



**OMANHENE**  
THE COCOA BEAN COMPANY™



**Beyond Fair Trade**

Not only do we pay farmers a fair price, we manufacture our finished chocolate entirely in Ghana, just a short distance from the cocoa farms where these magical beans are grown. Workers are shareholders in the factory and enjoy free meals, free health care, subsidized housing, free uniforms and free transportation.

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# The Omanhene Cocoa Bean Company's Communication on Progress 2011: The United Nations Global Compact

Prepared by: Steven Wallace, President, The Omanhene Cocoa Bean Company

November 4, 2011

## **The Omanhene Cocoa Bean Company**

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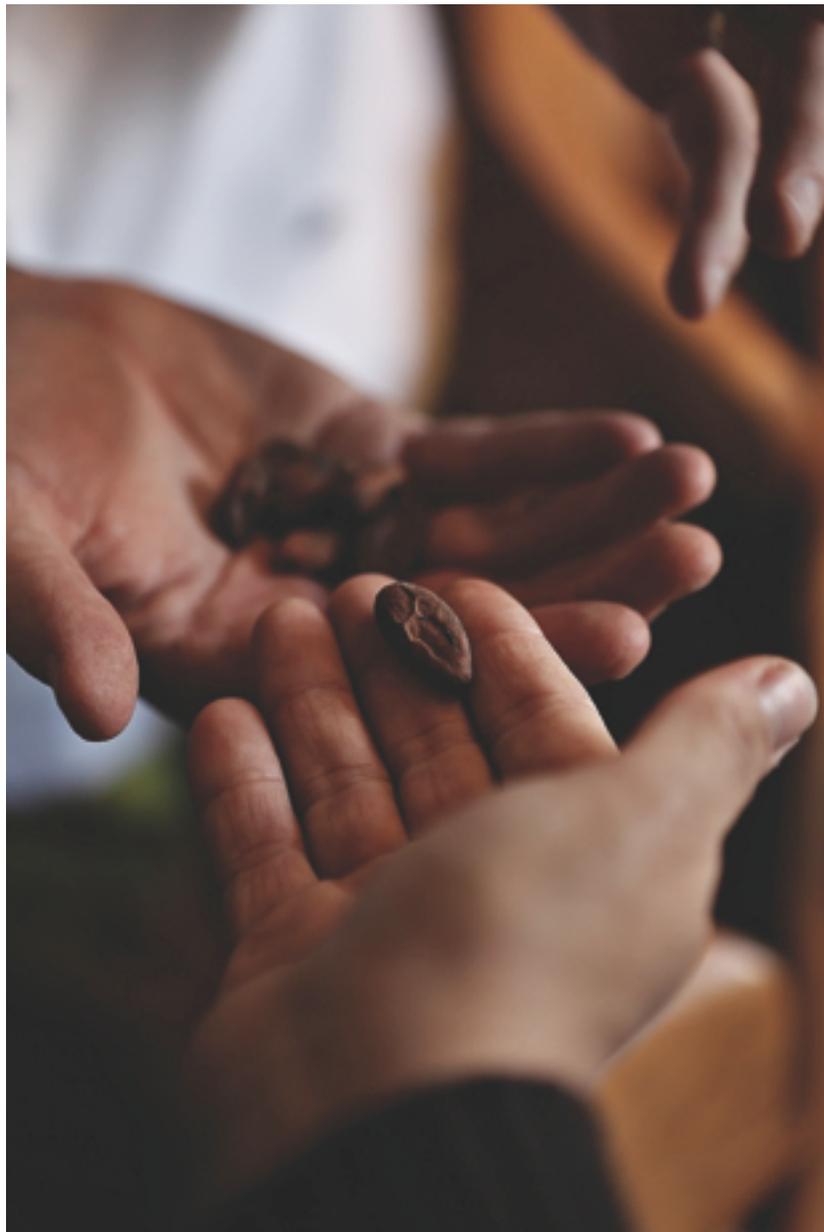
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## **The Omanhene Vision: A Social Enterprise**

“To create a true and authentic world-class food culture that showcases the natural resources and human talent of Africa.”



# Executive Summary And Statement of Support

The Omanhene Cocoa Bean Company has been manufacturing single-origin, value-added chocolate entirely in Ghana since 1994.

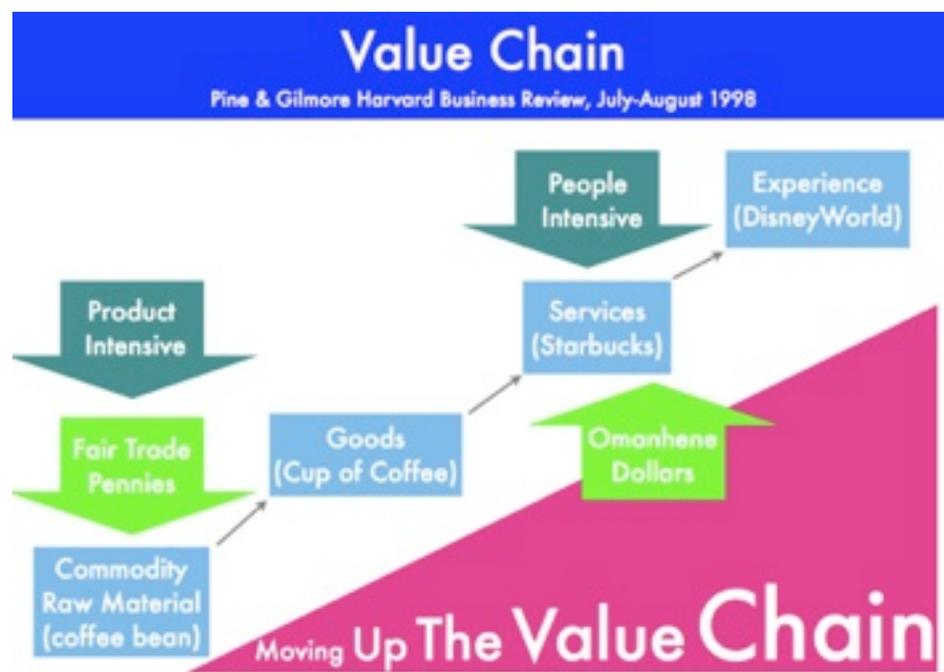
From inception, Omanhene has been recognized for our path-breaking business model -- a model that seeks to transform Ghana's economy, (like many in Africa historically reliant on extractive industries such as oil/gas, gold, minerals) into an economy with a sustainable, value-added manufacturing base. In our case, we focused on Ghana's world-class cocoa crop, considered the "the finest cocoa in the world" by The Financial Times.

Though our Company was founded over a decade before the enactment of the Global Compact, our *raison d'être* is in extremely close alignment with the Global Compact's 10 Principles. In short, our Company was founded with the express intention to do well by doing good. The 10 Principles coincide with the moral compass that guides our company's strategy and tactics. Indeed, Omanhene was featured in the opening video presentation at the Global Compact Leaders Summit at UN Headquarters in New York in 2004. In 2010, founder Steve Wallace was invited to Brown University to present a guest lecture on Social Entrepreneurism using Omanhene as a case study for a for-profit social enterprise. He has been invited back again on November 17, 2011.

In some respects, since we are a relatively new company and one explicitly founded on what was at the time, innovative corporate responsibility principles, we did not have to invest resources in rectifying a legacy of exploitative corporate behavior. The purpose of the Omanhene endeavor *from inception* was to engage in a form of strategic corporate jiu-jitsu and provide a means for a country long reliant on commodity goods to move up the value chain and have a meaningful stake in building a lifestyle brand -- a brand closely linked to Ghana, Omanhene's "home place". Omanhene employs a social enterprise innovation model to gain the leverage necessary to fulfill its jiu-jitsu strategy and is recognized for having accomplished three "firsts" in the marketplace:

- The first company to manufacture and overtly market single-origin chocolate in developed consumer markets;
- The first company to create a new chocolate category -- "dark milk chocolate"; and
- The first company to manufacture single-origin chocolate entirely in the country of origin and use this fact as a primary selling point.

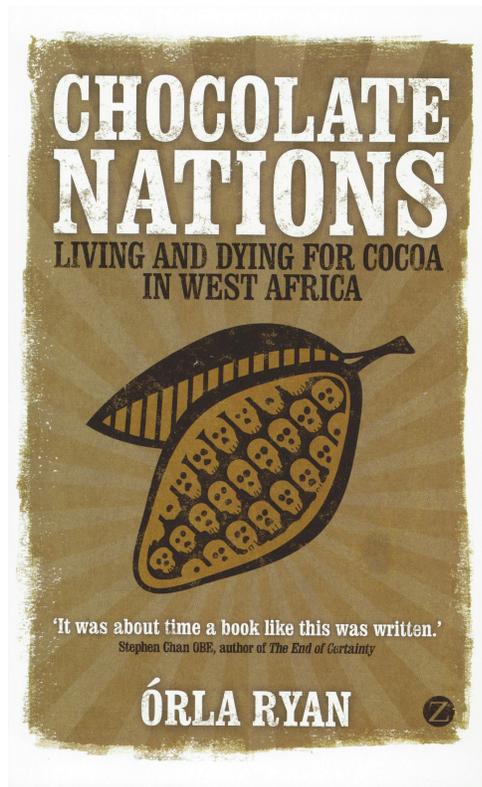
Today, most of the manufacturers claiming to make single-origin chocolate buy beans at origin, and process the cocoa beans abroad, thus depriving the host country of the employment and revenues inherent in secondary and tertiary stage manufacturing.



Omanhene's social enterprise strategy is based upon the work of Professors Pine and Gilmore whose seminal Harvard Business Review article, The Experience Economy implies (if it does not explicitly state) that moving up the value chain for any commodity results in transformative economic progress. Their study used coffee as an example. Omanhene applies this same analysis to the cocoa value chain.

This past year has proven to be one full of challenge. Consumer demand was soft and the costs of many of our inputs increased substantially. Sugar and cocoa posted the highest prices seen in decades. For those at the bottom of the economic pyramid, namely farmers, this past year was one of relative prosperity. Market forces have rewarded farmers for their efforts alleviating some of the uncertainty that is part of any agricultural endeavor in emerging economies. While high commodity prices are certainly welcome for small landholding farmers, it is axiomatic that commodity prices are volatile and the celebratory mood is tempered by the realization that future years will almost certainly witness a slide from today's historically high prices. Money alone cannot solve all of the inequities that exist and the UN Global Compact remains a potent tool for our company to use as we measure our progress in the fulfillment of our mission.

## Description of Actions



***“Wallace’s experience illustrates much of what is difficult about adding value in Africa and makes clear why other companies have been reluctant to follow in his path.”***

-- Orla Ryan writing in “Chocolate

## Human Rights

Economic security and economic choice are precursors to many of the most basic human rights: freedom from want, freedom from fear, freedom from political oppression and freedom of choice (where to live, where to work, whom to marry). Omanhene’s business model seeks to decouple Ghana’s GDP from its significant reliance (historically, in excess of 45%) on the trading price of raw cocoa beans. Once Ghana’s national wealth is apportioned more evenly amongst other income sources, the people of Ghana will enjoy economic choice and thereafter they (and the State) can better guarantee basic human rights and freedom. Economic prosperity and human rights are linked.

The publication of Orla Ryan’s book “Chocolate Nations” is the culmination of many years of research by a noted Financial Times and Reuters journalist. The book describes the nuance and ambiguities of many so-called fair trade schemes and comments favorably on Omanhene’s value-added manufacturing model. Nevertheless, the Omanhene strategy is one that few have followed because it requires enormous dedication, financial and technical resources and an unwavering commitment to long-term value creation -- perhaps the most important driver of transformative economic development.

Omanhene supports and respects the protection of internationally and locally proclaimed human rights. As explained below in regard to fair labor standards, Omanhene has taken steps to assure that it is not complicit in human rights abuses. We continue to invite journalists to meet with us and learn about Omanhene’s development model.

Another way we support human rights is by visiting individual cocoa farms. Ghana has over 650,000 family-owned cocoa farms many of which are owned by women due to the matrilineal structure of certain Ghanaian ethnic groups. This decentralized, familial ownership of farms (in contrast to larger, corporate-owned farms) serves as a counterfoil to the incentive to exploit labor -- especially children. We support Ghana’s Cocoa Board and rely on the democratically-elected government of Ghana’s landmark Pilot Study of Child Labour practices to assure that farms do not engage in exploitative practice. This multi-year study will eventually include data based on visits to every single cocoa farm in Ghana. The early results of the study conclude that exploitation of children is not characteristic of Ghana. The overwhelming majority of children live on farms owned by a close family member (parent, grandparent or aunts/uncles) and that over 90% of children on cocoa farms attend school on a regular basis thus demonstrating the unlikelihood of forced servitude.

Further, Omanhene has met with international journalists during the last 12 months investigating such issues, such is our reputation for championing the cause of global corporate good behavior -- especially in regard to issues of alleged human rights abuses in the West African cocoa industry.



Student at First Star Academy, a private school close to Omanhene’s production facility in Ghana.



In recognition of the company's accomplishments and contributions, Omanhene's founder, Steven Wallace was invited to the 2011 World Economic Forum on Africa held in Cape Town. The invitation gave Wallace the opportunity to engage others on the importance of the UN Global Compact.

## **Labor Standards**

Our operations in both the Ghana and the US are subject to well-developed and well-enforced local fair labor regulations which assure a level of compliance more stringent than many of the international human rights laws.

The manufacture of cocoa is reliant on the propagation of cocoa beans. For several generations, Ghana has been one of the world's top cocoa-growing countries. In recent years, exploitation of children working on cocoa farms has been documented in the West African region, though not shown to be prevalent in Ghana. Nonetheless, Omanhene is compelled to review the working conditions on the farms which grow the beans used by Omanhene in the production of cocoa products such as chocolate.

Omanhene works closely with Ghana's Cocoa Board, the quasi-ministerial agency of the democratically-elected government of Ghana, charged with safeguarding the stakeholders in Ghana's cocoa sector. Omanhene's president, Steven C. Wallace, is one of very few (if perhaps not the only) outsider ever invited to address the full board of directors of Ghana's Cocoa Board and he has done so on more than one occasion. Key Cocoa Board senior staff members have visited Omanhene's US headquarters for deliberations and review of business practices, as well.

Omanhene supports the recent effort of the Government of Ghana to undertake a Pilot Study on Child Labour, the first installment was recently published. The Pilot Study (sponsored by disinterested third-parties to assure impartiality) seeks to visit each of the more than 600,000 individual cocoa farms in Ghana and gather data against more than 100 benchmarks. Significant benchmarks include, for example, school attendance by children during the previous week (if children did not attend school the previous week, that might indicate that they are being prevented from attending school and thus subjected to the “worst form of child labor” as defined by international law). The first set of data from the Pilot Study shows that there is no systemic exploitation of child labor in Ghana. This conclusion comports with less scientific, anecdotal reviews.



Elementary school children at First Star Academy, a private school with outstanding educational results where many workers send their children thanks, in part, to wages derived from the sale of Omanhene products.

News reports alleging the use of child slave labor to harvest cocoa beans center on exploitation primarily in the Ivory Coast. The only way to assure a chocolate bar is made without child slave labor is to make sure the chocolate is not made from cocoa beans grown in countries such as the Ivory Coast where slave labor has been documented in the harvesting of cocoa beans. Omanhene chocolate is made with cocoa beans grown exclusively in Ghana. There has been no documented use of child

slave labor on Ghanaian cocoa farms and no such allegation has been made, even after exhaustive investigative reporting in West Africa's cocoa-growing countries.

The reasons for this are historical and contextual. Unlike the Ivory Coast, Ghana's cocoa farms are small, family-run enterprises of just a few acres each; there is no need for a large supply of cheap labor as each family cultivates only as much as they are able to harvest themselves. Government data shows that the average Ghana cocoa farm is but a few hectares, small enough for a family to harvest; this is in marked contrast to the average size of a cocoa farm in Cote d'Ivoire which is approximately 400 acres-- *roughly 100 times the size of the average farm in Ghana*. The need for cheap labor arises only in countries where cocoa is grown on large cocoa plantations of several hundred acres each. Ghana has no tradition of such large-scale, corporate farms.

Further, because the Government of Ghana has stringent quality controls that apply to every cocoa bean grown in the country, cocoa beans from Ghana are sold at premium over the benchmark Ivory Coast beans. Ghana has never been regarded as a source of cheap cocoa beans; rather Ghana enjoys the reputation of growing premium beans – beans that are more expensive than others. Indeed, The Financial Times of London reports that, “Ghana grows the finest cocoa in the world.”

Not only is Omanhene dark milk chocolate made exclusively with 100% Ghanaian cocoa beans, it is also manufactured entirely in Ghana. This assures that Ghanaians reap the added value from the processing of their beans into chocolate. Most of the world's chocolate bars are manufactured in countries that do not actually grow cocoa. Even so-called “Fair Trade” cocoa is almost always shipped offshore for processing in Europe or the US such that Western companies still capture the greatest share of cocoa profits. It is this tertiary stage manufacturing that constitutes the most significant portion of wealth in the cocoa value chain; and it is this most valuable portion that accrues solely to these offshore economies. Omanhene manufactures chocolate entirely in Ghana – a cocoa-growing country – and this benefits not only the Ghanaian cocoa growers but the Ghanaian factory workers who transform raw beans into finished chocolate and cocoa powder.



Omanhene Partner Chef Francois Kwaku-Dongo in the kitchen at United Nations headquarters in New York prepping for a gala dinner.

Until the founding of Omanhene, virtually every chocolate bar consumed was made from blends of beans grown from around the world; because such bars were made of beans from many countries, it was simply impossible to assure a chocolate bar was not the product of slave labor. The only way to assure slave-free chocolate is to buy chocolate bars made from beans grown solely in a slave-free country, such as Ghana. In 1994, Omanhene became the first company in the world to effect worldwide distribution of single-source chocolate – that is, chocolate made from cocoa beans grown exclusively from a single country-of-origin.

Going forward, Omanhene will support and continue to cooperate with Ghana’s Cocoa Board in completing the multi-year Pilot Study on Child Labor and will assist in implementing any suggested remedies should areas for improvement be discerned.

Apart from cocoa farmers, we endeavor to assure that our factory workers enjoy the full range of human and labor rights. The factory workers who produce Omanhene chocolate all enjoy free medical care for themselves and their families, free meals at the factory, free uniforms, free transportation to work and subsidized housing. All line workers are unionized and are hold equity shares in the factory, thus sharing in any profits earned.

Omanhene will continue to make sure we are not directly or indirectly complicit in labor abuses and the fact that our employees enjoy a range of personal benefits including the right to organize gives us confidence that we are promoting a culture of opportunity and empowerment in our company.

## **Environment**

We have long supported a precautionary approach to environmental challenges and this stems from the strategic choices made during the founding of the company. Our decision to manufacture export-quality chocolate in the country where the cocoa beans are grown, was, at the time we established Omanhene, an unprecedented business model. We achieved a significant reduction in the carbon footprint imposed on the environment by traditional chocolate manufacturers who typically are located in developed consumer markets in Europe, North America and Asia. Such producers are compelled to buy huge sums of cocoa beans grown in tropical regions and then transport them to factories located thousands of miles away from the farms where the beans are grown. It is axiomatic that it takes several pounds of raw cocoa beans to manufacture one pound of finished chocolate. Consequently, multiple containers of raw beans must move from Ghana, for example, to the US, an endeavor that imposes a

far larger carbon footprint than moving a single container of finished chocolate from Ghana to the US, by contrast.

This year marks our second full year of implementing our our “4 C’s” program. The program targets four areas: Climate, Corrugated, Computers and Cycling.

**Climate:** Through the use of smart building technology, we’ve focused on reducing consumption of electricity by reducing the use of air conditioning in non-food storage areas of the company during summer months and by lowering the thermostat regulating heat during the winter months. Our target is an average of 4 degrees Fahrenheit in each season that will allow us to decrease energy consumption by 10% this year in real terms even though we are experiencing growth.

**Corrugated:** This will mark the second full year that we’ve used recycled corrugated boxes for all shipments leaving our US warehouse. We also have specified a heavier weight box that allows us to reuse the box up to three additional times, thus saving natural resources and reducing costs substantially.

**Computers:** All new computer and monitor purchases must meet energy efficiency standards and we are configuring our headquarters to use fewer video monitors than we have in the past since they are difficult to recycle.

**Cycling:** In an effort to both promote a healthy workplace and to reduce the carbon footprint imposed by use of automobile or public transportation, we have encourage employees to bicycle to work. Because our Milwaukee headquarters is located in a cold weather climate and we experience significant winter snowfall, this bicycling program is one that makes sense during the 6 months of the year that we experience temperate weather. To date, 100% of full-time employees have biked to work at least one day during the year.

Through our collaboration with Ghana Cocoa Board, we indirectly support the work of Ghana’s Cocoa Research Institute at Tafo, Ghana -- perhaps the preeminent cocoa agronomy station in the world. The work of the Institute centers on environmental sustainability, natural crop enhancing techniques (ie., shade-growing techniques as opposed to chemical fertilizers, for example) and the promulgation of seed stocks with natural disease resistance and superior flavor.

Going forward, we would like to support a third-party organic certification model farm leading to the establishment of a reliable, sustainable source of organically grown cocoa. At present, the number of organic tons of cocoa grown in Ghana is in single-digits -- far too small for commercial use. We regret we have not made measurable progress in this regard.

## Anti-corruption



Omanhene Founder and President, Steven Wallace speaking to a university class on social entrepreneurship. The UN Global Compact features prominently in his presentations.

Omanhene has worked hard to combat corruption in a region of the world where both political and commercial extortion has been documented. Omanhene is incorporated in both the US and in Ghana. As a US corporation, Omanhene is subject to stringent federal anti-corruption laws, most notably the US Foreign and Corrupt Practices Act which forbids the payment of any sort of bribe. Since Omanhene's business model does not depend on securing rights to extractive resources (oil leases, mining concessionary fees, etc.) there is little economic rationale for Omanhene to engage in such illegal practices such as bribery. Omanhene seeks to add local value and since we operate in the higher-value segment of the market, we don't compete solely on price. The price paid for raw cocoa beans does not often determine the company's profitability on an annual basis. Our goal since inception has been to move up the value chain and away from a model where profitability is based solely on the value of the underlying commodity.

Practically speaking, the cocoa processing industry comprises a very small number of large, multi-national companies, two of whom have faced documented charges of price-fixing and other sorts of anti-competitive, corrupt behavior and have reached settlements with regulatory authorities as a result. By comparison, our company is an

extremely small player in our industry and it is fair to say we couldn't possibly engage in the level of corruption (documented in the hundreds of millions of dollars) of our competitors. We lack both the resources and the market share to engage in such behavior.

Most significantly, Omanhene has established a long record of transparency in Ghana and has flourished under various political administrations. Our longevity is due to a strict policy of never engaging in corrupt activities. Simply put, because we manufacture a luxury product -- one where our business behavior and manufacturing model is one of the chief reason customers buy our products -- we have a strong economic incentive to stay clear of any sort of bribery or extortion.



Steven C. Wallace  
Founder/President



Chef Francois Kwaku-Dongo, Partner

## Communication

Both the company president, Steven C. Wallace and senior partner Chef François Kwaku-Dongo make numerous public appearances each year promoting Omanhene products and explaining the Omanhene business model. Venues for such appearances encompass a wide and diverse range from grocery stores and specialty coffee cafes to elementary schools and university lecture halls. The Global Compact features prominently in every single presentation Wallace has given -- even those given to elementary school children.

New in 2011, Omanhene developed a first-of-its-kind educational simulation for elementary and junior high school students. The simulation has students role play various positions in a fictional post-colonial African country and confronts them with economic and cultural challenges. The highlight of this curriculum is a fictional negotiation between an offshore corporation and a group of small-scale farmers. This

simulation has been enthusiastically received by both public and parochial school teachers who have used it.

We routinely tell the story behind the founding of the UN Global Compact, how Secretary General Kofi Annan proposed the novel idea of corporate involvement as a means to solve the most vexing global problems of our age and how eventually, the UN General Assembly came to adopt this path-breaking initiative.

At each and every opportunity, we tell the story behind the founding of the UN Global Compact and then incorporate our support for the movement which Omanhene believes is the single-most comprehensive set of aspirational goals for global corporate behavior. We enthusiastically support the principles of the United Nations Global Compact and commit to furthering our own progress in attaining compliance with each of the goals.

This report is available for download on our website.