

Growing trust

Produce World Group CSR report 2008

September 2008



Growing trust – the Produce World Group CSR report 2008

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Introduction to the Produce World Group



Based at Yaxley near Peterborough, Produce World is the holding company for several fresh produce processing and packing businesses. We have various different supply chain models from growing the product ourselves to working with grower groups to help them grow, pack and market their products. The acquisition of Marshalls of Butterwick in November 2007 saw the group expand beyond the UK for the first time, as a 76% share of Agromark, a Spanish growing operation, was incorporated into the group.

Produce World has evolved from the Burgess family business that began in 1898 and the business was founded and still works to the same strong values. It is now run by the fourth generation of Burgess's together with an excellent team of managers from outside the family. The business is owned by the Burgess family as well as senior managers and growers and had turnover of £212m in 2007/2008. As a private business we receive no financial assistance from government.

Through our group businesses we offer a diverse range of fruit and vegetables to our supermarket, wholesale and food service customers across the UK and we are experts in the production of organic produce. In addition to supplying the UK market, Agromark also exports produce throughout continental Europe. The overwhelming majority of the produce we supply is sold under our customers' own brands but we have recently launched two branded ranges of our own, From my Farm and Russell Burgess Heritage Potatoes.

Our businesses are guided by our values:

- Growing Trust
 - Long term sustainable business relationships.
 - Open & Challenging.
 - Built on honesty, integrity & fairness.
 - Helping our employees to reach their full potential and enjoy their careers.
 - Being a good neighbour in the local community.
- Safe Workplace
- Innovative & can do attitude
- "Challenging but fun!"
- Learning organisation (careers not jobs)
- Collaborative working
- Ethical sourcing

By following our principles we were not fined or prosecuted in relation to any non compliance with the law or anti competitive behavior during 2007/8.

Our History



Early days of the Burgess family business

1898

Harry & Percy Burgess begin growing vegetables in Peterborough Fens and running a fruit & vegetable shop in Richmond, London.

1946

Russell Burgess Ltd established to pack and market fruit & vegetables.

1981

Russell Burgess starts supplying first multiple customer with potatoes and root vegetables.

1997

Rustler Produce Ltd formed a joint venture with Whitworth Onion Growers (Alliums).

2000

Russell Burgess (Potatoes) merged with Sutton Bridge Ltd to form Solanum Ltd.

2000

Russell Burgess (Vegetables) merged with Isleham Carrot Growers - to form Isleham Fresh Produce Ltd and a further division dealing with organically grown produce, RB Organic Ltd.

2003

Companies merged to create Produce World Ltd.

2004

Produce World set up a new Joint Venture, Frupac (Yaxley) Ltd.

2006

Produce World acquired British & Brazilian Produce Ltd.

2007

British & Brazilian merged with Frupac - the latter name was discontinued.

2007

Produce World acquired Marshall Bros Ltd.



Burgess family shop

Group Businesses

British & Brazilian Produce Ltd



Specialists in the supply of grapes, melons and stone fruits to leading supermarkets, food service companies and food processors.

Working closely with in excess of 200 overseas growers, British & Brazilian imports quality fruit from more than 20 different countries.

British and Brazilian employs 138 staff and operates from offices in Great Blakenham, Suffolk and a production facility at Yaxley, near Peterborough.

Briess Produce Ltd

In 1984 Gerry Costa and Carlos Ballester bought the company to distribute fresh fruit, vegetables and dried fruits into UK pre-packer companies for the rapidly expanding British supermarket trade. Since becoming part of the Produce World Group, Briess has consolidated its product range to concentrate on offering larger supplies of conventional and organic carrots, parsnips, tomatoes (cherry, santa and vine varieties), and onions and beetroot from growers in France and Spain.

Briess employs 5 staff at their offices in Esher, Surrey.

Solanum Ltd



Solanum is the most effective supplier of provenance sourced fresh potatoes to the UK retail market. The company has gained a reputation for being able to consistently provide its customers with a unique range of high quality fresh potatoes all year round.

A commitment to sustainable sourcing coupled with pioneering agronomy and procurement skills has enabled Solanum to develop partnerships with the best potato growers in the UK and overseas.

Solanum employs 217 staff at its facility at Sutton Bridge, Lincolnshire.



RB Organic Ltd



RB Organic was founded in June 2000 as a result of a merger between the Burgess Vegetable Division and Isleham Carrot Growers. Primarily an Organic vegetable specialist, produce lines include carrots, parsnips, swede, turnips, beetroot and bunched carrots but the portfolio continues to grow as the organic market grows and business expands with both existing and new customers.

One of RB Organic's major strengths as a business is its supply chain and its Organic Grower Group - a group of dedicated growers who meet on a regular basis to share information, ideas and concerns. Since 2000, the group has developed into a strong body with common goals and values.

RB Organic employs 89 staff at their production facility in Yaxley, near Peterborough.

Isleham Fresh Produce Ltd



Isleham Fresh Produce specialises in the production and marketing of root vegetables, principally carrots and parsnips.

The business was formed in June 2000 on the merger of Isleham Carrot Growers and Russell Burgess (Vegetable Division) although the business can trace its history back more than 60 years through its growers and partners. The majority of the UK carrots and parsnips processed by Isleham Fresh Produce are grown by Tompsett Burgess Growers.

IFP is also regarded as an industry leader in the supply of fresh bunched beetroot and carrots along with speciality varieties such as Chantenay, Baby Carrots, Autumn King and Golden Beetroot.

The business employs 81 staff at their production facility at Isleham, Cambridgeshire.

Rustler Produce Ltd



Rustler Produce has evolved over the last few years from a local grower co-operative to a customer focused business specialising in delivering high quality onions, leeks and garlic to retailers, processors and wholesale markets within Europe.

Operating from a new expanded state of the art facility at Chatteris, Cambridgeshire, Rustler works closely with some of the best growers from around the world to ensure a 52 week supply to it's customers for organic and conventional produce.

The majority of Rustler's onions are grown in East Anglia where the climate and soils suit the production of good quality, long storing onions. Leeks are grown and packed for Rustler by Cambridgeshire based Allpress Farms Ltd which devotes over 750 acres to leek production each year.

Rustler employs 93 staff at its Chatteris facility.

Marshalls Ltd



Marshalls is a leading European supplier of top quality conventional and organic vegetables, specialising in brassicas.

Having pioneered the pre-packing of fresh vegetables during the 1950's, Marshalls now supply most of the leading UK multiples. In addition to 6200 acres of production in Lincolnshire, all year round continuity of supply has been achieved by developing growing partnerships throughout Europe.

Marshalls have two production sites employing over 300 near Boston where the rich alkaline fenlands of South Lincolnshire are ideal for large scale brassica production. Marshalls have been growing and packing vegetables here since 1929.

Marshalls also own 76% of Agromark s.a., a business growing over 2000 acres of vegetables near Murcia, Spain.

About this report

This is our first Corporate Social Responsibility report and its structure and content reflect our relatively short history of formally managing our social and environmental performance. Its main purpose is to inform our stakeholders about the central strategic role these areas now play in the Produce World business. Unless otherwise stated, data in this report refers to the period from July 2007 to June 2008.

We have very little historical data as prior to July 2008 we had neither the processes nor systems to capture it. These shortcomings have now been comprehensively addressed and the breadth and depth of our data for 2008/9 will set the standard for the fresh produce industry in the UK. We will report again in autumn 2009.

Scope

The policies, commitments and data referred to in this report cover the majority of Produce World's UK business activities, specifically including:

- Produce World Business Support Centre
- British and Brazilian Ltd
- Solanum Ltd
- Rustler Produce Ltd
- RB Organic
- Isleham Fresh Produce
- Marshalls of Butterwick

For reasons of practicality the following business activities are excluded from the scope of this report:

- Briess Ltd
- Our majority interest in Agromark, a Spanish fruit and vegetable grower
- The direct UK farming activities of Marshalls of Butterwick
- Our joint venture growing interests such as Las Lomas

It is our intention to incorporate the activities of these businesses into our non financial reporting in future years.

Data

Carbon - we have structured our data collection in line with the guidance given in The Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (2004) and DEFRA's Greenhouse Reporting Guidelines and Conversion Factors (2008). Our 2007/8 data covers only Scope 1 and 2 of the GHG Protocol, data from July 2008 onwards extends to incorporate a number of elements under Scope 3.

Business travel - we started collecting this data in July 2008. For reasons of practicality and relevance it excludes:

- Overseas train travel
- Bus travel
- London underground travel
- Hire car mileage
- Taxi travel

Combined, these categories are estimated to account for less than 1% of our business travel emissions.

Haulage to customers - again, this data has only been collected since July 2008. Emissions from all haulage using our own fleet (operated by Marshalls) have been calculated based on actual diesel usage for both engines and refrigeration.

The majority of our haulage to customers is contracted out to third parties but we believe that it should be included within our organisational carbon footprint. Emissions from third party haulage are calculated using the following assumptions in addition to the DEFRA conversion factors:

- Distances between our facilities and our customers depots calculated using www.freemaptools.com
- Load fill estimated at 22 pallets/trailer or 84.6%
- Engine fuel consumption based on load fill of 0.687l/mile
- Trailer fridge units use 5.4l diesel/hour

- Average truck speed 40mph
- Combined loading and unloading time of 1 hour

Where load consolidation arrangements are known and fixed, these have been taken into account.

Packaging - includes all cardboard, plastic and paper used to wrap and transport product to customers. It specifically excludes the use of returnable plastic trays and pooled pallets.

Water usage - is defined as all water coming into a site, including both mains and abstracted water.

Total waste - is defined as: Produce waste composted + produce waste to landfill + non produce waste recycled + non produce waste reused + non produce waste to landfill.

Produce sold as stockfeed is not classed as waste for this purpose.

Report technical standards

We take our social and environmental responsibilities very seriously and therefore aim to report to the highest possible standard. We believe that the Global Reporting Initiative's G3 Framework offers the best available guidance for sustainability reporting and this report has been written in accordance with their entry level 'C'.

The section of the report entitled 'GRI G3 index' on page 42 details the individual GRI G3 references.

Legal compliance

During 2007/8 we had no environmental prosecutions or work related fatalities in our businesses.

During the same period we were not issued with any Improvement Notices by the Health and Safety Executive nor were any incidents of discrimination recorded.

Assurance

The content of this report has been provided by the management teams of Produce World and its subsidiary businesses. It has not been externally assured.

Affiliations

Produce World and/or its subsidiary businesses are members of, or affiliated to, the following organisations:

- Basis
- Business in the Community
- Cambridgeshire Chamber of Commerce
- Campden & Chorleywood Food Research Association
- Food & Drink Forum
- Linking Environment and Farming (LEAF)
- Renewables East
- Suppliers Ethical Data Exchange (Sedex)
- The Association of Labour Providers
- The British Haulage Association
- The Fresh Produce Consortium
- The Leadership Trust
- The Soil Association
- The United Nations Global Compact

Produce World does not make any political donations

Contact

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Chief Executive's statement

William Burgess, CEO, Produce World

Corporate Social Responsibility is a relatively new discipline for Produce World but many of the core principles on which it is based - consideration for the needs of all our stakeholders and accepting responsibility for the social and environmental impacts of our business - are hard-wired into the way we work.

As a large food and farming enterprise supplying nearly all of the UK's major food retailers we have been aware of the increasing focus on the social and environmental issues surrounding food and its production by our customers and their customers - the British public. Although most food retailers now report on their social and environmental strategies and performance, by their own admission most of the impacts associated with the food they sell result from the activities of their supply chains. To genuinely make a difference - be it to climate change, labour standards or rural poverty - they must engage their suppliers and beyond them, the farmers and growers, in the process.

This insight led us to the conclusion that simply 'living our values' was not enough. In order to help our customers achieve their goals we needed to raise our game to their level. This meant developing comprehensive social and environmental policies, setting challenging targets for improved performance, collating and reporting hard data and openly communicating them all to our stakeholders.

Our first Corporate Social Responsibility report outlines what we have achieved so far, what remains to be done and crucially, how we plan to do it. We are aware that it contains less detail than

many other CSR reports - a lack of robust historical data has limited the extent of our past performance reporting in a number of areas - but we have now addressed this and will be providing comprehensive performance reporting from next year.

During the last year Produce World has become a signatory to the United Nations Global Compact, the world's largest voluntary corporate citizenship initiative. The Global Compact promotes responsible business with the objective of realising a more sustainable and inclusive global economy. We support its Ten Principles which encompass human rights, labour standards, the environment and anti-corruption and have embedded them in our policies and public commitments. Further information on these policies and commitments is contained in this report.

We welcome this holistic approach to business and believe that those who embrace it fully will be best placed to compete in the marketplace of tomorrow. In the past Produce World has delivered value to its customers through superior products and customer service, we now aim to differentiate our offer further through unrivalled environmental and social performance.

William Burgess

Our approach - building the foundations of sustainability

The beauty of a business having a 'Eureka moment' is that you don't need to unlearn existing processes and behaviours. There are no embedded policies, no established practices and no prevailing wisdom.

Produce World embarked on its journey to becoming sustainably competitive in the summer of 2007 without any baggage. This allowed us to build our corporate social responsibility framework from the bottom up without any restrictions or compromises dictated by existing arrangements. Very few businesses have the luxury of creating something from scratch and of learning from other's mistakes rather than their own.

With no pre conceived ideas about what responsible business or sustainability looked like, especially in the particular context of the fresh produce industry, we set about establishing some fundamental truths - what are the real issues and who do they affect ?

These questions led to our work on materiality and stakeholders.

On gaining an understanding of what matters and to whom, attention naturally turns to more practical considerations - what should we do, how should we manage it and how will we know if we have achieved our goals? These challenges informed our work on policy, governance, data management and reporting.

The following section details our work on these areas and the outcomes that emerged. The end result is a robust framework that guides and informs our approach to sustainability, which is strong enough to deliver results whilst maintaining the flexibility to respond to the ever changing social and environmental landscape.

What matters - Materiality

Materiality is about what is important - specifically what is important to our business and those on which our business has an impact. What is 'material' obviously differs significantly according to who you are. Shareholder's material issues are unlikely to be identical to the local community's.

We have taken as given that in order to continue in business we must meet the financial needs of employees, customers and shareholders. There is a requirement to look beneath the obvious purpose and outputs of our business and understand the implications of our activities beyond simple financial impacts. We have therefore focussed on identifying the most important non-financial issues in four key areas - our communities, our workplaces, our supply chain and the environment.

Ideally, identification of the material issues should be conducted in conjunction with as many interested parties, or 'stakeholders', as possible. This, however, is not possible if you have yet to identify who your most important stakeholders are or to establish effective communication with them. Our desire to move ahead quickly with embedding corporate social responsibility principles into our day to day activities has meant that we have had to compromise. The material issues facing Produce World have been agreed by the Leadership Board (for more information on the Leadership board, please refer to the Governance section) but have not been ratified by our stakeholders. As we establish appropriate dialogue with our various stakeholder groups we will address this shortcoming and use their input to drive our review process.

Informed by an internal CSR survey conducted for all operational sites in November 2007, in January 2008 the Leadership Board considered the following to be the key issues affecting Produce World:

Our Community

- The cohesion and sustainability of the communities in which we operate
- Community group and local media perception of Produce World and it's businesses
- The quality of relationships with local government and it's representatives

Our Supply Chain

- The cohesion and sustainability of the communities in which our growers operate
- The ecological and carbon footprint of our supply chain
- The fair treatment of our growers and suppliers
- The prices paid to growers and suppliers are fair and sustainable

Our Workplace

- The health and safety of our employees
- The treatment of both permanent and agency employees
- The treatment of migrant workers
- The effectiveness of consultation and communication with our employees
- The training and development of our employees

The Environment

- The energy intensity and efficiency of our operations
- The water intensity and efficiency of our operations
- The carbon footprint of our operations
- The environmental impact of our waste and effluent

The Leadership Board will review the group's material issues on an annual basis to ensure that they continue to accurately reflect our trading environment. Since January 2008 we have been working hard to develop the tools that will allow us to start to address these issues and improve our performance. Our progress on this is reported in the section: 'The Four Pillars'.

Who matters - Stakeholders

Our stakeholders are the people and organisations that are affected by the actions and activities of Produce World businesses. Some stakeholders are fairly easy to identify - customers and employees for example - but many others are less obvious and often overlooked.

To ensure that we comprehensively mapped all of our stakeholders we conducted a series of seven workshops across the group, one at each subsidiary business and one for the head office function. At each workshop, the management team identified every person, organization and business that they encountered in the course of their activities and grouped them according to their mutual significance.



These stakeholders 'maps' have helped each business identify who really matters and what sort of impact, both positive and negative, their key stakeholders can have. Some stakeholders were unique to a specific business and it was agreed that these should be managed in an appropriate way locally. However, a significant number of key stakeholders were common to many or all businesses and it became apparent that there was often little or no consistency of approach in engaging with them.

To address this, a group-wide map was developed encompassing all the stakeholders from the six subsidiary businesses and head office which in turn informed an engagement strategy for the key players that emerged.

A few of the findings were quite startling:

We realised that there were enforcement authorities that had the power to shut down our operations with which we did not have regular, formal dialogue.

We discovered that sometimes we invested too much time and effort in relationships that were either unimportant or unsustainable.

We learnt which of our suppliers were vital to our success and which of them depended on us for their future and identified the issues that arise when they are not the same people.

Case Studies

Community engagement at Rustler Produce

Onions have been packed at the Rustler site in Chatteris for many years and the business is proud of its strong links with the town. Perhaps their most visible contribution to the community has been their support of the town's annual entry into the Britain in Bloom competition, which has seen Chatteris go from strength to strength. Wishing to go beyond just financial support, they have become actively involved in the preparation of the floral displays. The now famous 'Chatteris Onion' at Rustler which greets you as you approach the town from the north was planted by employee Ivan Smith, who also sits on the Chatteris in Bloom committee.



Rustler Produce supports Chatteris in Bloom and Food Technology classes at Cromwell College

Rustler also works closely with schools in the area. During the 2007/8 year they have been supporting the Year 9 Food and Technology classes at Cromwell College, their local secondary school. Supplying onions and garlic for their practical cookery classes has helped the children develop their cooking skills whilst a talk from Site Director, Jonathan Tole, gave them an insight into how and where the products are grown. Rustler is supporting the college again in 2008/9.

Working with the Health and Safety Executive to further improve performance

A Produce World business was prosecuted by the HSE in 2004 following a serious accident involving a contractor at one of our sites and in response the group completely overhauled its management of health and safety. A key development was the appointment of John Caney as group health and safety compliance manager to oversee the implementation of policy and ensure compliance with legislation at site level.

Although this in itself was no panacea, it did mark a significant shift in attitudes towards health and safety across the group and made clear the Board's commitment to improving our performance.

Much progress has been made in the last 3 years; including the setting up of health and safety committees at all sites and the establishment of a group Health and Safety Forum where site managers discuss current issues, new legislation and share best practice. We are, however, very aware that we can never be complacent and must continue to work to reduce the risks faced by our employees and visitors to our sites.

The HSE was identified as one of our most important stakeholders, one which could have a significant impact on all of our businesses. We wanted to develop a more proactive relationship with the Executive and its officers and to work with them

to improve further our management of health and safety.

We have now established a joint 'Intervention Project' with our local area HSE which will run over the next two to three years. HSE officers will conduct three day visits to all our operational sites, auditing our policies and procedures and interviewing employees at all levels to assess compliance. Undoubtedly, these detailed examinations will highlight areas of weakness that need to be tackled. We plan to work with the HSE officers and through our Health and Safety Forum to deliver any required improvements and share the knowledge gained across all our businesses.

John Caney is sure that this initiative may at times be uncomfortable for us but is certain that it offers the group a fantastic opportunity:

'I am delighted that the HSE have chosen to partner with Produce World on this project. Their expertise will help us to improve our health and safety performance and to deliver a consistent approach across the group. Compliance with legislation is sometimes challenging but we will benefit enormously through working together'

Formal engagement with our global suppliers



A key stakeholder group for Produce World is the fresh fruit and vegetable growers that supply us. We enjoy very close relationships with many of them but with a supplier base of over 200 growers in more than 20 countries it is essential to supplement day to day communications with more structured arrangements. Each of our businesses has established formal Grower Groups to help facilitate effective two way communication. Each Group is run differently but they all allow Produce World employees and growers to share information, ideas, problems and best practice in a collaborative forum.

In June 2008 British and Brazilian, Produce World's fruit business, organised a melon conference in Murcia, Spain. In addition to growers from many

countries including France, Italy and Brazil, it was also attended by customers and seed breeders, bringing together the whole supply chain from seed to supermarket shelf.

Presentations, discussions and field trips covered issues as wide ranging as environmental stewardship, retail strategy, ethical policy and varietal development. The conference also provided an opportunity for growers to share experiences and for different parts of the supply chain to gain insight into the challenges faced by others.

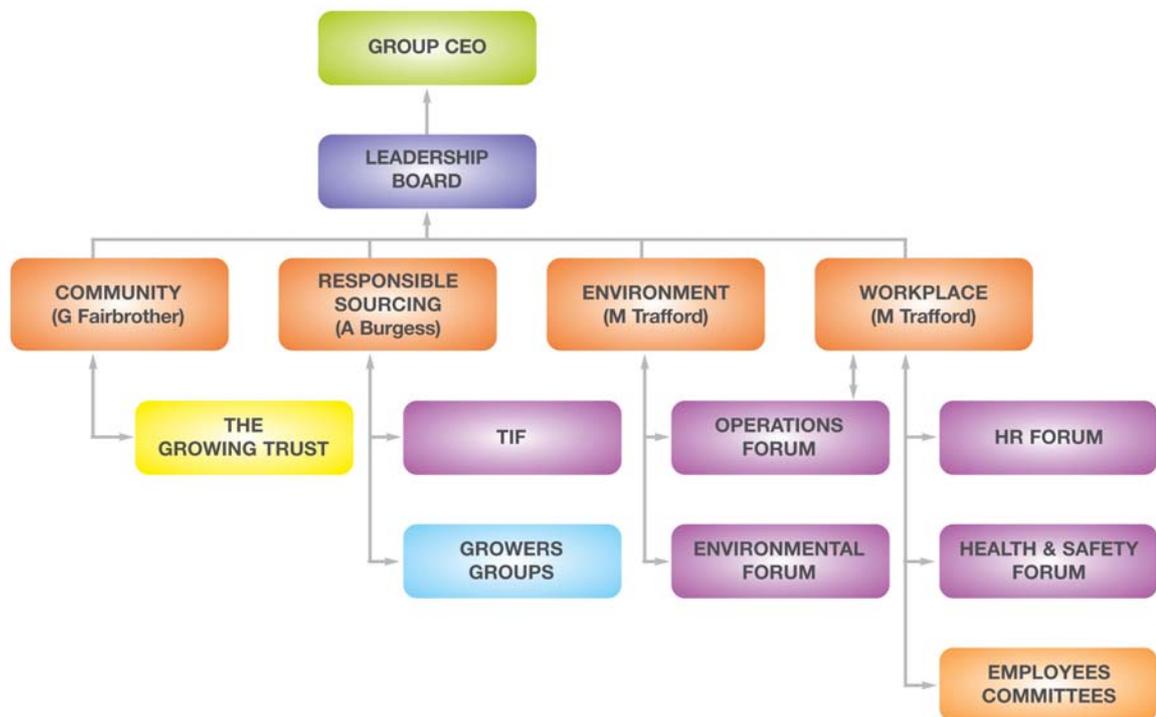


Conference delegates inspect new varieties

British and Brazilian holds a conference every year - this year's melon event follows a stone fruit conference in France in 2006 and a similar event focussing on grapes in Brazil in 2007.

Who is responsible – Governance

We have developed a comprehensive governance structure to direct and control our CSR activities, allocate responsibilities and set and monitor performance targets. The structure encompasses our four 'pillars' of CSR - community, environment, workplace and responsible sourcing and spans the entire business, involving employees at all levels and in all functions.



Responsibility ultimately rests with Group CEO, William Burgess, and he is accountable to the Produce World board for the group's non financial performance. Specific areas of responsibility have been delegated by William to individual group directors and a number of governance bodies established to ensure both compliance with policy and the delivery of improved performance.

The **Leadership Board** is central to the governance structure and its role is to ensure that CSR is effectively incorporated into the strategic objectives of the Group. It achieves this through the adoption of social and environmental policies and the setting of non financial performance targets. Its membership is comprised of the group's functional directors and the divisional managing directors. It is chaired by the CEO. Current members (September 2008) are:

- William Burgess, CEO (Chairman)
- Moira Trafford, Group HR Director
- Ian Batkin, Group Financial Director
- Andrew Burgess, Group Agriculture Director
- Tim Sutton, Group Development Director
- David Prince, Managing Director Solanum and B&B
- Jason Burgess, Divisional Managing Director Vegetable Division
- Nigel Clare, Managing Director Marshalls

Responsibility for the development of policy and the delivery of targets for each of our Four Pillars of CSR lies with the individual group directors whose functional responsibility is most closely aligned with it:

- Community - Gordon Fairbrother, Group Director of CSR
- Workplace - Moira Trafford, Group HR Director
- Environment - Moira Trafford, Group HR Director
- Responsible Sourcing - Andrew Burgess, Group Agriculture Director

The **Group Forums** play an essential role in both the dissemination of group policy to the individual sites and in the development of strategies to deliver improved performance and achieve non financial targets. Each forum is chaired by a technical expert and its membership is comprised of a representative from each group business and at least one Group director:

- Health & Safety Forum - Chair, John Caney, Group Health, Safety and Environment Compliance Manager
- Environment Forum - Chair, Adele Carroll, Group Environment Officer
- Operations Forum - Chair, David Prince, Managing Director Solanum and B&B
- Engineering Forum - Chair, Jamie Cross, Project Manager - Vegetable Division
- HR Forum - Chair, Sue Johns, Group HR Manager
- Technical & Innovations Forum (TIF) - Chair, Andrew Burgess, Group Agriculture Director

The broad cross section of membership of the forums ensures that information, ideas and issues flow effectively in both directions between the Leadership Board and the individual group businesses. This makes the forums the 'engine' that drives forward our CSR agenda and delivers the results.

Further information about the roles of the other elements of our governance structure can be found in the following sections:

The Growing Trust - Community Impact, Page 28

Grower Groups - Stakeholders, Page 12

Employees' Committees - Workplace Culture, Page 20

Measuring performance - Data and reporting

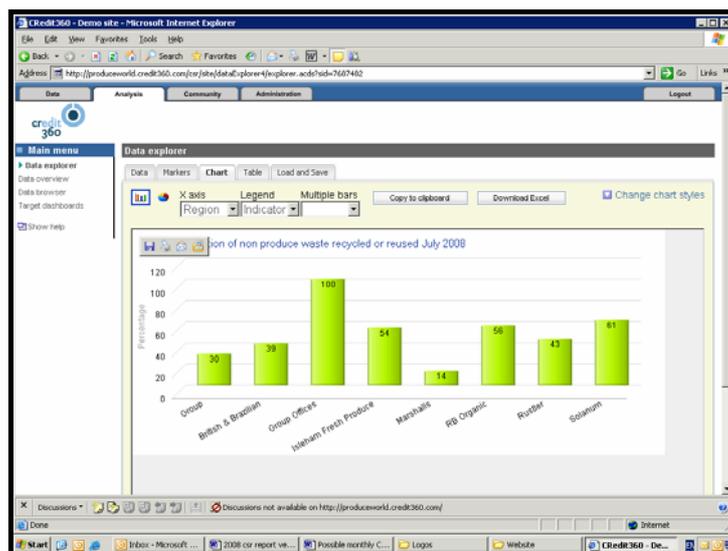
Produce World has recently invested in a dedicated system to manage all of our non financial data. The Credit 360 system was developed in Cambridge and is used by many blue chip businesses including the John Lewis Partnership and Alliance Boots. Produce World has partnered with Credit 360 to develop a version of the system specifically tailored to smaller businesses allowing us to measure, target and report on over 100 social and environmental KPIs.

Monthly performance data is collated at site level and input into a central database. Data relating to the following areas is captured:

- Energy and water use
- Waste
- Resource use
- Emissions
- Health and Safety
- Business travel
- Human resources
- Procurement

The system was developed during the first half of 2008 and went live for the start of our 2008/9 financial year in July. The limited data available for the 2007/8 year has been used to establish a baseline of performance and for the setting of targets.

The performance measures that we are using have been selected on the basis of our understanding of international best practice and their relevance to our business and industry. Please refer to the section 'About this report' on page 7 for specific details of the reporting standards employed.



credit 360 gives us the management information we need to improve performance

Our approach - delivering sustainability through The Four Pillars

Our four pillars of sustainability are a minor adaptation of the framework established by Business in the Community to manage corporate social responsibility issues. The BitC framework of Marketplace, Workplace, Environment and Community is widely used across industry and has been adapted successfully by many of our retail customers.

We have tailored the pillars to reflect our values and culture and to ensure they are completely relevant to our business:

- Workplace Culture
- Environmental Stewardship
- Community Impact
- Responsible Sourcing

In the following sections we have outlined our specific commitment in relation to each pillar, the policies developed to support these commitments and the strategies and initiatives put in place to deliver them.

Workplace Culture

Our Commitment

'We value the contribution of all our employees and are committed to providing a safe, stimulating, rewarding and collaborative working environment.'

Workplace culture is about everything that happens in our places of work and the impact of our activities on our employees, agency staff and contractors. For Produce World, the main elements are:

- Health and Safety
- Employee's rights
- Communication and consultation
- Terms of employment
- Agency and migrant workers
- Training and development

Background

Across the group, Produce World employs around 1000 permanent staff and a varying number of temporary agency workers, depending on the day to day demand from our retail customers. Consumption and purchase of fresh fruit and vegetables is highly seasonal and very sensitive to weather and temperature changes and as a result, it is impossible to accurately predict forward production volumes. This volatility, combined with very short lead times between final order placement and delivery to depot means that in order to meet customer expectations we need highly flexible staffing arrangements.

A group wide CSR survey conducted in November 2007 provided a useful snapshot of the composition of our workforce*. It gave us information about the mix of nationalities employed, the ratio of permanent to agency staff working at each site and the proportion of female and non British employees in management positions.

* The survey was conducted prior to the acquisition of Marshalls of Butterwick and therefore does not include data from their business.

The results provided great insight into the current and future challenges and opportunities facing the group from a workplace culture perspective. The key learnings were:

- 36.2% of our permanent staff were non British/Irish
- 17.7% of our managers and supervisors were non British/Irish
- A total of 18 nationalities were employed across the group
- 31.5% of our total staffing requirement was met by temporary agency staff
- 43% of our permanent staff were female
- 35.4% of our managers and supervisors were female
- 0.16% of our permanent staff were registered disabled
- 20% of staff were completing or had completed an NVQ qualification through work

The survey also highlighted significant differences between group businesses in relation to these indicators and in the areas of employee consultation and the provision English language tuition for migrant workers.

Policy

Our workplace culture is primarily shaped by our HR policies which have been developed by our HR team over the last 5 years. From a starting point of ensuring group compliance with ever changing employment law, HR policy is now increasingly used to embed the group's values in the way we work and to strengthen our position as an employer of choice. It is rare in our industry for all employees to benefit from employer matched pension contributions and a non contributory cash health plan, but we believe that as a responsible employer we should offer these. None of our employees are currently covered by collective bargaining agreements.

Broader employee rights regarding equality, freedom of association and protection from harassment and bullying amongst others are key components of our **Responsible Sourcing Code of Conduct** which applies equally to our own businesses as it does to those of our suppliers.

Additionally, in response to the CSR survey results, the Leadership Board made the following policy decisions:

- All group businesses should establish a formally structured Employees' Committee
- All UK operational sites should submit themselves to an independent ethical audit every 2 years
- All UK operational sites should establish ESOL (English for Speakers of Other Languages) provision for overseas employees
- Each site should review it's use of temporary agency labour to ensure that it is being utilised at a sustainable level

Progress

Health & Safety

Our overriding concern in the context of our workplace culture is the health and safety of everyone who works in or visits our businesses. Without a safe working environment, developing a positive culture is impossible.

Health and Safety is managed both within and across group businesses at many levels. Each site has a Health and Safety committee, usually chaired by the site Health and Safety Manager, which meets monthly. Representatives come from different areas of the operation - intake, engineering, production and despatch - and raise any issues identified by their colleagues. Minutes are taken and corrective actions are assigned to individuals.

Every quarter, site Health and Safety managers meet at the group forum to discuss current issues, new legislation and to share best practice. The forum helps the group Compliance Manager to develop new policy and draft new procedures and working practices. Health and Safety performance covering accidents, near misses and time lost is reported to the Group Board monthly.

Protecting employee's rights

Seven day and 24 hour operations require highly flexible staffing arrangements which, when combined with increasingly prescriptive employment legislation, necessitates constant vigilance on the part of the employer to ensure that employee's rights are protected.

In order to maintain full compliance with both legislation and group policy, the group has implemented a robust set of internal and external auditing arrangements.

The internal audits are conducted by the Group HR Manager and the newly appointed HR Compliance Manager. These detailed investigations involve examining records and documentation plus interviews with staff and focus

on areas such as working hours, pay, training and the legal right to work. The audits cover both our own employees and those working for us through labour providers.

The relative importance of temporary labour in our industry and the challenges that it presents led to the creation of the Gangmaster Licensing Authority which now enforces agency labour standards in the food and agricultural industries. Our auditing procedures are tailored to meet GLA guidelines and are consistent with the Association of Labour Providers best practice.

Our auditing extends beyond our own operational sites to encompass the activities of our major growers and their labour providers, thus ensuring compliance through the supply chain.

External ethical auditing is provided by Bureau Veritas to the SMETA (Sedex Members Ethical Trade Audit) standard and covers all our UK operational sites plus any of our growers where internal auditing has identified major issues. As a member of Sedex (Supplier Ethical Data Exchange), all our external audits are hosted on their website where they can be readily accessed by our customers.

We are active members of the Business in the Community Migrant Worker Group which was set up to promote the positive benefits brought by migrant workers and to champion best practice in employing workers from overseas. Produce World is proud to be a signatory to and sponsor of the BitC Voluntary Code of Practice on Employing Migrant Workers.

Effective consultation and communication

This is an area where our stakeholder engagement research identified that we needed to dedicate more resources. Consultation through active employees' committees was seen as being an effective way to improve communication between staff and management and it was agreed to extend these committees to all sites. At present, there are long established committees at Solanum and RB Organic and one has recently been set up at Rustler Produce.

The group newsletter, 'Roots, Shoots and Fruits', is published three times a year and distributed to all staff. It features news articles from group businesses and is also used to communicate information on group initiatives, new recruits etc.

One of the major barriers to more effective communication within our businesses is English language skills. Many of our non British staff have limited English which creates significant challenges, particularly in relation to training and development. To address this, all sites are now offering staff access to ESOL training which is tailored to their existing language skills. Courses are run on site in conjunction with local education providers including University of Lincoln Holbeach campus and Peterborough Regional College. By giving employees improved English language skills we hope to help them unlock their potential and move into more senior roles.

Future Plans

During the 2008/9 year we will:

- Establish employees' committees at all of our UK businesses
- Offer ESOL training to all employees who want it
- Continue working in collaboration with the HSE through the Intervention Project to enhance our health and safety performance
- Work through the BitC Migrant Worker group and Sedex to streamline and strengthen auditing arrangements for temporary labour providers.

Environmental Stewardship

Our commitment

'We understand the environmental impact of our operations and constantly seek opportunities to improve it.'

As a food grower, importer, processor and distributor, we have a significant impact on the environment. Our challenge is to transform negative environmental impacts into positive ones and where this is not feasible, to minimise the severity of our impact as far as is practicable.

The key direct environmental issues facing Produce World as identified in our work on materiality are:

- Energy and water use
- Waste and effluent
- The carbon footprint of our operations

Indirect issues surrounding the environmental impact of our supply chain are addressed in the section on Responsible Sourcing, page 32.

Background

Since the middle of 2007, environmental performance has become a major area of focus for the group and now forms an important element of group strategy.

Reflecting on our values and sensing the increased weight both customers and consumers were placing on environmental responsibility; we concluded that committing resources to improving our environmental impacts and raising our performance standard from compliance to excellence would create an exciting opportunity for the group. The subsequent significant increases in fuel and energy costs served to underline the business case.

The group appointed its first Environmental Officer, Adele Carroll, in October 2007 and the Health and Safety Compliance Manager's remit was extended to incorporate the environment. Since then responsibility for performance at site level has been given to individual managers and a group Environment Forum has been established.

Policy

The early part of 2008 saw the development of a broad policy platform from which we could build strategies for improved performance. Policies have been drafted covering the following specific areas:

- Environmental Policy Statement
- Energy Management
- Carbon Management
- Water Management
- Waste Management
- Biodiversity Management
- Chemical Management
- Transport

These policies have been signed off by the CEO and adopted by the Leadership Board. The Environmental Policy Statement is available to view via our website.

Progress

Environmental Management System

The group is committed to implementing an environmental management system accredited to BS8555 and ISO 14001 by the end of 2009. Work has already started on this project and we expect to have all sites accredited to Phase 1 of BS8555 by the end of this year.

A well structured EMS is essential to driving improved environmental performance. Each site will develop its system in a consistent way but tailored to its own specific operational requirements.

Auditing

In order to establish a baseline of current environmental performance and identify key areas for improvement, each site has undergone a number of internal and external audits. Sustainability audits conducted by BeMS, a not for profit organisation, and carbon audits conducted through the Carbon Trust have provided us with a large amount of information about our existing energy, water and waste management and with action plans to improve them. Twice yearly internal audits monitor progress on these plans in addition to assessing compliance with environmental legislation, group policy and performance targets.

Environmental Impact Projects

RB Organic Reed Bed System

Many centuries ago it was noticed that where waste water flowed into natural wetlands or beds of reeds, much cleaner water flowed out. In the 17th and 18th century some cities were already taking advantage of this and were diverting their waste waters into reed beds and wetlands. Scientific studies into just how reed beds and wetlands effect waste water treatment began in Germany in the 1960s and since then there has been considerable investigation and research.

The research has found that a wide range of processes are occurring in these environments, including physical, chemical and biological mechanisms. By working in combination, these processes provide breakdown and removal of a wide range of contaminants from a wide range of waste waters.

During November 2006 RB Organic began looking at ways to improve their water treatment system. Historically, the waste water from the vegetable washing process was treated by a mechanical system with relatively high energy and chemical usage.



The mechanical/chemical water treatment plant at RB Organic

The decision was taken to develop a natural wetland made up of a lagoon settlement area and a series of reed beds. The first water began flowing through the system in July 2007. All of the waste water that is generated in washing the vegetables at RB Organic is now cleaned naturally. A virtually maintenance

free system, the reeds also provide a natural habitat for the Fen wildlife and will be incorporated as part of a landscaping scheme, planted with trees, wildflowers and a picnic area for RB Organic employees and customers to enjoy.



The newly established reed bed

The reed bed process works in the following way:

- Waste water is fed from the factory to the new lagoon
- As the water flows through the lagoon, the solids suspended in the water (soil etc) settle to the base of the lagoon
- Once water has flowed around the lagoon it then reaches a pumping station and the water is pumped up to the surface of the first set of reed beds
- The water flows horizontally across the first reed bed, into a chamber and then is pumped down across the second reed bed system. The bacteria that live in the roots of the reeds and gravel break down the matter that starves the water of oxygen.
- Once it has travelled across the beds it flows into a small pond. Water at this point is sufficiently oxygenated to support fish life. The cleaned water is then released into the natural watercourse.

Energy sub metering at Isleham Fresh Produce

As energy prices continue to rise and new government taxes are being imposed upon businesses to encourage the reduction of carbon emissions, it is becoming even more crucial to accurately measure and monitor energy use. As the saying goes "you can't manage what you can't measure"!

IFP took a proactive approach to monitoring and measuring its energy and water use. They installed an Automated Monitoring and Targeting system (AM&T) with several sub meters located throughout the factory. This allowed for more precise data readings, identified specific areas of high consumption and increased their ability to more accurately validate utility bills. This information resulted in immediate savings for the business as the system demonstrated anomalies in their water use which were then targeted with actions for water saving and reduction. The benefits of this system have been demonstrated by a 20% reduction in water consumption since the system was installed.

The AM&T has also proven to be an invaluable tool in managing energy use on site. The facility has been used to monitor the use of energy and identify areas where energy could be reduced by doing things differently or highlight areas where energy is being used when it should not be, prompting the Health Safety & Environment Manager to investigate these areas further and put measures in place to resolve the issues. The system has allowed for targets for energy reduction to be set and provides all the necessary data to monitor the reductions and achieve the targets. IFP have also found the system to be a great support tool in maintaining their Climate Change Agreement and meeting its requirements.

Waste management

Since the creation of the environmental team in October 2007, waste has been high on the team's agenda. Waste is an emotive environmental topic at the moment - barely a day goes by without waste issues being mentioned in the media. As a fresh food processing and packing company we form part of the supermarket's supply chains and we believe we can make a difference in 'greening' this supply chain by improving our waste management.

Each Produce World business produces a variety of different waste types such as plastics, cardboard and food waste, which can all be reused or recycled in some way. Our aim to eliminate waste at source and when this is not possible we will strive to reduce the amount of waste sent to landfill and increase the percentage of waste we re-use or recycle. All our sites are taking positive steps to reduce their production of waste and the resulting negative impacts by improving waste segregation and increasing recycling rates. Where possible sites seek alternative channels (for example, selling as stock feed or donating to animal shelters) for waste food produce to divert it from landfill.

To support the achievement of the group waste reduction target for 2008/2009 the environmental team has initiated a tender process to identify a 'total waste management' solution for the group. The aim of this process is to standardise service levels throughout the group and identify and roll out best practice in managing our waste. The process has involved several regional and national waste management companies and will deliver a more consistent approach to waste management and improved waste reduction, segregation, re-use and recycling across the group. The new arrangements will be in place by the end of 2008.

Future Plans

EMS accreditation

As mentioned above, we believe that the key to our future environmental performance is through the implementation of an effective Environmental Management System. The establishment of a group wide EMS is our top priority and we aim to have achieved this, and gained accreditation to BS8555 and ISO 14001, by the end of 2009.

Froglife pond projects at RB Organic and Rustler

Froglife is a conservation charity which since 1989 has initiated a number of groundbreaking and 'life saving' conservation projects all over the UK. In Peterborough, Froglife has focused upon the management of Europe's largest colony of Great Crested Newts in Hampton Nature Reserve which is located near to our offices and operations at Yaxley.

Froglife believes that in order to achieve the best conservation status for native amphibians and reptiles it is essential to work in partnership with local communities and with a wide range of organisations and companies. The main focus of Froglife's activities is the protection of amphibians and reptiles but their work also extends to the preservation of wetlands, maintaining and improving biodiversity and habitat management.

Produce World's environmental team are keen to improve the biodiversity of our sites, conserve existing wildlife and natural habitats and ensure that farming activities are having a positive impact upon the environment. The Group Environmental Officer has been liaising with Froglife's Head of Conservation to explore the possibilities of working together to raise awareness of conservation and educate employees in managing their natural environment. Froglife's Head of Conservation has submitted an application in conjunction with The Wildlife Trust for a funded project on ponds within industrial landscapes in Cambridgeshire in which Produce World is listed as a partner organisation.

RB Organic and Rustler Produce have been selected as potential locations for the project to take place, giving both businesses the opportunity to work with skilled conservationists. It is hoped to develop the existing reed bed system at RB Organic and the balancing pond at Rustler to encourage freshwater biodiversity and increase the cultural and ecological value of the ponds. The project will allow for employee training in conservation through on-site workshops and practical volunteer sessions at Froglife, creating benefits for Froglife, Produce World and employees. The partnership project will promote best practice which can then be shared amongst other organisations through a brochure outlining the conservation activities that have taken place at each site.

Community Impact

Our Commitment

'We will make a positive, measurable contribution to the communities in which we operate.'

This is about more than just being a good neighbour; it means that we will work in the community in a proactive way. Vibrant, healthy and positive communities are excellent settings to do business and we recognise that we have a role to play in creating and supporting them.

Background

Our initial focus is on the towns and villages across East Anglia where our packing facilities, offices and farms are based but we are aware that our responsibilities extend to our new Spanish operations and further still into our global supply base. Effective community engagement cannot be achieved overnight and will require the ongoing energy and enthusiasm of our employees if it is to be successfully maintained.

Most sites already have established links with the local community and some examples of how we work together are highlighted in the case studies below. These links, however, are often very informal and rely on individual employees and community members to maintain.

Progress

As part of our strategy to make our community engagement more effective, we have appointed existing employees within each of our businesses as **community coordinators** to look after a number of aspects of community impact. Typically, these employees live locally and are already involved with the community through their work.

A survey of our charitable giving and community links in November 2007 highlighted that we have little or no information about our partners, activities or donations. This makes it very hard for us to measure whether what we are doing is having a positive impact and impossible for us to assess whether we are investing our time, money and resources in the most effective way.

To address these weaknesses we felt that we needed to establish a clear focus for our community investment and to support our activities with management and information systems. Focus has been delivered through the establishment of The Growing Trust and delivery supported via the Community module of credit 360.



The Growing Trust

The Growing Trust is a company limited by guarantee that has been established by Produce World to manage and deliver our community activities. Its sole purpose is to benefit the communities in which we, and our growers, operate. The Trust is in the process of being registered as a charity.

It has been set up with specific charitable objects to ensure that the donations that it makes are targeted and it particularly looks to support small, local charities and community organisations that find it difficult to attract funding :

The promotion of any charitable purposes for the benefit of the community in East Anglia and neighbouring areas, as well as worldwide agricultural communities, including but not limited to the advancement of education, the promotion of good health both mental and physical, the promotion of healthy eating and nutrition and the relief of poverty.

The advancement of education in and the promotion of improvements in agriculture, horticulture, forestry,

animal husbandry and related industries including food production, storage and distribution.

The protection and preservation of the environment for the public benefit by promoting sustainable food production, biodiversity and conservation of the earth's natural resources.

The Trust has been designed to make its work as relevant as possible to our businesses, their employees and the communities in which they operate. To achieve this, we have selected agriculture and the rural economy, education, the environment and community organisations as being the Trust's main areas of focus.

Funded primarily by a significant annual donation from Produce World, the Trust is overseen by the Group's majority shareholders - William, Andrew and Jason Burgess and it is hoped to appoint an additional trustee from outside the business in the near future.

Management system - credit 360 Community module

This system provides us with a complete picture of our community investment taking account of time, gifts in kind and cash donations. It allows us to analyse activity and expenditure on both a site by site basis and according to beneficiary type and location.

Over time, it will develop into a beneficiary database which will support and inform our stakeholder engagement work.

Case Studies - Produce World in the Community

'The Carrot Lady'

In July 2008 Katie Stark, Operations Manager at RB Organic, spent the day at the William De Yaxley primary school in Yaxley. She joined in their 'Healthy Living Week' and spent time with each class taking them through the journey of a carrot - they had entitled the journey, 'From Seed to Sainsbury's'.

Katie showed the children pictures of carrot planting, of carrots growing, pictures of hand weeding, and the RB Organic factory where the carrots are cleaned and packed. She took along some carrots for them to taste and some of our protective workwear for them to try on. The children delighted in seeing members of their class and some of their teachers trying on the protective clothing - they found the hair nets and beard snoods particularly funny!!

The children and teachers were really interested in the whole process, asking lots of questions and were fascinated to see the pictures of the hand weeding of the carrots. They certainly didn't realise how much work goes in to getting organic carrots on to the supermarket shelves.

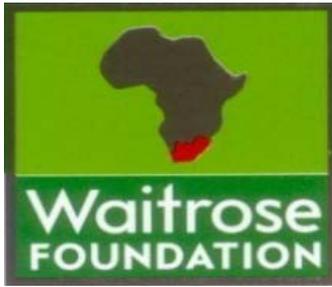
As part of the week the school ran a healthy living competition for which they asked the children to either create a healthy living menu for a week or to write a healthy living poem. The eight winners of the competition won an organic vegetable box donated by RB Organic and they also got to read their menu or poem out in a special prize giving assembly at the end of the week.



Katie Stark, aka The Carrot Lady, with teacher and prize winning pupils from William de Yaxley Primary School, Yaxley.

Katie was invited to the assembly and went along to present the prizes:

'I thoroughly enjoyed listening to the children as they read out their winning menus and poems - I was particularly impressed with one young man's healthy living rap!!!' she said. 'The children were a real credit to the William De Yaxley School - they were very well behaved, very polite and creative. Everyone enjoyed the experience and it was an excellent way to get to know and support our local community.'



The Waitrose Foundation

In the summer of 2005, in partnership with importers, export agents and growers, Waitrose launched the Waitrose Foundation to improve the lives of workers in South Africa who grow and pick the fruit they sell.

At no extra cost to customers, all members of the supply chain donate a percentage of their profits, from the sale of fruit carrying the Foundation logo, to provide direct financial support for projects to improve the welfare of farm workers and their local communities. Locally elected worker councils decide what the community needs most, such as healthcare, crèches, adult education classes or training to help people find additional year-round income, since fruit picking is a seasonal job. In 2007, the Foundation raised over £600,000 of which Waitrose contributed 60 per cent. This money has supported community projects at more than 30

farms and is helping more than 15,000 workers. British and Brazilian, part of the Produce World group, supplies Waitrose's grapes and stone fruits from South Africa and is proud to be a member of the Waitrose Foundation. Our contribution in the 2006/7 season was over £31000 and it is anticipated that the sum for 2007/8 will be even higher. Gordon Fairbrother, Director of Corporate Social Responsibility at Produce World is an unpaid director of the Waitrose Foundation.



A farm crèche in South Africa which is supported by the Waitrose Foundation

Responsible Sourcing

Our commitment

'We will always treat our growers and suppliers fairly and ask the same from our customers.'

Produce World manages long and complex supply chains across the globe. Maintaining full availability year round for our customers is an enormous planning and logistical challenge given the volumes handled, distances travelled and perishability of the product. Our role is to manage effectively the whole supply chain from the grower to the supermarket distribution depot. This means that our responsibilities extend beyond our own direct operations of washing, grading and packing – we must also ensure that our suppliers and growers conduct themselves in a way that is consistent with our values and commitments.

Background

Today, simply 'delivering the goods' is no longer enough. Over recent years, customers and consumers alike have developed a growing interest in the story behind the product. They need reassurance that in addition to being wholesome and full of flavour, the fruit and vegetables that they buy have been grown in a socially and environmentally responsible way. Focus was initially on pesticide and fertilizer usage but has broadened to encompass issues as diverse as food miles, labour standards, fair pricing and embedded water.

As a supply chain manager, Produce World has a pivotal role to play in ensuring that these new consumer expectations are met. It is a challenge as many of the concepts involved are either subjective ('responsible' and 'fair'), controversial (food miles) or not yet fully understood by many (embedded water and carbon). Given the ever changing landscape relating to these issues, it is essential to establish clear trading principles but to adopt flexible strategies that can adapt to evolving science, legislation and customer concerns.

Progress

Policy

In 2007 we brought together our responsible sourcing policies in the **Produce World Responsible Sourcing Code of Practice**. This sets out our required standards in relation to fair trading and honesty, labour practices, environmental impact and health and safety. It applies to Produce World's own sites and businesses plus those of our suppliers. The purpose of the Code of Practice is to ensure that the Produce World supply chain meets the highest ethical standards and forms part of our commitment to sustainable development.

A copy of the code of practice is available at:

http://www.produceworld.co.uk/csr/csr_social_and_environmental_policies.asp

Transparency

Supply chain transparency is achieved through our membership of **Sedex**, an innovative data sharing web site which allows businesses to share information about themselves and their growers with their customers. All of our own sites and over 90% of our growers are registered on Sedex and have completed a self assessment of ethical performance.

To ensure that our growers continue to focus on and improve their performance, we have put in place an internal auditing system to monitor the social and environmental performance of our most important growers. Following the audits, we work together to address any areas of non compliance with our Code of Practice.

In addition, all Produce World production sites submit themselves to an independent ethical audit to the SMETA (Sedex Members Ethical Trading Audit) standard by Bureau Veritas every two years, the results of which are uploaded onto Sedex. These audits revealed no major non compliances and highlighted some examples of good practice across our sites. The minor non conformances identified have been addressed as recommended by Bureau Veritas.

Maintaining labour standards

In recent years the agricultural and food processing industries in the UK have seen major changes to both the structure and composition of their workforce and the legislation governing them.

The accession of the A8 countries to the EU, low unemployment in the UK and difficulty in attracting British born workers into food and farming have led to a dramatic increase in the number of migrant workers employed in the industry since 2005. Predominantly from Poland and the Baltic states, these workers have plugged a significant gap in the labour market and have helped to keep the industry competitive.

Two defining features of the fresh produce industry are the perishability of the product and the very short lead times required by our supermarket customers. Some retailers allow less than 6 hours between the transmission of their final orders and the expected delivery at their depot, which may be 2 to 3 hours drive away by truck. These features necessitate an extremely flexible workforce which cannot be delivered solely through permanent full-time employees. As a result, a significant support industry has developed providing temporary workers on an 'as needed basis'. Known as agency labour providers or 'gangmasters', these businesses allow fresh produce packers to switch on and off the supply of labour to exactly meet their daily operational requirements.

Almost all of the workers recruited by the agency providers are migrants from outside of the UK and many of them are recent arrivals to the country. The exploitation and mistreatment of some of these workers by a very small number of labour agencies led to some high profile media stories, culminating in the extensive coverage of the Morecambe Bay tragedy in which 23 migrant cockle pickers died.

In response to these abuses, the government established the Gangmasters Licensing Authority (GLA) to police standards in the provision of temporary labour and licence all labour providers to the food and agriculture industries.

Produce World takes its responsibility to its permanent and temporary workers extremely seriously and has taken a number of steps to ensure that we are able to maintain the highest labour standards throughout our supply chain. To gain a deeper understanding and awareness of the issues and challenges facing agencies we have joined the **Association of Labour Providers (ALP)** as an associate member. Our membership also keeps us up to date with legislation changes and the activities of the GLA. We encourage all of our labour providers to join the ALP.

As a member of the Business in the Community Migrant Worker group, we have been involved with the development of a new voluntary code of practice which, as signatories, we are also proud to sponsor. The code sets out how employers can make migrant workers feel welcome and help them settle into their new environment. It also sets out what employers can do on a longer-term basis to help migrant workers integrate more effectively into the community. Although it does not impose any legal obligation nor is it an authoritative statement of the law, the intention is that the code will help guide and reinforce best practice in relation to the employment of migrant workers.

Most importantly, the group has invested significantly in resources to audit compliance with legislation and our code of practice, both in our own businesses and those of our major growers. In 2007 Our HR team developed a comprehensive labour auditing tool and in March 2008 appointed Helen King to the new role of Group **HR Compliance Manager**. All labour suppliers providing workers to Produce World businesses are audited at least once a year. Additionally, a significant proportion of our UK sourced product comes from growers who in addition to being registered on Sedex, have also been regularly audited by Produce World.

Case study - ELS Recruitment at Allpress Farms

The difficulties facing food businesses trying to root out unscrupulous labour providers are illustrated in the following case involving one of our major growers, Allpress Farms. Fear and intimidation are effective tactics used to conceal the truth.

Three audits by Produce World of ELS recruitment, including confidential interviews with staff, revealed no major issues with practices at the agency, however, a former employee made a complaint to the GLA and a full investigation followed. The GLA found that some workers had been threatened and verbally abused, hours had been deducted from workers' pay with no explanation and they had been told that they would be fired if they complained. Fearing loss of job and income without access to Social Security, workers did not feel able to speak out.

The GLA immediately revoked ELS's licence, making it illegal for them to continue to supply labour to Allpress Farms and putting all of its workers out of a job. Allpress Farms and Produce World acted quickly to offer all of the workers alternative, permanent employment.

The GLA Chairman, Paul Whitehouse said: "The GLA welcomes the help provided by Sainsbury and Produce World through the inspection and by offering the workers new jobs. This is exactly the type of abuse we were set up to stop, and we are determined to take action against it wherever we find it. Many of the workers were too scared to talk to us,

but those who did made a real difference and allowed us to take swift action to end the suffering and abuse."

Interviewed in August 2008 by the BBC, one of the affected workers, Alex Perun, said:

"I'm a lucky man because when ELS left the factory, the farm gave me a contract so now here I have a good life. Now after one or two months I can buy things that I only dream about in Poland. For example, I have a plasma TV and a car. And it's not only money, here I have prospects. Here I can go to school for example so, maybe not in the winter because it's busy in the winter, but next summer I'll go to school."



Alex Perun and Anita Osipova at Allpress Farms

Effective collaboration with growers

We communicate and share information with our growers every day but believe that some more formal structures are needed if together we are to set the standard for responsible sourcing in fresh produce. Over recent years we have developed some effective forums for discussion, debate and the sharing of best practice through our supply base.

Each of our businesses works with a small number of growers, many of who we have worked with for years, sometimes even decades. **Grower groups** are set up around particular crops, bringing together growers from around the country, or even across the world, who are supplying the same type of produce to us. Regular meetings are held, often attended by representatives from our customers' buying and technical teams. Among the issues covered in group meetings are quality, crop estimates, new growing and harvesting techniques, reducing pesticide usage, environmental impacts of growing and labour standards.

Where our grower base is global, as in the case of our fruit business, British and Brazilian, regular meetings are not practical. Instead, growers are brought together every couple of years for a major conference, hosted in one of the producing countries.

Case Study – From my Farm

In September 2008 Produce World launched a new range of seasonal, regionally sourced fruit and vegetables called From my Farm. Working with small groups of growers in both the East and the South West of England, the brand has been developed to meet the needs of customers who want to eat fresh, seasonal produce that has been grown in their local area.



Charlotte Falkingham, Regional Product Manager at Produce World has worked closely with the growers to agree the range, develop the packaging and establish the packing and transport arrangements. She is confident that the brand will be successful:

'From my Farm gives growers and consumers the opportunity to establish a direct relationship – something that used to be taken for granted but has been lost in recent years.' Charlotte says. *'Everyone I have talked to about it wants to know where they can buy it!'*

Environmentally responsible sourcing

One important way in which we can influence the environmental footprint of our supply chain is to encourage our growers to manage their farms to independently accredited environmental standards such as Organic and Linking Environment and Farming (LEAF). Over 80% of our UK production is grown to one of these standards which ensure that pesticide and artificial fertilizer usage are minimised or eliminated and biodiversity supported.

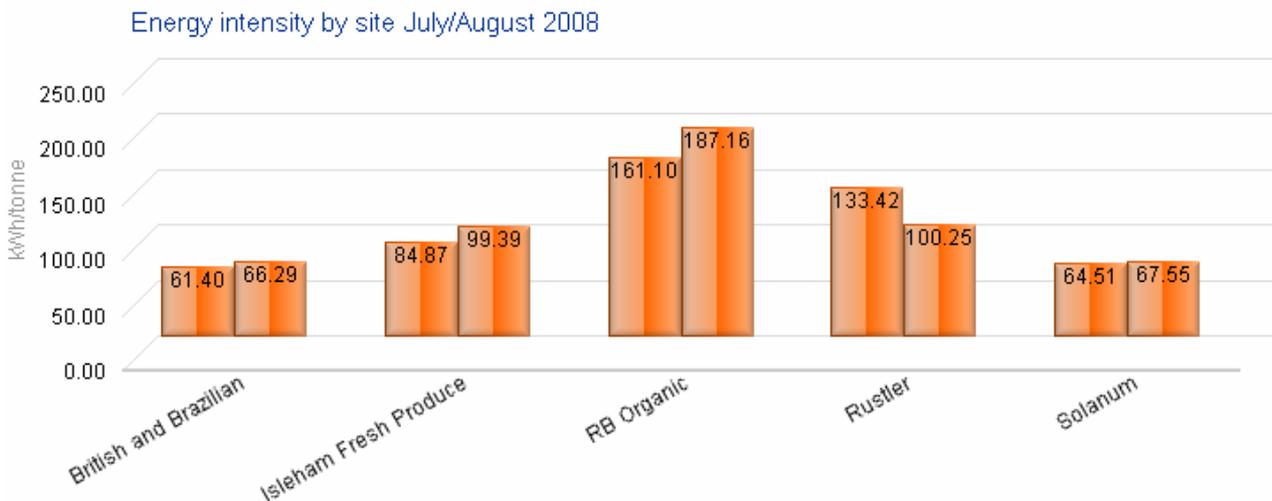
Performance

Measuring non financial performance is a new discipline for Produce World. Our existing systems are designed to support operations and to deliver robust financial reporting. Accurate, timely data is a pre requisite for any successful strategy to deliver improved performance so the group has invested in a bespoke data management system, credit 360.

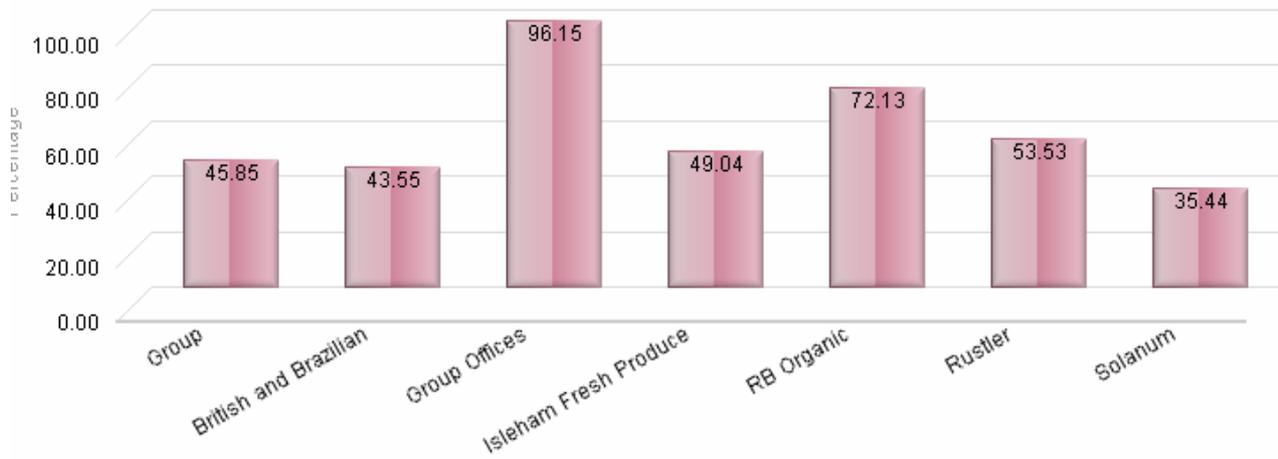
Using credit 360 we collect 85 pieces of data monthly from each of our businesses, which in turn drive 32 Key Performance Indicators (KPIs). These indicators measure our performance in the following areas:

- Health and Safety
- Employee engagement
- Energy efficiency
- Water efficiency
- Waste reduction and management
- Packaging use
- Carbon intensity
- Environmentally accredited sourcing

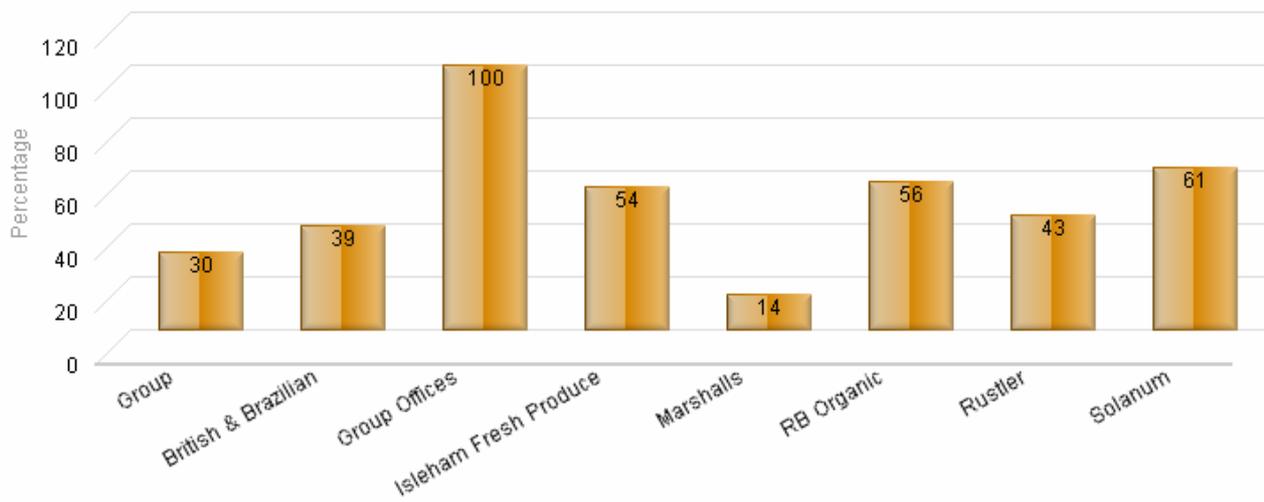
We started collating data using credit 360 in July 2008 and will publish our performance between July 2008 and June 2009 in our 2009 CSR report. Below are examples of the information charts we will be publishing for the 2008/9 year, using a snapshot of some July and August 2008 data.



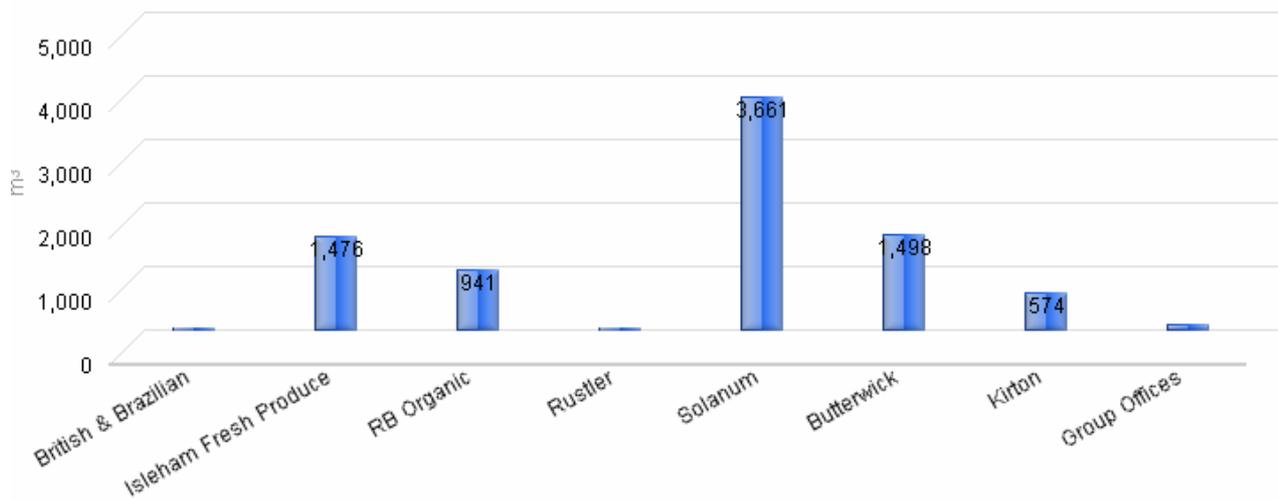
Proportion of workforce that is permanent August 2008



Proportion of non produce waste recycled or reused July 2008



Water footprint by site July 2008



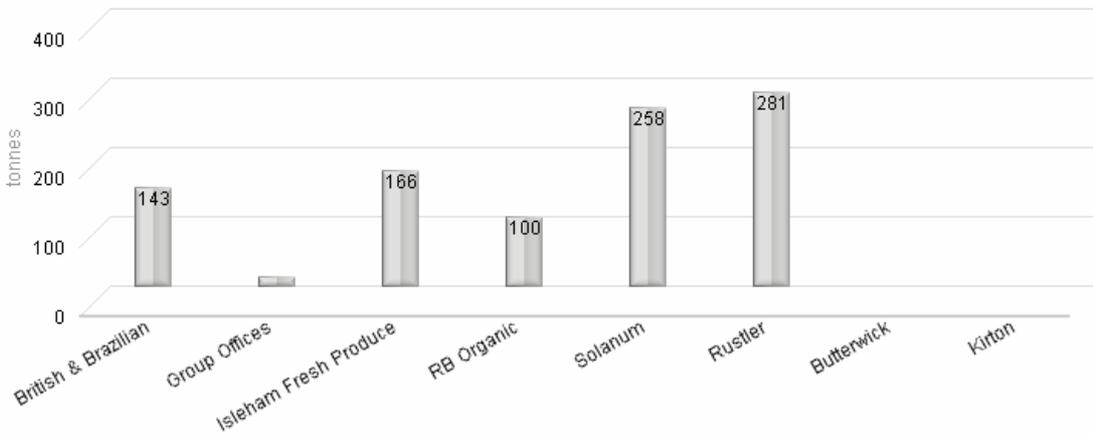
Carbon

We have structured our data collection to allow us to report our carbon dioxide and carbon dioxide equivalent emissions in line with the standard guidance contained in The Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (2004). We have established our organisational boundary to include emissions which occur between intake at our facilities and delivery to our customers' distribution depots. Specifically our carbon footprint includes:

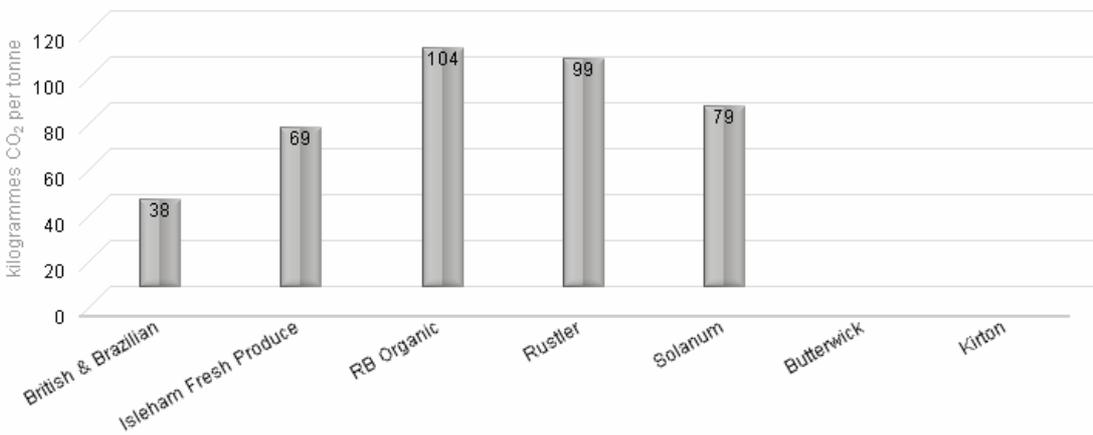
- Natural and LPG gas use (Scope 1)
- Diesel used in machinery and fork lift trucks (Scope 1)
- Fugitive emissions from refrigerant gas leaks (Scope 1)
- All haulage undertaken by our own fleet (Scope 1)
- Electricity use (Scope 2)
- Haulage to customers using third party carriers (Scope 3)
- Business mileage (Scope 3)
- Domestic business train travel (Scope 3)
- Domestic and international business air travel (Scope 3)

For definitions relating to our emissions calculations and details of exclusions, please refer to 'About this report' on page 7. No data is currently available for Marshalls' sites.

Carbon footprint by site July 2008



Carbon intensity by site July 2008



Establishing a baseline for 2007/2008

The following tables detail the limited environmental and social data available for the business for last year. From this baseline we have established the group non financial targets for 2008/9 on page 41. Data for Marshalls is incomplete as they joined the group during the course of 2007/8.

All figures relate to the period July 2007 to June 2008 unless stated

Energy

Site	Electricity usage kWh	Mains Gas usage kWh
British and Brazilian	1,454,144	0
Isleham Fresh Produce	2,844,987	0
RB Organic	1,946,338	0
Rustler Produce	2,105,638	900,045
Solanum	3,002,559	0
Marshalls – Butterwick	4,466,331	0
Marshalls – Kirton	226,169	210,654
Total	16,046,166	1,110,699

Water

Site	Water usage m3
British and Brazilian	235
Isleham Fresh Produce	28,246
RB Organic	19,926
Rustler Produce	1,504
Solanum	43,501
Marshalls – Butterwick	4,952
Marshalls – Kirton	6,449
Total	104,813

Waste

Site	Waste to landfill tonnes	Waste recycled tonnes
British and Brazilian	680.00	485.00
Isleham Fresh Produce	58.56	0
RB Organic	44.44	70.50
Rustler Produce	52.00	16.00
Solanum	104.09	95.25
Marshalls – Butterwick	924.12	0
Marshalls – Kirton	305.84	0
Total	2,169.05	666.75

Employees

As at August 2008

Site	Full time	Part time	Temporary	Casual	Total
British and Brazilian	135	2	1	0	138
Isleham Fresh Produce	77	4	0	0	81
RB Organic	88	0	1	0	89
Rustler Produce	91	2	0	0	93
Solanum	191	8	0	18	217
Percentage of total	94.17%	2.58%	0.32%	2.91%	618

Health & Safety

Site	Number of RIDDOR accidents
British and Brazilian	3
Isleham Fresh Produce	2
RB Organic	0
Rustler Produce	3
Solanum	5
Total	13

Targets for 2008/2009 and beyond

The Produce World Leadership Board has set the following targets for the group for 2008/9:

Total packaging materials used per tonne of finished product packed

Target: **Reduce by 5%**

Total electricity and gas usage per tonne of raw material processed

Target: **Reduce by 3%**

Total water usage per tonne of finished product packed

Target: **Reduce by 5%**

Total waste produced

Target: **Reduce by 10%**

Percentage of non produce waste recycled/reused

Target: **Increase by 10%**

2 year target: **Increase to 90%**

Percentage of total waste to landfill

Target: **Reduce by 10%**

2 year target: **Reduce to 10%**

Value of fines for non compliance with environmental legislation

Target: **Nil**

Accident frequency rate

Target: **15 accidents per 100,000 hours worked**

Accident severity rate

Target: **15 hours lost per 100,000 hours worked**

Packaging materials include all cardboard, plastic and paper

Water usage is defined as all water coming into the site, including abstracted water

Total waste is defined as: Produce waste composted + produce waste to landfill + non produce waste recycled + non produce waste reused + non produce waste to landfill. Produce sold as stockfeed is not classed as waste for this purpose.

Global Reporting Initiative (G3) Index

GRI G3 Disclosure Section	GRI References	Inclusion	Page
Strategy and Analysis	1.1 CEO's statement	Yes	9
	1.2 Key impacts	Yes	11
Organizational Profile	2.1 Name of the organisation	Yes	2
	2.2 Brands	Yes	2
	2.3 Operational structure	Yes	2-6
	2.4 Location of head office	Yes	8
	2.5 Countries of operation	Yes	2
	2.6 Nature of ownership	Yes	2
	2.7 Markets served	Yes	2
	2.8 Scale of the organisation	Yes	2
	2.9 Significant changes in operation	N/A	
	2.10 Awards received	N/A	
Report Parameters	3.1 Reporting period	Yes	7
	3.2 Date of report	Yes	FC
	3.3 Reporting cycle	Yes	7
	3.4 Contact point	Yes	8
	3.5 Defining report content	Yes	7
	3.6 Scope of report	Yes	7
	3.7 Exclusions from and limitations to scope	Yes	7-8
	3.8 Reporting of joint ventures and subsidiaries	Yes	7
	3.9 Data measurement techniques	Yes	7-8
	3.10 Restatements	N/A	
	3.11 Significant changes	N/A	
	3.12 GRI Standard Disclosures table	Yes	42
	3.13 Assurance	Yes	8
Governance	4.1 Governance of CSR	Yes	16-17
	4.2 Chair of highest CSR governance body	Yes	16
	4.3 Board structure	Yes	16
	4.4 Engagement with employees and shareholders	Yes	17
	4.8 Group values and codes of conduct	Yes	2
	4.9 Risk assessment and management	Yes	17
	4.12 External charters, principles and initiatives	Yes	8
	4.13 Memberships	Yes	8
	4.14, 4.15, 4.16 Stakeholder engagement	Yes	12-15
4.5, 4.6, 4.7, 4.10, 4.11, 4.17	No		
Economic	EC1 Economic Profile	Partial	2
	EC2 Climate change risks and opportunities	Yes	11
	EC4 Financial assistance from government	Yes	2
	EC3, EC5, EC6, EC7, EC8, EC9	No	

GRI G3 Disclosure Section	GRI references	Inclusion	Page
Environmental	EN1, EN2 Materials used	No	
	EN3, EN4 Energy consumption	Yes	39
	EN7 Energy reduction initiatives	Yes	26
	EN8, EN10 Water withdrawal and recycling	Partial	39
	EN14 Biodiversity strategies	Yes	27,32,35
	EN16 Greenhouse gas emissions	Partial	38
	EN19 Emissions of ozone depleting substances by weight	Partial	38
	EN21 Water discharge by quality and destination	Partial	37
	EN22 Waste disposal	Partial	39
	EN26 Environmental impacts mitigation	Yes	25-26
	EN27 Recycling	Partial	37
	EN28 Fines for environmental non compliance	Yes	8
	EN5, EN6, EN9, EN11, EN12, EN13, EN15, EN17, EN18, EN20, EN23, EN24, EN25, EN29, EN30	No	
Labour Practices	LA1 Workforce employment numbers	Yes	20,40
	LA4 Collective bargaining agreements	Yes	21
	LA6 Worker health and safety representation	Yes	21
	LA7 Health and Safety performance	Yes	40
	LA2, LA3, LA5, LA8, LA9, LA10, LA11, LA12, LA13, LA14	No	
Human Rights	HR2 Supplier assessments	Yes	33-34
	HR4 Incidents of discrimination	Yes	8
	HR5, HR6, HR7, HR8, HR9	N/A	
Society	SO1 Community programmes	Yes	28-31
	SO6 Political donations	Yes	8
	SO7 Anti competitive behaviour	Yes	2
	SO8 Fines for non compliance with law	Yes	2
	SO2, SO3, SO4, SO5	No	
Product Responsibility	PR9 Fines relating to the provision of products	Yes	2
	PR1, PR2, PR3, PR4, PR5, PR6, PR7, PR8	No	

FC – Front Cover

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Reponsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

Report Application Levels

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared			Report Externally Assured		Report Externally Assured		Report Externally Assured
	Third Party Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	GRI Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured

