



The Omanhene Cocoa Bean Company's Communication on Progress 2015: The United Nations Global Compact

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

March 17, 2016

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 stevewallace@omanhene.com www.omanhene.com

TABLE OF CONTENTS

TABLE OF CONTENTS	2
The Omanhene Vision: A Social Enterprise	3
Executive Summary And Statement of Support	4
Description of Actions	7
Communication	14



The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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.”

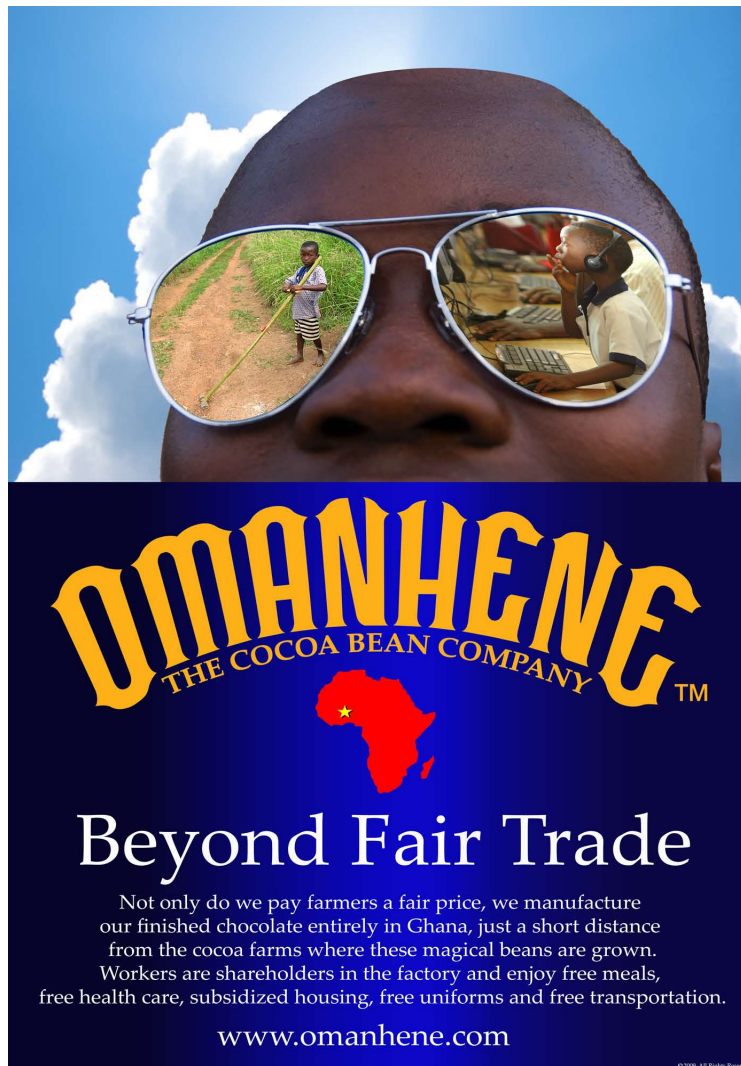


Omanhene Partner Chef Françoise Kwaku-Dongo

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 F 414.744.8786 topbean@omanhene.com www.omanhene.com



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 and other 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.

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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. Long before the term "social enterprise" found its way into the vocabulary, 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.

Since then, founder Steve Wallace has been invited to Brown University to present guest lectures on Social Entrepreneurism using Omanhene as a case study for a for-profit social enterprise. 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 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.

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

Value Chain

Pine & Gilmore Harvard Business Review, July-August 1998



This past year has seen the price of cocoa that had reached a 33-year high. For those at the bottom of the economic pyramid, namely farmers, this past year was one of relative prosperity with Ghana's Cocoa Board continuing to pay bonuses based on favorable market conditions and their ongoing quality imperative. Market forces have rewarded farmers for their efforts alleviating some of the uncertainty that is part of any agricultural endeavor in emerging economies. While comparatively 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 the previous years' historically high prices -- indeed the moderation in prices seems already to have begun. Money alone cannot solve all of the inequities that exist and the UN Global

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 F 414.744.8786 topbean@omanhene.com www.omanhene.com

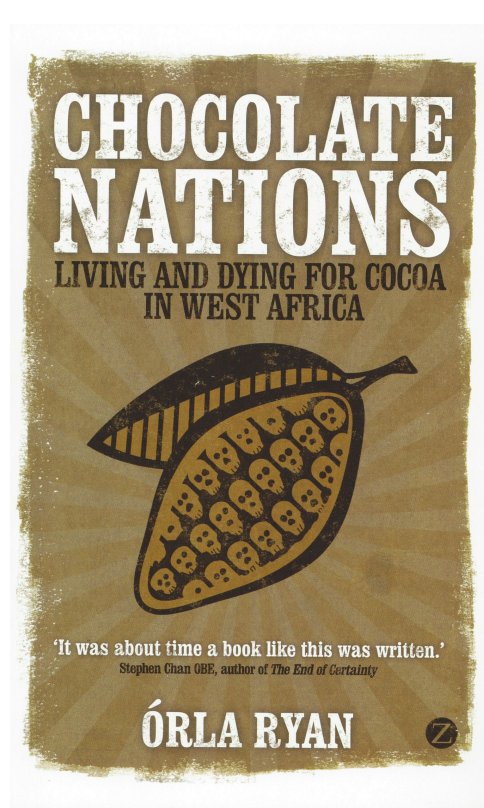
Compact remains a potent tool for our company to use as we measure our progress in the fulfillment of our mission.

Description of Actions

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, whether and 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)



“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 Nations”

can better guarantee basic human rights and freedom. Economic prosperity and human rights are linked.

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 F 414.744.8786 topbean@omanhene.com www.omanhene.com

In 2014, Omanhene was invited to join the Ethical and Responsible Business Network (ERBN)

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.

In 2014, Omanhene was invited to join the Ethical and Responsible Business Network (ERBN) founded by business students at the University of Wisconsin. We remain affiliated with this group for our second full year of membership.

Also, in keeping with the company's commitment to active engagement, company founder and president, Steven Wallace continued the active mentoring of a fledgling social enterprises founded by a Brown University undergraduates. This association is overseen by Brown University's Social Innovation Initiatives office of the Howard R. Swearer Center for Public Service. To learn more, please visit: <http://brown.edu/academics/college/special-programs/public-service/social-innovation-initiative/home>.

In addition, Wallace came to campus on two occasions to deliver guest lectures and work with students and Social Innovation Initiative staff.

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 approximately 750,000 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

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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 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.

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 every cocoa farm 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.

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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.

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.

The Omanhene Cocoa Bean Company

10

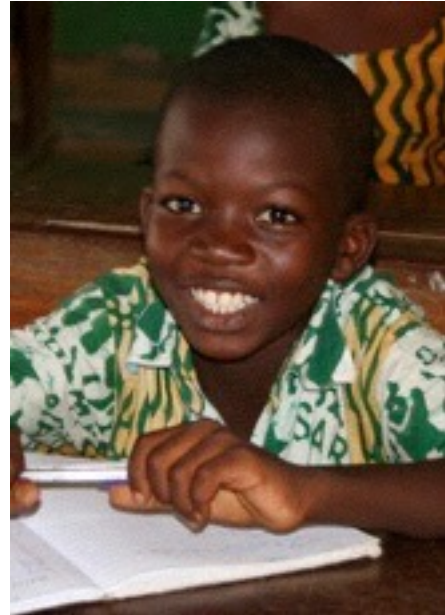
5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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.



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

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. We simply cannot maintain sales to our demanding offshore customer base — a customer base that pays a premium for our products because of our value-added-in-Ghana manufacturing model — if we are found to be treating our employees unfairly.

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

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 F 414.744.8786 topbean@omanhene.com www.omanhene.com

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. Thus our corporate strategy is *by design* intended to substantially reduce our negative environmental impact as compared to other chocolatiers who extract cocoa beans for offshore processing.

2015 marks our sixth full year that we've used recycled or "second-use" corrugated boxes for all shipments leaving our US warehouse.

2015 marks our fifth full year of implementing 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 to decrease energy consumption by 3% this year in real terms even though we are experiencing growth. We were able to achieve this result though the underlying cost of energy was lower this year than in the past.

Corrugated: This will mark the sixth full year that we've used recycled or "second use" corrugated boxes for all shipments leaving our US warehouse. Again, this is driven by conscientious design; we have specified a heavier weight box (which costs more at purchase) that allows us to reuse the box up to three additional times, thus saving natural resources and reducing costs and carbon footprint substantially.

Computers: 2015 represented the first full year of operations since we replaced all of our computers; our new computers and monitors meet current energy efficiency and green technology standards. We configured our headquarters to use 30% fewer video monitors in 2015 than we have in the past since they are difficult to recycle and consume electricity.

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 encouraged 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

The Omanhene Cocoa Bean Company

12

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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.

We view our role as a provider of the tradecraft required to commercialize promising academic research in order to provide additional revenues from cocoa generated from value-added manufacturing that can take place in Ghana.

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 far too small (and unreliable over time) for commercial use. We regret we have not made measurable progress in this regard.

Anti-corruption

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 is not the sole factor (or even the most significant factor) in determining 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; these two companies 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

The Omanhene Cocoa Bean Company

13

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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.

Communication



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

In 2015, both the company president, Steven C. Wallace and senior partner Chef François Kwaku-Dongo made numerous public appearances 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

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

prominently in every single presentation Wallace has given -- even those given to elementary and middle school children.

In 2015, Omanhene further revised and improved upon the 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.



Omanhene's founder, Steven Wallace, encourages fifth grade students participating in Omanhene's cocoa negotiation simulation exercise.

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.

The Omanhene Cocoa Bean Company

5441 S. 9th Street, Milwaukee, Wisconsin 53221 USA

T 414.744.8780 **F** 414.744.8786 topbean@omanhene.com www.omanhene.com

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.

In late 2015, Wallace was invited to give a TEDx talk in Accra in 2016. His talk will include reference to the UN Global Compact.

This report is for download on our website.