



Joint press release – Paris, July 18, 2017.

A new impact investment by the Livelihoods Funds

BUILDING A RESILIENT VANILLA SUPPLY CHAIN WITH FARMERS IN MADAGASCAR

The Livelihoods Fund for Family Farming, together with multinational companies, is launching an initiative with smallholder farmers to restore vanilla quality while increasing farmers' food security and preserving Madagascar's unique landscape. The project aims to triple farmers' revenues and provide companies with quality and fully traceable vanilla over a 10-year span.

Vanilla is a vital ingredient that is widely used in many industries, including food, cosmetics, and perfume. 80% of global vanilla production is concentrated in a small area in the North of Madagascar, one of the poorest countries in the world. Over the past decade, vanilla farmers and industry leaders have been confronted with a difficult situation.

On the one hand, vanilla farmers are in a poverty trap – they lack efficient practices and finance to grow high quality vanilla, nor can they plan ahead to sell cured vanilla. As a result, the farmers get a low price for poor quality vanilla, reinforcing the poverty cycle. On the other hand, vanilla prices have been subject to severe volatility due to a lack of cash flow pushing farmers into harvesting their vanilla too early, leading to poor quality in the market. Supply shortages of quality vanilla also cause speculation and increase the risk of theft from farmers. Moreover, extreme weather events, most recently cyclone Enawo in March this year, can decimate the vanilla crop and add further stress to an already fragile system.

The Livelihoods Fund for Family Farming, an impact investment fund created by Danone, Firmenich, Mars and Veolia to foster sustainability and poverty reduction in supply chains, is investing in a large-scale vanilla project with an innovative model where farmers and industry players share both benefits and risks. This project, with 3,000 family farms, aims to tackle not only quality and traceable vanilla production but also food security for farmers and biodiversity conservation. Prova, a supplier to Mars, is a partner in the project. Fanamby, a Madagascan NGO with extensive experience working with vanilla producers, will implement it.

The project is located outside the Sava region where vanilla production is currently concentrated. The area has been selected as it offers lots of potential for vanilla production. The program aims to train farmers over five years on sustainable practices to increase vanilla productivity and quality through agroforestry techniques. A newly created farmer-owned cooperative, structured with Fanamby's support, will seek to connect producers more directly to markets, and will collect the vanilla, cure¹ it and export it to the project partners. Through this work, it's estimated that around 60% of cured vanilla's value will go back to farmers (instead of 5% to 20% today).

The project will also tackle food security with a special focus on rice production as well as crop diversification for a more balanced daily food intake for farmers. With agroforestry techniques for vanilla and efficient food

¹ Once green vanilla beans have been harvested, they undergo a curing process, to become cured beans sold at market. Green vanilla beans are sorted and graded, cleaned, immersed in hot water and dried to reveal their aroma. About six months are required for these different steps and around 6-7 kilos of green vanilla are needed to get 1 kilo of cured vanilla. The quality of vanilla relies on the quality and maturity of green beans and the precision and rigor of the curing process.



production, the project aims to convert 6,000 ha to sustainable farming practices. Moreover, the project seeks to protect a unique tropical forest and a wealth of biodiversity. It plans to offer farmers alternative economic opportunities, such as clove production and poultry farming, to preserve local forests from illegal logging and slash-and-burn practices.

All partners in the Livelihoods-Vanilla project have committed to the project over a 10-year span. The Livelihoods Fund for Family Farming bears the upfront financial risk by providing €2 million to Fanamby and farmers for implementing the project and monitoring related to sustainable vanilla production.

Danone, Firmenich and Mars purchase significant volumes of vanilla for their own products and brands. They have joined forces with Prova and together will purchase the vanilla produced within the project. The Livelihoods Fund will be gradually refunded through a result-based fee paid by the four companies which buy the vanilla and benefit from the project. Project monitoring and evaluation will be carried out through a shared governance with all stakeholders. This innovative impact investment model is raising interest among public organizations, and discussions are taking place between the Livelihoods Fund for Family Farming and development agencies in order to tackle the food security and the conservation components of the project in 2018.

New projects will be launched in the coming months by the Livelihoods Funds that link farmers' empowerment, environmental conservation and sustainable sourcing for companies.

Bernard Giraud, Cofounder & President of Livelihoods Venture said: "We believe the Livelihoods-Vanilla project can make a difference because it enables farmers to regain control of their vanilla production, and vanilla users of their sourcing. Through the Livelihoods Fund, private companies, NGOs and public authorities can combine their commitments and efforts to support a mutually beneficial model over the long term in the economic, social and environmental spaces."

Serge Rajaobelina, President of Fanamby said: "The main pressure on Madagascar's natural resources is poverty. Fanamby believes that combining long term investment and community engagement will transform Madagascar's natural wealth."

Pascal de Petrini, Vice-President Cycles and Operations, Danone, said: "We are very enthusiastic about the Livelihoods-Vanilla project in Madagascar with Mars, Firmenich and Prova. It is a great illustration of a farming model which secures our supply chain while bringing environmental and social benefits. It resonates with our sustainable approach to agriculture, striving to respect and protect people and the planet through an efficient use of natural resources. We believe that such business models, co-developed with partners and NGOs, provide a perfect answer to our local challenges and drive high value creation."

Gilbert Ghostine, CEO of Firmenich, said: "Vanilla is one of the most popular flavors in the world, and Madagascar represents 80% of its supply. That's why Firmenich has been working with smallholder farming communities in Madagascar for many years to support their sustainable livelihoods by driving the most ethical and traceable value chain. Taking our commitment to the next level, with Livelihoods 3F, we are innovating with a new vanilla farming model, based on diversifying farmers' crops for more balance and security."

Victoria Mars, Board Member of Mars, Incorporated said: "Our engagement with the Livelihoods Fund is one of the ways we are partnering with and learning from others to improve the sustainability practices used to grow our raw materials, and to make sure that the farmers that grow these crops are treated fairly and have an opportunity to thrive. We're pleased to be working alongside Danone, Firmenich and Prova to make a long-term investment that aims to increase the quality of the vanilla crops, improve the farmers' revenues,



and positively impact the local environment. Our objective is to also reapply learnings from this work to other parts of our supply chain to increase the scale of positive impact from these projects.”

Alessandra Ognibene-Lerouillois, Chief Sustainability Officer of Prova, said: “Prova has for many years been supporting an economically viable approach to vanilla production that helps to improve producers’ livelihoods in Madagascar, while respecting resources and perpetuating good practices. We are deeply committed to the Livelihoods-Vanilla project and very happy to partner with Mars, Danone and Firmenich in this unique initiative. We believe that the multi-stakeholder collaboration will drive a real impact on the ground, by bringing joint investments and knowledge while integrating a global approach.”

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About The Livelihoods Fund for Family Farming (L3F)

The Livelihoods Fund for Family Farming is an impact investment fund created by Danone, Mars, Firmenich and Veolia in 2015. It will invest €120 million to build sustainable agricultural supply chains in Africa, Asia and Latin America. The fund is built on an innovative model where investors, business partners and public institutions can share skills and investment risks to create mutual value: improved livelihoods for farmers and their families; public goods (nature and water conservation, CO₂ sequestration); quality and traceable sourcing for companies. L3F receives results-based payments, following tangible social, environmental and economic benefits delivered, from project off-takers. Projects are implemented and monitored by best-in-class players over a 10-year span for a lasting impact. www.livelihoods.eu

About Fanamby

Created in 1997, Fanamby is an NGO dedicated to the preservation of Madagascar’s biodiversity. With a team of 40 people, it namely manages 4 protected areas covering around 600 000 ha in Madagascar. Fanamby’s specific approach links environmental conservation with the development of economic activities for rural communities. The NGO has successfully supported vanilla producers in the structuration and governance of their cooperatives in the North of Madagascar. <https://association-fanamby.org/>

About Danone

Dedicated to bringing health through food to as many people as possible, Danone is a leading global food company built on four business lines: Essential Dairy and Plant-Based Products, Early Life Nutrition, Waters and Medical Nutrition. Through its mission and dual commitment to business success and social progress, the company aims to build a healthier future, thanks to better health, better lives and a better world, for all its stakeholders—its more than 100,000 employees, consumers, customers, suppliers, shareholders and all the communities with which it engages. www.danone.com

About Firmenich

Firmenich is the world’s largest privately-owned company in the fragrance and flavor business. Founded in Geneva, Switzerland, in 1895, it has created many of the world’s best-known perfumes and flavors that billions of consumers enjoy each day. Its passion for smell and taste is at the heart of its success. It is renowned for its world-class research and creativity, as well as its thought leadership in sustainability and exceptional understanding of consumer trends. Each year, it invests 10% of its turnover in R&D, reflecting its continuous desire to understand, share and sublimate the best that nature has to offer. Firmenich had an annual turnover of 3.2 billion Swiss Francs at end June 2016. www.firmenich.com



About Mars, Incorporated

Mars is a family-owned business with more than a century of history making diverse products and offering services for people and the pets people love. With almost \$35 billion in sales, the company is a global business that produces some of the world's best-loved brands: M&M's®, SNICKERS®, TWIX®, MILKY WAY®, DOVE®, PEDIGREE®, ROYAL CANIN®, WHISKAS®, EXTRA®, ORBIT®, 5™, SKITTLES®, UNCLE BEN'S®, MARS DRINKS and COCOAVIA®. Mars also provides veterinary health services that include BANFIELD® Pet Hospitals. Headquartered in McLean, VA, Mars operates in more than 80 countries. The Mars Five Principles – Quality, Responsibility, Mutuality, Efficiency and Freedom – inspire its more than 85,000 Associates to create value for all its partners and deliver growth they are proud of every day. www.mars.com

About Prova

Worldwide leader in conceiving and manufacturing vanilla, cocoa, coffee and sweet brown extracts and flavours for the sweet food industry, PROVA is present in more than 60 countries across five continents. Thanks to the meticulous and respectful selection of raw materials and innovative extraction methods, the company always delivers high quality flavours specifically tailored to meet consumption trends and local taste preferences of each country. PROVA was created in 1946 and remains an independent family-owned business. Its headquarters are located in Montreuil, near Paris in France. www.prova.fr