

Making fruit happy

Blue Skies Sustainability Report 2008/2009



BLUE SKIES



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2008

Welcome

We operate in changing global markets.

We employ over 1000 people in factories in some of the world's poorest nations.

We source from farmers who live in areas where even the basic resources are scarce.

We deliver our products by air to some of the biggest supermarkets in the world.

We have a lot of responsibilities.

This is our approach...

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A message from the Founder & Chairman, Anthony Pile
Sustainability is the driving force of our business. It is the pounding heart that instils real passion and pride in everything that we do. It is the rock that enables us to meet almost any challenge.

Blue Skies has changed so much since I founded the company in 1997. Then we had only 36 employees working out of a factory in Ghana. Now we have over 1000 employees based in Ghana, South Africa, Egypt and Brazil

When I started the company I set out to achieve what no one else had previously managed to do. My aim was to deliver to customers in Europe the taste and health benefits of true fresh-from-harvest tropical fruits rather than the weeks old fruit that was then available by retailers in Europe. My strategy was simple; harvest the fruits at their optimum ripeness, cut and pack them in the country of origin so as to maintain its freshness and flavour and then fly the finished product to Europe to arrive in shops, all within 48 hours.

Ten years on and we now have an annual turnover of over £30m and we are growing by 25% every year. In Ghana we are responsible for approximately 1% of Ghana's exports, 30% of her pineapple exports and the majority of her mango exports and we are seen as a model for sustainable development by Government and Non-Governmental organisations all over the world.

We recognise that success does not come without responsibility which is why from the start we have built our business upon the values of fairness in business, respect for each other and trust. It is these values that make up the foundations of our business culture and which in turn underpin everything that we do. We believe that care for our people breeds care for our fruit which in turn fosters a natural respect for the environment and the communities where we exist. It is this approach that has enabled us to grow so quickly and which has earned us a Queens Award for Enterprise in the Sustainable Development category.

Over the past year we have actively increased our focus on raising awareness of the importance of sustainability within our business and improving our performance. At a time when social, environmental and economic concerns play an increasing role in the stability of our planet, we want to make sure that we are doing our part to realise the goal of Sustainable Development as defined by the Brundtland Report which is to "meet the needs of the present without compromising the ability of future generations to meet their own needs".

This report has been prepared to provide our stakeholders with detailed information about how we meet, or intend to meet, the tremendous risks and opportunities that come about as a result of dealing with the challenge of sustainability.

If you would like further information or would like to provide any feedback, please contact us. Our contact details are on the back of this report.



Anthony Pile
Chairman

Who we are and what we do

Blue Skies was the first company in the world to cut and pack freshly-harvested fruit in the country of origin and fly it directly to the consumer the same day. By supplying a consistent and ready market our business provides hope to thousands of people in Africa and South America.

We have been cutting and packing just-harvested fruit and delivering it to Europe since 1998. We have grown through our ongoing commitment to delivering consistent, very high quality prepared fruit products and through our loyalty to our customers and suppliers.

We believe in providing only the freshest pure fruit products and then delivering them to the consumer as quickly as possible. We add nothing to our fruit. No chemicals, no additives, no artificial flavourings. Nothing.

We employ over 1000 people in Ghana, Egypt, South Africa and Brazil and supply to a variety of customers including some of the biggest supermarket chains in the UK, Europe and South Africa. At each facility we apply a culture which we have developed carefully. It is based on fairness in business, respect for each other and above all, trust. By nurturing this culture and forging global partnerships Blue Skies has become an ethical model for development to governments all over the world.

In 2008 we are honoured to have been awarded a Queens Award for Enterprise in the Sustainable Development category. UK International Development Minister, Gareth Thomas, commented on our achievement during a visit to our factory in Ghana. He said:

"This award is proof that developing countries can export a product and take care of the environment at the same time. The UK imports over 2000 tonnes of prepared pineapple from Ghana every year contributing £2.6 million to the local economy through wages alone. This helps farmers and their families live a better life."

People employed by site

2008	Ghana	RSA	Egypt	Brazil
Total number of permanent staff	844	124	323	100
Total number of temporary staff	185	112	0	20
Total number of male staff	510	87	198	40
Total number of female staff	549	149	125	60
Total number of male supervisory staff	21	6	23	1
Total number of female supervisory staff	12	5	12	1

Harvest-fresh fruits

We select only the ripest, sweetest fruits and then prepare them into delicious ready-to-eat salads and juices, fresh-from-harvest. Our fruit is harvested only once it has naturally ripened, therefore giving a sweeter, just-picked taste.

Our award winning products include the world's first fresh pineapple juice and our mouth watering prepared organic sugarloaf. We pride ourselves on our innovation and lead the way with our new product development. We were the first to introduce fresh pomegranate juice, the first to introduce fresh cut coconut and we hope to be the first with many of our future product launches.

The range of fruits that we have available to us is wide and diverse. We source pineapple, mango, passion fruit, papaya and coconut from Ghana, Melon and pomegranate from Egypt, Melon from South Africa and Mango from Brazil.



Joint Effort Enterprise

We operate a business model which we have developed called a 'Joint Effort Enterprise' or a 'JEE'. The JEE outlines how the company takes collective responsibility for solving problems and rising to challenges by working together in partnership with all our local and international stakeholders. It's how we bring our big family closer together.

A key component to the JEE is a strong management team and a motivated, informed staff at each of the company's factories. The head office in the UK provides management training and direction in key areas such as operations and logistics, sales and marketing, technical compliance, communications, new product development and finance.

It is the company's intention to bring Africa, South America and Europe closer together by creating partnerships and making the most of the skills, knowledge and resources available to us at each of our locations. We take particular care to understand and respect cultural differences, to listen to local needs and incorporate these within the Group objectives.

We believe in breaking down the boundaries to trade with the developing world by finding local and international solutions. Over the last 10 years Blue Skies has demonstrated the significant commercial opportunities that exist and how these can bring major benefits to the company, local communities and customers.

Our approach to sustainability

The Challenge

Blue Skies source from hundreds of growers from throughout the developing world and process fruit in factories in Africa and South America which, between them, employ over 1000 people and use large amounts of water and energy to produce fresh-cut fruit, which is often flown in passenger aircraft to supply many highly competitive, changing markets throughout the world.

As a consequence, there are countless sustainability challenges that Blue Skies face on a daily basis. Some of the more recent challenges include:

- Trade deals such as the ‘Economic Partnership Agreements’
- Consumer attitudes towards food that has travelled over long distances, especially by air.
- An increasingly competitive fresh-cut fruit market in the UK, driving prices down.
- The rising price of oil.

Opportunities

After ten years of consistent growth we wouldn't be where we are today if we were not able to face up to some extremely difficult challenges along the way, and our Joint Effort Enterprise structure has ensured that we have the right people on our side to solve problems whenever and where ever they occur.

With all these challenges though, come tremendous opportunity for growth:

- Increased safety and social performance, responsible sourcing and investment in local communities can bring about happier, healthier and more productive staff and strengthened relationships with suppliers.
- Working with the airlines and our logistics partners to encourage reductions in fuel consumption and increased use of renewables can help us to reduce costs and react to the increasing demand for oil.
- Developing new value-added products with increased shelf life can reduce our dependence on airfreight and therefore reduce costs and increase our competitiveness.
- Reducing energy and water consumption can provide significant opportunities for Blue Skies to reduce its cost base.
- Demonstrating long term sustainable growth in Africa and South America can encourage trade and investment and therefore economic development in the third world.
- Reusing our waste can generate further revenue through sales of by-products such as compost, bio-fuel and renewable-energy.
- Committing to best-practice monitoring, reporting and corporate governance can reduce Blue Skies regulatory and business risk exposures within the many locations where we operate.

Our Approach

At Blue Skies it is our mission to be a leading model for Sustainable Development. We aim to build our company upon our values of fairness in business, respect for each other and trust. We believe that care for our people breeds care for our fruit which in turn fosters a natural respect for the environment and the communities where we exist.

Through our Sustainability Committee, we are working to engage closer with all our stakeholders to better understand where our business has an impact, to raise awareness on the importance of

operating sustainably, to monitor and report on how we are performing and to work with management and staff to recommend programmes of improvement.

The Sustainability Committee has also implemented a Sustainability Management system to: set out our policy commitments in the form of a group-wide Charter; provide guidelines to conformance in the form of a Code of Practice; and monitor how well we are working to our commitments using a Sustainability Checklist. We also have a system for reporting non-conformances and agreeing corrective actions to ensure that unsatisfactory performance is rectified as soon as possible

The goals of the Sustainability Committee are to:

- Raise awareness of sustainability challenges facing the company using available resources such as the group newsletter, notice boards, management meetings and training sessions.
- Review and monitor performance on a regular basis
- Agree a unified strategy and set targets based on priorities identified by stakeholders and in response to regular reporting.
- Recommend and implement programmes of improvement.
- Regularly feed information related to the company's sustainability performance to management.
- Actively engage with stakeholders including local community members to receive feedback and provide a platform for concerns to be reported confidentially.

Sustainability Committee Structure

Our sustainability committee has been structured in a way that it can work effectively across the entire group. To begin with we have setup a group in Ghana which is made up of representatives of a broad spectrum of interests, including:

- Social welfare and labour practices
- Environmental management
- Responsible sourcing practices and adherence to standards
- Community liaison and economic impact

To support our team in Ghana we have a group in the UK which represents similar interests and exists to engage with our stakeholders in Europe and raise awareness across the group of emerging sustainability issues and concerns, especially with regard to packaging, adherence to private standards and new product development.

The Committee also has a Chair whose responsibility it is to coordinate our sustainability strategy and ensure that the role of the sustainability committee is sufficiently carried out.

We intend to form a sustainability group or recruit a sustainability representative at each of our four factory sites. This will allow us to more effectively integrate our sustainability strategy within the entire group.

Stakeholder Engagement

In January 2008 we published an online and paper survey to ask over five hundred of our stakeholders on what areas we should focus on reporting in our sustainability report. The range of stakeholders we surveyed included staff, suppliers, customers, certifying bodies and non-governmental organisations.

The results of these surveys showed that Human Rights were considered a priority for the company although Labour Practices weren't far behind. In reality our stakeholders considered every area to be important and that no one impact should be given significant priority over another.

A potential problem with the survey was that because this is our first detailed sustainability report, there was not the breadth of data available to allow our stakeholders to make an informed judgement on which of our objectives we should be prioritising. Therefore we intend to engage further with our stakeholders to ask which areas we should be addressing and what additional information is needed in subsequent reports. So, if there is anything you would like to say to us as a result of reading our first report, please do not hesitate to get in touch.

Operating to high standards

Blue Skies prides itself in its ability to work to exceptionally high standards of social responsibility, agricultural practice, environmental sustainability and food safety. At each site we have a highly qualified technical team whose job it is to ensure we meet our exacting social and environmental standards and our commitment to producing the highest quality fruit.

Our Sustainability Committee and Management system works alongside our technical teams to ensure that all our various commitments in the area of Sustainable Development are grouped in to a single reporting mechanism which can be adopted across the entire group.

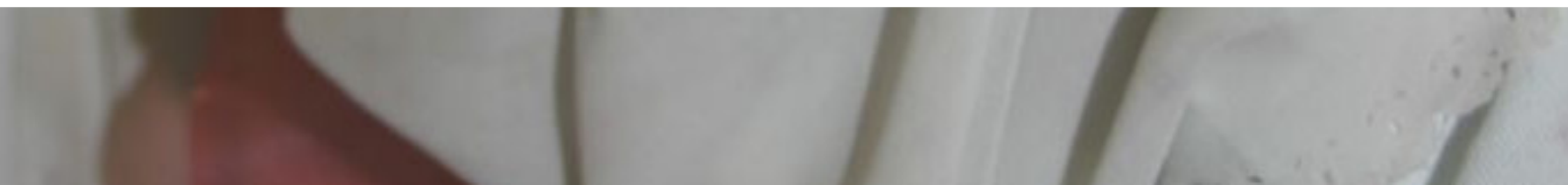
Sustainability audits and assessments carried out by site (including farms)				
2008	Ghana	RSA	Egypt	Brazil
SEDEX	✓	✓	✓	✓
Business Social Compliance Initiative (BSCI)	✓			
Fairtrade	✓			
Soil Association Organic or equivalent	✓	✓		
British Retail Consortium (BRC) (Food Safety)	✓	✓	✓	✓
International Food Standard (IFS)	✓		✓	✓
Global Gap	✓	✓	✓	
Linking Environment and Farming (LEAF)	✓			
ISO 14001 compliant (not audited)	✓			

Targets	
Blue Skies Egypt to achieve BSCI and LEAF certification	By 2010



Our people

We are committed to ensuring that every individual associated with our company, in whatever capacity, is treated with fairness, trust, dignity and respect.



Management approach

Our Sustainability Management System includes guidelines for adherence to our commitments to Human Rights and Labour Practices and Decent Work. This covers areas such as child labour, equal opportunities and freedom of association. A copy of these guidelines can be downloaded from our website at www.bsholdings.com

Adherence to our commitments is monitored through regular internal and independent auditing and as part of our membership to the Business Social Compliance Initiative (BSCI).

Human Rights

It goes without saying that Human Rights are very important. We operate in developing countries where there is often high unemployment and therefore people's ability to afford school fees for their children is constrained. This immediately poses a number of risks for any company operating within this environment, specifically with regards to human rights issues such as child labour and freedom of association with staff representative bodies.

At Blue Skies we take these risks extremely seriously which is why we are committed to a policy on human rights and audit ourselves regularly to ensure that these commitments are always met.

Providing a great place to work

Ensuring that our staff are able to work in a safe and healthy working environment is essential in enabling Blue Skies to deliver upon its commitment of providing the highest quality fruit.

All our staff are incredibly important to us and we are particularly keen to ensure everyone feels that their contribution to the company, no matter how small, is highly valued. We want everyone to feel an important part of the Blue Skies family and central to this is our commitment to working within a 'seamless society' where we treat each other as equals regardless of background or status.

Our staff are entitled to two days off per week, four weeks paid leave per year and, in addition, three months maternity leave per year for women and, at some of our factories, two weeks paternity leave for men. Blue Skies was in fact the first company in Ghana to offer paternity leave.



Working Hours				
2008	Ghana	RSA	Egypt	Brazil
Working hours per week	40	40	40	44
Is over time paid?	✓	✓	✓	✓
Days off per week	2	2	2	2
Annual holiday entitlement	20 days	20 days	21 days	20 days

Targets	
Introduce more social facilities for staff in Brazil	By 2010

Where appropriate, we assist factory staff with membership to the National Social Security Scheme, medical care and health advice, transport to and from work, soft loans, salary advances, a lunch subsidy and in some cases, assistance for further education.

Our staff facilities vary from site to site and tend to cater for the needs of the society where we operate. At our biggest factory in Ghana for instance we have a library, an internet café, a clinic and a crèche and in Egypt we have a mosque.

Our Terms of Employment are detailed in our staff handbook which is issued to all our staff upon commencement of employment with the company.

Training and Development

Provision of staff training and development by site.				
2008	Ghana	RSA	Egypt	Brazil
Internal training courses	✓	✓	✓	✓
Funding support for external training or education	✓	✓	✓	✓
Average number of hours of training per year received per employee	36 hours	27 hours	40 hours	55 hours

Targets	
Higher Education support for staff in Brazil through links with local university	By 2010

Our Culture.

There are over 1000 people in Blue Skies and we are located in Egypt, South Africa, Ghana and Brazil. At each facility we apply a culture which we have carefully developed. It is based on fairness in business, respect for each other and above all, trust.

"Fairness in business" can be very one-sided. It is difficult for some to see the fairness sometimes between the clashing retail titans as they vie for power in the marketplace, but we are happy to live with it. In fact, we thrive on it. But we make sure that there is fairness for our suppliers who send us the fruit each day. For example, we pay our farmers promptly and we give them interest-free loans to develop their businesses. This is not philanthropy; this practice actually makes commercial sense, because we get back from our farmers as much as we give them.

"Respect for each other" manifests itself at Blue Skies through the way in which we work with people from Egypt, Ghana, South Africa and Brazil. In many ways, you could not find more diverse peoples, customs and ways of doing business. But Blue Skies has developed a culture which works with the respective ways of these countries. Respect of others is at the heart of the Blue Skies culture. We have men and women in equal numbers at all levels and our General Manager in Ghana is in fact a woman with total profit responsibility for her company. As a company we are free of expatriates and the distinctive packages attached to them.

"Trust" is important. We are careful not to identify differences through status symbols, offices and cars for leaders. Our clinic, crèche, internet café and canteen exist for all. By fostering a "seamless society" where we do not draw a line between "workers" and "managers," trust naturally develops; there are no other visible differences. Remuneration, for example, is paid as a salary to everyone. People trust each other openly; perhaps that is one reason why we have a remarkably low turnover of staff and virtually no disciplinary problems.

Our culture translates into producing excellence on the supermarket shelves. It is through the care of ourselves that we achieve a high morale, and through a high morale we have commitment, interest and above all a will for our "family" to win. This attitude enables us to have a self regulatory approach to behaviour and importantly to the quality of our products.



Above: Pomegranate preparation at Blue Skies Egypt

Health and Safety

At each of our sites we have programs in place to assist staff, their families and community members tackle health and safety issues relevant to the local environment. To date, these programmes include:

- Health education on issues such as Aids, Malaria, personal hygiene, environmental hygiene, and Hepatitis is given to all staff.
- Mosquito nets for staff to prevent the occurrence of malaria.
- Implementation of Safe Systems of Work (SSW) to ensure job rotation where necessary and safe manual handling procedures.
- Free contraception for staff to reduce the risks sexually transmitted diseases such as HIV.
- Regular health checks for staff to ensure they are fit to work and given free medical treatment if required.
- Regular Health and safety training.
- Health and Safety articles published frequently in the Blue Skies Group Newsletter.

Health and Safety performance				
2008	Ghana	RSA	Egypt	Brazil
Percentage of staff given health and safety training	100%	100%	100%	100%
People hours*	2304000	410880	620160	211200
Number of fatalities	0	0	0	0
Number of injuries	485	22	80	6
Injury Rate	0.02105%	0.00535%	0.01290%	0.00284%

**often termed 'man hours', but we thought this was a bit sexist.*

Freedom of Association and Collective Bargaining

We recognise freedom of association and the right to collective bargaining. Our employees are free to join trade unions and we have a Welfare Executive or Union Representative at each site. Our Welfare Executive or Union Representatives are freely elected to represent staff and engage in collective bargaining.

Staff Representation				
2008	Ghana	RSA	Egypt	Brazil
Staff representative body in place	✓	✓	✓	✓
Programmes are in place to ensure good relations between staff and management?	✓	✓	✓	✓



Our Economic Impact

We are committed to being responsible citizens within our society, to progress social and economic development and to positively impact the communities where we work.



Supporting local communities

In addition to our commitment to looking after staff, we also aim to support local communities, particularly where our company has a direct or indirect impact and where there is a pressing need. This is particularly important in countries like Ghana where access to basic resources such as water, sanitation and electricity is often extremely difficult.

It has always been our policy to help where we can and this is demonstrated through how much we contribute to local projects. However, as our presence continues to grow it has become ever more important to adopt a more structured approach to ensure that projects are chosen which satisfy the most urgent needs and which are effectively managed and maintained so as to remain sustainable.

Community Needs				
2008	Ghana	RSA	Egypt	Brazil
Average number of dependents per employee	5	3	3	2
Population of local community	84,000	55,000	250,000	450,000
Percentage of staff recruited within 40km of factory	90%	100%	80%	100%
Typical needs of local community	Water, Sanitation, Housing, Education, Health care	Housing, Child Care, HIV counselling / education	Day care for working mothers.	Employment, entertainment, recycling projects.

In 2007 Blue Skies and the Dutch retailer Albert Heijn, of which Blue Skies is a supplier, joined forces to create a Foundation in Ghana to fund and manage sustainable projects designed to benefit the communities where our staff and suppliers live. The Foundation started by funding a series of boreholes to provide water for two communities in the Central Region of Ghana.

In 2009 the UK retailer Waitrose of which Blue Skies is also a supplier, joined the Foundation scheme by committing further financial and management support and working in partnership with Albert Heijn to provide more projects to benefit the communities where we operate.

The joint Foundation scheme has big ambitions and is scheduled to be fully operational in 2009 by which time we plan to have in place a full time Foundation Manager and a Council to represent the views of the communities where we work, our staff and our suppliers.

Once launched it is hoped that the same structure will be applied to our operations in South Africa, Egypt and, eventually, Brazil.

Blue Skies Foundation			
	2007	2008	2009
Total contribution to Foundation projects	£8600	£15,400	£33,000
Targets			
Blue Skies Foundation to be extended to South Africa	By 2010		

Staff Compensation				
2008	Ghana	RSA	Egypt	Brazil
Difference between lowest staff wage and national minimum wage (approx.)	+428%	+136%	+352%	+133%

Offering fair payment terms

At Blue Skies we are passionate about delivering the best quality fruit and we would not be able to do this without the loyalty and expertise of all our suppliers, particularly our farmers.

It is our commitment in areas of limited agricultural development to work closely with farmers to provide continuous training and support so that they are able to reach the high ethical, environmental and agricultural standards required to work with Blue Skies and our customers.

With all our suppliers we agree a price which is fair and exceeds the sustainable cost of production and a timescale with which everyone is happy to be paid within. These agreements are reviewed with the supplier on an annual basis or as inflation dictates. While we aim to ensure that all our products are traded fairly we also support established schemes like 'Fairtrade' and 'Ethical Trade Organic' which help to give producers in the developing world a better deal.

In addition to paying a fair price we are also committed to paying all of our suppliers promptly. This is particularly important for reducing the payment risk to suppliers and is often seen as a more important factor than price.

Measuring our economic impact

In September 2007 Blue Skies participated in a study commissioned by the International Trade Centre (a joint agency of the World Trade Organization and the United Nations) to assess the economic impacts to Africa of restricting air-freighted organic produce to the UK. The study showed how our business has a positive impact on the community where we operate in Ghana particularly through our commitment to provide a decent wage. You can get a copy of the full report at: <http://www.intracen.org>

Economic Partnership Agreements

In November 2007 Blue Skies wrote to the President of Ghana expressing concerns over the proposed Economic Partnership Agreements (EPA) by the European Community. The EPA's had come about because a previous trade agreement between many of the world's developing countries had been ruled by the World Trade Organisation (WTO) to be illegal as it only offered exemptions on trade tariffs in to the European Union (EU) and not full trade liberalisation, which the WTO favoured.

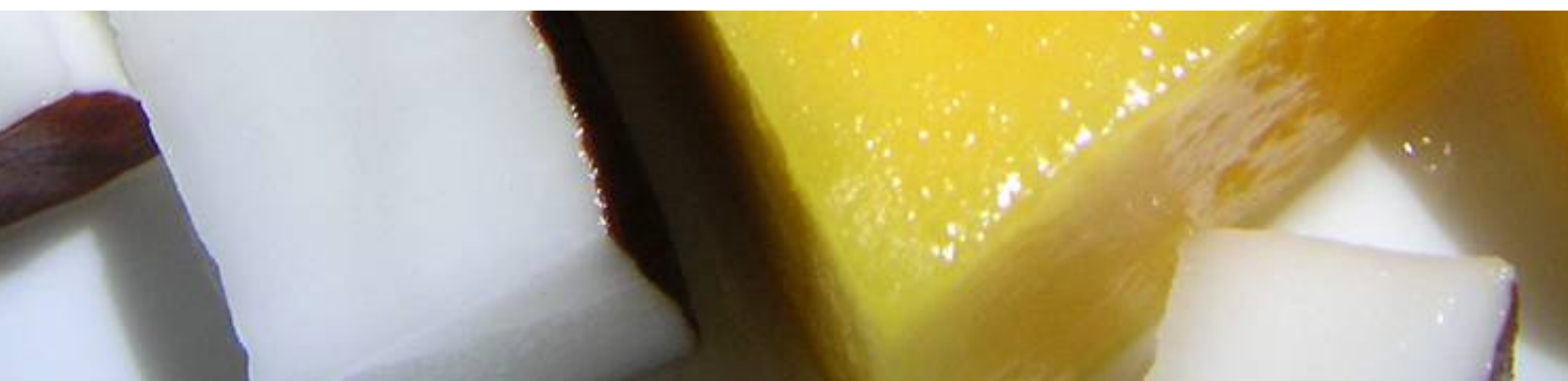
Although Blue Skies did not know enough about the terms of the proposed agreement to take a firm position, the company expressed concerns because Ghana had been involved in a dispute over the EPA's which, if left unresolved, would have resulted in the company having to pay unsustainable trade tariffs for goods imported in to the EU.

In the end the Government of Ghana signed an interim agreement that allowed Blue Skies Ghana to continue trading tariff-free with the EU.



Leading the way in Quality

We are committed to supplying our customers with the highest quality products and expanding our business by developing innovative and diverse products for new and emerging markets throughout the world.



Providing 'Fresh from Harvest' fruits

A lot of care and attention goes in to growing our fruit and our team of agronomists are always on hand to provide regular training and support to ensure that good agricultural practices are always adopted by our farmers.

So many of the fruits available to buy in our supermarkets and green-grocers fail to reach the quality we should expect and this is very often because they are shipped over long periods of time and handled in a way which does not respect their natural condition.



We want all our customers to be able to experience the taste of natural, sun-ripened fruit as if it were just harvested from the farm; so we work hard to produce fruits of optimal flavour and appearance and then handle them in a way which preserves these qualities right up until they are delivered to the customer.

We do this by focusing on providing fruits that are 'Fresh from harvest', working closely with our logistics partners to manage our supply chain and investing in cutting-edge research and new product development.

Our fresh-from-harvest fruits are harvested when ripe, cut and packed while fresh and then delivered to our customers from soil to shelf within forty-eight hours. This ensures that we can preserve as much of the fresh picked flavour as possible without adding any chemicals or preservatives.

Managing our supply chain

Blue Skies operates a service which keeps our products at or below 5 degrees Celsius throughout the entire supply chain. We do this with the use of refrigerated transport, airport temperature controlled holding facilities, temperature controlled handling centres in all major European cities and the use of carefully tested thermal insulation packaging.

We have a trained team of Quality Assurance staff who see the product through the factory and accompany the goods to the airport, within 100 metres of the aircraft. In London, Blue Skies' representatives meet the consignment and test it to ensure that quality standards are maintained.

Supervisors are at every critical point of the journey tracking progress and reporting back to the Operations Rooms at each of our factories and in Europe.

Quality Management

Blue Skies places food safety as our highest priority. Our Hazard Analysis Critical Control Point (HACCP) system which operates at all sites focuses our resources on the most important stages of our process. Legality is second only to safety, and our methods of labeling and weight control ensure compliance. The highest quality is every customer's requirement, and our fresh from harvest philosophy guarantees that excellent raw material is used for the most hygienic and selective processes to give the best prepared fruit. Our Food Safety and Quality Manual sets out how these objectives are achieved, and specifies the training, monitoring and auditing that guarantees the correct results.

Research & Development

New Product Development (NPD) is of great importance to the growth of Blue Skies and we are committed to finding ways of increasing the variety and longevity of our products without compromising on quality.

In the UK and at each of our sites we have a dedicated team of staff responsible for developing and realising new product ideas in response to ever changing markets. It is our constant aim to find new and exciting products so as to remain ahead of the market in terms of both quality and innovation whilst always giving the country of origin the benefit of 'adding the value'.

Product information				
2008	Ghana	RSA	Egypt	Brazil
Amount processed per week (tons)	300	110	81	45
NET exported products per week (tons)	105	41	25	15
Average yield	35%	37%	31%	33%
Number of new products launched	33	15	7	3
Percentage of products subject to food safety audits	100%	100%	100%	100%
Percentage of products subject to food labelling regulations.	100%	100%	100%	100%

Targets	
Develop local juice sales in Ghana into profitable business	By 2010

Health

The healthy benefits of fresh fruit are well enough understood to require no elaboration here. We make those benefits more accessible to the time poor consumers in Europe by peeling, cutting and packing the best fruit at source. All we do in our factories is take away the peel from the fruit where necessary, cut it into pieces, and then add nothing. No preservatives, no additives, no colours, no stabilizers, no emulsifiers, no flavourings, just 100% pure fruit. When we have added all that nothing, we then don't heat it, don't freeze it, don't dry it, don't process it in any way, we just pack the fruit as it was peeled into the retail containers, and that is what the customer gets.

Ensuring traceability

Knowing where our fruit comes from is one of the best ways that we can ensure that it reaches the highest standards of quality. At each of our sites we have a full time team of agronomists whose job it is to work with our farmers to make sure our standards are met. In fact we were the first company in the world to achieve EurepGAP certification (now GlobalGap) for a group of farmers in Africa. This is an organisation which sets standards for safe and sustainable agriculture around the world.

We are also audited for Fairtrade, British Retail Consortium (BRC), International Food Standard (IFS), Business Social Compliance Initiative (BSCI) and we are certified as 'Ethical Trade Organic' by the Soil Association.

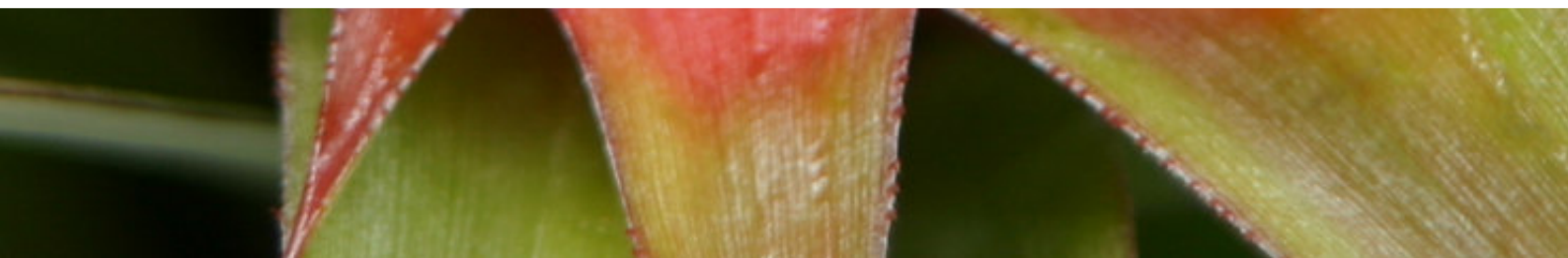
In 2007 we launched an online traceability system called 'Caretrace' to allow our customers to find out more about where our fruit comes from. Caretrace was launched in partnership with Waitrose and enables users to trace their product all the way back to the farmer. You can watch videos, view maps and look at photographs of your farmer. To find out more, go to www.caretrace.com





Looking after our Environment

We aim to look after the environment where we operate by protecting areas of high biodiversity, managing our waste responsibly, increasing our use of recyclable and compostable materials, reducing our emissions and minimizing our consumption of energy and water.



Climate Change is real and is already impacting the world in which we live. Extreme weather, drought, an increase in cases of malaria, the melting of ice sheets and the disappearance of coral reefs, are all impacts of Climate Change which we now know is largely caused by CO2 emissions.

At Blue Skies, we recognise that it is our responsibility as a company and as individuals to reduce our impact on the environment not only to counter the effects of Climate Change but also because it is our inherent duty to look after our planet for the sake of future generations and because the survival of our business depends on it.

Management approach

Our Sustainability Committee regularly monitors our performance against the commitments set out in our environmental policy and identifies areas where we can improve. We have also implemented an environmental management system which satisfies the requirements of the Environmental Standard ISO 14001.

Reducing the impact of packaging and plastics

It is our policy to encourage the use of more recycled and compostable packaging. Our New Product Development teams at each of our sites and the UK head office are constantly looking in to new and emerging technologies to find more sustainable packaging solutions. We have already started using A-pet material containing 50% post-consumer raw material and this is set to increase to use 75% post-consumer material soon.

We are also committed to encouraging more recyclable and compostable plastics in our manufacturing process including gloves and aprons.

Airfreight

Emissions reduction is a key target for our business particularly because we have to airfreight our products to market. Whilst we are keen to emphasise the full sustainability benefits of our entire business, we are also conscious that airfreight contributes to a significant proportion of our Carbon Footprint and therefore should be a concern.

In 2007 the Soil Association launched a public consultation to seek views from individuals and a broad range of organisations on whether or not their organic standards should address the environmental and social costs of transporting organic food by air. Blue Skies played an influential role during the consultation and formed a vital case-study for the Soil Association and the UK's Department for International Development (DFID) of the social and economic benefits of air-freighting organic fresh produce from the developing world.

After the initial consultation by the Soil Association the consensus was that their organic standards should "address air freight but any action should not undermine the significant social and economic benefits that trade in organic goods delivers."

Why should we airfreight?

There are a number of arguments that Blue Skies have put forward to counter the opposition to airfreight on environmental grounds. These include:

- **Quality.** We only process fruit that reaches our expected quality standards, therefore substandard fruit can be sold for alternative purposes on the local market rather than exported. It is also easier to control the cold-chain with airfreight therefore, unlike with sea-freight, consignments do not degrade during transit.
- **Waste.** As our fruit is processed in the country of origin we do not have to transport raw material waste such as pineapple skin, core or crowns. This can instead be composted and given back to our farmers to provide nutrient rich soil.
- **Economic.** Our approach of processing fruits ‘at source’ means that most of the value of the finished product remains in the country of origin, rather than going to developed countries like the UK.
- **Energy.** Lower labour costs means that as well as providing employment we can also keep energy costs down by using manual labour in place of energy intensive automation. We also make use of renewable energy sources in our factories.
- **Aircraft.** We only transport our products in the cargo holds of passenger aircraft on existing scheduled routes, thereby making good use of available space with perishable goods rather than non-perishable goods which would not need to be air-freighted.

In addition to the points above, Blue Skies firmly acknowledges that there are drawbacks to airfreight. These include:

- **Cost.** Airfreight is becoming increasingly expensive as oil prices rise.
- **Emissions.** We cannot dispute that aircraft produce a significant quantity of Green House Gas emissions per kilometre flown compared with sea-freight.

Flying Matters

Whilst we are looking at many ways we can reduce our own environmental impact, we are limited in what we can do to reduce the environmental impact of aviation. Therefore, in 2008 we joined an organisation called ‘Flying Matters’ which represents a broad coalition of all those interested in supporting *sustainable* growth in aviation. It is our intention to use our membership to campaign for further investment in technological advances that can reduce aviation’s contribution to climate change.

Measuring our Carbon Footprint

In response to our growing concerns about the environmental impact of air-freight we have teamed up with our Swiss partners HPW-WAG and KM Marketing AG and the environmental consultancy EcoSecurities Ltd to measure the carbon footprint of one of our products. Our study took in to account the life-cycle of a pack of Organic Sugarloaf Pineapple from when it is grown right up until when it is delivered to distribution hubs in Switzerland. We also carried out a comparative study with the same product using raw materials grown in either Ghana or Costa Rica, sea-freighted and then processed in Switzerland.

You can see the results of this study on page 25.

GHG Emissions Summary

December 2008		Ghana pineapple processed in Ghana by air to Zurich	Ghana pineapple by ship to Switzerland, processed in Switzerland	Costa Rica pineapple by ship to Switzerland, processed in Switzerland
Scope I: direct emissions				
Road Transport	kg CO ₂ /kg	0.36	0.93	1.36
Diesel powered generators	kg CO ₂ /kg	0.17	0	0
HFC Emissions	kg CO ₂ /kg	0.1	0.42	0.42
Incineration of plastic wastes	kg CO ₂ /kg	0.01	0.01	0.01
Fertiliser	kg CO ₂ /kg	0	0.09	0.18
Total direct emissions	kg CO ₂ /kg	0.64	1.44	1.97
Scope II: indirect emissions				
Electricity consumption	kg CO ₂ /kg	0.05	0.79	0.77
Total direct emissions	kg CO ₂ /kg	0.05	0.79	0.77
Scope III: expanded indirect emissions				
Air transport	kg CO ₂ /kg	2.16	0	0
Ship transport	kg CO ₂ /kg	0.05	1.17	1.43
Total expanded indirect emissions	kg CO ₂ /kg	2.21	1.17	1.43
Total Emissions	kg CO ₂ /kg	2.89	3.4	4.17

Reducing our emissions

At Blue Skies we are committed to constantly looking for ways to further reduce our emissions and our energy consumption, not only for environmental reasons but also because it makes economic sense to do so.

Our carbon footprint study has clearly demonstrated that there is substantial opportunity for improvement, particularly in the areas of road transportation, refrigeration and how we generate our stand-by power. The report also makes a number of recommendations to reduce our emissions that we are looking in to. These include:

- Using lighter, more efficient vehicles and improving farm roads.
- Looking in to feasibility of bio-fuels to run our vehicles
- Training engineers to improve the maintenance and servicing of our vehicles and diesel generators to increase fuel efficiency.
- Reduce the weight of air freighted goods by using lighter packaging materials

We have already made progress in 2007 with the introduction of new computerised refrigeration systems in Ghana. These have helped to reduce electricity usage by 30%.

Our diesel generators were also a big factor in our carbon footprint primarily due to the poor reliability of grid power in Ghana. In response we have invested in switching to a new 33kva line in Ghana to replace the previous 11kva line. This has resulted in less downtime and as a consequence we have reduced diesel generator usage by 75%.

There's more we can do though and we would love to hear your ideas.

Research and Development

As well as exploring ways to reduce our energy and fuel consumption, we are also investing in new technologies to extend the shelf-life of our products which will enable us to feed in to more environmentally and economically sustainable distribution channels such as sea-freight.

Managing our waste

It is our policy to manage our waste responsibly. At each of our sites we have a waste water treatment facility which filters factory waste and human effluent so that it can be harmlessly released back in to the environment. In Ghana we also have a compost site which recycles 100% of our raw material waste and at every site we make use of municipal and private recycling schemes.

Waste data by site				
2008	Ghana	RSA	Egypt	Brazil
How is raw material waste managed?	Composted	Supplied to pig farmers	Municipal compost	Municipal compost
How is plastic waste managed?	Recycled or incinerated	Recycled	Recycled	Recycled
How is sewerage and waste water waste managed?	Treatment unit	Treatment unit	Treatment unit	Treatment unit

Targets	
Introduce composting in South Africa	By 2010
Carry out improvements to factory waste water system in Ghana	By 2010
Introduce recycling at home initiative in Brazil	By 2010



Above: Our compost site in Ghana attracts interest from around the world.

Protecting areas of biodiversity

We source from raw material suppliers all over the world who invariably work in areas of high biodiversity. For this reason we are careful to ensure our farmers become a part of a concerted effort to increase biodiversity and never to destroy it. In essence it is biodiversity which provides food for humans therefore the more we do to protect it, the more potential there is for increasing the variety of food products suitable for human consumption.

We ensure that all of our farmers are certified to GlobalGAP standards. These standards are primarily designed to reassure consumers about how food is produced on the farm by minimising detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to staff health and safety as well as animal welfare. Blue Skies was the first company in the world to achieve GlobalGAP certification for a group of farmers in Africa.

We are also working with LEAF (Linking Environment and Farming) in conjunction with Waitrose to launch a pilot environmental scheme in Africa. LEAF is a charity which is committed to encouraging viable agriculture which is environmentally and socially acceptable and ensures the continuity of supply of wholesome, affordable food while conserving and enhancing the fabric and wildlife of the countryside for future generations. The LEAF Audit was developed by farmers, for farmers as a business and environmental health check for farms.



It is our intention to gain LEAF accreditation for all of our farms and to demonstrate the benefit of environmental sustainability and increased biodiversity through the enhanced availability and diversity of our raw materials. Like GlobalGAP, we were the first company in the world to achieve LEAF certification for a group of farmers.

As well as participating in private schemes such as GlobalGAP and LEAF, we also make every effort as a business to encourage and protect biodiversity where we operate. In Ghana we are engaging in a programme of tree-planting and wherever possible we adopt a policy of purchase-to-preserve to protect areas at risk from land degradation or deforestation. We have also engaged in an active campaign to stop illegal quarrying and ‘sand-winning’ which is causing widespread environmental damage to areas of land surrounding Accra.

Environmental programmes by site				
2008	Ghana	RSA	Egypt	Brazil
Environmental protection policy	✓	✓	✓	✓
Purchase-to-preserve policy	✓		✓	
LEAF certified	✓			

Fertiliser usage	
	2008
Nitrogen based fertilizer per hectare of land used to supply fruit*	95.17kg

**Based on locally sourced pomegranate and strawberry from Egypt and pineapple, papaya, mango and passion fruit from Ghana.*

Investing in Organic

In Ghana Blue Skies has invested heavily in organic methods of production and has setup an association of eighty small-holder organic farms called the 'Blue Skies Organic Collective' (BSOC). We have also achieved ethical trade organic certification through the Soil Association for the BSOC and a small group of coconut farmers.

The BSOC was originally setup by Blue Skies in response to demand for more organic produce from European retailers, but it was also established to benefit one of the poorest regions in the country. For this reason, Blue Skies chose to work with the Soil Association, and more recently with Fairtrade, to help the company realise its ambition to bring sustainable development to the region.

Through working with Blue Skies and the Soil Association, farmers are learning skills in sustainable agriculture and environmental conservation. Blue Skies provides the BSOC with regular training and support. Among the skills being applied are:

- Protecting trees, forests and rivers
- Preserving environmental habitats by not cutting down trees, destroying shrubs or burning
- Maintaining buffer strips and natural borders
- Ensuring fields follow contour lines to limit soil erosion
- Planting shrubs
- Improving the soil structure and organic matter
- Applying compost

Blue Skies have also purchased 70 acres of land in Ghana which is being converted to an organic demonstration farm to educate farmers throughout the region about the benefits of organic farming and to teach farmers what is required to achieve accreditation. Organic conversion has already begun on this land and the Soil Association have been closely involved with this project. West African farmers are becoming keenly aware of the low production cost advantages of organic food and recognise the growing interest in healthier eating in the European markets.



At Blue Skies it is our mission to be a leading model for Sustainable Development. We aim to build our company upon our values of fairness in business, respect for each other and trust. We believe that care for our people breeds care for our fruit which in turn fosters a natural respect for the environment and the communities where we exist

Contact us

Blue Skies Holdings Ltd
Paddock View, Spring Hill Farm
Harborough Road
Pitsford
Northamptonshire, NN6 9AA
United Kingdom

Telephone: +44 (0) 1604 881 230
Fax: +44 (0) 1604 882 986

enquiries@blueskiesproducts.co.uk
www.bsholdings.com

