

DAABON ORGANIC
Sustainability Report

2009



**FROM THE SOIL TO
THE MARKET**



C.I. La Samaria



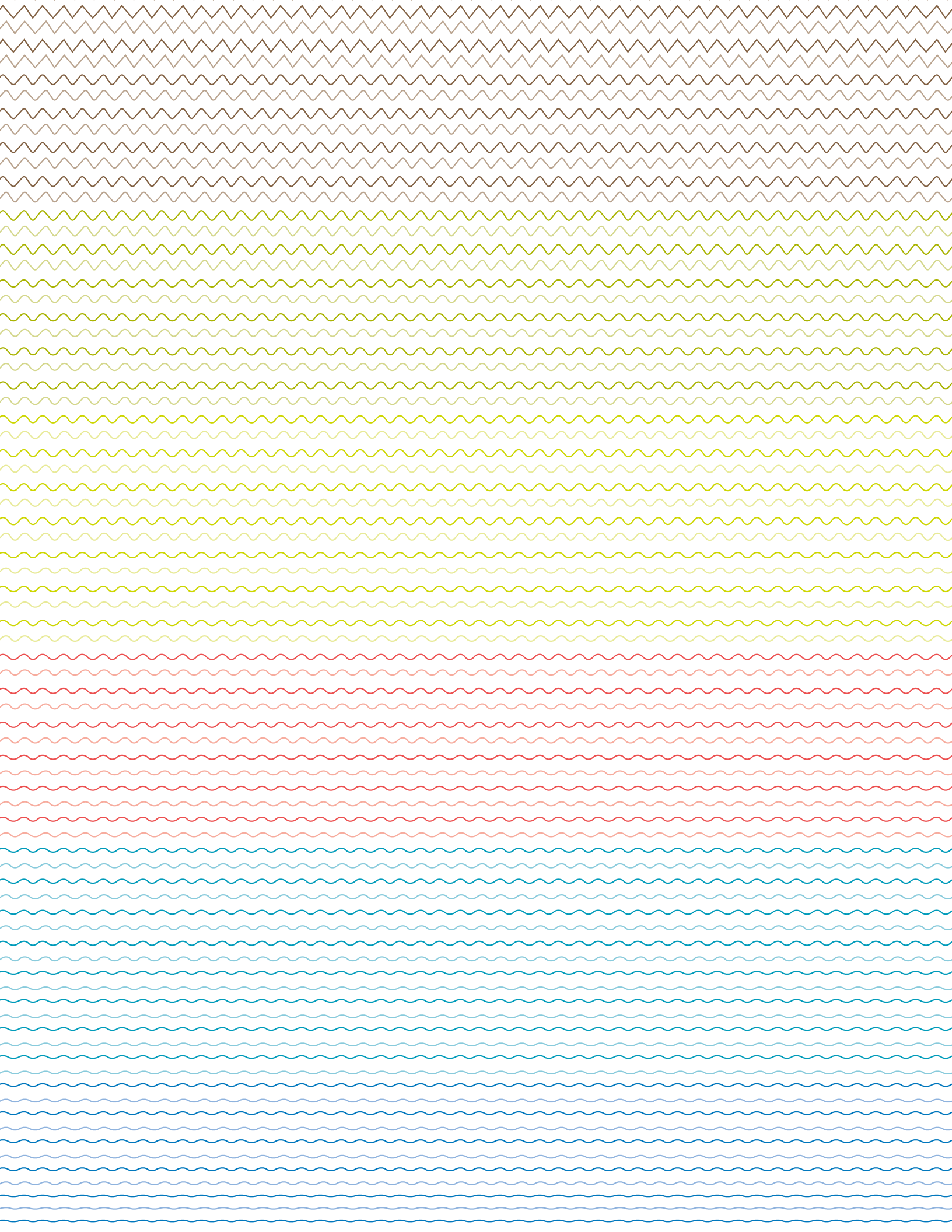
C.I. Tequendama



Terminal de Granulos Lijados del Caribe, S.A.



Ecobio Colombia



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Printed in Colombia
September, 2010

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**FROM THE SOIL TO
THE MARKET**

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01

WELCOME

MANUEL DÁVILA ABONDADO

CEO

2009 was an exciting, but very challenging year for DAABON. We have made great strides in our mission towards organic and sustainable agriculture, but also faced unfamiliar challenges, which we are still working hard to resolve. This Sustainability Report, the first for our organisation, is one more step in our effort to voluntarily comply with the highest environmental and social standards available, in our quest to be as transparent and accountable to all our stakeholders.

On the ground in Colombia, the past year has been about our people. In our home area in the Magdalena region of Northern Colombia region, we have successfully supported 137 families in the palm *Allianzas* in achieving organic certification. This will be of great benefit both to the families, who can reduce their production costs and achieve organic premiums, and to DAABON, as we are now able to increase our supply of certified organic palm oil. For our banana employees, the year has also been good. The premiums from our fair trade certification has helped build 100 new houses for banana workers, and brought access to electricity and potable water to surrounding communities.

Over the past year, much attention has been placed on the Las Pavas ranch located in Southern Bolivar, in connection

with a proposed small-scale joint venture expansion of our operations through our smallholder model. As it has been our objective in the past, our first approach to this project was to help communities in a previously conflict-ridden region, creating good jobs and income opportunities for smallholders. To our regret, it has evolved into our first ever conflict with our communities. The project brought to the surface an ingrained historical animosity to our sector which we were not sufficiently aware and sensitive to. With all the experience we are acquiring, we are committed to incorporate better standards to assess social and environmental conditions previous to any new land developments whether in partnership or on our own. In this case, we continue to work towards finding a solution in partnership with our communities, local and international NGOs and with the important support from our customers.

On the environmental side, we are happy to have made much progress, with fewer obstacles. In 2009, we finalised two comprehensive biodiversity studies of our palm and coffee operations, so we now have a sound basis for the strengthening of our high conservation values management plans. As part of our climate change strategy we also completed our PAS2050 certified

carbon footprint of bananas shipped to the UK and we are making progress towards the launch of our Clean Development Mechanism methane capture project which will be launched later in 2010. This project will not only reduce our emissions, but also provide further income opportunities for the palm-growing smallholders, as they will be receiving carbon credits from their fruit.

For the current year, we will of course carry on our efforts on environmental protection and social responsibility. But we will also place more emphasis on stakeholder engagement. This sustainability report is the first published by DAABON and is part of this process. It has been a difficult and sometimes painful process to translate our familiar operational information into public data, but we have also learned to see ourselves through different eyes. We are committed to transparency and accountability and we hope that by disclosing our performance and discussing the improvements and challenges of our operations, we not only provide our stakeholders with an overview of our business, but that we also get the opportunity to hear valuable feedback.

Over the past 20 years we have made every effort to build a business which was run on robust and sound sustainability principles and practices. This is not always a

simple journey and we will make mistakes and learn along the way. The social landscape in which we operate is sometimes complex. Poverty, historical exploitation of rural populations and security are big issues to overcome in our country. But we refuse to accept that doing nothing is an option. We cannot promise perfection, but we can pledge to never give up and guarantee that finding solutions to sustainability dilemmas will always be at the heart of our strategies and operations.

2009 brought us difficult, but valuable lessons, and we could not have dealt with these without our stakeholders - employees, customers, smallholders and the NGO communities, here in Colombia and abroad. We owe great thanks to everyone who has contributed their support, passion and insights and we look forward to continuing the journey together for many years to come.



Manuel Davila Abondano
Chief Executive Officer
THE DAABON GROUP

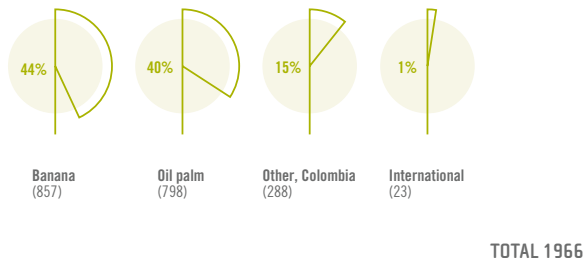


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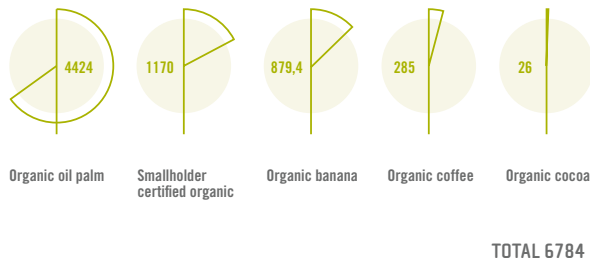
COMPANY PROFILE

DAABON in brief

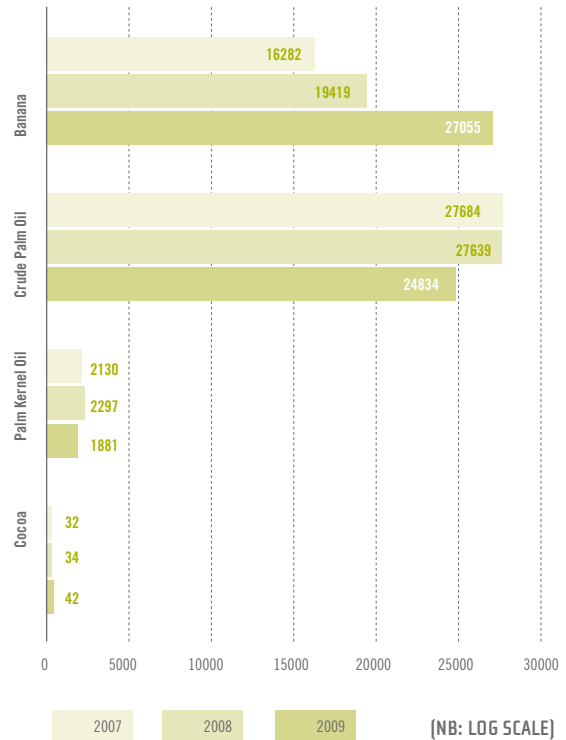
EMPLOYEES BY OPERATION



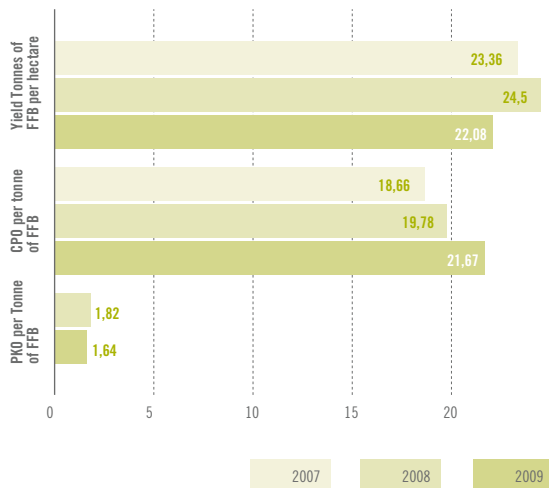
CERTIFIED ORGANIC LAND



PRODUCTION—TONNES



YIELD AND EXTRACTION RATES



FRESH FRUIT BUNCH BY SOURCE



TARGETS

TARGETS	YEAR-END
Carbon emissions from bananas reduced by 80% (2009: 0.63gm Co2e/gm banana)	2010
RSPO certification achieved for 100% of fresh fruit bunch	2010
Ecocert fair-trade certification for oil palm smallholders	2010
100% of carbon credit distributed to smallholders in proportion to fresh fruit bunch	2010
Fossil fuels reduced by 95% against 2007 baseline (palm 0.11 litres/tonne of CPO; banana 0.11 litres/box)	2011
Carbon footprint of crude palm oil and palm kernel oil achieved	2010
Water use reduced by 45% against 2007 baseline (banana 22 lt/box; palm 1.1tonnes/tonne of FFB processed)	2011
Lost time accident rate reduced to 10% (2009: 23.5%)	2012
Reduce combined banana and oil palm employee turnover to 25% (2009: 32%)	2012
Extraction rate for combined CPO and PKO is 25 (2009: 21.67)	2012
Yield per hectare is 26 (2009: 22.08)	2012
450 new homes for workers built (2009: 150 built)	2012
Zero waste for all operations	2012
Zero net emissions for all operations	2012

2009 ACHIEVEMENTS

- Rainforest Alliance certification for banana.
- Tavoletta d'Oro (Gold Medal Award) granted to Teyuna Organic Cocoa distributed by Domori®.
- 137 palm smallholders achieved organic certification.
- PalmaAlianzas received first place recognition as best managed association on the Atlantic Coast by USAID, FEDEPALMA and Accion Social of the Presidency.

Who we are

DAABON is a family owned and managed company, built on the passion and commitment of three generations of the Davila family. Its headquarters and farms are located in Santa Marta, Colombia. The company's first few hectares of banana in the Magdalena region of Colombia, established in 1914, have today grown into one of the world's leading suppliers of organic tropical crops, with a total of 6,784 ha of certified organic produce – banana, coffee, palm oil and cacao. We employ around 2,000 people directly, but also support local employment by providing assistance to over 450 palm and cocoa smallholders who are organised in Alianzas (co-ops).

OWNERSHIP AND COMPANY STRUCTURE

In Colombia, our core operations are wholly-owned and governed by the Davila-Abondano family, and comprise of eight companies.

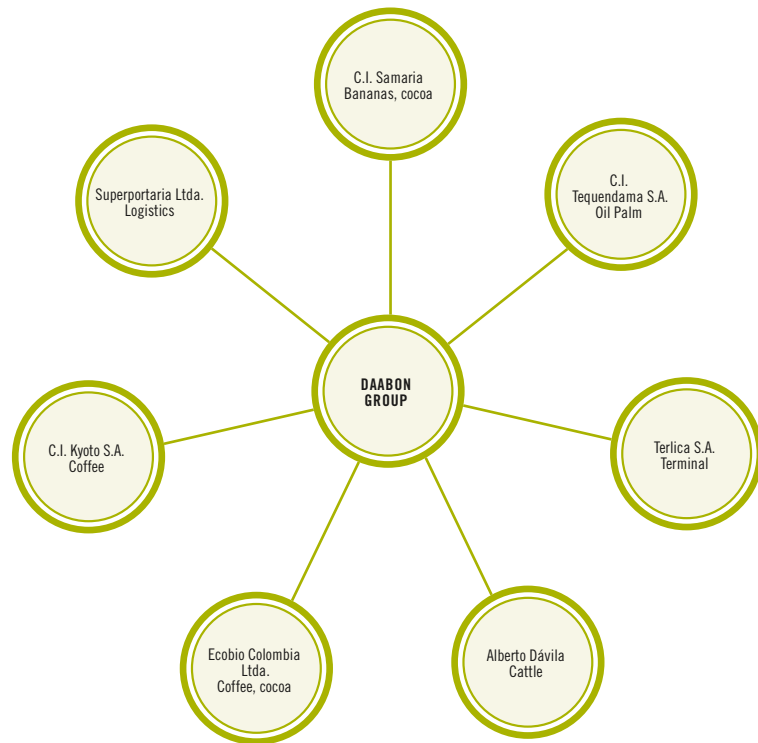
In addition to our wholly-owned operations, we have a number of strategic joint ventures:

- Biocombustibles Sostenibles del Caribe S.A (Biodiesel)
- C.I. Ecofair S.A: (Banana)
- C.I. Palmed S.A. Smallholder (Oil palm, Bolivar)
- Consorcio de Labrador (Oil palm, Bolivar)
- DAABON Japan (sales)
- DAABON Australia (sales)
- DAABON US (sales)
- DAABON UK (sales)
- DAABON Germany (sales)

FULLY INTEGRATED SUPPLY CHAIN

Our operations now include a fully integrated supply chain, including palm oil mills, refineries and even our own bulk terminal. As a result, we control all stages of production from soil to marketplace: from growing, pressing, refining and marketing our raw materials as well as our own processed foods and oils.

COMPANY STRUCTURE



Manual weeding labors on our organic nurseries.

About Colombia

GEOGRAPHY

The Republic of Colombia is a constitutional republic in North Western South America. Colombian territory encompasses three large mountain chains and a great range of landscapes with all the climate levels: Amazon rainforest, tropical grassland and both Caribbean and Pacific coastlines. Ecologically, Colombia is one of the world's 17 megadiverse countries (the most biodiverse per unit area).

POPULATION

With 45.4 million people, Colombia has the second largest population in South America, with a highly diverse ethnic mix and a rich cultural heritage, resulting from the interaction between descendants of the original native inhabitants, as well as African, European and Middle Eastern descendants.

DEVELOPMENT AND POVERTY LEVELS

Colombia has an average annual income of around USD5,000 per capita and is classified as a lower-middle income country. Despite this, Colombia rates relatively well on most development indicators, and is ranked in the UNDP High Human Development category due to indicators like high levels of literacy (92.7%), life expectancy (72.3) and gender equality. However, according to the UNDP there is still widespread poverty, particularly concentrated in remote, rural areas with 16% living on incomes of less than USD1.25 per day and over 40% below the national poverty line.

SECURITY

For many years serious internal armed conflict haunted the country, causing many farmers to abandon rural locations for more urban locations. In recent years, the situation has improved dramatically, thanks to improvements in security resulting from

President Álvaro Uribe's "democratic security" strategy, which has included significant increases in military strength and police presence throughout the country and pushed rebel groups further away from the major cities, highways and tourist sites.

AGRICULTURE AND DISPLACEMENT

Another key security strategy has been the Alianzas por la Paz (Alliances for Peace) – support for the establishment of agricultural co-operatives in conflict-ridden areas, particularly focusing on high-income crops

such as banana and oil palm. With the support of increased security measures, access to credit and technical support from the private sector, the programme is helping displaced communities return to their homelands, whilst at the same time creating sustainable livelihoods and limiting the potential for armed conflict.

Although this strategy has been very successful, armed guerilla groups and drug organisations are still very active in rural areas and some operate under cover of agricultural operations like oil palm, continuing to intimidate and displace communities.

LOCATION

World



Region



Our vision

In four years, DAABON will reach its 100th anniversary and though the company has grown and evolved considerably, it is still based on the same fundamental values as then. We still believe that “small is beautiful”, as it enables us to continue our personal relationship to the people and land in and around our operations. Our growth has been organic and new business ventures have been symbiotic with existing operations. This is a strategy with which we intend to continue. However, as the world moves faster and the demand for sustainable and organic produce continues to grow, we, too, are increasing our pace.

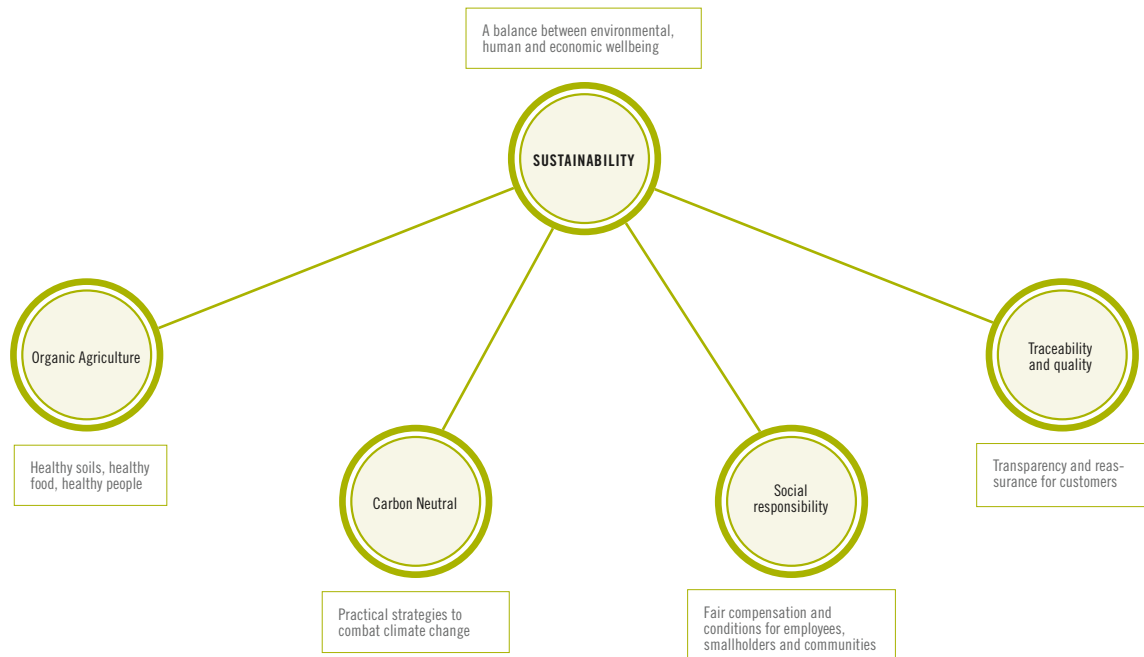


Quality control on nursery palms for replanting.

OUR MISSION

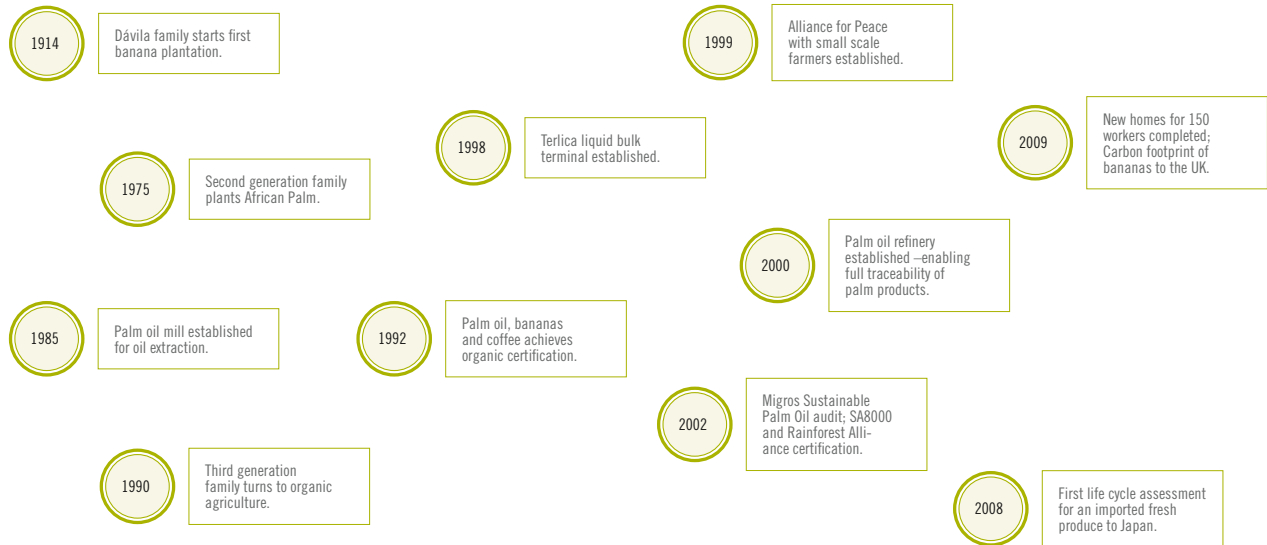
To grow, transform and commercialise high quality organic and sustainable products, while ensuring our people’s wellbeing, the protection of the environment and the fulfilment of our corporate social responsibility.

SUSTAINABILITY



HISTORY AND ACHIEVEMENTS

10 MILESTONES



INNOVATION TO DRIVE GROWTH

We are targeting a doubling of sales of banana and palm oil products by 2015. Much of this growth can be achieved by improving crop yields and productivity of existing land. But in addition, we are continuing to enhance our ability to refine and add value to our production chain. For example, with the opening of a new soap factory in 2010, we will be able to supply fully traceable, 100% organic soaps – one step further than the soap noodles we currently produce. We are also investing significantly in innovating cosmetic and household ingredients, such as surfactants and glycerine.

BEYOND OUR HOME BASE

We are proud of what we have achieved in the Magdalena region, and we will continue to invest in the area, which is our home. We would also like to expand this model of operation to other parts of Colombia which, like Magdalena 20 years ago, are struggling with poverty and em-

ployment. While the learnings from 2009 have taught us to be cautious, we still intend to move ahead with this strategy – assisting smallholders in growing sustainable and organic palm, and creating job opportunities in poor communities.

PROMOTING ORGANICS IN COLOMBIA

As a global pioneer in the organics sector, it is ironic that we are virtually unknown in our domestic market. Since we are one of just a few organic producers of tropical crops, our products have always sold themselves in mature markets such as Europe, the US and Japan. We expect that these will remain our core markets. However, as income levels in our country rise, we hope to see an increased interest in health, social responsibility and environmental protection among Colombian consumers. Over the coming years, we will therefore be targeting the Colombian market place to raise awareness on the benefits of sustainable and organic products.



From organic field to market PRODUCTS

Through DAABON Group owned companies, we directly market our products in Australia, the Dominican Republic, Europe, Japan, Korea, Taiwan, New Zealand and the United States.

SUSTAINABLE AND ORGANIC OIL PALM CULTIVATION, MILLING AND REFINERY

We have 4424 ha. of organic certified palm plantations and receive fruit from an addition 1770 ha of smallholdings, most of which are now certified as well, enabling us to produce almost 25,000 tonnes of CPO and over 1,800 tonnes of PKO annually. Through our integrated operations, we are one of the only global suppliers of organic and fully identity-preserved crude palm oil, palm kernel oil, translucent and opaque organic soap base, margarine and shortening.

ORGANIC BANANA

DAABON is one of the world's leading growers of organic bananas, producing over 27,000 tonnes of fresh organic fruit per year, almost all of which is exported. We have over 879.24 ha of certified organic farms, all of which are also Rainforest Al-

liance and ECOCERT certified. The conditions in northern Colombia for cultivating this product are outstanding, allowing us to harvest delicious and nutritious fruit. We continue to grow our sales in our main Asian, European and U.S. markets.

CACAO

The native Porcelana cacao species is the basis for our chocolate liquor, cocoa powder and cocoa butter. Cacao is grown on our Don Diego farm and by 250 family farms in the region. Our high quality cacao and fermentation processes have assisted our customers in achieving a number of awards and recognition around the world.

ORGANIC COFFEE CULTIVATION

In our Tolima and Kyoto Plantations we have over 285 ha of organic and Rainforest Alliance certified coffee plantations in the highlands of the Sierra Nevada de Santa Marta. Furthermore, for over 18 years we have managed the organic program and exports for indigenous communities. This coffee, predominantly of Typica and Caturra varieties, has a clean, smooth, low acidity cup which is highly prized in Asia.

DAABON has recently purchased a coffee mill located in Santa Marta, which will only specialise in certified organic, Rainforest Alliance and fair trade coffee beans. This further ensures our customers full and

transparent traceability from our own estates, through the mill and to delivery to their warehouse, with no intermediaries.

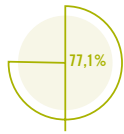
VEGETABLE OIL LIQUID TERMINAL AND PORT

DAABON owns and operates a specialised vegetable oil liquid terminal adjacent to the Santa Marta port. An estimated 60% of Colombia's vegetable oil is traded through this facility. The Colombian government has granted DAABON a concession to build and operate Colombia's first bio diesel port. Furthermore, DAABON is a shareholder of the Port of Santa Marta, the Magdalena River Port in Barranquilla and the Manzanillo Port in the Dominican Republic.

BIODIESEL

Our biodiesel factory is a joint venture with Palmeras de la Costa S.A., and is located in the recently established Las Americas Free Zone. Production started in February 2009, with an initial capacity of 100,000 tonnes per year, for domestic consumption only. In addition, several food and personal care related industries are set to build their facilities in this strategically located free zone. The facility currently uses surplus palm oil from the surrounding area, but we investing significant resources in developing technologies to utilise only non-food oil palm input and to use the biodiesel technology to develop complex oleochemicals, replacing mineral-based ones.

SALES BY PRODUCT TYPE



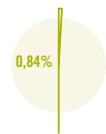
Palm oil and derivatives



Bananas



Logistics



Coffee



Other

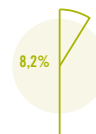
SALES BY REGION



Domestic



Europe



Americas



Asia, Pacific

HOW TRACEABILITY WORKS



FIELD

Fresh Fruit Bunches from numbered crops are hauled in company owned transportation to the extraction mill. Extraction mill located in the premises.



MILL

- FFB are delivered and documented before the extraction process.
- Either organic or conventional extraction using numbered identifiable batches.



TRANSPORT AND STORAGE

CPO is delivered using trucks to the Terlica Port (Both DAABON owned and operated).



REFINERY

- CPO is hauled in trucks to the Refinery (Both DAABON owned and Operated).
- Segregation of Organic and Conventional is assured using different machinery. Batches are properly numbered and 100% traceable.



MARKET

After being stored in the Terlica Port, product is delivered to the customer with traceability from crop to delivery.



Safeguarding standards OUR CERTIFICATIONS

CERTIFICATION	PALM OIL	BANANA	COFFEE AND CACAO
	✓	✓	✓
	✓	✓	✓
	✓		x
	✓	✓	x
	✓	✓	✓
	✓		
	✓	✓	✓
	x	✓	✓
	x	✓	x
GLOBALG.A.P.	x	✓	x
	x	✓	x



STATUS OF RSPO CERTIFICATION FOR DAABON PALM OIL PLANTATIONS

DAABON has been an active supporter of the Roundtable on Sustainable Palm Oil (RSPO) since it was first established in 2004. We have committed to seeking certification against the RSPO certification scheme since it was first launched.

Although preparing for RSPO certification since 2008, we have experienced significant delays, due to the lack of a viable National Interpretation (NI) for Colombia. The NI is the “translation” of the RSPO Principles and Criteria into indicators suitable for national contexts, identifying relevant national legislation and aligning the standard to social and environmental conditions specific to Colombia.

To avoid further delays, we appointed SGS to develop a set of indicators specific to DAABON, and to ensure that a full stakeholder consultation has taken place to adjust and validate these indicators. The stakeholder consultation was been completed and over 100 pages of stakeholder comments have been assessed and addressed. The integrity and results of the process were evaluated by ProForest, the organisation appointed to assess the National Interpretations and we submitted the final indicators for RSPO Executive Board approval or comments. Approval has now been obtained, and our RSPO audit is scheduled for Q3 2010, with an aim of achieving certification by the end 2010.

In addition to our initial certification, we are committed to promoting good practices in our industry and will therefore take an active role in finalising and obtaining approval for the Colombian NI and the corresponding NI for Colombian smallholders.

Growing organically PLANTATIONS AND LAND

Land in the Santa Marta region has almost solely been used for agriculture. The region has developed on the back of cattle rearing and various crops, including corn, rice, cotton and bananas back in the early 1900's when most of the land was owned by the US-based United Fruit Company.

ORGANIC PRODUCTION SETS LIMITS FOR EXPANSION

Oil palm sold by DAABON is grown on two types of land – company/family-owned and smallholder owned. Land acquisition for the DAABON group is a process that involves strategic analysis and agricultural knowledge, since not always the land that is available can be used for organic agriculture.

The majority of company-owned land was acquired by Davila-Abondano family in the form of estates dating back 3 generations to the 1950's. The family originally used the land for cattle rearing, but converted into organic palm in the late 1980s. As

the company grew bigger, land was bought negotiating directly owner-to-owner. DAABON is not involved in any major expansion, with new land parcels typically consisting of 200-500 hectares. All of the land developed by DAABON has been used for commercial agriculture for centuries, and there have never been any ownership claims by indigenous groups or conflicts over land ownership until a recent case in connection with a small expansion in Bolivar province (see Communities section).

Land for organic agriculture is not easy to find. Criteria must be met to be used for our purposes; previous fertilizer use, known water path and boundary crops are vital to the organic integrity. Also taken into account is the fact that communities must not be present in the surrounding areas as these types of crops are very susceptible to foreign pollution.

FULL OWNERSHIP OF LAND

Land tenure for both company-owned and smallholder land is under complete ownership (i.e. not tenanted), enforced by the local land tenure office, the police and the mayor's office who record the previous use

of land and follow the ownership of it. Every legal transaction has to be registered at the same offices, with the involved parties physically present. Titles of all our land transactions are available as public documents under Colombian law, including the amount of the transaction.

We are also conscious to ensure that our agricultural practices do not upset the natural balance of eco-systems. Therefore, our organic pest management program uses only species which are naturally occurring in the region.

ORGANIC EXPANSION

Since not all land is suitable for organic agriculture, physical expansion is complex, and we prioritise the maximization of production yield to grow our company and overall competitiveness. DAABON has never done any primary forest clearance in order to create new agricultural developments.

New plantations are scheduled to replace existing ones; this basically means that palms over 25 years old are replaced with new, improved seeds. We believe that this change is going to increase our production by 12% over a two year period.

COMPARISON BETWEEN ORGANIC AND CONVENTIONAL PRACTICES—OIL PALM EXAMPLE

PROCESS	ORGANIC AT DAABON	CONVENTIONAL
Land selection	Smaller tracts, only up to 1500ha to encourage native beneficials.	Unlimited size
Seed	Untreated. Guaranteed non-GMO	May be treated with fungicides. Currently no GMO palm, but not excluded
Soil	Use of organic compost and sulphates, magnesium, potassium, boron. All are from non-synthetic sources and are non-persistent and non-bioaccumulative	Synthetic fertilisers
Pest management	Manual weeding. Only native insects, natural fungi and bacteria used	Chemical pesticides, mechanical weeding
Harvesting	Manual, field transport using bulls	Mechanical bulls (small diesel driven vehicles)
Mill	Water. No additives at all. Cleaning done with abrasive sponges	Synthetic chemicals such as caustic soda

Note: Many plantations now apply "integrated pest management"—IPM, which is a hybrid between the two farming methods.

03

GOVERNANCE

Protecting our values

GOVERNANCE AND MANAGEMENT

FAMILY PROTOCOL

Being a family-owned company through three generations, DAABON has set out a rigid protocol ensuring clear structures and guidelines to avoid conflicts of interest and to separate family and company business remain separate. Family members receive their shareholding at 18 years of age, and are required to sign up to the protocol which sets clear rights and responsibility. Among other things, the protocol sets rules for inheritance, share transfers and educational requirements for employment.

BOARD OF DIRECTORS

The highest decision-making body of the company is the board of directors, made up of seven members of the family, as well as two non-executive, independent directors. The roles of President and CEO are separate, held respectively by Alberto Davila Diaz Granados and Manuel Davila Abondano. The board meets six times a year and is responsible for setting the overall strategy and



Left to right:
Alberto Dávila, Manuel Dávila Abondano, Juan Carlos Dávila Abondano.



Left to right clockwise:
Walter Ritzel, Guillermo Barrios, Alfonso Dávila Abondano,
Alberto Dávila, Manuel Dávila Abondano, Juan Carlos Dávila Abondano.

direction of the Group, and for approving major business development initiatives such as acquisitions and expansions.

The CEO is responsible for executing company strategies. He is supported by the VP Assembly, consisting of seven Vice Presidents.

In addition to the Group board of directors, each company in the Group has a board, which meets monthly.

SUSTAINABILITY DEPARTMENT

Sustainability and responsibility for achieving and maintaining our certification is integrated in all operations. However, to ensure ongoing support and continued improvement, in 2009, we established a central sustainability department, headed by a Group Sustainability Manager who reports into the Vice President for Administration.



Left to right:
Raúl Arenas (Vicepresidente Financiero),
Germán Zapata (Vicepresidente Ejecutivo).



Felipe Guerrero
(Group Sustainability Manager).



Capitán Hector Laserna
(Gerente de Terlica).

**Coordinator
Social
Development**



Patricia
Apreza
Loaiza

**Environmental
Officer
TERLICA**



Gustavo
Jaramillo

**Environmental
Officer
Tequendama**



Farouk
Fuentes

**Coordinator
Environmental
Management**



Carolina
Torrado
Patino

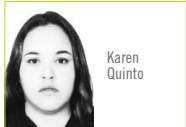
**Communications
Coordinator**



**Environmental
Officer
Samaria**

**Compliance
Officer**

**OHS Officer
Banana**



Karen
Quinto

**OHS Officer
Terlica**



Pilar
Ospina

**OHS Officer
Palm**



Andrés
Galindo

Understanding concerns STAKEHOLDER ENGAGEMENT

We see stakeholder engagement as fundamental to being a socially responsible company. In previous decades our smallholder programmes and community investment have always been guided by close consultation with the stakeholders affected. Likewise, we maintain a close and personal relationship with our customers – guiding our product strategies and development.

These engagements have been crucial in building practical and useful solutions and innovations. However, as our company develops and our reputation is growing, we have found that our broader engagement through sustainable development organisations and with NGOs is not as well-developed. We recognise that such engagements can help us understand future challenges and share ideas and good practices within and beyond our industry.

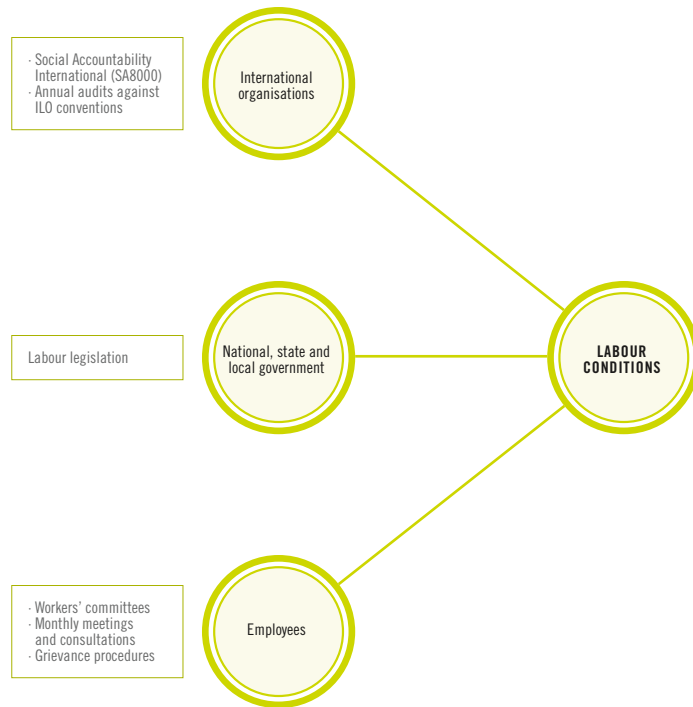
INCREASING NGO ENGAGEMENT

In 2009, we extended our efforts in this area. In resolving the Las Pavas conflict and in moving ahead with our RSPO certification we have been in ongoing contact with international and local NGOs. We are also supporters of the Greenpeace Moratorium on deforestation and have also been in dialogue with the Rainforest Action Network on supporting their palm oil pledge. It is our hope and ambition that we can develop partnerships with organisations such as these to share our experience in developing organic and sustainable agriculture in Colombia.

ROUNDTABLE ON SUSTAINABLE PALM OIL

The RSPO has been an invaluable forum for us to develop stronger ties to a wider stakeholder community. Although our road to certification has not been easy (see page xx), we have learned from this process and

LABOUR CONDITIONS



as a result have a greater understanding of both the Colombian and the international stakeholder landscape.

ENGAGEMENT WITH AUTHORITIES AND INDUSTRY BODIES

We are an active member of FEDEPALMA – the Colombian industry body for palm oil growers and producers. Through this organisation, we contribute to initiatives which help promote sustainable practices in our industry. Currently, these include the ongoing (but delayed) RSPO National Interpretation process, as well as our implementation of our pilot Clean Development Mechanism scheme.

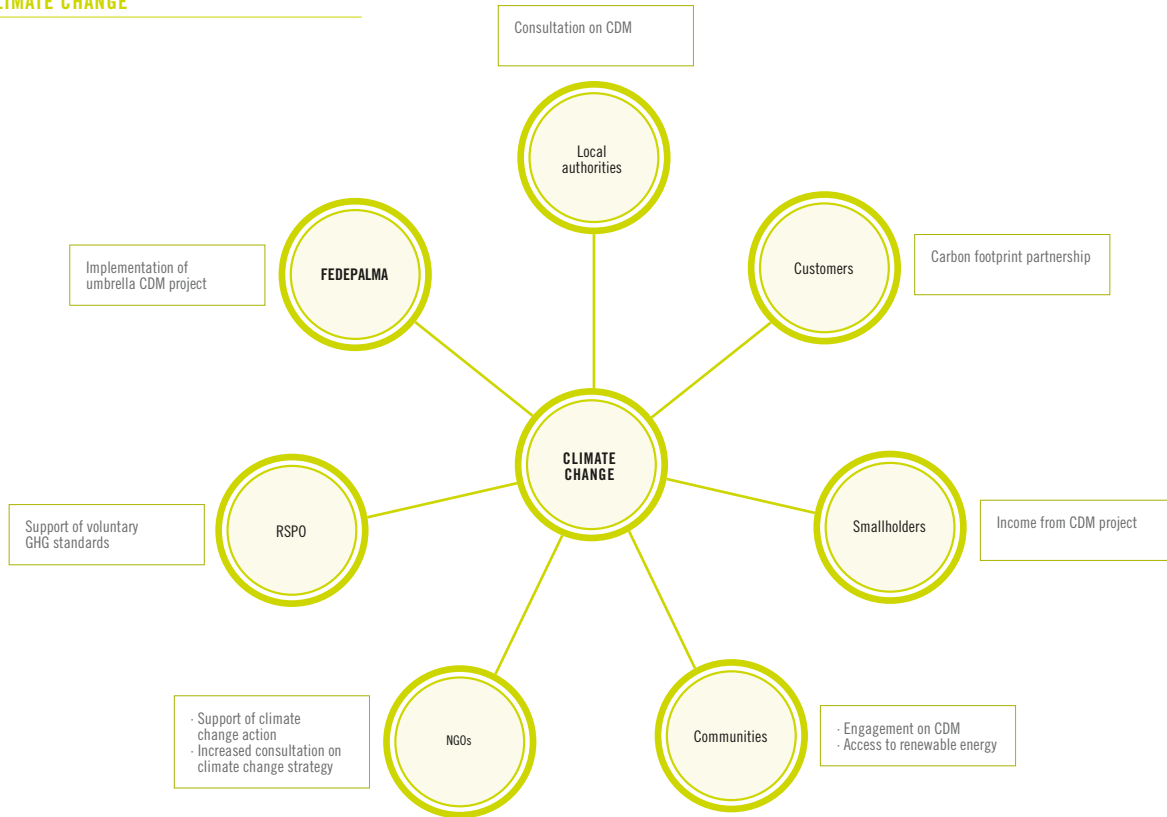
Our main engagement with government authorities is at local levels. We find that buy-in from and cooperation with the local mayors' offices are helpful in coordinating our contributions and programmes for smallholders and communities.

CUSTOMERS

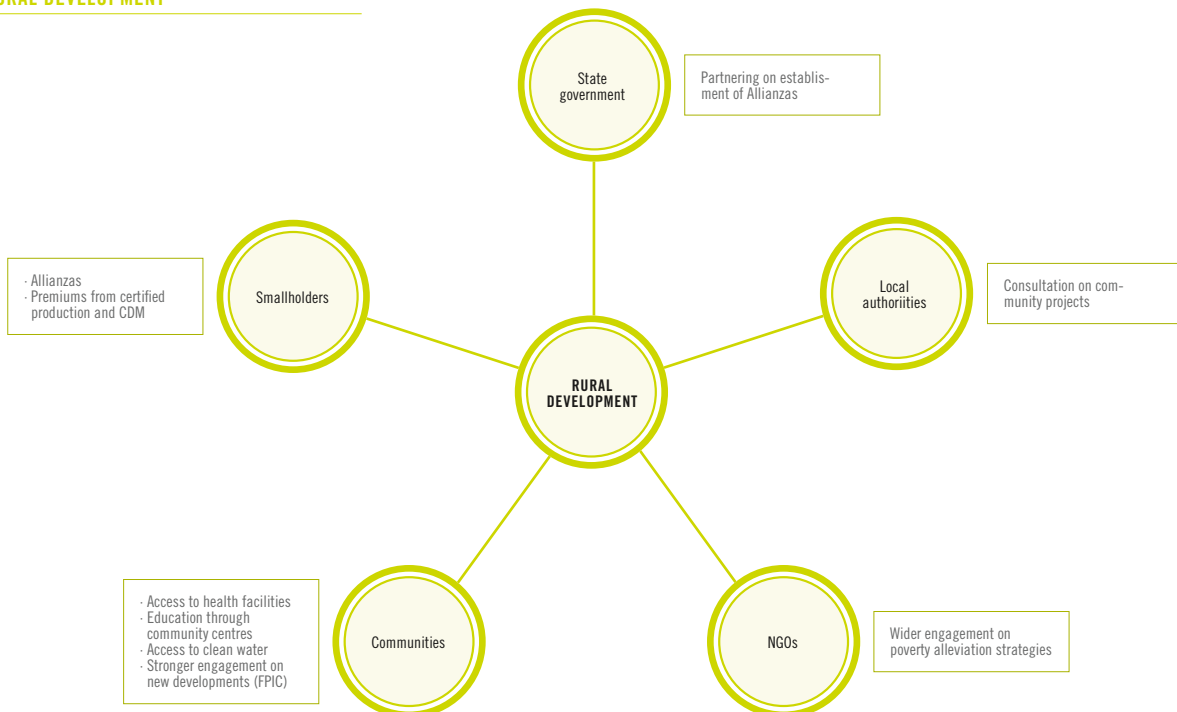
Our customers are more than commercial partners. Most of our customers have visited our farms and plantations, visited the Alianzas and have a personal relationship with our company and our products. We are in constant dialogue with them, to try to understand their needs, both in terms of products, but also in terms of information. Through our annual "Fair News" newsletter, we keep our customers up to date with the latest developments on the ground. We also develop new initiatives in partnership with our customers, for example in our carbon footprint efforts,

We understand that as a relatively small player, we do not set the agenda. However, we do want to use our experience and learnings to contribute where we can. We therefore do not see DAABON at the heart of a stakeholder landscape, but rather as an active member of a community to resolve important issues.

CLIMATE CHANGE



RURAL DEVELOPMENT



04

ENVIRONMENTAL PROTECTION

Understanding our footprint CLIMATE CHANGE

In 2007, we adopted a carbon strategy which includes calculating GHG outputs, reducing avoidable emissions and offsetting those which are considered unavoidable. We continue to develop our responses to climate change approach using direct stakeholder dialogue.

MEASURING THE CARBON FOOTPRINT OF BANANAS

In 2008, in cooperation with a retailer customer and the Mizuho Research Institute of Japan, DAABON became the first company to calculate and release a full life cycle carbon footprint for our JAS certified bananas – from field to consumer. In this study, which included all inland transportation, ripening, packing, distribution to the stores and refrigeration, we found that each gram of banana had associated carbon emissions of 0.63g.

In 2009, we proceeded with an additional business-to-business pilot project to verify the life cycle emissions of organic bananas shipped to the UK from Colombia, using the

PAS UK2050 STANDARD, with SGS UK as a verifying body. This pilot, which did not include UK inland transportation packaging, retail distribution and refrigeration, concluded that each gram of banana had associated 0.31g of carbon emissions.

Both studies included cultivation, packaging, waste, transport and disposal of production waste, but not emissions related to workers (mainly transport) or land use

change. The latter was excluded, as DAABON land has been used for agricultural purposes and cattle grazing for decades, and hence would not have associated emissions.

The footprint projects not only enable end-consumers to make informed choices about their purchases, but it also helps us track our emissions and target areas with the most potential for carbon reduction and create offsets for unavoidable emissions.



Banana conveyor on its way to the packing house.

MEASURING AND REDUCING EMISSIONS FROM PALM OIL

Having gained a better understanding of carbon emissions from our two banana pilot project, we will be using the PAS standard to measure emissions from oil palm cultivation and palm oil manufacturing in 2010.

From current studies, we are already aware that land use change and emissions from palm oil mill effluent (POME) are the biggest CO2 contributors in this industry. As our palm oil developments have been on previous agricultural land, we believe that our impacts in this area have no net carbon emissions.

To address POME emissions, we are currently implementing a methane capture and

control project, which is approved by the UN under the Clean Development Mechanism (CDM). We expect to capture approx 21,000 tonnes of methane per year from POME, which will equate to approx 55,000 tonnes of CO2 equivalents per year, increasing to 83,000 over the next 10 years. The methane captured can be used as an energy source. This project is projected to be in operation at year-end 2010.

MOVING THE AGENDA FORWARD

We believe that every company has an obligation to combat climate change, by reducing and mitigating emissions. As

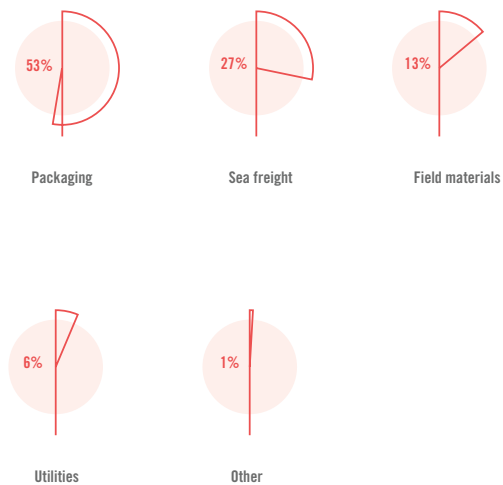
a small company, we recognise that our emissions reductions have a relatively little impact. However, we believe that our investment in groundbreaking projects will be of use to the wider industry as an example of good practice.

We are also using our membership of the RSPO to move the agenda forward. At the organisation's annual 6th General Assembly, we joined forces with producers in Brazil, Colombia, Ecuador, Guatemala, Papua New Guinea and Solomon Islands in agreeing to participate in the voluntary scheme to account for GHG emissions from plantations, after such a scheme had failed to be ratified by the wider membership of the RSPO.

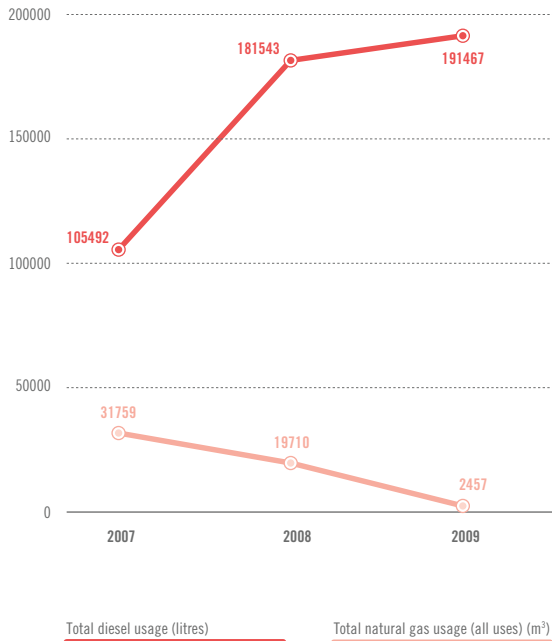
CARBON EMISSIONS COMPOSITION—BANANA



Picker organizing its load.



ENERGY USE BY TYPE



Limiting our impact RESOURCE USE

We want to leave a positive footprint on the planet, closing the loop between the resources we use and the crops we produce. We reuse every possible kilogram and recycle virtually everything, producing our own compost from agricultural waste and cattle manure from our own herds.

Because we own our mills, refineries and bulk terminals, we are able to control every aspect of our operation and its resource use and we do not allow any step in this chain to compromise our commitment to sustainability and social responsibility.

USING WASTE TO REDUCE RESOURCE USE

We are reusing virtually every kilogramme of waste generated at our palm oil mills, for composting or as biomass for our boilers. There is a small amount of administrative

waste which is picked up by truck to landfill, and hazardous waste, which is incinerated at a safe site covered by permits and specialised ovens.

Our banana packing facilities are very efficient: only a small amount of mixed waste goes to landfill. In the field, the only waste generated is the plastic bags used to protect the fruit. After trying several recycling alternatives, we opted to send them to a local co-op, owned and managed by the community, which gathers plastic and resells it to specialised utensil companies (e.g. brooms and mops). They operate with all legal permits and have good handling experience.

VALUING WATER

Water is the most precious resource to humanity and to the natural environment. We are therefore putting every effort into ensuring that we do not pollute local waterways, but also that we reduce and recycle almost all of the water we use. In our coffee depulping activities, we have found a way of

replacing 98% of our water usage – approx 1200 gallons a day, by using gravity instead of water to move beans. Likewise, we have created loop systems in our banana packing houses which have reduced our daily water usage by 66% from 12,000 to 4,000 gallons per day on average.

DAABON has invested in GIS systems, Humidity Sensors and Evapotranspiration equipment to keep our water balance as close to net zero as possible. Chemical and physical analyses are conducted monthly to verify the quality of the effluents. Canals on the farms are built through the most clay-like soils to effectively avoid seepage and various losses. We have worked to naturally roof the canals with native species and avoid evaporation, serving migrating birds and local mammals as well.

Water in our palm plantations is managed by a local water district that strictly controls the amount of water that is given to each farm. Palm oil mill effluents are not released into water ways, but used for fertiliser through land application.

2009 WASTE PRODUCTION – BANANA

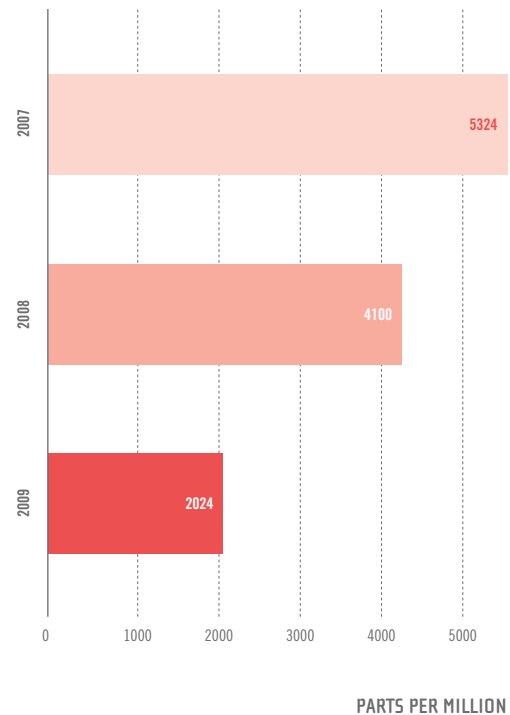
PLASTICS	0.049	Kg/raceme	6223 kg/year	Recycled
HOUSEHOLD	0.0068	Kg/raceme	863 kg/year	not recycled (17 kg per week)
PAPER	0.0028	Kg/raceme	356 kg/year	Recycled
CORD	0.019	Kg/raceme	2413 kg/year	Recycled
COLOR STRINGS (FOR TIME IDENTIFICATION)	0.00084	Kg/raceme	106 kg/year	Recycled

Raceme is a banana bunch/cluster



Organic compost is elaborated on site with all available biomass and reapplied throughout our own crops as a soil amendment. This practice keeps conserves humidity, hosts beneficial fungus and bacteria and guarantees conservation of organic matter.

BIOLOGICAL OXYGEN DEMANDS LEVELS



Protecting our natural heritage

BIODIVERSITY

There are relatively small tracts of remaining primary and secondary forest in the region and these are legally owned by DAABON. When the land was acquired, Mr. Alberto Davila (DAABON Group Chairman) was committed to preserving and protecting the only remaining natural forest left in the area. Today, the company considers these areas as great assets, not only because it is the last piece of untouched land, but because it actually serves as a neutralizer for the natural species that protect the organic crops.



ENDANGERED SPECIES IDENTIFIED IN DAABON OIL PALM

IUCN RED LIST CATEGORY	MAMMALS	BIRDS	REPTILES
Endangered			Santa Marta Poison arrow Frog, <i>Cryptobatrachus boulengeri</i>
Near threatened		Solitary eagle, Black-and-chestnut Eagle, Blossomcrown	
Vulnerable	Grey-handed Night Monkey	Rusty-headed Spinetail	Boa Constrictor
Data Deficient	Northern Naked-tailed Armadillo		



MONITORING AND MANAGING BIODIVERSITY

Although we have always sought to maintain the natural habitat of our region, we are taking an increasingly structured approach to conservation. In 2009, we finalised two major third-party biodiversity studies in our coffee and oil palm areas. These detailed studies document the flora and fauna in the area, including endangered and endemic wildlife, and provides us with a starting point for practical management plans. In 2010, we will expand these assessments to cover banana, as well as repeat the studies during the wet season to ensure the results are accurate.

Our management practices include buffer zones of a minimum of 30 metres

between our crops and natural water ways. In addition, we have set aside or restored just over 250 ha in our palm plantations - approx 14% and 80ha of our banana farms 10% to create wildlife corridors, which we plant with native species, and allow animals to roam through our plantations undisturbed. Our coffee and cacao plantations are both integrated in natural forests or intercropped and are therefore not disturbing natural habitats.

SMALLHOLDERS AND BIODIVERSITY

Through the Alianzas, we provide extensive training and documentation to smallholders on conservation and biodiversity. We particularly highlight the benefits of

maintaining native species in organic agriculture. For a few smallholders who have HCV on their land, we will be piloting a scheme based on the REDD (Reducing Emissions from Deforestation and Forest Degradation) model, ensuring that smallholders receive some compensation for land which they cannot develop due to conservation concerns.

AVOIDING GM INGREDIENTS IN OUR PRODUCTS

As a natural extension of our organic credo, we do not grow any genetically modified bananas or oil palm seed, nor do we market any other genetically modified fresh fruits or vegetables.



05

SOCIAL RESPONSIBILITY

Sharing the benefits

SMALLHOLDERS AND OUTGROWERS

Farmers in Northern Colombia have seen much hardship and have had to face many challenges in creating livelihoods for themselves and their families over the past decades. Many left the region to escape from conflict and to keep their families safe. In response to a Government initiative called Alianzas para la Pais (Alliances for Peace), in 1999 DAABON pioneered this co-operative based program with smallholders aimed at creating opportunities for all families displaced by violence.

SUPPORTING SMALLHOLDERS TO INCREASE PRODUCTION

Much of DAABON's production growth comes from smallholders in the region, who are encouraged and supported in creating Alianzas (co-operatives). This way they can access government credit and achieve technical assistance from DAABON to convert to organic and sustainable production methods. All smallholders in the Alianzas own the full title to their land. Today 14% of

organic fruit processed at our mills is from the Alianzas. Many of the small-holders in the palm Alianzas were previously growing rice, which provided a very low and highly insecure income, which kept them in permanent debt with the processing mills.

447 families are growing cocoa and oil palm in one of these Alianzas, through which farmers receive favourable credit terms and technical support, which allow long-term sustainable agricultural practices.

Our smallholder affairs department provides support to the Alianzas and helps to educate smallholders and their families about a wide range of topics including or-

ganic and sustainable agricultural practices, family and community life, among others. This has had a positive impact in improving their livelihoods as well as the environment, as farmers are less exposed and dependant on chemical fertilizers and pesticides.

SHARING BENEFITS AND PREMIUMS WITH SMALLHOLDERS

We believe that sustainability and organic practices are good for our business and we are committed to extending these benefits to smallholders. Our cacao smallholders have long been organic certified and in





December 2009, we saw the successful completion of organic certification for 137 of our 162 palm smallholders. This enables them to achieve a higher price through an organic premium.

Smallholders of the Alianzas will also see an additional premium in 2010, when our CDM programme becomes operational, as we will be sharing the carbon credits and the associated income.

Although we are still working on our own RSPO certification, we are already preparing to include smallholders. We are seeking support from the WWF/Solidaridad POPSI (Palm Oil Producer Support Initiative) programme to strengthen smallholder farmer training in Best Management, provide investment and financing tools for smallholder producers, raise awareness among smallholders on the RSPO. This would enable more effective implementation of the RSPO Principles and Criteria, and ensure that the Alianzas can start earning an RSPO premium.

Promoting development COMMUNITIES

The communities where we operate are relatively remote, with little basic infrastructure and few employment opportunities. In addition to employment and support of smallholders, we therefore seek to contribute to the wider community to enhance livelihoods, health and education.

COMMUNITY DEVELOPMENT

Our operations themselves have delivered basic infrastructure such as clean water and electricity throughout our areas of operations. Furthermore, DAABON funds community centres, which include play-school facilities, health clinics and adult education classes. DAABON also provides

assistance through donations through the Mayor's office, which funds hospital equipment, antibiotics and machinery for roads, for example. Other programmes are in place to teach reading and writing skills to dependants of employees, thus enabling them to enrol in a formal education institution.

Employees at our banana plantations are members of FLOTRABAN – the foundation which manages the fair trade premium. These funds have been invested in building over 150 homes, schools and basic infrastructure. In addition to the premium FLOTRABAN receives, in many cases DAABON provides for land, machinery and workforce needed to complete these projects.

RESPECT FOR TRADITIONAL LAND USE

While none of our land is customary land, we operate in areas close to native communities, who have a close connection with the land of the Sierra Nevada Mountains, which they perceive to be surrounded by a "black line" with important "energy spots". In addition, all river mouths are considered important spiritual places. We respect and support these communities traditions and allow free access through our farms and plantations for all indigenous communities.

SUPPORTING THE UNITED NATION DEVELOPMENT GOALS

The Millennium Development Goals are eight international development goals that all 192 United Nations member states have agreed to achieve by the year 2015. Although developed for nation states, we be-

UNITED NATION DEVELOPMENT GOALS

MILLENNIUM DEVELOPMENT GOAL	OBJECTIVE	OUTCOME
Goal 1: Eradicate extreme poverty and hunger	Create income opportunities for small farmers to reduce poverty and enable return of displaced communities	447 families (approx 2700 people) have joined the Alianzas, receiving stable incomes and sharing organic premiums and carbon credits (from 2010)
	Provide stable and well-paying employment	On average, DAABON workers receive a wage which is 70% higher than the Colombian minimum wage of 496,000 COL Pesos (260 dollars)
Goal 2: Achieve universal primary education	Raise basic education standards in an area where an estimated 35% of school age children do not attend school	New school facilities and access to new students serving 360 families
Goal 4: Reduce child mortality Goal 5: Improve maternal health Goal 6: Combat HIV/AIDS, malaria, and other diseases	Increase access to drinking water in an area where over 50% are estimated to lack clean water supply	Over 800 families (2400 people) have access to a potable water supply
	Increase access to local healthcare in areas with poor coverage	360 families now have access to local health facilities
General development objectives	Support better housing for families in areas prone to flooding and with low standards	100 houses have been completed, with a further 350 to be built by 2012
	Increase access to electricity in areas with no connection to electrical grid	500 family homes connected to the grid



Houses built using Fair-trade banana premiums and company contributions. Located in Campana Nuevo, the houses are built and financed for the workers in the area.

lieve that businesses can play a crucial role in meeting these goals.

THE LAS PAVAS DISPUTE

In 2009, DAABON experienced its first and only community conflict. The conflict arose in connection with a small development of just over 1000 hectares in the Southern Bolivar region. The project was a 50-50 joint venture between DAABON subsidiary C.I. Tequendama S.A. and Aportes San Isidro (not connected to the DAABON Group).

The region has previously been rife with conflict due to paramilitary activity, and in line with its mission, CI Tequendama wished to offer local communities opportunities for better living standards and development. Our objective was to establish a palm oil plantation and a palm oil mill along with support for local small-holders that will enable them to develop good agricultural practices. This model has successfully been implemented by CI Tequendama in the Magdalena region, where 200 families, organised in co-operatives are now supplying to the CI Tequendama mill. In addition to technical and credit support, these farmers and surrounding communities in the Magdalena province are also enjoying access to a range of facilities, including schools, electricity and potable water, which was not previously available.

In early 2009, a group of families residing in the region around Las Pavas claimed the right to the land. These families claim they have inhabited and used the land in previous years. The DAABON Group and its subsidiaries have never had any previous land conflicts and would under no circumstances knowingly violate the rights of legitimate land holders. We have sought to clarify the issue through a variety of channels. In 2009, we received a formal ruling by the courts, determining our right to the land. We have met with NGOs representing the communities to try and resolve the issue. We have also hosted visits from a number of our customers and Ecocert (one of our certifica-



tion bodies), to enable them to assess the situation first-hand.

In November 2009 DAABON agreed to support an independent study of the Las Pavas case, coordinated by The Body Shop and Christian Aid. We would like to take this opportunity to thank them for the role played in helping us to find a solution. It has been a very challenging process for all parts involved, and we appreciate their efforts and cooperation towards identifying ways forward. We would like also to thank all the stakeholders that have raised concerns, engaged constructively and contributed their experience and good practices in similar cases.

We believe that the independent consultant report presents a balanced picture of the social, political and economical realities of South Bolivar. It also highlights key points that need to be considered by the Colombi-

an palm industry – including ourselves - the government of Colombia and local authorities when considering further oil palm developments in this region.

We agree that the report points to mistakes from both sides; The Consortium El Labrador, the community and its representatives. As members of the Consortium we would like to accept our share of responsibility in this case. Although we feel that the report falls short of identifying ways in which this community can break the circle of poverty in which it has been stuck for decades, and also that its scope is not focused on Las Pavas ranch only but the whole Pápayal area, we have to acknowledge that its content has made us aware of key aspects and profound social differences that contravene our well intended Alliances model in the South of Bolivar.



Operator drying cocoa beans in the DAABON greenhouse facility.



Worker carrying a fruit bunch to its buffalo cart.

Based on the results of the study and after a careful examination of it, the Board of Directors of DAABON have decided to continue to work with the communities to find solutions based on the recommendations of the study.

We strongly believe in the alliances smallholder model as a way to promote social and economic well being in Colombia, and they have proven successful in the Magdalena area, the study made us realize that the stakeholders do not welcome oil palm development and the alliances scheme in the South of Bolivar. Their full support and commitment is pivotal to succeed with this model.

As a result of the learnings from the case we are making changes in our sustainability governance and initiatives:

1. **For future venture developments**, we have formed a team dedicated to ensuring that DAABON's philosophy is preserved and guaranteed in every step of the venture forming process, land acquisition and development phases. We have vast experience and knowledge in sustainable oil palm production and we need to ensure this is put in practice in

all our projects whether ventures or solely owned ones.

2. **We are adopting the Free, Prior and Informed Consent (FPIC) framework** developed by Forest Peoples' Programme, for all our new development. We find that the framework can provide practical guidance for engagement and consultation with communities, ensuring that their bona fide representatives are properly informed of the implication of oil palm development and the options available to them.
3. **We see stakeholder engagement** as fundamental to being a socially responsible company. In this respect we believe the FPIC will help us improving the engagement with the local community. Equally we hope that we can develop partnerships with key stakeholders of the industry to share our experience in developing organic and sustainable agriculture in Colombia.
4. **We will strengthen** our documentation, procedures and controls in all environmental management. We will continue working together with Fedepalma in assessing the environmental management at our new and existing

plantations and we will look to develop partnerships with key stakeholders specialized in environmental issues to share experience and guarantee transparency in all our projects.

5. **Many companies are developing** oil palm in South of Bolivar, and unfortunately many of their actions have been blamed on the Consortium and consequently on DAABON. We would like to extend a call up to all these companies to engage in production of palm in a sustainable manner, to engage with the local communities and the stakeholders specialized in environmental and social issues and to work together with FEDEPALMA in assessing their projects. We would like to extend our petition to the central and local government to clarify the procedures and law with regards land tenancy. We are also inviting NGO's to open to a constructive dialogue with the local authorities and the private sector, the formulation of solutions is paramount for the livelihood of the local communities, while building bridges is not always easy, we foreseen it as the only way to solve any conflict.

Creating value EMPLOYEES

Our almost 2,000 employees are the foundation of our success, and we know that we cannot achieve our goals and ambitions without the commitment of everyone who works at DAABON. In organic agriculture, much depends on individual care and effort to ensure that crops are cared for and managed. In return, we do our best to ensure that each of our employees are treated fairly and helped to create a better livelihood. As a base, we adhere to the International Labour Organization's core conventions and we ensure compliance through SA8000 and sustainable palm oil audits.

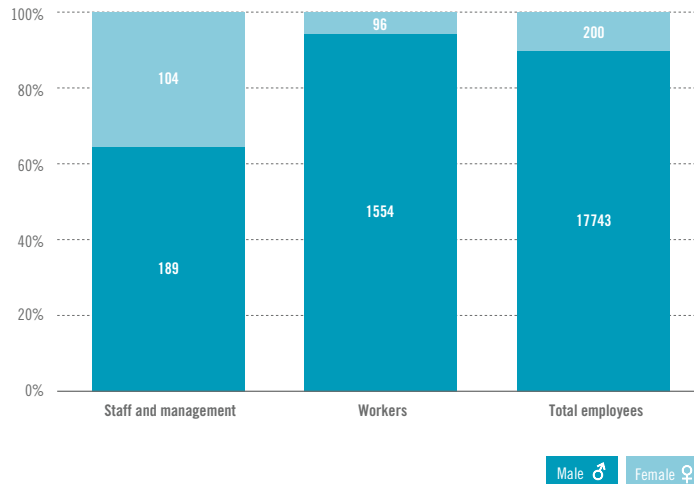
WORKING HOURS, FAIR WAGES AND BENEFITS

All workers have a standard working week of 6 days – a total of 48 hours. We aim to reduce overtime to peak harvest seasons and we always pay overtime at a premium in accordance with national legislation.

Workers at DAABON earn a wage exceeding the Colombian minimum wage of COP496,000 (USD260) monthly. Wages consist of a basic rate plus a premium per ton of fruit collected. The wages fluctuate slightly with season, but are on average 80% above the minimum wage. All employees in the DAABON Group get paid monthly, through direct deposits by the company into an account of any national bank. Workers are advised to have a checking account for security purposes with a debit card. Our farms now have ATMs and our extraction mill has a small branch of Banco de Bogota, serving workers and smallholders.

In addition to wages, workers are provided with lunch in facilities specially designed for this purpose. Potable water is also available and employees are encouraged to fill receptacles and use it in their homes as well, since access to drinking water is not provided by the town.

EMPLOYEES BY GENDER



Benefits comprise a significant proportion of payroll – almost 40% - and include annual leave, sick leave, pension plan and health care (which includes dependants).

NON-DISCRIMINATION AND SUPPORT FOR WOMEN

We do not tolerate discrimination on any grounds. Our workforce is largely drawn from local communities and is largely re-

flective of the ethnic composition of the local areas in which farms and plantations are located.

Typical of our industry, we employ a fairly small number of women at field level. This is often due to practical considerations, as many field operations require significant physical strength. However, women are well-represented in staff positions throughout the company.



CONTRACTS AND DISCIPLINARY PROCEDURES

We do not employ any seasonal or temporary workers. This practice was abandoned in 2005, partly to achieve a higher level of occupational safety – which can be difficult to manage with temporary workers. But we also believe it is of utmost importance to guarantee the same benefits to all workers – particularly as these comprise such a high proportion of payroll in Colombia.

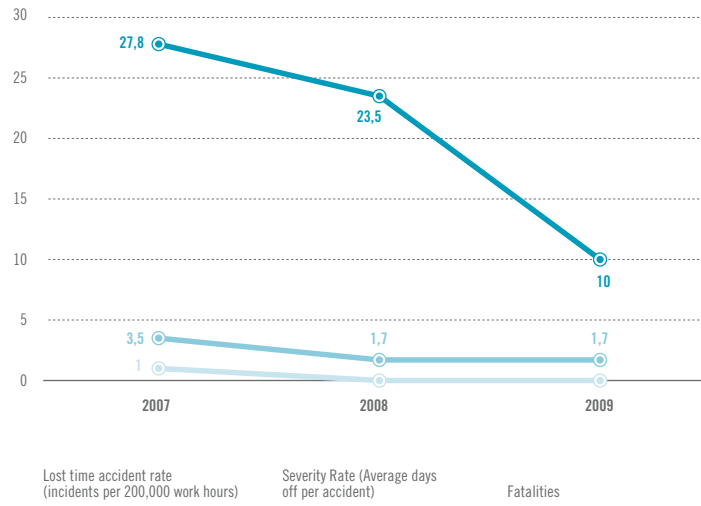
DAABON group employees are therefore employed directly by the company on a permanent basis. The company has to give 3 months' notice before letting any employee go. Responsibilities to which the company and the employees are committed are available and on permanent display on-site in Spanish. Layoff procedures are standardised; starting with a letter from the manager or superior arranging a meeting with the person involved, plus an employee from the COPAZO as a verifier, they have the chance to explain and clear-up the incident if any mix-up has occurred.

A SAFE WORKING ENVIRONMENT

The safety of our workforce is one of our top priorities. Our environmentally friendly agricultural techniques ensure that our workers are protected from toxic substances and over the years, we have mechanized the most physically challenging or hazardous tasks. For example, our banana plantations are criss-crossed with mechanical conveyor belts, ensuring that workers never need to walk more than 25 feet carrying heavy banana bunches.

Our employees are actively consulted and involved in identifying improvements to our health and safety programme through the COPAZOs - committees elected by the workers who meet weekly. This committee identifies and reviews operational concerns such as training needs and the use and effectiveness of personal protective equipment. They also provide an independent support for mandatory actions, such as regulatory vaccinations and medical examinations. COPAZO is also responsible

HEALTH AND SAFETY



Refinery maintenance operations.

for selecting providers of food services and other outsourced employee benefits. A representative of the company is also a part of this group. The COPAZO only meets during working hours.

We are pleased to see that our accident statistics are indeed improving. Accidents in our industry are mostly minor – 85% of injuries comprise of bruising, cuts and thorn-pricks. This is reflected in a very low severity

rate of 1.7 days lost per accident. However, we recognise that although decreasing, our lost time accident rate of 23.5 is relatively high, and we are working to reduce this over the coming two years, setting a target to reduce lost time cases to 10%. We will achieve this by working with our workers' health and safety committees and by requiring supervisors to undertake continuous briefings on health and safety.

HOUSING AND LIVING CONDITIONS

Labourers do not live on site, since the plantation is located near a village where 95% of the employees live. DAABON provides buses from the village to the farm or lot and back.

Although our workers live in nearby communities and not within our plantations, we wish to assist our people by providing access to modern, high quality housing and sanitation. In 2009, under our banana fair trade programme we built landed houses for 100 of our employees and we aim to build an additional 350 by 2012. Workers will get the opportunity to buy these affordable houses at 30% of the market price and the houses will remain their property even if they should choose to leave the company.

EMPLOYEE CONSULTATION AND REPRESENTATION

Colombia has a very low level of trade union membership. This is partly due to historical links to guerrilla groups. Trade union members have been murdered and local communities had been severely affected by violence the problem became unmanageable

in specific areas of the country. Although the situation is improving, confidence in the trade union system is still low, and workers in some areas are still reluctant to look to trade unions to represent them.

In the areas where we operate, workers have expressed a preference for an alternative type of representation, through the worker committees. This company-specific organisation guarantees their safety, while allowing free expression to employers and co-workers.

There are two worker committees – one for palm and one for banana. They comprise one elected representative and an alternate per 40 workers and are mandated according to clear terms of reference. Each committee elects a president and a vice president and are supported by a secretary. The Committees have internal meetings as required and meet with company representatives once per month. All meetings are during paid working hours. Meetings are used to discuss grievances, structural changes and management relationships. The Committee are also consulted annually on wage adjustments and benefits. In cases of disputes, cases can be referred to the public Labour Office which acts as an ombudsman.

CHILD LABOUR

Within our own plantations and farms, we have a strict policy prohibiting employment of anyone under 18 years of age in any capacity.

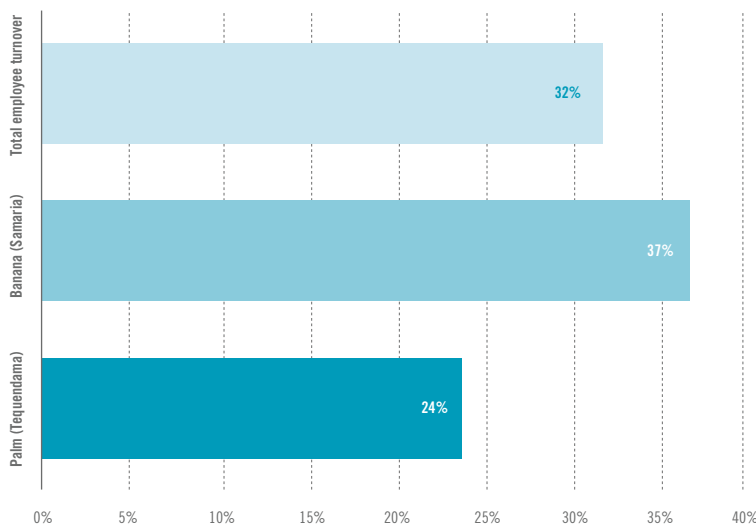
FORCED LABOUR

We do not require any employees to lodge monetary deposits or to submit passports or other essential travel documents.

EMPLOYEE TURNOVER

Employee turnover is an issue which is both costly and disruptive to operations and turnover rates are high, particularly in banana. There are few national relevant benchmarks, but we believe this to be a common problem in our sector. Apart from our ongoing employee engagement and improvements to working conditions, we are continuously seeking to identify the causes and possible solutions. Our most recent initiative has been to be more proactive in offering employment under conditions suitable to indigenous groups in surrounding areas, as these groups are often more stable.

EMPLOYEES TURNOVER RATE



Boxing stations in our banana operations.

06

ABOUT THE REPORT

Data and data notes

CATEGORY	INDICATOR	MEASUREMENT UNIT/BREAKDOWN	2009	2008	2007
Financials and market	Sales by product category (% of sales)	Palm oil and derivatives	77,12		
		Bananas	17,30		
		Cacao	0,01		
		Coffee	0,84		
		Logistics	3,78		
		Other	0,96		
	Sales by region (% of sales)	Domestic	59,87		
		Asia-pacific	6,10		
		Europe	25,81		
		Americas	8,22		
Employees	Number of permanent employees	Colombia	1943	1567	1323
		International	23		
	Employees by operation	Banana	857		
		Oil palm	798		
		Other	288		
	Employee turnover	Total number of leavers over year x 100/Average total number employed over year	31,6		

	Employee turnover by operation	Banana	37,3		
		Oil palm	23,9		
	Employee categories	Staff and management	293		
		Workers	1650		
	Female employees		200		
	male employees		1743		
	Female staff and management		104		
	Male staff and management		189		
	Female workers		96		
	Male workers		1554		
Labour standards	Minimum monthly wage	Colombian pesos	496.000	461.000	433.700
	Average worker monthly wage	Colombian pesos	850.000	790.000	740.000
Community and housing	Breakdown of charitable contributions (USD)	Sports/arts/culture	5700,72		
		Local infrastructure	20797,64		
		Children's charities	26413,60		
		Other social causes	55277,96		
Health and safety	Fatalities	Number of work-related deaths	0	1	0
	Lost time accident rate	Incidents which required at a minimum 1 lost day per 200,000 working hours	23,5	27,8	
	Severity rate	Average number of lost time per incident	1,7	3,5	
Land and productivity	Yield per hectare (mature palm)	Tonnes of FFB per hectare	22,08	24,5	23,36
	Extraction rate (CPO)	tonnes CPO per tonne of FFB	21,67	19,78	18,66
	Extraction rate (PKO)	tonnes PKO per tonne of FFB	1,64	1,82	
	Total titled land	Hectares	7578		
	Organic banana	Hectares	879		
	Organic oil palm	Hectares	4424		
	Organic coffee	Hectares	285		

	Organic cocoa	Hectares	26		
	Area set aside for conservation (Palm only)	Hectares	253,2		
Environment	BOD levels	Parts per million	2023,5	4099,8	5324
	COD levels	kg/day	1236	74141	
	TOTAL ORGANIC COMPOST produced	Tonnes	6537	6313	
	Total fertiliser usage	Tonnes	761	798	
	mineral borax	Tonnes	1074	997	
	sulfomag	Tonnes	740	1338994,2	
	compost	Tonnes	910	905	
	Sulfates	Tonnes	419	440	
	Total water usage	Million tonnes	5,2	3,3	
	Total diesel usage	(gallons translated to litres @ 4.55)	2457	19710,6	31759
	Total natural gas usage (all uses)	m ³	191467	181543	105492
	Total effluents	m ³	91680	100489	
	Total diesel waste	gallons	12	90	140
	Total boiler ash	Tonnes	977	1192	
	Hazardous waste	Liquid (litres)	1684,36		
		Solids (kg)	379,92		
	Total production	CPO (tonnes)	24838	27639	27684
		PKO (tonnes)	1881	2297	2130
		Fibre (tonnes)	1372	1325	
	Tonnes of bananas produced	Tonnes	27055	19419	16282
	Total FFB processed	Tonnes	112728	125139	
	Total cocoa produced	Kg	42211	35433	32370
Suppliers	DAABON FFB (organic)	Tonnes	56253	65248	
	Allianza FFB (organic)	Tonnes	9785	7312	
	Allianza FFB (not organic)	Tonnes	39502	44484	
	Other suppliers FFB	Tonnes	7188	8095	

NOTES TO DATA

- BOD and COD levels are based on annual testing.
- Lost time accidents are calculated per 200,000 working hours, and assuming a 48 hour work week.
- Organic hectareage is based on certificates. This may vary slightly from actual cultivated land.
- All data is on a best-effort basis. As this is the first sustainability report produced by DAABON, improvements in data collection may entail subsequent restatements.

Global Reporting Initiative G3 Index

GRI DISCLOSURE	TYPE	LOCATION – SECTION	STATUS
Strategy and analysis			
1.1	CEO statement	Welcome	Reported
Organizational Profile			
2.1	Name of the organization	DAABON in brief	Reported
2.2	Primary brands, products, and services	Our Products	Reported
2.3	Operational structure	Who we are	Reported
2.4	Headquarters location	Who we are	Reported
2.5	Countries of operation	Our products	Reported
2.6	Nature of ownership and legal form	Governance and management	Reported
2.7	Markets served	Our Products	Reported
2.8	Scale of organization	Who we are	Reported
2.9	Significant changes during the reporting period regarding size, structure, or ownership		Not reported as no major changes
2.10	Awards received during the reporting period	DAABON in brief	Reported
Report Parameters			
3.1	Reporting period	About the report	Reported
3.2	Date of most recent previous report	About the report	Reported
3.3	Reporting cycle	About the report	Reported
3.4	Contact	Contact us	Reported
3.5	Process for defining report content	About the report	Reported
3.6	Boundary of the report	About the report	Reported
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could affect comparability	About the report	Reported
3.9	Data measurement techniques and assumptions	Data notes	Reported
3.10	Explanation of the effect of any restatements of information provided in earlier reports		Not reported as this is the first report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		Not reported as this is the first report
3.12	GRI content index	GRI G3 Index	Reported
3.13	Policy and current practice with regard to seeking external assurance for the report	About the report	Reported
Governance, Commitments, and Engagement			
4.1	Governance structure	Governance and management	Reported
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Governance and management	Reported

4.3	State the number of members of the highest governance body that are independent and/or non-executive members		Governance and management	Reported
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the board			Not reported due to family-ownership
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		Governance and management Employees	Partially reported
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		Governance and management	Partially reported
4.8	Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		Welcome Our vision Governance and management Certification Stakeholder engagement	Reported
4.9	Board procedures for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles		Governance and management Stakeholder engagement Our certification	Reported
4.10	Processes for evaluating the board's own performance		Governance and management Our certification	Partially reported
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		Certification Stakeholder engagement	Reported
4.13	Memberships in associations or advocacy organizations		Stakeholder engagement	Reported
4.14	List of stakeholder groups engaged by the organization		Stakeholder engagement	Reported
4.15	Basis for identification and selection of stakeholders with whom to engage		Stakeholder engagement	Reported
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		Stakeholder engagement	Reported
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		Welcome Certification Stakeholder engagement Climate Change About our sustainability report	Reported
Not reported: 1.1, 3.7, 4.5, 4.11				
Economic Performance				
	Disclosure on Management Approach	Core	Governance and management Community Employees	Reported
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Core	Welcome Communities Employees Data Notes	Partially reported

EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Core	Climate change	Partially reported
EC3	Coverage of the organization's defined benefit plan obligations	Core	Employees	Reported
EC4	Significant financial assistance received from government	Core	Our products Stakeholder engagement Smallholders and outgrowers	Partially reported
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Additional	Employees Data notes	Reported
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Core	Who we are Smallholders and outgrowers Data notes	Partially reported
EC7	Procedures for local hiring and proportion of senior management hired from local community of significant operations	Core	Governance Employees	Partially reported
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement	Core	Communities Employees Data notes	Partially reported
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Additional	Welcome Who we are About Columbia Our vision Our products Stakeholder engagement Communities Employees	Reported
Environmental				
	Disclosure on Management Approach	Core	Resource use Biodiversity Climate Change	Reported
EN3	Direct energy consumption by primary energy source	Core	Climate change Data notes	Partially reported
EN4	Indirect energy consumption by primary source	Core	Climate change Data notes	Partially reported
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Additional	Climate Change	Reported
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Additional	Climate Change	Partially reported
EN8	Total water withdrawal by source	Core	Resource use	Partially reported
EN9	Water sources significantly affected by withdrawal of water	Additional	Resource use	Reported
EN10	Percentage and total volume of water recycled and reused	Additional	Resource use	Partially reported
EN11	Location and size of land owned, leased and managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Core	Biodiversity	Reported

EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Core	Biodiversity	Reported
EN13	Habitats protected or restored	Additional	Biodiversity	Reported
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Additional	Biodiversity	Reported
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Additional	Biodiversity	Reported
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Additional	Climate change	Partially reported
EN22	Total weight of waste by type and disposal method	Core	Resource use	Partially reported
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Core	Welcome Our vision Our products Our certification Plantations and land Governance and management Environment	Partially reported
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Core	Resource use Data notes	Partially reported
Not reported: EN1, EN2, EN5, EN16, EN17, EN19, EN20, EN21, EN23, EN24, EN25, EN28, EN29, EN30				
Social				
LABOR PRACTICES AND DECENT WORK				
	Disclosure on Management Approach	Core	Governance and Management Employees	Reported
LA1	Total workforce by employment type, employment contract, and region	Core	DAABON in brief Employees Data Notes	Reported
LA2	Total number and rate of employee turnover by age group, gender and region	Core	Employees	Partially reported
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Additional	Employees	Reported
LA4	Percentage of employees covered by collective bargaining agreements	Core	Employees	Reported
LA5	Minimum notice period(s) regarding significant operational charges, including whether it is specified in collective agreements	Core	Employees	Partially reported
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Additional	Employees	Partially reported
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Core	Employees	Partially reported
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Core	Governance and Management Communities Employees	Reported

LA9	Health and safety topics covered in formal agreements with trade unions	Additional	Employees	Reported
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Additional	Communities Employees	Partially reported
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Core	Who we are Governance and Management Employees Data notes	Partially reported
Not reported: LA10, LA12, LA14				
HUMAN RIGHTS				
	Disclosure on Management Approach	Core	Governance and management Employees	Reported
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Core	Employees	Partially reported
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Core	Who we are	Partially reported
HR4	Total number of incidents of discrimination and actions taken	Core	Employees	Partially reported
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Core	Employees	Reported
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Core	Employees	Reported
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Core	Employees	Reported
Not reported: HR3, HR8				
SOCIETY				
	Disclosure on Management Approach	Core	Governance and management Communities	Reported
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Core	Communities	Reported
SO5	Public policy positions and participation in public policy development and lobbying	Core	Stakeholder engagement Smallholders and outgrowers	Reported
Not reported: SO2, SO3, SO4, SO6, SO7, SO8				
PRODUCT RESPONSIBILITY				
	Disclosure on Management Approach	Core	Governance and management Our products Certification Plantations and land	Reported
Not reported: PR1, PR2, PR3, PR4, PR5, PR6, PR7, PR8, PR9				

About our Sustainability Report

SCOPE OF THE REPORT

This report covers the calendar year of 2009, unless otherwise stated. As a guiding principle, the practices described are applicable throughout DAABON's wholly-owned agricultural operations, with special emphasis on banana and palm oil. These two crops cover the majority of our land and 80% of our employees.

HOW WE DECIDE WHAT TO INCLUDE

This is DAABON's first Sustainability Report, but it represents another step in a long journey towards transparency, accountability and engagement with our stakeholders. The key guiding principles of report content is that of materiality – or the importance and relevance an issue or performance metric has both to our business and our key stakeholders. This framework helps us assess what matters most to our audiences both inside and outside the company.

Our process for determining materiality for our Sustainability Report involves assessing our significant economic, environmental and social impacts, and then factoring in how these impacts substantively affect or influence our stakeholders. We included a variety of inputs – both internal and external – to ensure we are aligned with the materiality principle of the Global Reporting Initiative. These inputs include:

- Customer feedback, both direct communications at Head Office level, and channelled through our global market representatives.
- Company vision, strategies, policies, programs and risk factors.
- Input gathered through stakeholder dialogues.
- Informal input from communities, smallholders and employees.



- Online and conventional media coverage of DAABON and of sustainability issues affecting our industry.
 - Global Reporting Initiative (GRI) recommended topics and data for inclusion.
- The report has been developed by a third party organisation, CSR Asia – that has prioritised content and drafting of the report. CSR Asia has been given access to data and to all relevant stakeholders. While this does not

constitute third-party assurance, we believe it has helped us create an unbiased and balanced representation of our business.

REPORTING CYCLE

We intend this report to be the first in periodical sustainability reporting, and will decide our reporting cycle based on feedback from key stakeholders.



SANTA MARTA PORT

The Santa Marta port, our Terlica facilities and further back Taganga Bay. Even though we deliver our sustainable products using these facilities, our accountability is “From the soil to the market”.

Glossary

AIB

is a food hygiene standard developed for the baking industry and extended to ingredient suppliers.

Biodiversity

is the diversity (number and variety of species) of plant and animal life within a region.

Biofuels

are fuels that are derived from biomass (recently living organisms such as wood or vegetable oil) or their metabolic by-products, such as manure from cows. They are a renewable energy source, unlike other natural resources such as petroleum or coal.

Biological Oxygen Demand (BOD)

is the amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

Chemical Oxygen Demand (COD)

is a measure of the oxygen requirement of organic matter in water. It is used as an indicator of dissolved organic carbon, often in conjunction with biological oxygen demand (BOD).

Carbon dioxide equivalents (CO₂ eq)

provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

Comercio Justo and Ecocert fair trade

Fair trade certification strives to ensure that farmers in the developing world get a fair price for their crops and good conditions under which to work. Fair trade helps guarantee decent working and living conditions for farmers and workers and promotes co-operatives. The Ecocert fair trade standard is developed

by Ecocert and based on international sources such as the ILO conventions, WTO treaties and OECD. The standard guarantees a minimum price based on the cost of production (taking into account living wage) and a premium to enable farmers to invest in production, organisation, health and education. The standard must be implemented in every part of the commodity chain for a product to be able to carry the label.

CPO

Crude Palm Oil

Effluents

is water discharged from one source into a separate body of water, such as mill process water.

GLOBALGAP

is a private sector body that sets voluntary standards for the certification of agricultural products around the globe. The GLOBALGAP standard is primarily designed to reassure consumers about how food is produced on a farm by minimising detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to worker health and safety as well as animal welfare.

Global Reporting Initiative (GRI)

is a multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

High Conservation Values (HCV)

he concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their 9th principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.

ILO (International Labour Organization)

is a tripartite world body representative of labour, management and government and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called “conventions”, offered to member nations for adoption.

IUCN Red List

The International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organization based in Switzerland which is involved in preservation of natural resources. Publishes the Red Data Book, which lists the endangered species of every nation.

Kosher KSA

is the largest, most recognised and accepted, orthodox kosher certification agency based in the western United States. Kosher labelling schemes ensure that consumers are guaranteed that food ingredients are produced in accordance with orthodox Jewish dietary laws.

Non-governmental organisation (NGO)

In this report used to refer to grass-roots and campaigning organisations focusing on environmental or social issues.

Organic certification

follows an international standard of production by which organic agricultural and processed foods are obtained. Requirements vary from country to country and generally involve a set of production standards for the growing, storage, processing, packaging and shipping that includes: avoidance of most synthetic chemical inputs (e.g. fertilizer, pesticides, antibiotics, food additives, etc); exclusion of genetically modified organisms, irradiation and the use of sewage sludge; use of farmland that has been free from chemicals for a number of years (often three or more); keeping

detailed written production and sales records (audit trail); maintaining strict physical separation of organic products from non-certified products; and undergoing periodic on-site inspections both internally and by third-party auditors.

PKO

Palm Kernel Oil

Rainforest Alliance

certification is a comprehensive process that promotes and guarantees improvements in agriculture and forestry. The standard ensures that goods and services were produced in compliance with strict guidelines protecting the environment, wildlife, workers and local communities.

Roundtable on Sustainable Palm Oil (RSPO)

is a multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

SA8000

is a global social accountability standard for decent working conditions, developed and overseen by Social Accountability International (SAI). SA8000 sets out provisions for issues such as trade union rights, the use of child labour, working hours, health and safety at work and fair pay.

Stakeholders

Any group or individual who are affected by or can affect the company's operations.

Sustainability

is a term expressing a long-term balance between social, economic and environmental objectives. Often linked to Sustainable Development which is defined as "Development that meets the need of current generations without compromising the needs of future generations".

Contact us

We welcome your comments and questions. Please email Felipe Guerrero fguerrero@daabon.com.co for further information or contact our head office.

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Colophon

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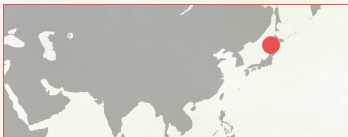
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