

To our customers

August 2012

Barry Callebaut's Corporate Social Responsibility (CSR) activities in the cocoa sector

Dear customers,

Cocoa is a fragile and sensitive crop, grown in a narrow geographical band near the equator by mainly smallholder farmers and their families. More than 3.5 million tonnes of cocoa are harvested every year originating from about 30 countries, among them many of the world's poorest nations. About two-thirds of the harvest comes from West Africa, mainly Côte d'Ivoire and Ghana.

Media reports on child labor in the cocoa sector in West Africa, in particular in Côte d'Ivoire, have attracted widespread interest and debate. Barry Callebaut would like to address some of the issues raised and share information about some of our activities in cocoa growing communities.

While it is not unusual for all members of a family, including children, to help on a family-run cocoa farm, Barry Callebaut strongly condemns slavery, forced labor and any practices that exploit, endanger or harm children. Many children work because their families depend on it. Child labor is an indicator of poverty and a low level of rural development. We firmly believe that improving cocoa farmer livelihoods is therefore imperative in the fight against abusive labor practices.

Empowering cocoa farmers to earn higher incomes

Côte d'Ivoire produces about 35% of the world's cocoa harvest. Between 700,000 and one million farmers grow cocoa. Most farms are small – approximately 3 hectares (7.4 acres).

Barry Callebaut has been present in Côte d'Ivoire since 1964. In 2005, we launched our Quality Partner Program (QPP) / *Partenaire de Qualité* with cocoa farmer cooperatives in Côte d'Ivoire. As of August 2011, 58 cooperatives, collectively representing about 41,800 farmers were QPP members. To be considered for the program, cooperatives must agree to be audited by an independent third-party.

Through QPP, we offer training in good agricultural practices to help enable farmers to improve the quality of their cocoa and to increase their yields. By producing more cocoa, farmers can generate more income, and by delivering a better quality they will receive a better price for their beans. Barry Callebaut also strives to help strengthen the

business skills of the managers of the cooperatives and provides financing assistance in the form of interest-free loans before and during the harvest season.

In 2010, we launched a new Quality Partner Program in Cameroon, building on the progress made and our experience in Côte d'Ivoire.

Please visit our website for more information: <http://www.qualitypartnerprogram.com/>.

Supporting education and health initiatives

Working in partnership with QPP cooperatives, we emphasize the importance of education, support child labor sensitization activities, and help improve access to education and basic health care in cocoa communities.

Since 2009 Barry Callebaut has funded the construction of a secondary school and multi-purpose education center and five rural primary schools and community learning centers in Côte d'Ivoire. Two additional rural primary schools and community learning centers will be built in 2012/13. The construction of these facilities is part of a Barry Callebaut education project that has been recognized by the U.S. Department of Labor Child Labor Cocoa Coordinating Group (CLCCG), and the national committee in Côte d'Ivoire, as contributing to the eradication of child labor under the Framework of Action to Support the Implementation of the Harkin-Engel Protocol.

We have also implemented various education projects – infrastructure, curriculum development, scholarships and programs targeting women – in Ghana, Cameroon and Brazil.

Actively supporting industry programs to eradicate abusive child labor

In addition to our own programs with cocoa farmer organizations, Barry Callebaut actively contributes to industry initiatives and programs that aim to improve the livelihoods of cocoa farmers and their families. Industry's investment over the past decade exceeds USD 75 million with programs and actions which have benefited more than 3 million cocoa farming families, including making a difference to more than 1 million vulnerable children. These programs include:

- **International Cocoa Initiative (ICI).** Together with other cocoa and chocolate companies, civil society organizations, the countries of Côte d'Ivoire and Ghana, and the US government, we signed the Harkin-Engel Protocol in 2001 to work to eradicate the Worst Forms of Child Labor in the cocoa sector, as defined by the ILO Convention 182. The Protocol has been an important catalyst for change. The International Cocoa Initiative (ICI) was established by industry and civil society under the framework of the Protocol. ICI has played a leadership role in refining sensitization strategies that are effective in supporting the livelihoods of farming families and preventing children in Côte d'Ivoire and Ghana from being exposed to hazardous conditions. However, we are well aware of the scope of the challenge and recognize that progress to eliminate hazardous child

labor conditions has not been sufficient. Too many children in cocoa households are helping out on the farm in ways that are damaging to their own health and well-being – carrying loads that are too heavy, working with machetes, spraying pesticides, or assisting on the farm at the expense of attending school. For more information about ICI, please visit the ICI website: www.cocoainitiative.org.

- **Framework of Action.** In September 2010, the U.S. Department of Labor, U.S. Senator Tom Harkin, U.S. Representative Eliot Engel, the Government of the Republic of Côte d’Ivoire, the Government of the Republic of Ghana, and the international chocolate and cocoa industry signed a Joint Declaration and accompanying Framework of Action to support the implementation of the Harkin-Engel Protocol. The partnership is part of a broad effort to enhance the coordination and leverage the impact of interventions and development activity. The Framework’s goal is to reduce the Worst Forms of Child Labor, as defined by ILO Convention 182, in the cocoa producing areas of Côte d’Ivoire and Ghana by 70% in aggregate by 2020 through the joint efforts of the stakeholders. It provides a “roadmap to remediation” that includes assessing and prioritizing new interventions to address areas of need, encouraging coordination across projects, and developing common monitoring and evaluations systems to track impact and scale up effective projects. The Framework calls for regular reports to be issued on progress and lessons learned. To read the CLCCG 2011 Annual Report, please see: <http://www.dol.gov/ilab/2012CLCCGAnnualReport.pdf>
- **World Cocoa Foundation (WCF).** As a member of the World Cocoa Foundation, Barry Callebaut helps fund efforts to ensure cocoa sustainability worldwide through partnership-driven programs focused on training for farmers and communities and applied scientific research. Through the WCF, Barry Callebaut also helped fund the Sustainable Tree Crops Program (STCP), managed by the International Institute of Tropical Agriculture (IITA) through 2011, and currently helps fund the successor program, Africa Cocoa Initiative (ACI). For more information, please visit the WCF website: www.worldcocoafoundation.org.
- **Cocoa Livelihoods Program (CLP).** Barry Callebaut is contributing to this USD 40 million program, launched in 2009, to improve the livelihoods of about 200,000 cocoa farming households in Côte d’Ivoire, Ghana, Nigeria, Cameroon and Liberia. The five-year Cocoa Livelihoods Program is managed by the World Cocoa Foundation and funded by 16 companies and the Bill & Melinda Gates Foundation. It focuses on enhancing farmer knowledge and competitiveness, improving farmer

productivity and quality, promoting crop diversification and improving supply chain efficiencies. For more information, please visit the WCF website: www.worldcocoafoundation.org.

Our business depends on cocoa. We are actively engaged in various countries to help ensure that cocoa is grown in a sustainable and responsible way that generates income for farmers and their families. We recognize that our customers expect such assurance. While we are proud of our initiatives towards this aim, we recognize that much remains to be done. We wish to take this opportunity to underscore our long-term commitment to responsibly grown cocoa, and to thank you for your support.

Sincerely yours,
Barry Callebaut AG