



Sustainable Agriculture Initiative Platform
ANNUAL REPORT 2008



THOUGHTS FOR FOOD



The year 2008 has been a difficult year for the global population in many aspects. The financial crisis, but also the food crisis which happened a few months before, have had major impacts on the world's finance, industry and agriculture. Some thought that these developments would tremendously hinder the progress of sustainability in the agri-food sector. Fortunately this has not been the case, and to a certain extent it has even been the contrary.

Most people have understood the tight connections

between the recent surge in food prices and the non-sustainability of our food production systems, including its high dependence on oil, the increase of extreme weather events linked to climate change, and the growth in biofuels competing for cropland.

Therefore our Member companies have continued to greatly support our work throughout the year. As a result, I am happy to confirm that 2008 has been a very good year for us.

Last year, we drew from past reflexions and achievements to further define our value proposition for member companies. Our activities are now structured around three main pillars: services, research and development, education and training. We organised for the first time 2 specific seminars: one on water and agriculture, the other one on differences and similarities between organic and sustainable and the jungle of certification schemes. The success of the initiatives made us decide to keep organising similar seminars and workshops in the future. Such events are just one of the efforts we make to communicate more about Sustainable Agriculture.

We realise how much the food sector needs guidance and clarity in the field of sustainable agriculture. This is why we engaged in 2 new studies: an "Analysis to evaluate the costs and benefits of implementing sustainable

coffee practices", and a "Comparison of the 27 main methods to measure Green House gas (GHG) emissions associated with dairy production at farm level". Both outcomes will be made available to our members in 2009. We also set up a working group on a cross cutting issue such as water and agriculture.

Conscious of our role and responsibility to help spread good agricultural practices worldwide, we developed a new website allowing for any interested party to retrieve key documents, publications, case studies, news and events relating to Sustainable Agriculture. The website also contains a secure members only section, with modern tools for network and information sharing.

We established a strong relation with the two US-based organisations Sustainable Food Laboratory and the Keystone Centre Field to Market. In a historical meeting in Toronto, we agreed with them on ways to structure cooperation, including the development of a joint conference in the United States and a Short Guide to Sustainable Agriculture.

Last but not least, the great work carried out by our two local Chapters in Australia and in the Philippines.

If I look back only a few years ago, when I was first invited to a FAO round table representing the food industry, I received a very tepid welcome. Last year the United Nations' Secretary General Ban Ki-moon himself asked us to help identify solutions to the food crisis, and we are mentioned as good example of private sector engagement in a resulting UN publication. This high recognition testifies all the work and achievements which we have reached over the last years, and helps us remain ambitious for the future not loosing on our main focus: eradicating worst practices and implementing sustainable agriculture at farm level.

Hans Jöhr
President of the SAI Platform

A handwritten signature in blue ink, appearing to read 'Hans Jöhr', written in a cursive style.

Why the SAI Platform?

Why should the food industry get involved in sustainable agriculture, one would ask. A superficial reply would be: for corporate social responsibility policy or to publicise a better image of the company. But the answer is much simpler and it is in front of our eyes: *The availability of food in the future.*

There is an urgent need to effectively address the consequences on global agricultural production of climate change, population increase, exponential food demand growth and biofuels policies.

Long before today's dramatic global scenario of surging foodprices and consequent impacts unveiled, the food industry, being the biggest

purchaser of agricultural raw materials, was aware that, in order to be able to rely on a constant and increasing supply of agricultural raw materials, these must be grown in a sustainable manner.

This is why Groupe Danone, Nestlè and Unilever founded the Sustainable Agriculture Initiative in a joint effort to support Sustainable Agricultural practices worldwide. Soon other major players joined and today the SAI Platform counts 20 members.

The SAI Platform's approach aims at implementing the three pillars of sustainability - social economical and environmental - into mainstream agriculture and through the whole food chain.

UN invites SAI Platform to help on food crisis

SAI Platform President's participation to the UN Global Compact

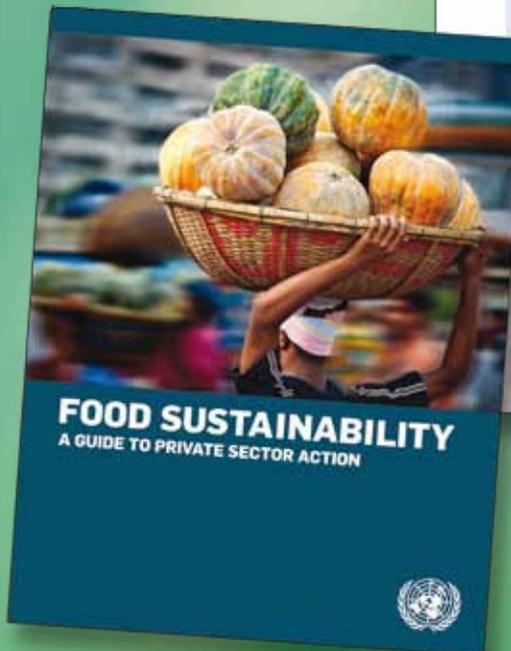
SAI Platform President Hans Jöhr was invited by the UN Secretary General, Mr BAN Ki-moon, to take part in the UN Private Sector Forum "The Millennium Development Goals and Food Sustainability", held on 24 September 2008 in New York.

Hans Jöhr has been selected to Join the UN Secretary General and a group of 100 Chief Executive Officers, Heads of State and Government, civil society leaders, heads of foundations and heads of UN Agencies to identify and discuss action needed to achieve the Millennium Development Goals, particularly in the context of longer term response to the global food crisis.



SAI Platform, an example to follow

In connection with this important event, the SAI Platform has been dedicated a section in the UN publication "Food Sustainability – a guide to private sector action". It is a guide that aims at showing a variety of examples to demonstrate how the private sector can take concrete steps as part of its core business activities to contribute solving the food crisis.



New Members



Agroterra is a portfolio company of NCH Agribusiness Partners, a \$1.2 billion fund established to invest in a diversified portfolio of agricultural land and related businesses in Russia, Ukraine and Eastern Europe. The

company and its affiliates have established farming operations in Russia and Ukraine covering more than 300.000 hectares. Agroterra's Good Agricultural Practices Policy Paper sets forth the following long term goals: 1) Satisfaction of human food needs, 2) Enhancement of environmental quality and the natural resource base upon which the agricultural economy depends, 3) Efficient use of on-farm resources, 4) Economic viability of farm operations, and 5) Enhancement of the quality of life for farmers and society as a whole.



With 2008 sales of nearly \$13 billion, Kellogg Company is the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries,

cereal bars, frozen waffles and meat alternatives. It began with only 44 employees in Battle Creek, Michigan, in 1906. Today the company manufactures in 19 countries and sells its products in more than 180 countries around the world. The company has ambitious plans of reducing its environmental impacts: it adopted goals to achieve 15 to 20 percent reductions in energy use, greenhouse gas emissions, water use and waste per metric ton of food produced by 2015, working from 2005 baselines. In 2007 and again in 2008, the Ethisphere Institute named Kellogg Company to its World's Most Ethical Companies list.

Resigning members

The three leading trading companies which were member of SAI Platform's Working Group Coffee (ECOM, NKG and Volcafe) have decided to leave us in order to continue implementing sustainable coffee practices in a now fully competitive manner. Naturally, we are sad to see these them going. Nevertheless we are happy to see that the pioneer work which we all did together towards sustainable coffee

production has delivered what expected, and that these companies don't need us anymore for this. Although our roads part we will not forgot their support, contribution and honest commitment, and they will always be acknowledged among the friends of the SAI Platform.

“New Technologies for Water Management”



The first seminar of the SAI Platform entitled “New Technologies for Water Management” was held on June 17 in Geneva. The participants from the member companies were provided with a good balance between policy-related and technical information,

throughout the various presentations and break-out sessions. Several activities were listed, including for example a comparison of existing irrigation tools, which will be conducted by the Working Group Water and Agriculture throughout 2008-2009.

“Farming systems and certification - how do they relate to sustainable agriculture?”



The second seminar of the SAI Platform was held on October 31 in Brussels and focused on two interlinking and very hot topics:

- the issues connected to organic agriculture with regard to sustainable agriculture,
- the jungle of certification schemes.

The speakers who gathered were from different backgrounds. For the first topic, three organic agriculture experts: two researchers Prof. Henning Jensen from the University of Copenhagen and Dr. Urs Niggli Director of the Forschungsinstitut für biologischen Landbau, and one successful organic farmer, Matthijs Tak. For the second one, after a broad introduction on the argument by Intertek's Christophe Liebon, the word was given to Roland Higgins, responsible of EU Institutions Outreach for Rainforest Alliance, to Robby Schreiber Head of the Brussels Office of EISA and to Angelo Lazo, Benchmarking Coordinator of GlobalGAP.

All presentations are available on the SAI Platform website.

Working Groups and their activities are the backbone of the SAI Platform

Coffee



Patrick Leheup,
*Commodity Sourcing
Senior Manager,
Nestlé*

After several pilot projects have been conducted in the last years, the WG decided to carry out an outcome analysis of the implementation of sustainable coffee practices. This analysis was initiated with the following main goals: 1) to assess the impact on farmers (yield, quality, life, financial results, etc) of implementing more sustainable farming practices; 2) to give recommendations about monitoring farm's activities (KPIs) and pilot projects. The final results of the study will be available in 2009.

Another important task carried out by the WG was the creation of a tool box containing practical tools and documents which were developed along the pilot projects for implementing sustainable practices.

Active members of the Working Group: Ecom, Kraft, McDonald's, Nestlé, Sara Lee, Tchibo and Volcafe.

Dairy



Jean-Pierre Renaud,
*Environment Director
Groupe Danone*

Early 2008, the WG Dairy finalized Principles and Practices for Sustainable Dairy Production, including comments received from experts of the International Dairy Federation (IDF). Members then took on to explore ways to reduce the dairy sector's contribution to climate change. As a first step, the WG launched a special study to compare the 27 main methods to measure Green House Gas emissions from dairy production at farm level, sponsored by Fonterra Nestlé and Danone. The study quickly gained wide recognition and interest from major dairy sector players, and the WG embarked in a wider exercise aimed at promoting the development of a single methodology to measure GHG emissions for the whole sector.

Active members of the Working Group: Campina, Fonterra, Friesland Foods, Groupe Danone, The International Dairy Federation (IDF), Kraft, Nestlé and Unilever

Fruit



Idwin W. Bouman,
*Manager SHE&A & Food Safety
Royal Friesland Campina*

In 2008, The Fruit Working Group launched two pilot projects: a project on key performance indicators of sustainable fruit production and a collection of data concerning the issues connected with production of strawberries, apples and oranges.

Coca Cola conducted together with Citrovia in Brasil, a pilot project focusing on variety diversification, social projects and integrated best management.

Active members of the Working Group: Coca-Cola, Danone, Friesland Foods, Nestlé and Unilever.

Potatoes, Vegetables & Cereals



Tony van Leersum,
*Corporate Vice
President Agriculture
[retired]
McCain Foods Ltd*

The Potatoes, Vegetables and Cereals Working Group is the result of the merger between the former Potatoes and Vegetables WG, and the Cereals WG. It aims at further promoting sustainable agriculture for these various commodities, which often are cultivated in rotation on the same land.

The group has benchmarked the own Principles and Practices with the EISA framework for integrated farming (European Initiative for Sustainable Agriculture). Environmentally there is a big equivalence; SAI platform has a more elaborate view on social issues and farm economics. In 2008 the group focused on issues like the similarities/differences of organic and sustainable agriculture, the new EU pesticides regulations and the shift from a crop specific to a farm or crop rotation approach.

Active members of the Working Group: Agrarfrost, CIO Parma, Farmrites, Kellogg, Kraft, Lamb Weston-Meijer, McCain and McDonald's.

Cross Cutting Working Group

Water & Agriculture



The WGWA is the first “cross-cutting” Working Group of the SAI Platform. It was launched in December 2007 in order to improve water management at the farm level, which is responsible for 70% of global water withdrawal worldwide. As a first step, the group built a web-based repository of best practices for water use and preservation at farm level. The group then took on to test some of these practices through pilot projects under the responsibility of its member companies. Active members of the Working Group: Coca-Cola, Fonterra, Groupe Danone, Lamb Weston-Meijer, McCain, McDonalds, Nestlé and Unilever.

Ir. Sikke Meerman,
Agri Products Supply Development Director
Unilever

Special WG projects



Cost - Benefit Analysis of Sustainable Coffee Production & Tool Box

Most of the coffee pilot projects were about to come to an end in 2008. The Working Group on Coffee thus decided to compile the projects' findings and to make them available to all interested parties through two means:

- 1) Performing an Outcome Analysis of Sustainable Coffee Production Practice in order to: 1) to assess the impact on farmers (yield, quality, life etc) of implementing more sustainable farming practices; and 2) to give recommendations about ways to evaluate and monitor progress at farm level. The final results of the study will be available in 2009.
- 2) Creating a “tool box” containing all the practical materials and tools which were developed along the pilot projects for the implementation of good practices at coffee farm level.



Comparison of Models to Calculate GHG in Dairy Production

The WG Dairy has conducted a study sponsored by Danone, Fonterra and Nestlé, to compare existing tools and models to calculate green house gas emissions at farm level. 27 different public and in-company studies have been identified and compared. The inventory concluded that all studies use formal LCA methodology but make different choices with regard to research objectives, and because of that on boundaries and scope of the study, allocation and position paper. The final results of the study will be available in 2009.

Think Tank



Think Tank on Performance Measurement

One of the most difficult challenges in sustainable agriculture is measuring performance. Since you cannot manage what you cannot measure, in 2008 the SAI Platform Executive Committee created a subcommittee to work on a joint framework for performance evaluation. The committee aligns the findings of different companies and organisations and aims to come out with a jointly endorsed and pragmatic framework that assists to prove progress towards a more sustainable agriculture.

New Website

SAI Platform underwent a major restructuring of its website. The new features provide a better service to the members in their Working Group activities, and allow access to all information and documents collected throughout the last years. A members community was created, where all members profiles are visible to facilitate networking. Also a blog was set up, to start and facilitate discussions, to raise questions and to share information.



Cooperations and partnerships

Special cooperation and partnerships

The SAI Platform in the last year has developed and consolidated working relationships with major players in the field of agriculture, food production and sustainable development.

During a special joint Board meeting with SFL and Keystone Centre, held in Toronto at McCain's HQ the 11th of September 2008, basis were set for a future partnership on shared projects. The first two steps identified were the organisation of a conference on Sustainable in Washington early 2009, and the development of a Short Guide on Sustainable Agriculture.

Sustainable Food Laboratory



In 2004 the core group of 32 people from different sectors came together in a consortium that now counts 70 businesses and social organizations from four continents.

Its mission is to accelerate the sustainable food trend from niche to mainstream by designing and implementing innovations that make global food systems more economically, environmentally, and socially sustainable. Food Lab members have access to sustainability training, leadership development, case studies and off-the-shelf tools. Three grant funded clusters of supply chain projects aim at measuring and monetizing climate impacts, improving livelihoods in developing countries, and developing metrics to measure progress along all three dimensions of sustainability.

Field to Market: The Keystone Alliance for Sustainable Agriculture

brings together stakeholders throughout the entire food and fiber production chain, including farmers, agribusiness, food companies, retailers, and conservation organizations. The group has been brought together with the recognition that conservative estimates project the need for food production will double to keep pace with population growth between now and 2050.



This increased production must be accomplished without negatively impacting the environment and society. The Alliance is working to facilitate quantification and identification of key sustainability outcomes and metrics, foster industry-wide dialogue, and generate processes for continued improvement in sustainable food and fiber production.

EISA



The European Initiative for Sustainable Development in Agriculture (EISA) was founded in May 2001 as an alliance of seven European national organisations for the promotion of Integrated Farming. EISA's members are strongly committed to sustainable agriculture, which is economically viable, environmentally responsible and socially acceptable and seek its achievement through the promotion and further development of Integrated Farming. A Common Codex, outlining the foundations of Integrated Farming, has been adopted by EISA and its member organisations. It defines general principles and procedures of Integrated Farming at the individual farm level and considers aspects of food production, economic viability, producer and consumer safety, social responsibility and conservation of the environment in a balanced manner.

IDF



The international Dairy Federation (IDF) is the pre-eminent source of scientific and technical expertise for all stakeholders of the dairy chain. Membership covers 53 countries and is growing. IDF accounts for about 82% of current total milk production worldwide. The mission of IDF is to represent the dairy sector worldwide by providing the best global source of scientific expertise and knowledge in support of the development and promotion of quality milk and dairy products to deliver consumers with nutrition, health and well-being. IDF is the centre for dairy expertise, developing scientific knowledge, exchanging information, addressing global developments and facilitating networking within and outside the sector.

CIAA



The CIAA, Confederation of Food and Drink Industries of the EU, represents the food and drink industry – the first industrial sector, major employer and exporter in the EU.

The CIAA is a favoured partner of European and international institutions, thanks to its longstanding work on issues such as food quality and safety, nutrition and health, novel foods, labelling, agricultural policy, international trade matters, sustainable development, respect for the environment and enlargement.

CIAA's permanent secretariat, based in Brussels, maintains close contacts with European and international institutions and has become a major partner in consultations on food-related developments.

Financials

Philippine chapter

DAO FINANCIAL EXPERTS SARL

Report of the statutory auditors
to the Executive Committee and
the Ordinary General Assembly of
Sustainable Agriculture Initiative (SAI),
Geneva

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement) of Sustainable Agriculture Initiative (SAI) Association for the year ended December 31st 2008.

These financial statements are the responsibility of the Executive Committee. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accounting records and financial statements comply with Swiss law and the statutes of the Association.

We recommend that the financial statements submitted to you be approved.

This audit report cancel and replace the audit report previously issued on January 26th 2009.

DAO Financial Experts Sarl

Daniel Ostertag
Auditor in Charge

Geneva, April 6th 2009

Enclosures:

- Financial statements (balance sheet, income statement)

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The Philippine Chapter of the SAI Platform is a legal entity under the Philippine Chamber of Food Manufacturers, a non-profit organization of major food manufacturers in the Philippines. Its members include multinationals such as Unilever, Fonterra, Coca Cola, Kraft and major local players such as Universal Robina Corporation. With this integration, the SAI Platform automatically wins membership of said organization. The Philippine Chapter, with the leadership of Rudy Trillanes, former Nestlé Factory Manager and now consultant, is now making rounds to promote the initiative through conventions such as the Agri-link Convention, a big convention organized by the Department of Agriculture.

Financials

Balance sheet as at December 31, 2008

ASSETS

CURRENT ASSETS	€ 428.269,55
FIXED ASSETS	€ 2.263,05
TOTAL ASSETS	€ 430.532,61

LIABILITIES AND FORTUNE

CURRENT LIABILITIES	€ 156.707,93
FORTUNE	€ 273.824,68
TOTAL LIABILITIES AND FORTUNE	€ 430.532,61

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2008

TOTAL INCOME	€ 476.772,99
TOTAL EXPENSES	€ 428.509,13
FUND BALANCE 2008	€ 48.263,87

Australian chapter



Simon Talbot,
President of
SAI Platform Australia

The membership of the Australian Chapter comprises 11 of the leading agricultural, food and beverage processing and input supply corporations in Australia. Included in its agricultural membership are corporations responsible for many hundreds of millions of dollars of investment in rural research and development, marketing and promotion. The Charter includes in its membership the largest fertiliser manufacturer in Australia as well as major corporations engaged in processed food and beverage manufacturing.

The Chapter has established a number of Working Groups – the Groups for Grains, Livestock and Livestock Products, Climate, and Water have held their inaugural meetings and the Working Group on Customer Demand for Sustainability will held its first meeting shortly.

The Chapter has established the infrastructure for the operation of the clearinghouse function through the creation of a website that includes a members' only area where members can post information to each other and engage in on-line discussions. Members use the facility to keep each other informed on key developments and initiatives in sustainability, as well as for communication on administrative and other events. The Chapter produces a web-based newsletter for informing the public of its activities.

The Chapter has produced a Mapout of members' sustainability projects underway similar to that produces by the Global Platform, which contains over 50 projects. Members have a commitment to undertake at least one new sustainability initiative annually, and are currently considering new projects. The Chapter has agreed on guidelines and criteria for pilot projects. The Chapter has also undertaken a survey of members' educational needs for management in respect of sustainability.

The Chapter is planning new initiatives for 2009, including: undertaking a Field Trip to give members' CEOs/CFOs on-ground experience of sustainability challenges and opportunities; and development of educational materials for use by students on successful sustainability initiatives, derived from projects listed in the Mapout.

The Australian Chapter maintains close communication links with the Global Chapter and plans to develop these further in 2009.



Members of the SAI Platform



AGROTERRA



Kellogg's



Affiliate
Members



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