

KERRY GROUP PLC

# Vanilla Position Statement

## INTRODUCTION

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At Kerry, we want to positively impact on the lives of farmers who produce our raw materials. As a Group, we are committed to the responsible sourcing of vanilla and by 2020, aim to source all of our vanilla beans from credible sustainability programmes that are independently verified.

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Few crops require as much care and patience as vanilla. The vanilla flower must be hand pollinated and produces a single fruit, which must then be handpicked at its optimum stage of maturity. It is a labour intensive process that takes time and expertise and as a result many farmers are smallholders who are solely dependent on the vanilla crop for their livelihood.

Madagascar, is the world's largest producer of natural vanilla but is among the poorest of the world's nations and many of the regions 80,000 vanilla farmers survive on less than \$2 per day.

In early 2014, Kerry Group partnered with our supplier, who specialise in the cultivation and distribution of natural vanilla, to build a more sustainable supply chain. Together we have set up the 'Tsara Kalitao' Project, which translates as 'Good Quality' in Malagasy. At its core it focuses on training farmers to produce better quality vanilla beans and increase their income. However, the broader programme is designed to support the sustainable development of the region. It does this through three elements, Farmer Income, Empowering Women and Education.

### Farmer Income

Together with a team of agronomists, Kerry facilitates regular workshops with the farmers to demonstrate improved growing techniques, pollination methods and ways of maturing the harvested vanilla bean. We also give the farmers a greater understanding of the issues impacting the quality of their harvest and show them how to achieve a better yield. Through training and the payment of a premium for their produce, we encourage farmers to improve their agriculture practices and in turn their income.

Given the relative high value of the Vanilla beans, theft can often be a problem. Through the 'Tsara Kalitao' programme, Kerry has encouraged and facilitated farmers to be more proactive in protecting their plantations by implementing some practical measures. A neighbourhood watch group has been established, consisting of local farmers, equipped with surveillance supplies to monitor the beans overnight, to check on the crops and prevent theft.

### Empowering Women

Among the broader goals of the project is the empowerment of women, who make up a third of the harvesting workforce. Kerry has developed an educational programme for women to help them diversify their income by building coops and breeding chickens for eggs and meat, which they can sell or trade for rice during low income periods. The next step is to offer training on income management to help women meet their family's needs all year round and reducing the need for farmers to sell their beans during months when they will receive a lower return.

### Education

One of the biggest concerns for farmers in the region is their children's education. In rural areas of Madagascar, 50% of children leave education before completing primary level. In the villages where Kerry has launched the Tsara Kalitao program, this figure was as high as 80% in 2015.

There have been many initiatives to improve education in Madagascar in the past, but as part of a unique initiative, Kerry aims to deliver a greater impact in this area. We will support families on the programme by alleviating some financial pressures linked to their children's education. We will do this by providing books and stationery, and also by paying the school fees for Tsara Kalitao children up to 12 years of age.

Crucially though, we also recognise that support is required for the educational system in the region, to ensure that children attending school can realise their potential. In close cooperation with local officials, teachers and school directors, Kerry has set up an improvement program together with a local NGO specialising in micro educational projects. Through this programme, we aim to bring a more defined structure to each school day and will also recognise teachers and school management for their increased efforts with a rewards programme designed to provide a better standard of education for all children.

When the project began in April 2014, three associations were created with clearly defined criteria for participation in the programme. In the first year, 278 farmers sold their freshly harvested vanilla beans to Project Tsara Kalitao – well ahead of the target of 150 farmers. In 2016, we have close to 700 farmer members and we hope to reach a total of 1000 farmers by 2018.

In addition to directly supporting farmers, through our pilot programme on education we currently reach more than 1000 children in the project region. On successful completion of this pilot, the programme will be rolled out across all our participating villages with the potential to positively impact up to 5000 children and their families by 2018.

To help ensure the credibility of the data reported from the programme, we have enlisted the services of an independent third party to verify the results on an annual basis.