erasers etc.).
- **Establishment of school farms.** In Kunsu Dotiem parents have set up a school farm (maize and palm) as a sustainable fundraising venture for school development.
- **Increased visits by Agricultural Extension Officers** to offer technical support to members of the farmer groups/associations.

Cargill-IECD Farmer Field Schools Program

Project Dates: 2005-2010

Country: Côte d'Ivoire and Cameroon

Funders: Cargill, Dutch Ministry of Agriculture, Nature and Food Quality

Implementer: European Institute for Cooperation and Development (IECD)

Overview

The Farmer Field Schools program being operated by IECD is establishing 40 Family Farm schools in local communities throughout Côte d'Ivoire and Cameroon.

These schools are taking an innovative, dual approach by providing children and adults with education, vocational and practical farming skills. It is promoting a sustainable development model in cocoa growing communities to improve social and economic welfare and help reduce rural migration.

The general literacy rate in these areas is 48 percent; 43 percent of children are primary school age out of school; and 79 percent of children of secondary school age are out of school. This program works closely with local communities to ensure there is local support and full involvement in the establishment and running of each school.

An unused house or building provided by each community to host the school is renovated by IECD; teachers and trainers are recruited from the local population; and local needs are identified to design and deliver best training modules for the community and increase the opportunities for success. In addition to cocoa production, the programs cover other agricultural practices such as growing tomatoes, tomatoes, gumbo, yam, raising livestock, as well skills such as sewing.

Once a student 'graduates' from a Farmer Field School, technical and logistical support continues to be provided

by community students from other Farmer Filed Schools, teachers and their local communities.

Program objectives

- Provide educational and vocational training to children and adults in cocoa growing communities in Côte d'Ivoire and Cameroon through establishment of 40 Family Farm Schools
- Enable youngsters and adults to upgrade or establish their own farm through provision of practical training and support
- Improve the quality of the cocoa production, overall farming practices, and sensitization to child labor
- Promote sustainable development to improve social and economic welfare and help reduce rural migration

Progress to date

- 12 new schools have been opened, and a further 8 revived, around Bouafle, Daloa and Gagnoa in Côte d'Ivoire. 10 schools expected to open in Cameroon and Côte d'Ivoire during 2007
- 6 new schools have been established and are up and running in Cameroon
- Over 300 new students are benefiting from the education and vocational training offered by Family Farm Schools in their local communities
- Train the trainer sessions in each community have been conducted to enable local people to have involvement and take responsibility for the success of their local school
- Training modules have been developed to enable schools to have programs that meet the needs of the local population
- Focus in the Côte d'Ivoire will be in the south west

Cargill Farmer Quality Training Program

Project Dates: Ongoing program established in 2001

Country: Côte d'Ivoire and Nigeria

Funders: Cargill

Implementer: Cargill

Overview

Cargill has established a program of quality training for cocoa farmers in Côte d'Ivoire and Nigeria, which are providing farmers with practical on-the-ground support and advice, encouraging sustainable cocoa farming and helping to prevent children from forced or dangerous work on farms.

These free training sessions are held in local cocoa growing communities with targeted goals of reaching 10,000 farmers per year in Côte d'Ivoire and thousands more in Nigeria. They are sharing agricultural best practices and information with farmers, enabling farmers to learn new techniques to improve both the quantity and quality of their cocoa beans, and thereby directly helping to improve their incomes.

Many farmers are illiterate and formal training has not previously been available. These interactive sessions, held within their own local communities, teach better and safer farming practices, such as using sticks in place of machetes to open cocoa pods especially when children might be involved, and using pesticides only in a prudent manner and never if children are around.

The seminars are also increasing sensitization to social issues, such as child labor and HIV/AIDS. Part of each session is devoted to promoting the importance of school attendance for children, and to emphasize that it is wrong for children to undertake forced or dangerous work on cocoa farms.

Program objectives

- Promote and encourage the adoption of best agricultural working practices amongst cocoa farmers in Côte d'Ivoire and Nigeria
- Enable farmers to improve the quality and quantity of their cocoa, thereby directly enabling them to improve their incomes
- Help prevent children from forced and dangerous work on cocoa farms by increasing awareness amongst farmers and cocoa communities of child labor issues and importance of school attendance

Progress to date

- Quality training programs up and running throughout cocoa growing communities in Côte d'Ivoire and Nigeria
- 10,000 farmers per year receiving training in Côte d'Ivoire

Cargill Cocoa Community Logistics Program

Project Dates: Ongoing program established in 2006

Country: Côte d'Ivoire

Funders: Cargill

Implementer: Cargill

Overview

Cargill has established partnerships with local trucking companies around Daloa and Gagnoa in Côte d'Ivoire to finance a logistic program to transport cocoa beans more quickly and easily at no cost to farmers.

Delivering cocoa beans to local buying stations is critical to the quality of cocoa, and to the revenues of farmers. As cocoa is grown in rural areas, storage conditions are often inadequate, the roads are poor, farmers cannot afford vehicles and the long time it can take to transport the cocoa can damage the quality and value of beans. Additionally, carrying these frequently heavy loads also has health risks for farmers.

The program is supporting a union of 8 cooperatives in the South West region representing 6,500 farmers. It is providing 30 pick-up trucks, which collect and transport cocoa beans from small, rural villages to the warehouses of farmer cooperatives to which farmers can sell their crop.

It is also providing 10 larger, 15 ton trucks to then transport the beans from these warehouses to buying stations. Reducing the time it takes to transport cocoa beans is helping preserve their quality and value, and enabling farmers to directly benefit with an increase in their incomes. At the buying stations farmers are provided with transparent information on international cocoa market prices and are rewarded fairly for their good quality beans.

The transporters have set up their offices at Cargill premises in Daloa and Gagnoa and are providing employment

for 50 local people as drivers, mechanics, controllers and accountants. The program is also providing technical support; training seminars for farmers on good agricultural practices, and sensitization on child labor; as well providing them with finance.

Program objectives

- Enable local cocoa farmers and cooperatives to more easily, and quickly transport their cocoa to local buying stations at no cost to them
- Improve the quality of cocoa beans by reducing the time taken to transport farmers' crops to buying stations and enable farmers to receive better price

Progress to date

- 30 pick-up trucks in operation and collecting and transporting beans from cocoa farmers to cooperatives
- 10 larger, 15 ton trucks in operation and transporting beans from warehouses to buying stations
- Logistics companies have set up their offices at Cargill premises in Daloa and Gagnoa and are providing employment for 50 local people as drivers, mechanics, controllers and accountants

Tema Maternity Clinic, Ghana

Project Dates: 2006-2007

Country: Ghana

Funders: Cargill

Implementer: Mercy Ships and Ghana Health Services

Overview

Cargill and Mercy Ships opened a new maternity wing and theatre in the Tema Polyclinic, Ghana in February 2007, which will be staffed and operated by Ghana Health Services.

The population of the port city of Tema, about 16 miles east of the capital Accra, has grown to 600,000 in recent years, yet healthcare facilities and services have remained limited. In Ghana, more than half of all women give birth at home without the assistance of a medical professional and a devastatingly high maternal and child mortality rate is the result. Until the opening of this new clinic, the Tema Polyclinic had provided antenatal care to more than 8,000 women a year, but had no birthing facilities.

The new 5,000 square foot Polyclinic maternity ward will serve more than 20 communities in both the city of Tema and neighboring districts. The facility consists of a four-bed birthing room, a surgical suite where caesarean sections can be performed, a 14-bed general ward, and toileting facilities.

Program objectives

- Construct and open a new maternity wing and theatre at the Tema Polyclinic to enable maternity services to be provided from this existing healthcare clinic.
- Establish a new maternity facility to allow Ghana Health Services to serve the growing local population in Tema and surrounding districts.

Progress to date

- New 5,000 square foot Polyclinic maternity ward opened in February 2007.
- Facility consists of a four-bed birthing room, a surgical suite where caesarean sections can be performed, a 14-bed general ward, and toileting facilities.
- Ghana Health Services are now staffing and operating clinic and providing antenatal services and care to local population of 600,000.

Ghana Food Bank Network

Project Dates: 2006-2008

Country: Ghana

Funders: Cargill

Implementer: Global Food Bank Network

Overview

Cargill is sponsoring a pilot project in partnership with the Global FoodBank Network to improve storage and distribution for commodities that can be used for foodbanks and to improve the livelihood of farmers in Ghana.

Program Objectives

- Design and implement a food production project to aid small farmers
- Generate a grain surplus for supplying school meals through the Ghana School Feeding Program

Progress to date

Launched the Pukrom Cooperative Farmers Pilot Project to test the feasibility of working with local farmers to produce a surplus of grain corn through:

- Increased acres planted and increased yields per acre through investments in planting season inputs
- Creation of a credit training and lending resource for the farmers for planting and growing season inputs
- Improved post-harvest drying and storage technology (using cocoons) and a warehouse facility to protect from insect infestation losses
- Creation of a harvest purchase and buy back mechanism through the Ghana Food Bank to enable farmers the ability

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to sell some of their harvest during the lean season when market prices are more favorable

- Advocating for hunger response initiatives and the relevance of foodbanking at the national level through effective communication and meetings with government agencies

Habitat for Humanity

Project Dates: 2005

Country: Côte d'Ivoire

Funders: Cargill

Implementer: Cargill and Habitat for Humanity

Overview

Cargill employees in Côte d'Ivoire have helped build more than 20 homes in the Gagnoa region. In partnership with Habitat for Humanity, employee volunteers dedicated their time to build homes for families and are now also providing ongoing support to this area.

Program Objectives

- Build 20 new homes for families in the Gagnoa region of Côte d'Ivoire
- Enable local families and communities to benefit from affordable, secure housing

Progress to date

- 20 new homes constructed in Gagnoa region of Côte d'Ivoire

United Nations World Food Programme

Project Dates: 2005-2008

Country: Côte d'Ivoire

Funders: Cargill

Implementer: United Nations World Food Programme

Overview

Cargill is providing funding to United Nations World Food Programme in Côte d'Ivoire to help prevent and treat intestinal parasites in children in cocoa growing communities, in conjunction with the WFP's school feeding programs.

The activity in Côte d'Ivoire is part of the World Food Programme's effort to reach 250,000 children in 1,630 schools across the country.

Objectives

- Improve the health and welfare of children in communities throughout Côte d'Ivoire
- Train more than 3,200 teachers in WFP assisted schools in health and sanitation practices in addition to receiving de-worming treatment themselves
- Provide essential preventative healthcare and treatment to children for conditions such as intestinal parasites

Progress to date

- More than 340,000 students have received the de-worming treatment
- 3,300 teachers have received health and sanitation training
- WFP in Cote d'Ivoire is preparing for a second round of treatment scheduled for the 2007-2008 school year beginning in October 2007

Chaine Des Tout-Petits Immunization Program

Project Dates: 2004-2006

Country: Côte d'Ivoire

Funders: Cargill

Implementer: Chaine Des Tout-Petits

Overview

Cargill is supporting and providing funding to the Chaine Des Tout-Petits Immunization Program. This program is immunizing and protecting children against meningitis, tetanus and intestinal parasites.

To date this activity has resulted in more than 33,000 children in Abidjan, San Pedro, Daloa and Gagnoa receiving vaccinations.

Objectives

- Improve the health and welfare of children in cocoa communities throughout Côte d'Ivoire
- Provide essential vaccinations and treatment to children to protect against meningitis, tetanus and intestinal parasites

Progress to date

- More than 33,000 children received immunization and protection from meningitis, tetanus and intestinal parasites in Abidjan, San Pedro, Daloa and Gagnoa
-

Kraft Foods

Kraft Foods

PPP – Côte d'Ivoire:
Projet de Production Durable de Cacao Certifié,
Cote d'Ivoire (Certified Sustainable Cocoa Project
in Ivory Coast)

Project Name	Projet de Production Durable de Cacao Certifié, Côte d'Ivoire (Certified Sustainable Cocoa Project in Ivory Coast)
Donors	Kraft Foods Global, Inc. US Agency for International Development (USAID) German Agency for Technical Cooperation (GTZ) Armajaro
Location	Côte d'Ivoire regions of Daloa/Issia and Abengourou
Duration	May, 2006-2009
Partners	Anader STCP/IITA (Sustainable Tree Crops Program)* Rainforest Alliance/ACMA EDE Consulting German Agency for Technical Cooperation (GTZ) Armajaro

*Kraft Foods Global contributes to the core funding of the Sustainable Tree Crops Program in partnership with the World Cocoa Foundation, industry members and the US Agency for International Development. More information on this program can be found in the August 2007 Responsible, Sustainable Cocoa Farming: Industry Report.

Objective/Strategy	<p>Improve sustainability of cocoa production in important Côte d'Ivoire growing regions Daloa and Abengourou using an accepted sustainability standard as a yardstick for sustainability.</p> <p>Rainforest Alliance and its partners will provide guidance and technical assistance to about 4,000 farmers in six cooperatives in Côte d'Ivoire over three years to encourage sustainable cocoa production.</p> <p>Farmers will work toward achieving Rainforest Alliance certification by meeting comprehensive environmental and social standards that include conserving natural resources, protecting the welfare of workers and putting into place more efficient management practices.</p> <p>The first deliveries of Rainforest Alliance Certified cocoa from Côte d'Ivoire are expected in 2007.</p> <p>Dissemination of production practices as well as complementary project activities targeting social issues will increase economic, social and ecological benefits for cocoa producers.</p> <p>The project is meant to demonstrate how producers and the private and public sectors work together to reorient mainstream cocoa production to include sustainable agricultural practices using a clear market oriented approach.</p>
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	<p>It is expected to generate best practices which will be used to promote sustainable production schemes in the cocoa industry on the national and international level.</p> <p>The aim of this joint project is to demonstrate how small scale producers can increase economic, social and ecological benefits by growing, harvesting and supplying certified cocoa according to Rainforest Alliance standards.</p>
Benefits/Beneficiaries	<p>Economic Targets</p> <ul style="list-style-type: none"> • adaptation and application of good agricultural practices • stabilized and improved productivity • reach quality parameters as defined by Kraft • traceability of project cocoa beans from farm to Kraft • management plan established and implemented by co-op/farmers • ability to obtain sustainable certification • capacity building on farm and organizational level in technical, management and marketing issues <p>Social Targets</p> <ul style="list-style-type: none"> • ensure children's right for basic education and prevent unacceptable forms of child labor • basic health care, occupational health and safety concerns, HIV, reproductive health, family planning

	<ul style="list-style-type: none"> • adequate living conditions for the farmers, their families and workers • establishment of strategic alliances for identified intervention areas <p>Environmental Targets</p> <ul style="list-style-type: none"> • prevention of deforestation • cocoa production associated with shade trees • no use of internationally recognized "most hazardous" chemical pesticides • soil conservation/conservation of water resources <p>Beneficiaries are smallholder farmers, farm workers and their families.</p>
Results	<ul style="list-style-type: none"> • Increased number of cooperative members to 1,850 from 983 in 2006 • 6 cooperatives involving 350 farms were certified in 2007 • Farmer Field School (FFS) has trained 1,290 farmers, 3 Group administrators and 9 farmer promoters on improved and sustainable cocoa production practices and critical health issues (HIV/AIDS, malaria). Group Administrators and Farm promoters are prepared to take over the internal certification system and training program at the end of the project to ensure compliance with Rainforest Alliance standards.

	<ul style="list-style-type: none">• Integrated Pest Management (IPM) applied at large scale. Pruning of cocoa trees and removing of epiphytes and chupons as well as rational pesticides application are widely applied by FFS participants. Results of FFS are otherwise disseminated during "Farmer's day meetings" which gather tens of farmers including FFS participants and non participants.• Preservation and rehabilitation of ecosystem and natural resources. More than 5,000 shade trees will be planted by the 1,850 producers (candidates) for the next Rainforest Alliance audit. They are also preserving wild seedlings already existing in their farms. Farmers involved in the Project increasingly perceive that planting trees will contribute to stabilizing their production systems and improves resilience during drought periods.• Promote preservation and sustainable use of natural resources by implementing large reforestation program to establish shade trees.
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Other (Milestones)	<ul style="list-style-type: none">• Procedures and content for the dissemination and upgrading process of conventional production systems is agreed upon with farmers' organizations and project partners.• Production, certification and marketing of sustainably produced cocoa are supported.• Armajaro has introduced a traceability system where each cooperative produces export bags that are coded to the co-op and farmer; those bags are not mixed prior to export.• Awareness campaigns and complementary support to address problems with HIV/AIDS, health service provision, family planning and abusive child labor practices are provided for farmer organizations.• Management capacities of farmer organizations have been improved.
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CLASSE (Child Labor Alternatives through Sustainable Systems in Education)

Project Name	CLASSE (Child Labor Alternatives through Sustainable Systems in Education)
Donor	Kraft Foods Nordic (via Norwegian Chocolate Manufacturers Association)
Location	Côte d'Ivoire
Duration	2005-2007
Partners	Winrock International
Objective/Strategy	The CLASSE program seeks to prevent children from becoming involved in the worst forms of child labor through educational economic empowerment in Côte d'Ivoire cocoa growing areas.
Benefits/Beneficiaries	<p>CLASSE gives a new generation of farmers the skills they need to improve production and increase income, raise awareness of child labor, HIV/AIDS, and the concept of environmental sustainability. CLASSE targets children aged 10-18 as they are the most vulnerable to these risks.</p> <ul style="list-style-type: none"> • 240 youth will receive vocational agricultural training. • 30 students and their mothers/guardians will receive microcredit scholarships.

	<ul style="list-style-type: none"> • 3,000 youth will be sensitized to child labor and HIV/AIDS. • 60 students will participate in agriculture clubs. • 5 cocoa demonstration plots and 5 school gardens will be established. • 5 schools will be renovated.
<p>Results (as of May 2007)</p>	<p>80 children and youth have completed agricultural training.</p> <ul style="list-style-type: none"> • Topics include farming techniques for cocoa and other crops, child labor prevention, HIV/AIDS awareness, small business training, and leadership skills. <p>40 students and their mothers/guardians received micro-credit scholarships.</p> <ul style="list-style-type: none"> • Micro-credit scholarships are designed to support youth education while increasing the income of the student's mother. <p>115 youth sensitized to child labor.</p> <ul style="list-style-type: none"> • Youth receive training through the ILO's SCREAM methodology that uses the arts to educate youth on child labor issues. <p>2,119 youth sensitized to HIV/AIDS.</p> <ul style="list-style-type: none"> • Youth receive training prevention and risk reduction, and have organized World AIDS Day events for other youth.

30 students participated in agriculture clubs.

- Agriculture clubs maintain school cocoa and vegetable plots, participate in agribusiness training, and host computer clinics.

5 schools renovated; 5 cocoa plots, and 5 school gardens.

Partnership with Save the Children UK

Project Name	Partnership with Save the Children UK
Donor	Kraft Foods UK, Ltd.
Location	Côte d'Ivoire
Duration	2005-2006
Partners	Save the Children UK
Objective/Strategy	Protect children from recruitment into the armed forces, reunite children separated by the conflict with their families and promote informal education in communities where school systems have been disrupted.
Benefits/Beneficiaries	<p>The program supported children in 7 separate villages on both sides of the Ivorian conflict who were displaced or affected by civil unrest. 55 separated children were aided, 781 other children were provided educational assistance and approximately 3,000 participated in recreational and cultural activities.</p> <ul style="list-style-type: none"> • Reunite separated/unaccompanied children with their parents. • Promote informal education in communities with disrupted schools. • Promote recreational and cultural activities in target areas.

Results	<p>Reunite separated/unaccompanied children with their parents.</p> <ul style="list-style-type: none">• 55 separated children/unaccompanied children aided.• 100% of children registered as separated and documented.• At least 60% of children reunified with families or guardians.• Another 30% of children established contact with their families.• 80% unaccompanied children with unsuccessful tracing placed in foster families.• 100 % of registered children received at least one follow-up visit every 2 months; all placed in databases. <p>Promote informal education in communities with disrupted schools.</p> <ul style="list-style-type: none">• Prevention of conflict recruitment/education on child rights/ sexual/reproductive health issues (HIV/AIDS, STD, family planning).• 781 children aged to 11 to 17 years received education.• Sensitization sessions for 2 villages.• 12 sessions and 48 follow-up sessions on birth certificates.
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	<ul style="list-style-type: none">• 12 birth registers distributed in the villages -- 80% of newborn babies documented.• 5 children's clubs and 5 protection committees appointed and members actively involved in child protection. <p>Provide access to basic education.</p> <ul style="list-style-type: none">• 5 new villages added to non-formal education program. Activities continue in 7 villages from phase one.• Community educators from 12 villages receive teaching materials, technical support and at least four evaluation sessions every year.• 12 sites provided with learning materials and textbooks.• 100% of girls involved in alternative activities.• Boys and girls who are not able to read and write take part in non-formal education activities, recreational activities, sports events and games as well as in the sensitization on sexual and reproductive health in target villages.• 98% of the learners attending the non-formal education receive a training certificate upon completion.
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	<p>Promote recreational and cultural activities in target areas.</p> <ul style="list-style-type: none">• Approximately 3,000 children participated.
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Partnership with Action Contre la Faim

Project Name	Partnership with Action Contre la Faim
Donor	Kraft Foods France, S.A.
Location	Côte d'Ivoire
Duration	2004-2005
Partners	Action Contre la Faim
Objective/Strategy	Support a mobile feeding unit that provides emergency hunger screenings, nutritional kits and rations to children in need in Côte d'Ivoire.
Benefits/Beneficiaries	<p>Program will screen and document children for hunger and malnutrition.</p> <p>Children in need will be provided with emergency food rations.</p> <p>Program benefits hungry and at-risk children from Côte D'Ivoire villages of Dakouigouiné, Zogouiné, Toueupleu, and Ganleu.</p>

Results	<ul style="list-style-type: none">• 1,140 children screened for malnutrition/hunger in one month.• 3,562 children received food aid.• Kraft funding helped recruit additional social workers for the ACF program and enabled an extra feeding vehicle and spare parts to be shipped into the region from France.• Kraft's contribution enabled ACF to buy a car and set up a mobile unit to strengthen its nutritional intervention. The car was also used to refer cases from the Nutritional Therapeutic Feeding Centre to ACF's Supplementary Feeding Centres.• Kraft's donation enabled ACF to finance shipment of emergency nutritional kits between Abidjan and Man in Côte d'Ivoire and Liberia in order to react adequately to an emergency situation.
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Mars Incorporated

Mars Incorporated

Cocoa Sustainability - A Commitment to the Future (extracts from www.cocoasustainability.mars.com)

As a leader in cocoa science in the industry's global effort to achieve COCOA SUSTAINABILITY and an innovator in cocoa knowledge, MARS is making a positive difference for cocoa farmers and their families around the world.

Cocoa sustainability is a holistic, proactive set of activities designed to ensure future supplies of cocoa, and a responsible approach to its production, so that the community and environment in which it is produced can thrive.

For decades, Mars has worked with the cocoa industry and leaders in related fields to create and fund beneficial research programs. Mars has also contributed the time and expertise of many of its scientists to specific programs. These programs include education and training for farmers, development of pest/disease resistant cocoa crops, and other pioneer avenues for cocoa research.

The values by which we have always operated inspire us every day to seek the most responsible methods of cocoa production whereby the entire supply chain shares mutual benefit from the harvesting of this unique and fragile crop. All work supporting truly sustainable cocoa farming practices within sustainable cocoa communities will make a positive contribution to the elimination of child labor. The following summaries provide an overview of Mars' activities across the world's cocoa growing regions, with particular emphasis on programs in West Africa (pages 104 - 109).

THE FIVE PRINCIPLES OF MARS

Quality...Responsibility...Mutuality...Efficiency...Freedom

Child Labor***"Poverty is both the cause and the consequence of child labor."***

Norwegian Minister for
Development and Human Rights, Hilde Frafjord
Johnson, host of the Conference on Child Labor

Abusive child labor is a symptom directly related to the problems of poverty in the developing world. Mars is committed to the Harkin-Engel Protocol, which outlines a series of date-specific steps to ensure that cocoa is grown free from abusive child labor. Mars and our public-private partners believe that in order to meet this challenge we must go beyond the Protocol. Along with our industry partners, we are committed to refining and fully implementing a certification process and to improving the lives of West African cocoa farmers and their families. Teaching farmers sustainable growing practices will help to increase their economic return and address the range of problems related to poverty. As these improvements occur, living standards in cocoa-growing communities will improve and social issues such as abusive labor conditions will be more effectively addressed.

Mars is at the forefront of the industry effort to address abusive child labor. This effort includes working with the International Cocoa Initiative (ICI), The United States Agency for International Development (USAID), the International Labor Organization (ILO), the World Cocoa Foundation (WCF) and other interested parties. Together, our goal is to fund programs in West Africa aimed at making a positive difference in the lives of cocoa farmers, their families, communities and the environment. The steps we have taken so far to address cocoa growing conditions in West Africa are evidence of our long-term commitment to improve the well-being of millions of small

farmers. For specific information about our commitment and our progress to date, please visit responsiblecocoa.org or worldcocoafoundation.org.

Cocoa Sustainability

Cocoa sustainability refers to a holistic, proactive global partnership designed to ensure future supplies of cocoa and a responsible approach to its production so that the community in which it is produced can thrive.

Mars' unique investments have launched a new era in cocoa. Today, cocoa is seen as not just a commodity, but also as a potential engine for economic growth, social improvement and environmental stability.

The Cocoa Farmer

Small family farms are the HEART of the cocoa industry, with 5 to 6 million farmers providing more than 90 percent of the world's cocoa crop.

A typical West African farm covers five to eight acres of land and may grow approximately 2,500 cacao trees. But conditions are rarely ideal for the farmer to produce the crop.

An estimated one-third or more of the world's cocoa is lost to pests and diseases every year, having a potentially devastating impact on small farmers whose livelihoods depend on the yields of a healthy crop; sometimes these farmers suffer a total loss of their crop.

Many groups have an interest in addressing the issues facing cocoa farmers:

- The chocolate industry needs a stable supply of raw ingredients;
- Environmental groups seek to preserve the natural habitats that cocoa creates in otherwise fragile tropical regions;
- Donor organizations aim to raise rural incomes;
- Cocoa farmers need a dependable source of income;
- National governments look to support domestic agriculture and raise living standards in the rural communities.

Mars and many others concerned with these issues are now seeking to broaden the scope of these various endeavors and coordinate them in an integrated approach.

Cocoa is Fragile

The genesis of this promising collaboration arose from tragedy in the cocoa sector. By 1994, a fungal plant disease known as Witches' Broom had destroyed 75 percent of the Brazilian cocoa crop.

Brazil, formerly one of the world's major cocoa exporters, became an importer of cocoa to meet its own growing domestic consumption needs.

This loss in production was due to the lack of disease resistant plants and the absence of methods and knowledge to stop the spread of the disease.

At roughly the same time, Malaysia, another major cocoa producer, suffered similar losses in its cocoa sector due to an insect pest, the cocoa pod borer, plaguing the crop. Cocoa stakeholders increasingly recognized that a sustainable agricultural system could meet current and future economic, social and environmental needs. They also

began to recognize that a truly sustainable cocoa supply would require coordinated efforts of all interested parties.

Community Unites

Mars, recognizing the gravity of these crop disasters, began working with the Smithsonian Institution to ORGANIZE the First International Workshop on Sustainable Cocoa Farming.

Held in Panama in 1998 at the Smithsonian Tropical Research Institute (STRI), the workshop featured a select group of ornithologists, plant scientists, environmental advocates and chocolate industry scientists. They embraced the ideal that cocoa grown within a biologically diverse and environmentally sustainable agricultural system is capable of providing long-term economic, social, and environmental benefits to the millions of smallholder farmers who are uniquely suited to cultivate cocoa.

The consensus statement developed at the conference continues to guide efforts by Mars, as well as other members of the chocolate industry, to overcome the challenges facing the cocoa farmers and to better realize the many benefits of the crop.

The principles adopted at the Panama Conference state that a sustainable, biologically diverse system of growing cocoa will:

- Be based on cocoa grown under a diverse shade canopy in a manner that sustains as much biological diversity as is consistent with economically viable yields of cocoa and other products for farmers.
- Use constructive partnerships that involve all stakeholders with special emphasis on small farmers.

- Build effective policy frameworks to support these partnerships and address the particular needs of small farmers for generations to come.
- Encourage future cocoa production that rehabilitates agricultural lands and forms part of a strategy to preserve remnant forests and develop habitat corridors.
- Maximize the judicious use of biological control techniques for integrated management of pests, disease, and other low input management systems. The principles developed at the conference continue to guide efforts by Mars and our industry partners. Mars continues to be a leader in cocoa sustainability research.

Building a Sustainable Future

After little change over the past 100 years, cocoa farming is beginning to evolve through research, training and organization.

For its part as an industry leader, Mars has been at the forefront of cocoa science related to plant breeding and pest and disease control programs.

- Breeding programs around the world are seeking to develop cocoa varieties that are more resistant to various pest and disease problems.
- Newly developed pest and disease resistance and bio-control management strategies make use of natural controls, responsible chemical control and good agronomic practices.

- Farmers are being trained to improve soil nutrient supplies, trim tree canopies to manage light and nutrients, rehabilitate and rejuvenate older trees, reduce post-harvest losses through processing and storage improvements, and diversify their farms to include other crops such as coconut, rubber, oil palm, coffee and fruit.
- Farmers are also improving communication and cooperation as a way to deliver farming information, to improve quality, to better market cocoa, to provide safer farm environments, and to receive a greater percentage of the price of cocoa. By reducing production costs, raising productivity, and removing market and policy inefficiencies, farmers are able to substantially increase their income.

Mars has also worked with other industry leaders to develop programs that seek to raise the overall standard of living of rural cocoa farming families and communities.

The Road Ahead

The global cocoa supply remains fragile, but considerable progress has been made in a very short time to develop programs to sustain the economic, environmental, and social aspects of cocoa.

Thanks to unprecedented cooperation among diverse stakeholders, integrated holistic programs now exist that seek to raise the standard of living for small cocoa farmers, improve cocoa's surrounding ecosystems, create jobs globally for cocoa producers and farmers of associated products, and satisfy consumer demand for chocolate and chocolate products.

Of course, the global cocoa supply remains uncertain in the face of significant challenges, but considerable progress

has been made in a very short time to develop research programs aimed at sustaining the environmental, economic and social benefits of cocoa farming for all involved.

Mars Initiatives

Mars is a leader in organizing industry collaboration and working in the field to ensure that COCOA has a sustainable future

Mars is a leader in the field of cocoa research, and its work encompasses agricultural, economic and health related issues. Working independently, as well as in collaboration with industry partners, governmental agencies such as the United States Department of Agriculture (USDA) and the United States Agency for International Development (USAID), scientific research institutions (The Smithsonian Tropical Research Institute), non-governmental organizations (World Cocoa Foundation, International Cocoa Initiative and Conservation International), academia (Harvard, University of California-Davis and University of Nottingham) and organizations of small cocoa farmers, Mars has established a variety of programs that seek to ensure the long-term sustainability of the cocoa economy, the communities that produce cocoa, and their environments.

Why We're Involved

A sustainable business is committed to helping meet the needs of society today, while respecting the needs of future generations.

In promoting "sustainability," Mars wants to see growth and improvement in:

- The standard of living enjoyed by growers, their families and communities.
- The quality and quantity of the product.

Mars works in partnership with various entities and with cocoa-producing countries to empower the grower. Current efforts include:

- Providing market information processes.
- Supporting growers in developing better production techniques and practices to improve yields and income.
- Research and innovation programs to produce a robust cocoa crop.

These actions contribute to a healthy cocoa supply chain from which all involved can benefit - cocoa farmers, their communities, and the tropical environment in which cocoa is grown.

Importance of Partnerships

Public/private partnerships, including industry, governments, international donor and development organizations, non-governmental organizations (NGOs) and cocoa farmers now exist in which knowledge and resources are shared.

In doing so, the partnerships have set aggressive objectives to:

- Develop effective disease and pest control strategies.
- Raise the standard of living for small-scale cocoa farmers, their families and communities.
- Educate farmers about appropriate cultivation methods.
- Improve the biodiversity of cocoa-based ecosystems.
- Create jobs globally for cocoa producers and farmers of associated products.
- Provide quality raw materials to satisfy consumer demand for chocolate and chocolate products.

Meeting these objectives will improve the sustainability and success of the cocoa supply chain for farmers, their communities and the environment.

West African Case Studies:

Bringing rural skills to the African bush

COUNTRY: Cote d'Ivoire

THEME: Social

If there is one thing that teenage youngsters around the world have in common, it is a tendency to become disinterested in school. Africa is no exception. On any day in any community in West Africa, one will be able to find boys, and some girls, in their early teens that are not in school. There may not be many of them, but any student who leaves school early is not making the most of his or her opportunities.

Add to this the tendency for unskilled rural youth to migrate to the cities, and it is not difficult to see that there may be problems ahead. Some village chiefs have realized that this situation needs to be addressed and Mars, working with Winrock International, an educational non-governmental organization (NGO), has joined with a community in the Agboville area of Cote d'Ivoire to make a difference for some of these students.

The village elder in this settlement identified a plot of land where a vocational school could be located. He then approached Winrock, who was already working with the global chocolate industry, and a partnership emerged. The village provided the land and labor to build the school and Mars, along with the World Cocoa Foundation (WCF), provided the funding. Winrock provided the know-how to make the project work.

With the endorsement of the Ivorian Ministry of Education, there is now a model school program where teenage boys are enrolled to learn relevant vocational skills, including the art of being a cocoa farmer. This is the school's first academic year, but the partnership is hopeful that a sustainable solution has been found in this community, not

only to offer the students further education, but also to help provide a model solution to urban drift.

In addition to this vocational school project, which is under the patronage of the WCF, Mars is working with Winrock to train Ivorian teachers in farming skills for appointments within mainstream schools in the country. The student teachers will be working on an agricultural curriculum, with a focus on cocoa - the main crop grown for export in Cote d'Ivoire. The study program will take them first to the United States where they will visit the United States Department of Agriculture (USDA) to meet some of the world's leading agricultural scientists. After the United States visit, they will travel to the Mars Center for Cocoa Science, in the Bahia province of Brazil, to learn practical skills which they will transfer to tomorrow's cocoa farmers on their return to Cote d'Ivoire.

These two initiatives - the vocational school and the training program for student teachers - are being undertaken in an effort to address the difficulties that young people face as they move through the educational system in Cote d'Ivoire. These classes are not an alternative to the mainstream learning that is provided by the national government. Rather, they are intended to supplement existing facilities and to recognize that vocational training has the potential to make a real difference for the youth in cocoa farming communities, offering them the chance to learn relevant life skills and alternative options to unskilled life in the city. The program has many enthusiastic champions. John Lunde (Mars) described the initiative as "a real demonstration of the commitment that Mars has to contributing to sustainable rural livelihoods", and Vicky Walker (Winrock) said, "Winrock has been working on educational projects in developing countries for years. These developments in Cote d'Ivoire that focus on disengaged youth and offer them alternatives are very encouraging, allowing these youths a better opportunity in life."

In September 2005 the pilot program was completed, and currently, Mars' efforts are focused on expanding this

successful program. This unique industry partnership between Mars, the WCF and Winrock International has made a positive difference in many people's lives.

New trees for old as abandoned cocoa farms are reclaimed

COUNTRY: Cote d'Ivoire

THEME: Environmental

Cocoa is a tropical tree crop that originates from the Amazon Basin but can thrive around the world, anywhere within 15-20 degrees of the equator at low altitudes. Traders introduced the tree to Africa in the nineteenth century, but much of it successfully spread throughout the countries of West Africa during the last century, and many of the cocoa farms in Cote d'Ivoire are now 30-40 years old.

While the trees have a long and productive life, yields do eventually begin to fall, at which time new trees must be established if cocoa farming is to continue to flourish. West Africa is endowed with a plentiful land resource and the habit has been to abandon farms as the trees become old, moving cultivation to new areas. However, with pressure on virgin forest mounting, this is not a sustainable practice. Mars has been looking for ways to encourage farmers to rehabilitate existing farms rather than encroach on the forest.

One of the first challenges in achieving rehabilitation is to demonstrate to farmers that it will be an economically viable solution.

With this background, Mars partnered with a German development agency, Gesellschaft fur Technische Zusammenarbeit (GTZ), on a project in the west of Cote d'Ivoire on the fringes of the Tai Forest. The proposal was to demonstrate to farmers that an abandoned farm could be successfully brought back to production, and that, by making a few changes in basic practices, the farmers could reap tangible economic benefits.

However, significant obstacles existed. Issues like poor soil quality, environmental damage and the advanced age of the cocoa trees all needed to be addressed.

Remedies for these issues include nurturing saplings and growing cocoa trees in shaded areas. Planting leguminous material, which acts as a nitrogen fixer while at the same time providing shade, can help to restore nutrients in the soil. Ensuring that appropriate new cocoa planting stock, either in the form of saplings or as grafting material, is available is also a key to success.

Overall, the Ivorian project was successful not only from the point of view of Mars and GTZ, but more importantly from the standpoint of the farmers. Mars learned the importance of sensitivity to farmers' priorities and the farmers themselves benefited from new planting material and technical know-how.

This successful project has shown smallholders that their existing farms can remain viable into the future, and at the same time has provided an incentive to them to produce cocoa in a more sustainable way.

Stronger cocoa trees reduce vulnerability for farmers in West Africa

COUNTRY: West Africa Region
THEME: Research

West Africa is the source of 70 percent of the world's cocoa. But if someone asks a farmer in Cote d'Ivoire or Ghana where he got his cocoa trees, a likely response is "My parents planted them." While cocoa trees have a long and fruitful life, it is indisputable that the current tree stock is old and has become relatively low yielding. Couple this with threats from pests and diseases, especially the mid-90's fear of Witches' Broom disease spreading from Brazil, and it is not surprising that scientists specializing in cocoa have a growing concern for the future sustainability of the crop.

From this concern has grown an extensive research program to identify the most pest and disease resistant cocoa trees that could be made available for cocoa farmers in West Africa.

Mars' cocoa scientists have been working with a range of partners, including academic institutions such as the University of Reading (UK) and the International Institute for Tropical Agriculture (IITA) based in Younde, Cameroon, to facilitate research that can be shared throughout the West African region.

Breeding and identifying these varieties is a painstaking process that requires patience and attention to detail. Even when the results demonstrate progress, it is still necessary to find ways of sharing the knowledge on a wider basis so that it reaches farm level.

Indications are, however, that progress is being made. Viable planting material with a demonstrable resistance to pests and diseases and good yield potential is now available. Working with IITA and the Sustainable Tree Crops Program (STCP), it is reaching farmers at field level. Considering that there are estimated to be more than one

million smallholders in West Africa, it will be a slow process, but the fight is on to protect African cocoa sources from old age and associated problems, and by so doing, to support African rural cocoa-farming livelihoods. There is every reason to be confident that improvements are being achieved.

Martin Gilmour, a cocoa scientist working for Mars, says "This work could really make a difference to productivity and yields for farmers, even those with very small farms as is most common in West Africa. The challenge is to get the findings of our research into the field quickly so that as many farmers as possible can benefit."

What People Are Saying

- "I consider [the National Academies of Science Cocoa Symposium] a poster child of the way research should be done. We have a sterling example as evidenced by this panel of a wonderful partnership that goes across the federal government in this country, it goes across numerous university collaborators and partners, it goes across the private sector with our partnership with M&M/Mars, and is truly international in scope. Would that all programs were run like this one is run."
- *Judith St. John, Deputy Administrator, United States Department of Agriculture, Beltsville Agricultural Research Center*
- "We've had a very close relationship with Mars for quite a number of years. They have one of their research employees stationed here working at our facility, and we've had a lot of dialogue over the years about issues and cocoa production, diseases and pests."
- *Phyllis Johnson, Director, United States Department of Agriculture, Beltsville Agricultural Research Center*
- "I am pleased that [the industry has] committed to redouble their efforts to create a certification system and eliminate the worst forms of child labor and forced labor in the cocoa fields and throughout the supply chain. The farmers and children in the cocoa growing countries deserve no less."
- *Senator Tom Harkin, Iowa*
- "As a cocoa researcher, with more than twenty years of experience at the Tropical Agriculture Research and Higher Education Center (CATIE), I am highly motivated in participating in the global efforts supported by Mars, Incorporated to improve the living standard of thousands of cocoa smallholder producers under a framework of respect to the environment. The support granted by Mars to our activities has been crucial to implement a sustainable approach to solve the serious disease problems in Latin America through the

development of cacao resistant varieties"

- **Dr. Wilbert Phillips-Mora, Head of Cocoa Breeding Program, CATIE**

- "Mars's efforts to contribute to the development of world cocoa supply sustainability through expanding the frontier of cocoa science and promoting its application and dissemination are key inputs toward achieving a healthy and growing cocoa economy. Focusing on environment, people and economics together as foundation blocks for these efforts is definitively an effective and wise approach to get close to this goal. The identification of new productive clones as well as superior breeding materials, generation of Witches` Broom resistant seedlings as a result of well-designed breeding schemes and the possibility of identifying a new molecular marker to predict resistance to this important cocoa disease, are just examples of the outcomes produced by the cocoa research supported by Mars through INIAP in Ecuador. We look forward to maintaining and enriching this productive relationship."
- **Freddy Amores, Head of the Cocoa Research Program, INIAP**
- "I have worked closely with Mars, Incorporated associates in several countries to educate farmers on sustainable cocoa production methods. I have sent that the Mars Sustainable Cocoa team has a passion for seeing their vision of sustainable cocoa become a reality. And that passion is supported by technical expertise and commitment to seeing the smallholder cocoa farmer succeed."
- **Ross Jaax, ACDI/VOCA**
- "Together, we are trying to create awareness of how important cocoa growing is for the future of West Africa. By promoting sustainable cocoa growing, we are working to liberate people from poverty."
- **Peter Hartmann, IITA**
- "In many ways, agriculture is the key to Africa's economic future. That's why the work of Mars,

Incorporated to encourage sustainable cocoa farming in West Africa is so critically important. From protecting West Africa's fragile ecosystems to helping to provide and develop the tools necessary to aid farmers and their families in overcoming poverty, we're very pleased to have Mars, Incorporated as partners of the Africa Society."

- The Late Leonard Robinson, Past President & CEO, The Africa Society of the National Summit on Africa

- "Thundering against child labor doesn't address the poverty that causes it."
- Jagdish Bhagwati, Trade Economist, Cited from his book In Defense of Globalization
- "Adjusting poverty-reduction strategies and expanding budgets or reallocating resources to social investment would assist millions of children in the poorest countries and communities."
- Executive Summary, UNICEF's State of the World's Children 2006
- "Children are disproportionately represented among the poor, since the least developed countries tend to have the youngest populations, and income-poor families tend to have more children than richer ones. Poor children are more likely to be engaged in labor, which would mean missing out on an education and, as a result, on the opportunity to generate decent income that would allow them escape poverty in the future."
- UNICEF's State of the World's Children 2006
- "We're not paying attention to our future. You look through [The New York Times] and three-quarters of the stories in today's edition are really about this. They're about impoverished places, environmental catastrophe, rebuilding New Orleans, avian flu. Sustainability is actually our real policies right now."
- Dr. Jeffrey Sachs, Head of the Earth Institute, Columbia University, Special Advisor to UN Secretary General Kofi Annan

Frequently Asked Questions

What contributions in sustainability science has Mars made?

With the appropriate focus and scientific know-how, cocoa can be a tool for social, economic, and environmental improvement in developing nations. These combined positive benefits are known as cocoa sustainability.

- Cocoa is a unique crop. About a third of the crop is lost each year due to pests, disease, and poor management, meaning lost effort and income for a farm and community.
- That's why it's important to educate farmers about agricultural best practices to protect the cocoa supply chain and improve the livelihoods of cocoa farmers and their families.
- Through our efforts, we have seen encouraging evidence regarding increased yields and higher incomes, all of which has the capacity to result in a rising standard of living.
- Cocoa can also be an engine for environmental protection.
- Some participants in Farmer Field Schools (managed by the Sustainability Tree Crops Program) have increased yields and income by 20-50%; some have even doubled their income.
- As incomes rise, so do opportunities for children's education and improved infrastructure.
- Diverse rainforests and tall growth trees, which provide shade, are preferred for healthy sustainable cocoa farms.

Why is cocoa so important for the farmers of West Africa?

Almost 70 percent of the world's cocoa comes from West African nations. It is a driving force behind economic growth, which builds the West African economy and is a positive crop for the environment. Cocoa sustainability is essential to the crop in West Africa. Disease and pests can result in the loss of one third of the crop each harvest. Because cocoa is responsible for 50 percent of household income in Cote d'Ivoire, the cocoa community is committed to improving the production and sustainability of the crop.

What is Mars' role in cocoa sustainability?

Cocoa is the lifeblood of many of Mars' most popular brands. It is referred to as an orphan crop that often does not receive sufficient government support in regions where it is grown. Situation analysis in the 1990's indicated that gaps existed in breeding and farming education programs and that little was being done to address the problem. The current situation is more complex and social and environmental issues are driving consumers, NGO's and government officials to become active players.

Mars, Incorporated has initiated programs that have brought the industry together with leaders in related fields, providing education for farmers, conducting research for the development of pest/disease resistant cocoa crops, and much more.

What is Mars doing to stop child labor in cocoa growing?

In 2001, Mars was among the leaders of the global chocolate industry that committed to address allegations of abuse in West Africa. This effort brought together international leaders, human rights experts and child labor advocates to establish and sign an unprecedented Protocol Agreement, in

an effort to eliminate the worst forms of child labor in West African cocoa.

The Harkin-Engel Protocol, however, is one part of our broader effort to support social improvement, economic development and environmental conservation in cocoa farming communities. Long-term, we are committed to ensuring positive change in the lives of cocoa farmers and their families.

What developments in sustainability has Mars made?

Mars, maker of some of the world's best loved confections, is a global leader in the effort to ensure cocoa sustainability. In spite of the many impediments, our long-term approach, along with the industry coalition, is already producing significant and meaningful results. Mars is on the cutting edge of real solutions to the problems faced every day by cocoa farmers.

The industry is proud of its work to meet the obligations of the Protocol, and is committed to refining the certification process and to improving the lives of West African cocoa farmers and their families.

- Mars initiated the first global conference on cocoa sustainability in Panama in 1998. The principles that came out of this conference have been the foundation for Mars' and the industry's work on this issue.
 - Mars owns and operates the world's only privately funded cocoa research facility. Almirante de Cacao in Brazil serves as a development facility for the best practices that can be taught to cocoa farmers around the globe.
 - Mars has developed partnerships with government agencies like the United States Department of Agriculture (USDA) and with development organizations like Winrock International.
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Nestlé

Nestlé

Background:

The August 2007 Responsible, Sustainable Cocoa Farming: Industry Report submission to Tulane University's Payson Center outlined in substantial detail much of the cocoa-related activity that Nestlé is engaged in West Africa. This document does not duplicate the information already provided (see Appendix "A" for information on additional projects). Rather, the purpose of this document is to provide a backdrop of the broader Nestlé engagement across the African continent. While some companies have been engaged on the continent decades longer than Nestlé and others are more highly focused on partnerships in West Africa and still other companies have a broad product portfolio or significant depth to their research & development capacities, Nestlé combines many of those aspects of engagement. Thus, Nestlé has projects and partnerships in Ghana and Cote d'Ivoire, but also in Nigeria, South Africa, Morocco, Ethiopia, Rwanda, Senegal, Kenya, Botswana and other African nations.

What follows are highlights of Nestlé activity on the continent -- not an exhaustive catalogue of individual projects. For example, Nestlé's substantial contributions to a number of the eight United Nations Millennium Development Goals (such as improving maternal health and ensuring environmental sustainability) are either not addressed or are touched on only tangentially.

Provided at the end of this document is a listing of additional website references for more information (see Appendix "B" for website information). It is in these additional resources that wonderful, rich photographs of many of the people, partnerships and projects recounted here can be found. And there too can the reader "go beyond" and get a sense for the "extra-Africa" projects and partnerships that Nestlé is proud to be part of around the globe - from a partnership to empower 5,000 female

livestock workers in Pakistan to the technical assistance to Colombian dairy farmers that increased yield from 2 liters/day/animal to 10 liters/day/animal, from a nutrition education partnership, "Beslenebilirim" (I Know Nutrition), reaching 100,000 children in Turkey, to the education and training of village women in dairy development in India's Moga region.

Nestlé:

Nestlé has become the world's leading food, beverage, nutrition and wellness company, with global sales in 2006 of \$78.7 billion. Founded in 1866 in Switzerland, where it is still based, Nestlé today is the worldwide leader in product categories such as soluble coffee, infant nutrition, bottled water, condensed evaporated milk, ice cream as well as chocolate and malt drinks, and culinary. The Group is also a co-leader in pet care.

Named one of "America's Most Admired Food Companies" in Fortune magazine for the tenth consecutive year, Nestlé USA, with 2006 sales of \$8.5 billion (includes Nestlé Nutrition) provides quality brands and products that bring flavor to life every day. From nutritious meals with Lean Cuisine® to baking traditions with Nestlé® Toll House®, Nestlé USA makes delicious, convenient, and nutritious food and beverage products.

Nestlé in Africa: Our Presence and Our Workforce

Nestlé, with 265,000 employees, presently has 481 factories in 87 countries - with nearly half of those factories and employees in the developing world. Through these factories and facilities, Nestlé makes a long-term commitment to local economies - allowing these developing countries to become producers of finished products, not only producers of raw and packaging materials. Nestlé built its first factory in Africa in 1921, and today has 27 factories on the continent where we directly employ some 11,500 people - with only about 130 of those associates being non-Africans. It is estimated that for every direct Nestlé job created in Africa, another 4 or 5 jobs are created in the economy.

Nestlé consistently invests in training of workers and managers, with about two-thirds of associates receiving formal education every year, ranging from basic literacy training to international business management training. Examples from Africa:

- Many workers, especially older workers, at Nestlé South Africa's Babelegi factory, acquired by the company in 1999, lacked elementary school training and 65% of the workforce were illiterate. A special program, Adult Based Education Training, was implemented. Nestlé now spends approximately 6% of total payroll expenses on training at this factory and in two years the illiteracy rate decreased by 15%.
- Balen Naicker began his employment with Nestlé 19 years ago in the Estcourt Factory in South Africa as a construction worker. Through training courses that included computer skills, management, e-learning curricula and a Nestlé-sponsored diploma from the Institute of Personnel Management at Natal Technikon, Balen became an Assistant in the mechanical workshop, Foreman in a coffee factory, a Human Resources staff developer, a Human Resources Officer, Team Leader, and now is a Team Leader for Industrial Services.

- Queen Zuma, a Regulatory Affairs manager for Nestlé in Kenya, began with Nestlé in South Africa more than a decade and a half ago as a laboratory analyst. Her training has included courses in Business Excellence, Expert Workshops, Production College, an Extended Management Course in Switzerland as well as a variety of visits to other Nestlé markets.
- In South Africa, Nestlé joined with the Umsobomvu Youth Fund, created by the government to help unemployed young people find jobs. The organization contributes to their basic training, including driving lessons, life-style skills, such as how to open a bank account, and elementary business skills. As a result, at this point in 2007, we have 2,000 new Nestlé ice cream vendors on local streets, and plan to have 5,000 by the end of 2008.

Nestlé in Africa: Our Support for the United Nations Millennium Development Goals (MDGs)ⁱ

Nestlé regards the MDGs as important objectives for improving the state of the world. The goals are, among other things, a bold attempt to prioritize what is needed to address the most pressing needs of people in developing countries. They focus on poverty reduction, education, health for women and children and the reduction of pandemics like HIV/AIDS and malaria. They address environmental sustainability and they stress the importance of partnership in order to achieve results.

We believe there is good reason to look at the MDGs in the context of the health of our own business. If we are successful through our long-term investment approach and our commitment to creating shared valueⁱⁱ, we create jobs and income. With these, poverty and hunger are less prevalent. There is greater opportunity for general and nutrition education, meaning that child mortality, illiteracy and epidemic diseases dwindle. With better

access to health care and improved livelihoods, maternal health and the future for youth looks brighter. By managing our business responsibly we help protect the environment. And by creating international and local partnerships with governments and NGOs, we can measurably improve framework conditions.

Globally, Nestlé supports over 150 projects in 66 countries aimed at addressing the most pressing needs of people as outlined by the UN goals. Across Africa, Nestlé supports over 40 programs that contribute to the MDG. A few examples are illustrated below. This is followed by a separate section that focuses on efforts relating to water because, according to the United Nations Development Program (UNDP), water management will be a critical factor in whether we can realistically expect any one of the eight MDGs to be achieved.

Goal: Eradication of Extreme Poverty and Hunger

Nestlé sources our agricultural raw materials, such as milk, coffee, cocoa, cereals, vegetables, fruit, herbs, sugar and spices, either through trade channels or directly from farmers. It is through our core activities with farmers where, perhaps, Nestlé has the most widespread impact on poverty alleviation. Although Nestlé owns no agricultural land and controls no farms, our team of over 850 agronomists, technical advisers and field technicians encourage sustainability in the supply of agricultural raw materials and promote agricultural best practices. On a daily basis they provide free technical assistance to over 500,000 farmers through more than 500 projects in more than 40 countries including China, Pakistan, Ethiopia, Uzbekistan, Mexico, Brazil and Colombia. This win-win approach assures Nestlé of quality ingredients while farmers receive training to improve crops, yields and local incomes.

- In South Africa, WARMTH (War Against Malnutrition, TB & HIV) operates 50 community kitchens run as small businesses by local communities that offer more than

14,000 low-cost, nutritionally balanced meals daily to impoverished portions of the Cape Peninsula.

- In Nigeria, the Nestlé Nutrition Duchess Club, founded in 2003, provides nutrition education and food safety to women - not only mothers and homemakers, but also adolescent girls and women who sell food in open markets. Some 500,000 women have been reached in the Nigerian states of Lagos, Kaduna and Edo. The concept expanded into neighboring Ghana in late 2004 with an initial group of 750 women participating, including Ghana's then-Minister of Women and Children's Affairs.
- In 2001, Nestlé South Africa created the Nestlé Nutrition Institute Africa to further develop African expertise on nutrition. Key areas of focus include malnutrition, obesity, safe infant and young child feeding practices, and breast feeding promotion.
- In rural South Africa, Earthcare, funded by Nestlé through EcoLink, has taught villagers how to grow vegetables using the trench garden method for more than 20 years. Over 150,000 villagers have been taught this method of growing their own food and together with a reliable supply of safe water, and have benefited enormously from the work of EcoLink through the creation of new income opportunities.
- In Cameroon, a partnership with the Ministry of Women's Affairs resulted in opening discussion for women with experts for International Women's Day.
- In South Africa, a small knitting project for illiterate and unemployed women living on Sarie Badenhorst's family farm in 1982 has become a model for rural development. Today, Thusanang Training Center helps establish job creation in baking, vegetable gardening, papermaking, knitting and sewing, with an emphasis on quality control and business skills. Information sharing on parenting and HIV/AIDS awareness is also part of the effort.

Goals: Achieve Universal Primary Education and Promote Gender Equality and Empower Women

In addition to providing training to two-thirds of Nestlé associates globally as outlined above, Nestlé promotes educational opportunity in a number of ways. In Africa, support for education includes:

- In Egypt, a Nestlé-sponsored school educates 580 high school students and provides free evening classes for neighborhood residents (some of whom work in a local Nestlé distribution operation).
- In Morocco, employment in small cottage industries for women was the goal of the Zakoura Foundation, created by the government with Nestlé as a founding partner. Currently, 38 sponsors of the Foundation finance 30 schools, primarily assisting children of dairy suppliers. The 3-year program is a bridge into the public system. For many of the girls age 8-16, they learn reading and writing in Arabic and French. Through programs such as Zakoura, the illiteracy rate has decreased from 56% in 1995 when Zakoura was founded, to 48% in 2004.

Goal: Develop Global Partnerships

- Nestlé has a global relationship with the International Federation of Red Cross (IFRC) and Red Crescent Societies with collaborations in more than 13 countries. In 2002, Nestlé became a founding member of the Federation's new Africa Health Initiative. Over a period of 4 years Nestlé committed CHF 3.4 million to various programs to prevent the spread of HIV/AIDS in Africa. In 2006, Water and Sanitation was added as a new dimension to this partnership. As the first private sector organization to be invited by the Federation, along with the European Union (EU), to support the IFRC Global Water and Sanitation Initiative, Nestlé is dedicating the major part of its

support over 3 years to activities in Africa addressing the immense life-threatening problems resulting from the chronic lack of water and sanitation.

- o In close collaboration with the Mozambique Red Cross and the International Federation, Nestlé has begun a new initiative to assist vulnerable communities in Northern Mozambique in improving their access to safe water and sanitation. The program will assist communities in remote rural areas to establish safe water supplies and improved sanitation, provide all-important training in operation and maintenance, and encourage behavioral change in hygiene practices. The impact will also reduce the time wasted in traveling long distances for safe water, allowing more time for farming and other productive activities, releasing children, especially young girls, to further their education, and reducing the impact of poor water and sanitation among those affected by the HIV/AIDS endemic.
- In 2003, Nestlé began a partnership with the U.N. High Commissioner for Refugees (UNHCR) to address the water needs of 210,000 Somali refugees and local people in Eastern Ethiopia. The partnership was both financial and practical, including on-going technical assistance in the form of a Nestlé Waters hydro geologist and water resources manager. The resulting multi-faceted water system featured rehabilitated wells, an improved pumping and purification station connected to a 22 km pipeline, new water taps in adjacent villages and a new dam to capture rainfall. During 2005, the process of handing over the operation and maintenance of the system to local water authorities was started.
- Through GAIN, the Global Alliance to Improve Nutrition, Nestlé became a founding member of the Business Alliance for Food Fortification (BAFF) in November 2005. The coalition works to reduce vitamin and mineral deficiencies through food fortification.

Nestlé is the world's largest producer of manufactured foods fortified with micronutrients.

- In Rwanda, a Nestlé partnership with the Lutheran World Federation provides clean water for up to 50,000 villagers.

Nestlé: A Focus on Water

According to the UNDP, "Water plays a pivotal role for sustainable development, including poverty reduction. Given the importance of water to poverty alleviation, human and ecosystem health, the management of water resources becomes of central importance. Currently, over 1 billion people lack access to water and over 2.4 billion lack access to basic sanitation."

Most of Nestlé's factories are not in water-stressed regions. However, 49 of Nestlé's factories are in 13 countries that are among the most water-stressed countries in the world, as noted by the World Water Council's Water Poverty Index. As a result, an evaluation of the relative performance of factories located in those 13 countries was performed, revealing that additional water-use efficiency is possible. These factories receive special focus, the objective being to assist local factory management to further understand the challenges, to prompt local stress assessments that generate new water-saving projects, and assure that local management is informed about and involved in community activities related to water.



Ghana, Nigeria and Morocco are among the most water-stressed countries in the world. Investments in efficient infrastructure by corporations help to fill the technical and budgetary gaps left by municipalities, as well as to protect local people from the negative side effects of poor infrastructure.

- Nestlé's factory in Southeast Ghana is located in Tema, a city built in the 1960s as a man-made harbour that became Ghana's leading seaport and industrial center. Nestlé's factory is part of an industrial zone with a wastewater treatment plant. An investigation by Nestlé revealed that the local treatment plant was of insufficient quality, so a monitoring program was installed in October 2005 to calculate parameters for a custom-built wastewater treatment plant. This work is ongoing through 2007.
- Nestlé engineers recently built a treatment plant in Nestlé's factory in Agbara, Nigeria. This work in Nigeria earned Nestlé the Most Environmentally Proactive Industry Award from the local governor. Nestlé's El-Jadida factory in Morocco is another example of Nestlé's leadership on wastewater treatment. The El-Jadida factory is showcased by the local government as a leading example of wastewater treatment for other companies and operations.

- South Africa receives little more than half of the worldwide average annual rainfall and is classified as a semi-arid country. The National Water Act was introduced in 1998 with the purpose of protection, optimum usage, development, conservation, management, and control of South Africa's water resources. Nestlé Agricultural Services contributes to fulfilling the objectives of the Water Act in several ways. For example:
 - Working with its milk producers, Nestlé implements the "Work for Water Project" where teams engage with farmers and big dairies to optimize the use of water at all levels. The project is sponsored by the National Department of Water Affairs and Forestry. Nestlé encourages water efficient evening and night irrigation as well as the introduction of computerized irrigation systems and recommends pastures with lower water demand in water-scarce areas. Farmers receive advice on minimum tillage practices with specific tools to keep soil moist. Nestlé also works with farmers to improve efficient and safe effluent removal from their dairy shed areas as a pre-requisite for their registration with the National Health Regulations and compliance with Nestlé's quality management policies for farmers.
- Ethiopia is one of the world's poorest countries, and at the same time the place that first cultivated the coffee tree. Ethiopian coffee farmers are mostly small holders living from subsistence agriculture, and coffee is one of the few cash crops that they can count on as income. Nestlé promoted and financed the installation and operation of an eco-friendly processing facility in Kochere Woreda. Initially, 50% of the 2004/2005 crop processed at this unit was treated in the new facility. Rather than using the water from the river, a dedicated water well was drilled as part of the project. The new technology uses only 6 liters of water per kilogram of green coffee, thus saving about 26 million liters of water

per crop, a 96% reduction of water use. Furthermore, all the pulp and mucilage discarded from the wet mill is treated separately with calcium carbonate and returned to coffee farms as organic fertilizer. Together with the filtration of the remaining process water, this reduced water pollution by 99% when compared to the old technology. As a side effect, energy saved in the new process lowered energy-related costs by 96%, creating savings of more than US\$17,000 per crop.

- In rural areas of South Africa, a large part of the population has no access to piped water. The daily burden of accessing remote water sources, and carrying water over long distances, rests most heavily on rural women. EcoLink, mentioned earlier, is a non-governmental organization based in the Mpumalanga Lowveld, which Nestlé helped establish in 1985, and project LEAP seeks ways to harvest limited water resources and improve water and waste management to help overcome the problems of water-borne diseases. A number of relatively simple and low cost solutions have been identified which involve the community, teach certain basic skills, create jobs and provide a vastly improved water supply. These include the building of rainwater tanks and the capping of natural underground springs.

Nestlé: A Focus on Water - Quality, Yield and Efficiency

In common with many tropical crops, coffee and cocoa are considered "orphan crops" from a Research and Development (R&D) perspective. Because money is earned on the product and not at the seed level and because they are perennial species, investments in innovation of planting material have been very limited. Coffee and cocoa plants were traditionally selected by a few public institutions to optimize yield but not water-related characteristics. Many

varieties are vulnerable even to short periods of drought. The resulting loss of yield is threatening not only to raw material supplies but also the livelihoods of thousands of farmers. In the worst case, water-sensitive plants may not survive prolonged droughts (or produce a very poor crop for 1-2 years before recovering) and many farmers could not afford the investments in time and money required to replant trees (or survive without any crop during the time for recovery).

Nestlé R&D employs a unique set of competencies to create new momentum in raw material innovation of coffee and cocoa. Advanced competencies in molecular and plant biology as well as propagation techniques enable Nestlé R&D to rapidly drive down the time "from science to field."

To overcome the lack of innovation in coffee and cocoa, which are intercropped in some areas, Nestlé R&D has two initiatives that seek to:

- Employ conventional selection and breeding to identify coffee plants that could reduce the amount of water needed to produce high yield and high quality produce.
- Further develop and share propagation capabilities to help farmers grow cocoa plants that are better adapted to an environment of water scarcity than their traditional counterpart from rooted cutting or grafting.

Closing Thoughts:

The images of Africa we see on the nightly news reflect the huge problems facing the African people - armed conflict, HIV/AIDS, poverty, drought and famine. Africa and its more than 830 million people and hundreds of ethnic groups account for about 13% of the world's population, but bear a disproportionate burden of the world's problems. More than 320 million Africans live on less than US \$1 a day and at least 24 nations faced food shortages in 2004. In terms of

per capita incomes, 18 of the 20 bottom-ranking nations are African. More than 25 million people in Africa have HIV/AIDS and by 2010, the workforce in sub-Saharan Africa will shrink by 9% as a result of the pandemic. On top of that, 3,000 people die every day of malaria.

Despite the problems, Africa shows steady economic growth and business opportunity for those able to have a long-term vision and solid business practices. In recent years, a host of governments, UN agencies and others have put poverty alleviation and economic growth in Africa at the top of the development agenda. The private sector, ranging from global companies to local entrepreneurs, is vital to success.

Nestlé supports a number of major projects in Africa aimed at reducing diseases such as HIV/AIDS, reducing malnutrition and poverty. But Nestlé's greatest contribution to the continent is through the impact of our core business, with responsible, sustainable operations that create jobs and catalyze entrepreneurship. We make major investments in infrastructure, industrialization, job creation and human capacity building.

To succeed in Africa requires patience, perseverance and a dedication to long-term economic development that will withstand shifting social circumstances. Through a very long-term business strategy, developing regional and national companies over decades, placing long-term business development over temporary short-term returns, we have become a source of stability and economic growth in Africa.

Appendix "A"

Information submitted to Tulane in the July 2007 document, did not include details of the cocoa project in the Côte d'Ivoire outlined below:

Optimizing Farmer Income via Sustainable and Yield-Increasing Cocoa Husbandry Techniques

Nestlé established this project in the Côte d'Ivoire in 2006 (following a successful prior project), under the auspices of the ICCO program: **Supply Chain Management for Total Quality Cocoa**; with the collaboration of the International Cocoa Initiative (for the child labor aspects) and Ecom/Zamacom Cocoa Department (as local project supervisor).

The project involves a direct collaboration with three cocoa producer cooperatives in the Côte d'Ivoire:

- Coopérative Agricole de Touih (CAT),
- Coopérative Agricole de Groubounou Dan (Coopagro)
- Entreprise Coopérative des Agriculteurs de Méadji (ECAM)

The project goal is to extend sustainable cocoa husbandry practices likely to increase farmer income, protect the environment and decrease the prevalence of child labor on cocoa plantations.

It tries to achieve this via objectives in each of the three pillars of sustainability, namely:

Economic - increasing yields via new materials and better propagation methods; promoting farm diversification; and achieving certifiable quality and traceability to achieve premium prices.

Environmental - promoting IPM and safe/limited pesticide and agrochemical use; soil conservation and infestation avoidance; preserving water resources and reducing erosion; encouraging biodiversity; and providing demonstration plots and extending advice to all cooperative members.

Social - increasing school attendance; teaching environmental protection at primary school level; bringing awareness about child labor risks; and increasing AIDS awareness and prevention.

The methodology involves three phases:

- farmer identification and the collection of baseline data;
- farmer/child education and training
- extension

Following on from previous project engagements in the cocoa supply chain lasting over 4 years, the current project will run for three years from 2006 until 2009.

Briefs of Additional Nestlé Engagement in West Africa

Cameroon - Food donations to 25 orphanages and children's homes

Cameroon - Support for Child Watch

Côte d'Ivoire - Support for Les Amis des Enfants su SIDA, a guesthouse for HIV-positive women and children

Côte d'Ivoire - Support for Association Espoir, a free health care center in one of Abidjan's slums

Ghana - Financial support to the College of Health Sciences of the University of Ghana

Ghana - Partnership with Raleigh International to support improved sanitation in rural communities

Nigeria - Support for the Nutrition Research Library at the University of Agriculture in Abeokuta

Nigeria - Research with Nigerian universities to improve soy bean and cowpea production

Appendix "B"

The content of this report is drawn from publications publicly available on Nestlé's website www.Nestle.com. To view these sources, "The Nestlé Commitment to Africa," and "The Nestlé Concept of Corporate Social Responsibility as Implemented in Latin America" as well as other Nestlé publications on a variety of topics, please see: <http://www.nestle.com/InvestorRelations/Reports/OtherReports/OtherTopics.htm>.

In addition to the "Other" section, please click on the "People" tab to link to the "Nestlé, the Community and The United Nations Millennium Development Goals;" click on the "Environment" tab to link to the "2006 Nestlé Water Management Report."

Nestlé's Management Report 2006 can be found at <http://www.nestle.com/InvestorRelations/Reports/ManagementReports/2006.htm>.

ⁱ The United Nations Millennium Development Goals include:

- Goal 1 - Eradicate extreme poverty and hunger
- Goal 2 - Achieve universal primary education
- Goal 3 - Promote gender equality and empower women
- Goal 4 - Reduce child mortality
- Goal 5 - Improve maternal health
- Goal 6 - Combat HIV/AIDS, malaria and other diseases
- Goal 7 - Ensure environmental sustainability
- Goal 8 - Develop a global partnership for development

ⁱⁱ At Nestlé, Shared Value Creation combines our ambition to meet the needs of consumers and shareholders with our commitment to respect people and the environment. Shared Value Creation is the keystone of our corporate social responsibility and sustainability. Nestlé believes that to create value for our shareholders over the long term, we must also bring long-term value to society. Our investments must be good for both our shareholders and the people of the countries where we operate, as well as good for the company. This is particularly true in developing countries where, to operate successfully, we often need to improve business conditions, increase farmers' capabilities, create a skilled work force and develop better standards. Thus, Nestlé's future success is inextricably linked to the future of the people in the many countries where we operate.