

CHIQUITA BRANDS INTERNATIONAL, INC.

*2001 Corporate Responsibility Report*



OUR CONTINUING COMMITMENT

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## 2001 HIGHLIGHTS

### > ENVIRONMENTAL

- Earned re-certification of all 119 Chiquita owned farms in Latin America to the Better Banana Project standards.
- Received Rainforest Alliance's first-ever Sustainable Standard-Setter Green Globe Award.
- Began implementing environmental, health and safety monitoring system in all owned banana divisions.

### > SOCIAL

- Signed historic labor rights agreement and began long-term collaboration with regional and international unions representing our banana workers.
- Completed second assessment of performance against the SA8000 labor standard in our banana divisions, with participation of independent observers.
- Developed worker training pamphlet and began two-year education program on Core Values and employee rights and responsibilities.

### > FINANCIAL

- Reached agreement with bondholders in November 2001 to reduce debt and accrued interest by more than \$700 million and annual interest expense by approximately \$60 million. Emerged from Chapter 11 restructuring in March 2002 with a strong balance sheet and improved growth potential.
- Began to benefit from the April 2001 U.S./EU banana trade settlement.
- Continued to achieve cost efficiencies, mainly in logistics.



Achieving Rainforest Alliance certification requires the establishment of buffer zones alongside roads, natural waterways and worker housing. To date, we have planted more than 1,000 hectares (2,500 acres) of trees.



During 2001, we began innovative worker training on our Core Values and Code of Conduct.



Chiquita's purple pallet recycling program saved the company \$3 million during 2001 versus the cost of new materials.

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**"Chiquita continues to impress. The transparency of its corporate responsibility reporting and the use of highly respected independent observers like German Zepeda and Homero Fuentes, combined with some real progress on the ground, is a track record which is unmatched in our work in Latin America. While the road is long, Chiquita has traveled far in a few short years."**

Stephen Coats, Executive Director, U.S. Labor Education in the Americas Project

## OUR CONTINUING COMMITMENT

*Letter from the Chairman and Chief Executive Officer*



Chiquita has made significant changes since we published our first Corporate Responsibility Report last year. Our financial restructuring, completed in March 2002, brought a change in our ownership structure, a new board of directors and my appointment as chairman and chief executive officer.

What remains unchanged is our commitment to corporate responsibility. We are dedicated to living our Core Values, adhering to our Code of Conduct and achieving high performance standards.

We are not perfect, but we are on the right track.

We have answered two vital questions many stakeholders have about corporate responsibility efforts at leading companies: "Will the company stick with it when times get tough?" and "What will happen when there is a change in the CEO?"

At Chiquita, we answered the first question from the outset. We began our commitment to corporate responsibility and embraced tough environmental and social standards during one of the most difficult financial periods in our history, and we reconfirmed it throughout our debt restructuring process. In fact, this commitment motivated employees and helped us emerge from the reorganization without a single formal objection to our restructuring plan and without losing any major customers or suppliers — a huge achievement, one built on open, honest communication and a fair balance of stakeholder interests.

As the company's new CEO, I can now answer the second question. From my first meeting with senior management, it was clear that corporate responsibility had already become an essential part of the company's culture. It is also becoming a defining characteristic of our brand.

I am proud of the company's commitment to leading independent environmental and labor standards, particularly the Rainforest Alliance's Better Banana Project (BBP), the SA8000 labor standard, and the labor rights agreement we signed in 2001 with leading regional and international unions. Achieving these standards is simply smart business. Not only does it fit with my personal values and leadership vision, it reduces both costs and risks to the business.

Protecting the environment sustains the soils on which we depend and reduces our cost of agrichemicals. Good labor-management relations improve productivity, enable more efficient workplace practices and reduce the risks of strikes and labor disruptions. Honesty and transparency strengthen relationships, build trust and improve reputations. Alone, these reasons are compelling, and together they make an undeniable case for corporate responsibility — all based on a fundamental commitment to values.

We offer this report as an update on our progress, primarily in our banana divisions in Latin America. Next spring, we will issue a broader report, including more of our operations and year-end 2002 performance measures. I hope you find this current report useful, and I invite your feedback. If you have more questions, please ask.

Cyrus F. Freidheim, Jr.  
Chairman and Chief Executive Officer  
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September 23, 2002

**"We have answered two vital questions many stakeholders have about corporate responsibility efforts at leading companies: 'Will the company stick with it when times get tough?' and 'What will happen when there is a change in the CEO?'"**

Cyrus Freidheim, Chairman and Chief Executive Officer, Chiquita Brands International, Inc.

## GETTING BETTER AT LIVING OUR VALUES

*Letter from the Corporate Responsibility Officer*



Corporate responsibility is simply living our values — every day, everywhere we operate.

By and large, our employees — the most important audience for this report — now understand that corporate responsibility is central to our strategy, an essential part of our culture and a commitment to continuous improvement. Our internal

debate has shifted from which standards we should adopt to the time it should take to achieve them. While we make mistakes, there is little doubt about our dedication to doing the right thing.

Where we encounter obstacles, it is often due to poor or inconsistent communication with our employees, unions, growers or suppliers about our standards and goals. That's why this type of reporting is so important — to signal the seriousness of our commitment, to clarify our strategy, to align our managers across the company and to build understanding among all stakeholders.

**Our transparency in measuring and reporting performance is a logical extension of our values — in particular, our commitment to communicate in an open, honest and straightforward manner.**

We rely on our employees to conduct themselves responsibly. They need to know our current performance in order to drive improvement. Because we are serious about our goals, we make public commitments and let others hold us accountable — which further strengthens our internal resolve.

In our view, achieving high corporate responsibility standards throughout the company must be:

- Driven by a fundamental commitment to values
- Viewed as an issue of business performance, not public relations
- Owned and led by our operating managers
- Integrated into our everyday management systems

- Tied to our compensation and reward systems
- Understood as an unrelenting commitment to continuous improvement.

In 2001, we signed a landmark labor rights framework agreement with regional and international unions, COLSIBA and the IUF, based on the core international labor conventions in SA8000 and our own Code of Conduct. The agreement committed the parties to fair dealing and continuous improvement and established a review committee to oversee compliance. We believe that this agreement will improve our labor relations and will allow us to operate at lower cost, with less disruption to our business and with greater flexibility to introduce more responsible practices.

We know that our ability to improve — and your ability to trust our performance — depends on the credibility of our effort. In 2001, we strengthened our process for conducting social responsibility assessments. In addition to other changes, we invited the participation of independent labor union and nongovernmental organization (NGO) observers, who made significant contributions as members of our assessment teams.

We have made solid progress toward achieving our goals for 2002. Where we have fallen behind, it was largely for lack of time, not change in direction.

We consistently hear from employees around the world that they are proud to work for a company that is striving to live its values. In fact, that is an important reason many top performers stayed with the company throughout our recent financial restructuring. We hope this report continues to make them proud of both our performance today and our goals for the future.

We are eager to learn from others and to apply best practices. If you have helpful information or suggestions for improvement, or if you see us falling short, we would like to hear from you.

**Jeffrey M. Zalla**  
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September 30, 2002

**"We know that our ability to improve — and your ability to trust our performance — depends on the credibility of our effort. In 2001, we strengthened our process for conducting social responsibility assessments. In addition to other changes, we invited the participation of independent labor union and nongovernmental organization observers, who made significant contributions as members of our assessment teams."**

Jeff Zalla, Corporate Responsibility Officer and Vice President, Corporate Communications, Chiquita Brands International, Inc.



## INTRODUCTION

### COMPANY PROFILE

Chiquita is an international producer, distributor and marketer of fresh and processed foods. We are a publicly held corporation with more than \$2.2 billion in revenue and shares traded on the New York Stock Exchange.

### INTRODUCTION

Chiquita launched a new era of openness with the publication of our first corporate responsibility report in September 2001.

“...A masterpiece of clarity, relevance and reliability... one of the best ever published...hurtles Chiquita out of obscurity into the highest echelon of corporate reporters.”

*Bill D'Allesandro, Editor of Business and the Environment*

“Royal Ahold appreciates the efforts that you are putting into environmental and social responsibility.... They are important to our customers and therefore good for our businesses. Going forward, we will continue to select suppliers whose values and principles are aligned with our own.”

*Cees H. van der Hoeven, President and Chief Executive Officer of Royal Ahold, the Dutch supermarket chain*

“The end to Chiquita’s eight-year trade dispute with the EU also leaves the company in a stronger position. But it removes the crutch the company has used to explain away its problems. Chiquita has owned up to its spotty environmental record and is taking steps to improve it.”

*Nicholas Stein, Reporter, Fortune Magazine, November 2001*

“...You have transformed the reputation of your company with key stakeholders from being viewed as a pariah to being associated with some of the most innovative and respected global brands.”

*Robert Dunn, Chief Executive Officer of Business for Social Responsibility*

This second report reflects our performance for 2001. The environmental and social sections serve as a progress update on our Latin American banana divisions, which were the focus of our first report, employ about two-thirds of our workers and have historically been the focus of concern about our practices. The financial section covers performance of our parent company Chiquita Brands International, Inc., and the case studies reflect our approach to significant challenges and opportunities during the year. Our next report, which we expect to issue in spring 2003, will cover performance in 2002 and include new sections on our worldwide logistics and our vegetable canning operations.

Our [2000 Corporate Responsibility Report](#) contained comparative performance data, additional background on items such as [company history](#), and case studies on the following important issues: [aerial spraying](#), [freedom of association in Costa Rica](#), [standards for independent banana growers](#) and [genetically modified foods](#).

## OUR REPORTING GOALS

Our goals in issuing this second corporate responsibility report are to:

- Report progress in our banana operations against high environmental and social standards;
- Reinforce commitment to our Core Values and Code of Conduct;
- Note areas of needed improvement; and
- Describe our approach to challenging issues.

## OUR CORE VALUES

**Our Core Values — Integrity, Respect, Opportunity and Responsibility — are the cornerstone of our commitment to corporate responsibility. They provide consistency and guidance in our long-term strategies and day-to-day actions.**

As part of our social responsibility assessments, we ask our employees to rate the company's performance in relation to these values, which helps highlight opportunities for improvement. The results of our 2001 Core Values assessments begin on page 23.

## OUR STANDARDS

We have adopted what we believe to be the most credible, verifiable and appropriate third-party standards for environmental and social performance in our industry. These standards promote greater accountability and transparency and require our dedication to continuous improvement.

### Rainforest Alliance's Better Banana Project (BBP)

**Our business and products are linked to the health of the natural environments in which we operate. Annual certification of our banana farms by the Rainforest Alliance is evidence of our commitment to sound environmental practices.**

The Rainforest Alliance is a U.S.-based nonprofit environmental organization which serves as the international secretariat of the Sustainable Agriculture Network (SAN), an association of independent local conservation organizations that certify a variety of products and services (including cacao, coffee, cut flowers and ferns, oranges, timber and tourism, in addition to bananas) to strict environmental and social performance standards.

In 2000, after investing eight years of effort and more than \$20 million in capital improvements, we achieved BBP certification of all our owned banana farms in Latin America. In 2001, we earned re-certification of all these farms, which total more than 28,000 hectares (69,000 acres), an area slightly less than last year due to farm closings in Costa Rica and Armuelles, Panama. The Rainforest Alliance issues certifications on the basis of annual independent farm-by-farm audits of performance. The findings from the 2001 audits begin on page 10.

### Social Accountability 8000 (SA8000)

We are committed to fair labor practices in all of our operations. In 2000, we adopted SA8000 as the labor standard in our Code of Conduct, and we are currently in the process of achieving compliance and third-party certification to the standard in all of our owned banana divisions.

Social Accountability International, a nonprofit human rights organization dedicated to improving workplaces and communities, developed SA8000 in collaboration with a wide range of government, labor, consumer, business and other nongovernmental organizations. SA8000 is a comprehensive standard based on the core conventions of the International Labour Organization (ILO), the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, and the United Nations Convention to Eliminate All Forms of Discrimination Against Women. We concluded that SA8000 is the most credible and verifiable standard for labor rights because of its management system requirements, guidance materials and accreditation process.

We conduct internal assessments at least annually to measure progress toward SA8000 compliance. We strengthened the quality and objectivity of our latest assessments by inviting expert independent observers to join our assessment teams. The results from our latest internal SA8000 assessments begin on page 17.

**Costa Rica and Bocas, Panama, are on track to become our first divisions to earn third-party certification to SA8000, with Costa Rica expected to do so as early as December 2002.**

## PROGRESS TOWARD OUR GOALS FOR YEAR-END 2002

GOALS ESTABLISHED IN 2001	STATUS AS OF SEPTEMBER 2002
<b>&gt; ACHIEVED</b>	
Develop greater collaboration with regional and international banana labor unions in seeking opportunities to improve the company's environmental, social and financial performance.	
Conduct assessments in our North American and European sales and marketing groups of our Core Values and social responsibility performance.	
<b>&gt; ON TARGET TO ACHIEVE</b>	
Broaden the scope of our corporate responsibility reporting to include additional business units and locations.	⇒ Sections on worldwide logistics and Chiquita Processed Foods are in development for the next report in spring 2003.
Strengthen management and accountability systems that govern our corporate responsibility performance.	⇒ Banana divisions implementing SA8000 management systems in 2002; included in management bonus targets.
Complete the installation of a new occupational health and environmental management system in all of our Latin American banana divisions.	⇒ System implementation underway in all divisions.
Establish target dates for SA8000 certification in all of our owned banana divisions in Latin America and achieve certification in some divisions.	⇒ Two divisions scheduled to undergo pre-certification audits in late 2002 and remainder establishing target dates.
Complete a new Spanish-language training pamphlet and educate all of our employees in Latin America about our Core Values and Code of Conduct.	⇒ Pamphlet published in late 2001; almost 12,000 workers trained. Balance will be trained by the end of 2002.
Continue to influence our independent banana growers in Latin America and our joint venture partners in the Philippines to establish target dates for third-party certification to the Better Banana Project and SA8000 standards.	⇒ BBP certification underway with growers in Costa Rica, Nicaragua, Guatemala and the Philippines; SA8000 with one large grower in Costa Rica.
<b>&gt; NEW GOALS ADDED — ON TARGET TO ACHIEVE</b>	
Conduct basic needs wage assessments in all of our owned banana divisions in Latin America.	⇒ Work almost completed, with active involvement of technical NGO. Will include in next report.
Create a multi-language training pamphlet and educate all of our employees in worldwide logistics and North American distribution operations about our Core Values and Code of Conduct.	⇒ Pamphlet to be completed in 2002 and much of the training to be completed in 2003.
<b>&gt; UNLIKELY TO ACHIEVE BY TARGET DATE</b>	
Define a global community involvement strategy that reflects the priority needs of our communities and provides opportunities to reinforce the Chiquita brand and to foster the professional growth and development of our employees.	⇒ Project underway but limited in scope; difficult to staff representative project team due to other time demands.
Integrate social and environmental performance criteria into our selection and evaluation processes for strategic materials suppliers.	⇒ Some progress in dialogue and research, but not systematic. Needs increased leadership focus.
Begin to engage more systematically with stakeholders by hosting a forum for dialogue about corporate responsibility issues and the company's performance.	⇒ Delayed due to restructuring, then change in executive management. Regular dialogue with variety of individual stakeholders is ongoing.

**"These assessments were conducted, and this report has been written, by a more responsible Chiquita — a company that has been steadily transforming itself over the last several years."**


German Zepeda, President, Coordinator of Banana and Agroindustrial Unions of Honduras



## VERIFICATION STATEMENTS — ENVIRONMENTAL PERFORMANCE

### A Well-Deserved Reputation for Environmental Leadership

We are pleased to report that Chiquita has earned re-certification to the Better Banana Project standards in all 119 of its owned banana farms in Latin America. Chiquita is the only global banana company to have undertaken and met the strict, voluntary environmental and social standards of the Rainforest Alliance.

We have reviewed the performance summary and footnotes presented on page 10, which accurately represent the findings from our audits conducted during 2001 (and February 2002 for Armuelles, Panama). The symbol  in this report denotes data certified by the Rainforest Alliance.

Our BBP audits consist of physical inspections of farm facilities, interviews with farm workers and managers, and reviews of management practices. Our auditors require open access to all farms and the ability to perform surprise visits at our discretion. BBP audits are conducted by local conservation organizations that are a part of the Sustainable Agriculture Network (SAN), of which the Rainforest Alliance serves as international secretariat. We work with our local partners to ensure both the uniformity of the audit process and the integrity of the results.

Chiquita's latest re-certification is an especially notable achievement because during 2001, in order to push companies like Chiquita to continuously improve their performance, we changed our audit scoring method and raised the standard that farms must achieve to earn certification.

Rather than simply awarding certification for meeting threshold requirements, the new system rewards farms for digging deeply into persistent problems, for innovation, and for extending helping hands to neighboring communities, nongovernmental organizations, and conservation and rural development projects. The farms that have been in the program for several years have made the fundamental changes in infrastructure, policies and practices that we require. The new system helps them keep the momentum of continual change, focus on hotspot problems and go well-beyond the demands of the standards.

We believe that both the environment and the industry will benefit when all players are rigorously held to the same high standards. The Rainforest Alliance applauds Chiquita for its dedication to certifying 100 percent of its owned banana farms in Latin America. We also encourage Chiquita's continuing efforts to influence its independent banana growers to adopt the BBP standards and work toward certification.

Although this report notes numerous areas for improvement, it is clear that by the company's actions and transparency, Chiquita has earned its well-deserved reputation for environmental leadership.

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**"Although this report notes numerous areas for improvement, it is clear that by the company's actions and transparency, Chiquita has earned its well-deserved reputation for environmental leadership."**

Tensie Whelan, Executive Director, Rainforest Alliance

## VERIFICATION STATEMENTS — SOCIAL PERFORMANCE

### Labor Rights: A Good Faith Effort to Improve

Chiquita invited me to join its internal teams conducting social responsibility assessments of its Panamanian banana divisions during February 2002. These assessments measured compliance with the social standards in Chiquita's Code of Conduct, which incorporates the SA8000 standard and is based on the same core International Labour Organization (ILO) conventions as are in the IUF/COLSIBA/ Chiquita framework agreement (see Case Study No. 1 on page 33).

The internal assessment teams conducted their evaluations with both rigor and professionalism. The findings on page 17 are aligned with my own observations during these assessments, which involved extensive interviews, site visits and document reviews.

Inviting independent labor representatives to be part of the assessment teams and publicly reporting the findings are both important steps for Chiquita. They better enable the company to identify problems and develop solutions to improve the quality of work life of employees. They signal Chiquita's willingness to fulfill its responsibility as a major employer throughout Latin America.

These assessments were conducted, and this report has been written, by a more responsible Chiquita — a company that has been steadily transforming itself over the last several years.

Today, Chiquita is clearly committed to corporate responsibility and better labor relations. I appreciate the opportunity to have observed the internal assessments on behalf of all the COSIBAH members who work for Chiquita.

COSIBAH will continue to hold Chiquita accountable for living up to core international labor standards and the company's commitments under collective bargaining agreements and the IUF/COLSIBA/Chiquita framework agreement.

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### Making History: Strategy Toward Compliance

The Commission for the Verification of Corporate Codes of Conduct (COVERCO), as an independent, external monitoring organization, has participated in many code of conduct assessments on behalf of companies. At Chiquita's request and with the approval of the IUF, we observed the company's February 2002 internal assessments against the SA8000 labor standard at its operations in Costa Rica, Guatemala and Honduras. Chiquita has set a high standard of performance that requires disciplined improvements and active management support.

We believe the internal assessment findings, as presented on page 17, provide an accurate picture of Chiquita's performance in its owned farms. As can be seen in the chart, Chiquita faces a variety of challenges in becoming fully compliant with SA8000. With regard to freedom of association, COVERCO recognizes that the audit found no evidence of violations. However, COVERCO believes that the existence of Permanent Committees (which negotiate on behalf of most workers in Costa Rica) and Solidarity Associations (which provide savings and credit services to some workers in Costa Rica and Guatemala) inhibits the free formation of independent labor unions, which COVERCO regards as the only legitimate form of worker representation under Costa Rican law and ILO conventions.

Internal assessments are an appropriate way to begin, but eventually Chiquita must move toward independent, surprise audits. The company has made public its intention of achieving SA8000 certification, which would require such audits by accredited third parties. The next major challenge will be for Chiquita to work toward assessing the social performance of the farms of its independent suppliers, which represent about 50 percent of Chiquita's banana exports.

Undoubtedly, Chiquita is making history by moving to comply with high standards in workers' rights. Inviting qualified independent observers such as COVERCO, and publicly reporting on its performance, as Chiquita is doing in this report, are major steps forward for the company.

We would welcome the opportunity to participate in such assessments in the future, and we will continue to watch Chiquita's efforts with much interest.


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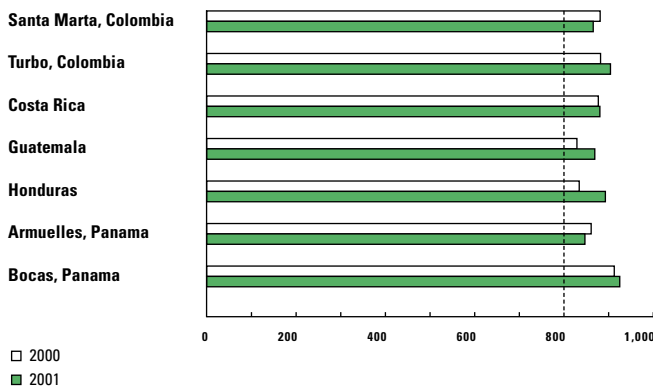
## ENVIRONMENTAL PERFORMANCE

### RAINFOREST ALLIANCE AND THE BETTER BANANA PROJECT

We rely on the strict standards of Rainforest Alliance's Better Banana Project to gauge our environmental performance and identify priority areas for improvement.

In 2001, we earned re-certification of all owned farms and improved our average BBP audit scores in five of seven divisions, with significant gains in Turbo, Guatemala and Honduras. This accomplishment was remarkable because the Rainforest Alliance tightened its scoring system during the year, challenging certified farms to go well-beyond basic requirements and demonstrate continual progress.

 **Average Better Banana Project Scores by Division**  
1,000 points possible; 800 required for certification



Under the original Rainforest Alliance scoring system, farms started at zero and earned points for making required infrastructure improvements and adopting environmentally friendly policies and practices. Under the new system, farms begin with the maximum 1,000 points and receive deductions for all observed non-conformances. The new system goes beyond basic threshold requirements and challenges farms to focus attention on particular problems and continuously improve their performance.

### Better Banana Project Audits by the Sustainable Agriculture Network

The Rainforest Alliance certifies farms that follow environmentally and socially responsible agricultural practices. Through audits conducted by conservation groups in the Sustainable Agriculture Network, the Rainforest Alliance measures performance against the following nine BBP standards:

- ▣ Ecosystem Conservation
- ▣ Wildlife Conservation
- ▣ Fair Treatment and Good Working Conditions
- ▣ Community Relations
- ▣ Integrated Crop Management
- ▣ Integrated Waste Management
- ▣ Conservation of Water Resources
- ▣ Soil Conservation
- ▣ Environmental Planning and Monitoring

Farms must demonstrate:

- ▣ No evidence of "fatal flaws" or flagrant environmental or social problems;
- ▣ An active program of improvement in all areas;
- ▣ A plan that schedules needed improvements; and
- ▣ Record keeping and monitoring systems that can document management practices, changes and impacts.

Achieving certification is a real accomplishment, but not an end in itself. Certified farms must commit to continuous improvement. The Rainforest Alliance continually revises the standards to include new technologies and methods, and all certified farms undergo surprise audits annually.

# ENVIRONMENTAL PERFORMANCE (OWNED BANANA DIVISIONS IN LATIN AMERICA)

Summary of BBP Audits by the Sustainable Agriculture Network

Elements of the BBP Standards	Santa Marta, Colombia	Turbo, Colombia	Costa Rica	Guatemala	Honduras	Armuelles, Panama*	Bocas, Panama
<b>ECOSYSTEM CONSERVATION</b>							
Natural habitats	■	■	■	■	■	■	■
Reforestation	■	A	■	■	■	B	■
<b>WILDLIFE CONSERVATION</b>							
	■	■	■	■	■	■	■
<b>FAIR TREATMENT AND GOOD WORKING CONDITIONS</b>							
Hiring practices	■	■	■	■	■	■	■
Right to organize and freedom of association	■	■	■	■	■	■	■
Occupational health	■	C	■	D	■	E	■
Housing and basic services	■	■	■	■	■	F	G
<b>COMMUNITY RELATIONS</b>							
	■	■	■	■	■	■	H
<b>INTEGRATED CROP MANAGEMENT</b>							
Integrated pest management	■	■	I	■	■	■	■
Permitted/prohibited agrichemicals	■	■	■	■	■	J	■
Transport of agrichemicals	■	■	■	■	■	■	■
Storage of agrichemicals	K	■	■	■	■	L	■
Application of agrichemicals	M	N	■	■	O	■	■
<b>INTEGRATED WASTE MANAGEMENT</b>							
Reduce	■	■	■	■	■	■	■
Reuse	■	■	■	■	■	■	■
Recycle	■	■	■	■	■	P	■
Proper disposal	■	■	■	■	■	Q	■
Clean appearance	■	■	■	■	■	■	■
<b>CONSERVATION OF WATER RESOURCES</b>							
Protect rivers	■	■	■	■	■	■	■
Rational use	R	R	R	R	R	R	R
Contamination	S	T	■	■	■	■	■
Residual waters	■	■	■	■	■	■	■
Monitoring	■	■	■	■	■	■	■
<b>SOIL CONSERVATION</b>							
Establishing new farms	■	■	■	■	■	■	■
Erosion control	■	■	U	■	■	■	■
Soil management	■	■	■	■	■	■	■
<b>ENVIRONMENTAL PLANNING AND MONITORING</b>							
	■	■	■	■	■	■	■

■ In compliance ■ Non-compliance in actual performance (see footnotes)

\* Audits in Armuelles, Panama, were conducted during February 2002.

**A** In Turbo, Colombia, a forested area between the production zones and a natural water source was less than the required five meters, the same as in the 2000 audit.

**B** In Armuelles, Panama, reforested areas between production zones and natural waterways remained too narrow.

**C** A worker in Turbo, Colombia, opened an insecticide-treated bag without having had a medical cholinesterase exam, an essential practice to ensure worker health. This was a violation of our policy and BBP requirements.

**D** In Guatemala, auditors noted that several packing stations had no system to prevent children from entering work areas.

**E** In Armuelles, Panama, several used cooking oil containers filled with drinking water were taken into the field. The use of inappropriate containers could result in accidental ingestion of a dangerous substance.

**F** In Armuelles, Panama, auditors found stagnant water and trash in a field near one of the community facilities, creating a mosquito breeding area and health hazard.

**G** In Bocas, Panama, families routinely had more people living in their homes than permitted by division policy. This overcrowding could lead to hygiene and waste problems.

**H** In Bocas, Panama, workers on neighboring farms sometimes walked through company farms and could have become exposed during agrichemical applications. Auditors found post-harvest organic waste, probably from the neighboring producers, on one of our farms.

**I** Costa Rica remains over-reliant on the use of agrichemicals for pest control. The division lacked a system to monitor and evaluate insect populations.

**J** In Armuelles, Panama, a shed had unused cases of *paraquat*, a "dirty dozen" pesticide. (We have not used *paraquat* since 1996. We returned the cases to the producer for disposal.)

**K** Agrichemical products without proper labels were found in a shed in Santa Marta, Colombia, along with soft drinks that workers were storing there improperly.

**L** In Armuelles, Panama, oil-based products were stored in a shed without proper ventilation.

**M** A worker in Santa Marta, Colombia, reached into an agrichemical container without proper safety equipment, leaving traces of the chemical on her sleeve. A worker was late posting warning signs in an area recently treated with agrichemicals and was not wearing the proper safety equipment.

**N** A worker in Turbo, Colombia, applied post-harvest fungicides without wearing all required safety equipment.

**O** Workers in Honduras entered an area sprayed with fungicides before the end of the required waiting period.

**P** Some farms in Armuelles, Panama, did not have a system to collect and recycle empty agrichemical containers. Workers cut up and buried empty containers in a compost trench.

**Q** A compost trench in Armuelles, Panama, had several non-conformances: a mixture of organic and inorganic waste, evidence of burned waste and no fence to prevent unauthorized access.

**R** All divisions lacked systems to reduce and recirculate water used in packing stations.

**S** In Santa Marta, Colombia, three fertilizer tanks did not have retention barriers to prevent overflow spills.

**T** In Turbo, Colombia, a company automotive maintenance facility was leaking oil, which could have entered a nearby stream.

**U** In Costa Rica, auditors noted a lack of progress in the establishment of groundcover plants to prevent soil erosion.

## FOCUS ON SYSTEMIC ISSUES

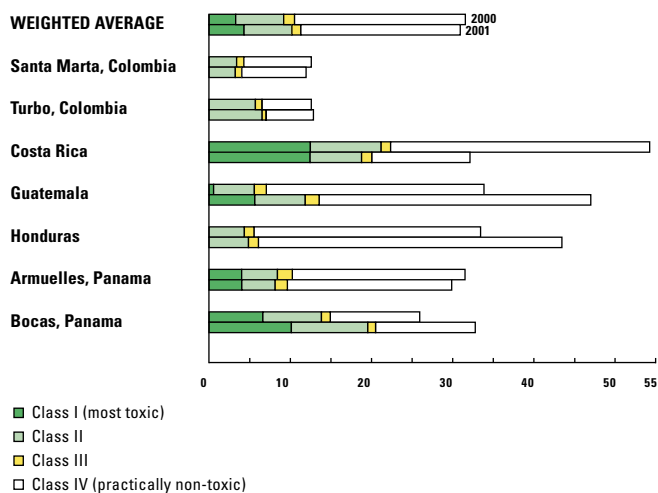
The chart on page 10 clearly indicates that Chiquita has an opportunity and a need to make systemwide improvements in both Integrated Crop Management and Conservation of Water Resources.

## AGRICHEMICAL USAGE: REDUCING APPLICATIONS AND INCREASING SAFETY

We use several types of pesticides to produce safe, high-quality bananas. Our policy is to apply the least amounts necessary, and only the least toxic agrichemicals approved for use on bananas by the U.S. Environmental Protection Agency (EPA) and the European Union.

In 2001, our pesticide use averaged 31.1 kilos of active ingredient per hectare in banana production. As shown in the table below, although we reduced our total agrichemical usage in 2001, all of the reductions came from the least toxic products. Our use of Class I products, the most toxic, increased in Guatemala and Bocas in an attempt to control higher populations of nematode worms, which attack the roots of banana plants. We are actively searching for ways to reduce nematicide usage.

**Pesticides Applied by Toxicity Class — 2000 and 2001**  
Kilos of Active Ingredient per Owned Hectare



**Our policy is to apply the least amounts necessary, and only the least toxic agrichemicals approved for use on bananas by the U.S. Environmental Protection Agency and the European Union.**

### Nematicides: Developing Safer Application Methods

Nematicides all have an EPA toxicity rating of Class I or Class II, placing them among the most toxic allowable agrichemicals. For this reason, we strictly control the storage facilities and safety equipment used in their application.

International researchers have identified some less toxic alternative products to control common nematodes. We have tested these products and found that, unfortunately, they are not effective against nematodes living in banana plant roots. However, we continue testing new products in the hope of finding an effective, less toxic alternative.

Nematicides have traditionally been applied on the top of the soil at the base of banana plants. Although our water monitoring has never detected traces of nematicide in the waterways surrounding our farm areas, scientists in Costa Rica recently demonstrated that such applications could cause runoff that would harm natural ecosystems.

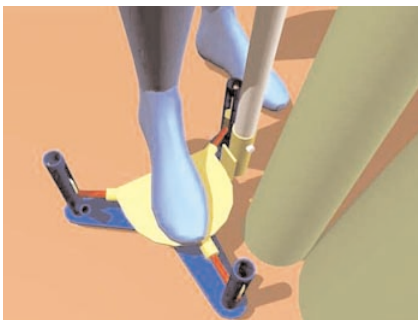
We have developed a prototype applicator that injects nematicide directly into the soil. If proven effective, this tool may offer better control of nematodes while reducing risks to workers and possibly reducing usage and cost.

### Insecticides: Seeking Approval for a Less Toxic Alternative

Sometimes our policy of only applying EPA-approved products for use with bananas slows our introduction of less toxic alternatives. For example, we would like to introduce bifenthrin, a less toxic yet equally effective insecticide, to replace organophosphates, which are commonly used to control mealybugs.

Since 1997, we and other members of the International Banana Association have actively lobbied for the EPA to review bifenthrin. In 2002, the EPA began its review, which should be completed by year-end.

We are investigating mechanical methods to reduce our usage and the impact of nematicides. These computer-generated images show one of several experimental applicator designs we are testing.



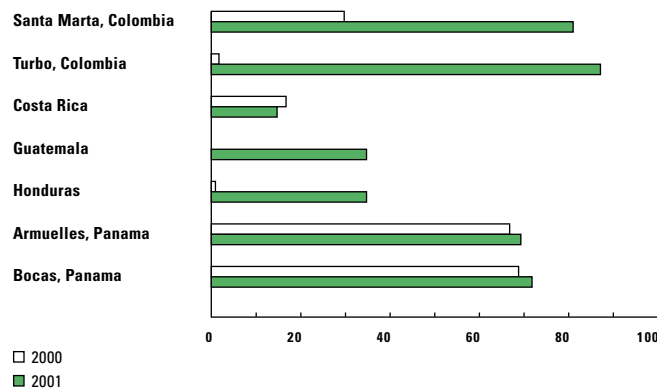


## Herbicides: Reducing Usage Through Groundcover

Groundcover plants help prevent the growth of weeds, eliminate the need for herbicides and protect against soil erosion.

In 2001, we planted groundcover on another 26 percent (7,000 hectares or 17,300 acres) of our owned farm area, bringing the total to 60 percent under cultivation.

### Percentage of Hectares with Groundcover on Owned Farms



## WATER CONSERVATION:

### SEEKING SIMPLE SOLUTIONS

Conservation of water is a challenge throughout the banana industry. The washing process in packing stations can take up to 15 kilos of water to produce one kilo of bananas.

We currently do not recirculate the water, which accumulates latex and other organic matter during the washing process.

To reduce usage, we have experimented with several emerging technologies that would allow us to filter and recirculate water. Our objective is to find a system that is effective, affordable and simple enough to operate in remote locations.

To date, we have experimented with ozone treatment, ionization and physical filters, but none has proven effective on a large scale.

Another opportunity is to decrease the volume of water in the washing tanks, which could reduce usage by 30 percent. In one trial, we filled the bottom of tanks with cement and reduced water usage without affecting quality.

Water conservation could also benefit the company through lower costs to drill wells and operate pumps providing water to packing stations.

## Chlorine Usage

We add liquid chlorine to the wash water to avoid possible bacterial contamination and to remove iron and manganese that can damage bananas by causing black spots on the fruit. Although chlorine is a common water treatment all over the world, it presents two problems: it requires careful handling to avoid harming the health of workers, and it increases the need for repairs to packing station infrastructure. As an alternative to chlorine, we are testing the use of hydrogen peroxide, which is practically non-toxic yet equally effective at removing harmful bacteria and minerals from the water.

## Looking for Ideas

We will continue to explore potential alternatives until we identify simple, effective, low-cost solutions that we can extend to all packing stations.

We would welcome innovative ideas from stakeholders about how best to meet this challenge, and we will seek to collaborate with conservation groups and others that may have potential solutions or expertise to offer.

Canals decrease flooding and groundcover reduces soil erosion, contamination of natural water sources and the need for herbicides.



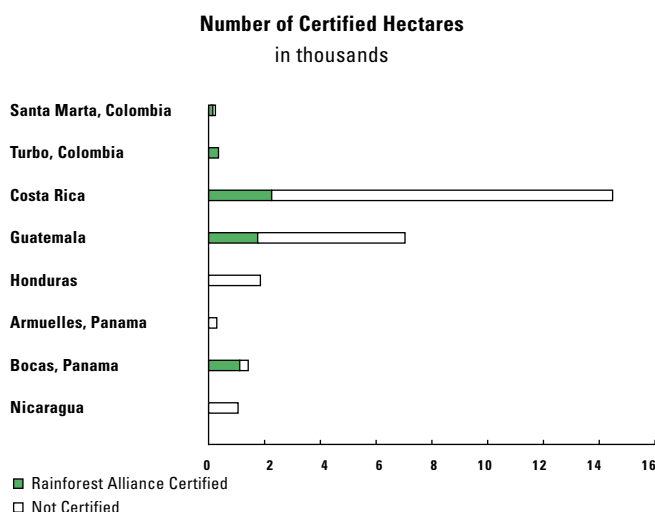
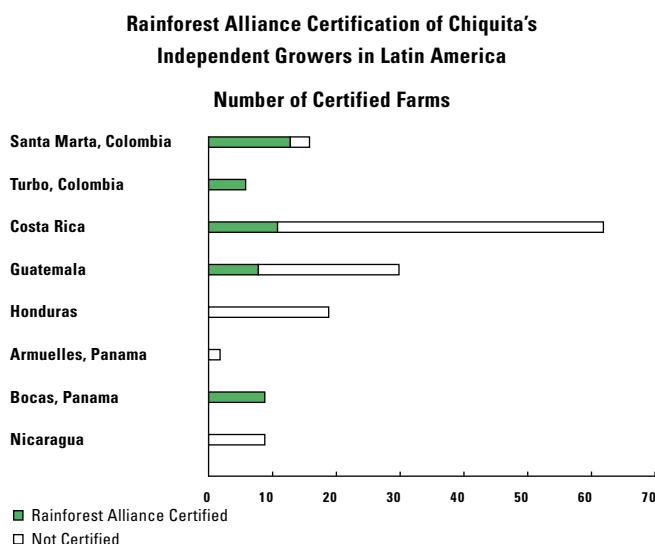
Water usage in banana production, especially in packing stations, is high. We continue to seek ways to reduce consumption.



## RAINFOREST ALLIANCE CERTIFICATION OF INDEPENDENT BANANA GROWERS

In 2001 in Latin America, we purchased from independent producers 51 percent of our bananas. Of those, 33 percent came from BBP-certified farms.

Chiquita buys most of its bananas from independent growers under “area contracts” that call for the purchase of 100 percent of qualified production from specific farms over the contract periods. The charts below show the extent of Rainforest Alliance certification on the farms of these independent growers. As of December 2001, 31 percent of our growers’ farms, and 22 percent of their total farm area, were BBP-certified.



In Ecuador, where we buy under “volume contracts” that call for the purchase of fixed numbers of boxes during the contract periods, 61 percent of our purchased fruit during 2001 came from Rainforest Alliance-certified farms.

All of our independent growers in Bocas, Panama, and most of the farms that supply us in Colombia are already certified. Growers in Costa Rica, Guatemala, Honduras and Nicaragua are currently working toward certification, as are farms supplying us in the Philippines and the Ivory Coast.

In an effort to accelerate our growers’ adoption of this program, we work with them in a variety of ways, including offering financial incentives where necessary and appropriate. In addition, we have added to our standard long-term banana supply contracts a requirement that growers must work toward Rainforest Alliance certification within the first two years of the contract period.

Over the next several years, we expect to report significant increases in the percentage of our independent grower farms certified to the Rainforest Alliance standards.

### Our Future Environmental Reporting

The Rainforest Alliance’s Better Banana Project certification data presented in this report are the result of on-the-ground audits by trained, third-party conservation organizations against defined social and environmental performance standards. These audits are relevant, reliable and significant. They cover operations that employ about 75 percent of Chiquita’s total personnel. The BBP rates performance, not plans or good intentions. This means we have to demonstrate progress, and we are implementing new systems to measure key improvements. Some of these improvements go beyond the requirements of the BBP. For example, the BBP scores indicate whether or not we have taken required steps to conserve water, but they do not quantify our actual usage. As we currently do with pesticide usage data, we intend to report a wider array of key indicator data in the future as we implement our new environment, health and safety system (see page 18).

During February 2002, we again conducted internal assessments of our banana divisions against the SA8000 standard. We present the assessment results here as indicative of our year-end 2001 performance.

### Participation of Independent Observers

To increase the transparency and objectivity of these assessments, we invited independent observers to participate: German Zepeda, president of COSIBAH (Coordinator of Banana and Agroindustrial Unions of Honduras) and former coordinator of COLSIBA (Coordinating Committee of Banana Workers' Unions), and members of the Guatemalan labor rights monitoring organization COVERCO (Commission for the Verification of Corporate Codes of Conduct).

The observers participated in every aspect of the assessment process, including planning, stakeholder and worker interviews, reviews of records and facilities, and meetings with management.

As we requested, each observer:

1. Participated in training on the social responsibilities in Chiquita's Code of Conduct and SA8000 to the same extent and in the same manner as the internal Chiquita assessors; and
2. Acknowledged the objectives of the assessment, committed to fulfill the responsibilities of an observer and agreed to participate in good faith.

The independent observers contributed significantly to the professionalism and objectivity of the assessments. They provided us with a new point of view on many issues and helped us to better communicate with some unions and workers the spirit and content of our Core Values and Code. This improved communication was especially important in Armuelles, Panama, where local unions had expressed skepticism about our Code and corporate responsibility efforts.

Both Mr. Zepeda and Mr. Fuentes contributed letters (see page 8) attesting to the assessment teams' findings presented in this report.

### More Experienced Assessors Identify More Challenges

In addition to including outside observers for the first time, we also increased the consistency of the assessments by using fewer teams of more experienced assessors, each reviewing several locations. These improvements allowed the assessment teams to uncover more non-conformances in 2001 than had been identified the previous year.

**"Undoubtedly, Chiquita is making history by moving to comply with high standards in workers' rights. Inviting qualified independent observers such as COVERCO, and publicly reporting on its performance, as Chiquita is doing in this report, are major steps forward for the company."**

Homero Fuentes, General Coordinator, Commission for the Verification of Corporate Codes of Conduct

## **KEY SIGNS OF PROGRESS**

### **IUF/COLSIBA/Chiquita Agreement**

In June 2001, we signed the [IUF/COLSIBA and Chiquita Agreement on Freedom of Association, Minimum Labour Standards and Employment in Latin American Banana Operations](#) with the International Union of Foodworkers and the Coordinating Committee of Banana Workers' Unions. This Agreement serves as a platform for continuing dialogue and collaboration in areas of common interest. It reaffirms the company's commitment to operate according to core ILO conventions, including freedom of association. It also provides for a review committee, composed of representatives from the IUF, COLSIBA and Chiquita, to evaluate any allegations of serious or systemic problems in the company's labor rights performance. The Agreement is the subject of Case Study No. 1 on page 33.

### **Significant Changes in Guatemala**

The SA8000 assessments in 2000 showed that our Guatemalan division has many challenges to overcome before it can achieve certification.

In early 2002, we changed the division's management team, which has since significantly improved workers' perceptions of the division's Core Values performance (see page 23). In order to bring the division closer to SA8000 compliance, the new management team has recently made important policy changes, such as raising the minimum hiring age for workers to 18 (see page 18) and ensuring that workers who fill regular full-time roles are no longer misclassified as temporary workers (see page 19).

In addition, the new management team met with leaders of the unions representing our workers and discussed our Code of Conduct and the SA8000 standard. The union leaders reacted positively, and we have arranged to train them as SA8000 assessors in 2002 so they can participate as observers and add their experience and insights to future internal division assessments.

### **Workers at All Levels Trained in Corporate Responsibility**

During 2001, we began training all our banana farm workers on our Core Values and their rights and responsibilities under our Code of Conduct. We designed and began implementing a program based on [a worker training pamphlet](#) that presents the essence of these ideas in clear and simple drawings and text.

Trained division personnel use these materials in highly interactive sessions. They highlight key messages about our Core Values, the Code of Conduct and the IUF/COLSIBA/Chiquita Agreement, and each division includes relevant examples of local ethical issues. Participants have engaged in a variety of ways: some groups have acted out skits representing ethical dilemmas, while others have composed songs about our Core Values.

As of year-end 2001, a total of 2,700 farm workers received training using the pamphlet. We will complete this training during 2002.

## SOCIAL PERFORMANCE (OWNED BANANA DIVISIONS IN LATIN AMERICA)

Summary of Internal Assessments Against Social Accountability 8000 Standard\*

Elements of SA8000 Labor Standard	Santa Marta, Colombia	Turbo, Colombia	Costa Rica	Guatemala	Honduras	Armuelles, Panama	Bocas, Panama
<b>CHILD LABOR</b>							
Use of child labor	■	■	■	■ 1	■ 1	■	■
Remediation policy	■	■	■	■	■	■	■
Limits on young worker hours (age 15 to 17)	■	■	■	■ 13	■	■	■
Hazards to young workers	■	■	■	■ 14	■	■	■
<b>FORCED LABOR</b>							
No forced labor	■	■	■	■	■	■	■
<b>HEALTH AND SAFETY</b>							
Accident and injury prevention	■	■ 2	■ 3	■ 2	■ 3	■ 2	■ 3
Senior manager accountable	■	■	■	■	■	■	■
Regular and recorded training	■	■ 4	■	■ 4	■ 4	■	■
Systems to prevent and respond to threats	■	■	■	■	■	■	■
Clean bathrooms, potable water and food storage	■	■	■	■ 5	■ 5	■ 5	■ 5
Housing	■	■	■	■ 6	■ 6	■	■
<b>FREEDOM OF ASSOCIATION</b>							
Freedom of association	■	■	■	■ 15	■	■	■
Parallel means where law restricts	■	■	■	■	■	■	■
No discrimination against union reps	■	■	■	■	■	■	■
<b>DISCRIMINATION</b>							
Non-discrimination in employment	■	■	■	■ 7	■	■ 7	■ 7
Respect practices and needs	■	■	■	■	■	■	■
No sexually abusive behavior	■	■	■	■ 16	■	■	■
<b>DISCIPLINARY PRACTICES</b>							
No mental or physical abuse or punishment	■	■	■	■	■	■	■
<b>WORKING HOURS</b>							
Regular — max 48 hours and 1 day off in 7	■	■	■	■	■ 8	■	■ 8
Overtime — max 12 hours, voluntary, paid extra	■	■ 10	■	■ 9	■ 9	■	■ 9
<b>COMPENSATION</b>							
Meets legal minimums, industry standards and basic needs	■	■	■	■ 17	■	■ 18	■ 19
Convenient pay with full detail	■	■ 11	■ 12	■	■	■	■
No use of labor contractors to avoid benefits	■	■	■	■	■	■	■
<b>MANAGEMENT SYSTEMS</b>	■	■	■	■	■	■	■

■ In compliance ■ Absence of required policy or management system ■ Major non-compliance in actual performance (see footnotes)  
 □ Not applicable ■ We were unable to conduct SA8000 assessments for 2001 in Santa Marta, Colombia, due to safety concerns.

\* We present here, as a proxy for year-end 2001 performance, data from assessments conducted in February 2002.

### MULTIPLE LOCATIONS

- 1 In Guatemala and Honduras, contractors and suppliers were not screened for use of child labor.
- 2 In Turbo, Guatemala and Armuelles, several workers were not using required personal protection equipment (PPE) when applying agrichemicals. In Turbo, chemical storage sheds did not segregate chemicals into different shelves. In Guatemala, inadequate precautions were taken to avoid spraying fungicides by airplane while workers were in the field.
- 3 In Costa Rica, Honduras and Bocas, some workers did not receive required medical exams. In Honduras and Bocas, some workers did not shower after applying agrichemicals. And in Honduras, children were loitering in a packing station.
- 4 In Turbo, Guatemala and Honduras, workers did not receive adequate safety training.
- 5 Guatemala and Armuelles did not monitor drinking water quality, and Honduras did not do so adequately. In both Guatemala and Bocas, one drinking water source had bacterial contamination. In Armuelles, inadequate facilities existed for the food storage.

- 6 Housing units were in poor condition in Guatemala and certain locations in Honduras, where bacteria also contaminated some drinking water tanks due to lack of maintenance.
  - 7 Women lack professional opportunities in Guatemala, Armuelles and Bocas. In Guatemala, temporary workers reported experiencing discrimination.
  - 8 In Honduras and Bocas, workers did not always receive one day off in seven.
  - 9 In Guatemala, Honduras and Bocas, hourly workers and administrators sometimes worked in excess of 60 hours. In Bocas, administrative personnel worked overtime with no additional compensation.
- TURBO, COLOMBIA**
- 10 Ship loading personnel exceeded the maximum allowable working hours.
  - 11 An independent contractor was two months behind in filing required social security documentation.
- COSTA RICA**
- 12 Some workers did not understand their pay slips.

### GUATEMALA

- 13 Some 16- and 17-year-old packing station workers exceeded the maximum allowable working hours, in violation of our policy.
- 14 The division had not made a determination about the jobs safe for young workers.
- 15 Misclassification of some regular, full-time workers as temporary resulted in their not having the legal right to freedom of association.
- 16 Several female workers alleged sexual harassment.
- 17 Pay for temporary workers did not meet basic needs due to lack of benefits.

### ARMUELLES, PANAMA

- 18 One independent contractor had not enrolled its employees in the national social security system.

### BOCAS, PANAMA

- 19 Some workers who arrived to work at the packing stations and were asked to come back in the afternoon were not paid for their initial time. (Management corrected this violation of local law immediately.)

## SA8000 COMMENTARY BY ISSUE AREA

The following provides more detail on important or systemic issues observed during our assessments.

### Child Labor

Chiquita's Code of Conduct prohibits the use of child labor. All of our banana divisions now have a minimum hiring age of 18, higher than the minimum age required by the SA8000 standard.

During 2001, as required by SA8000, all of our divisions adopted formal policies prohibiting the use of child labor in their own operations and those of their suppliers.

In 2000 and 2001, our assessors noted that in Guatemala, 16- and 17-year-old workers were exceeding the maximum allowable working hours, in violation of the SA8000 standard. They also found that the division had not conducted assessments to avoid exposing young workers to unnecessary risks. To avoid such problems in the future, in 2002 the Guatemala division raised its minimum employment age to 18. However, it retained the 16- and 17-year-old workers employed at the time, but assigned them to jobs that do not require working with knives or chemicals, working at night, or lifting heavy objects.

In 2000, our assessors had found a 14 year old working for a contractor on a housing project in Guatemala. In 2001, they noted that our Guatemala and Honduras divisions had still not implemented effective systems to prevent independent suppliers from using child labor. In response to these findings, we met with our independent suppliers about our Code of Conduct and our child labor policy and will continue to monitor their compliance with our standards. We have stopped sourcing from a contractor who was still using child labor in Guatemala.

### Health and Safety

We are committed to maintaining a healthy and safe work environment for all Chiquita employees, as clearly stated in our Code.

In 2000, we reported a lack of potable water available to workers on our farms in Turbo, Colombia. We now provide fresh bottled water on these farms.

#### *New SOMA System for Tracking Social and Environmental Performance Data*

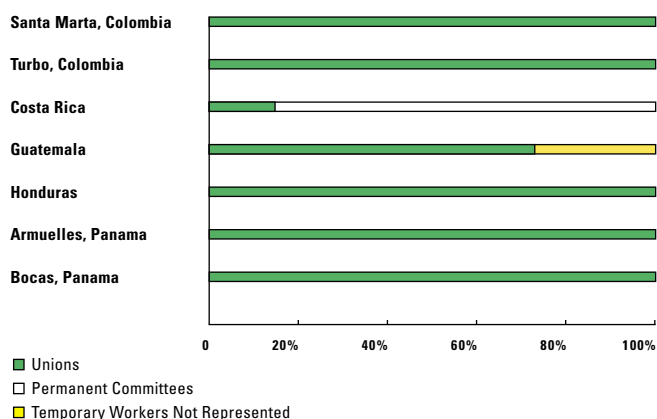
In 2001, our assessors noted a systemic problem in worker health and safety. In nearly every division, they found inadequate management systems and a lack of training. In 2000, we reported that a new health and safety system was in development. We began installing the system in 2001 and expect to have it fully operational by the end of 2002. This system, called SOMA (Salud Ocupacional y Medio Ambiente), allows us to more quickly identify and respond to worker health and safety concerns. SOMA tracks data on agrichemical usage, environmental initiatives, workplace accidents and assessment results.



## Freedom of Association

At over 70 percent, Chiquita is the most unionized of the major banana producers. During 2001, we reaffirmed our commitment to freedom of association when we signed a framework agreement with the IUF and COLSIBA. This Agreement is the subject of Case Study No. 1 on page 33.

**Representation of Chiquita Farm Workers at Year-end 2001**



### *Santa Marta, Colombia*

In Santa Marta, labor union leaders raised concerns in 2001 about workers' rights to organize at certain farms that we had recently consolidated to increase efficiency. In response, we cooperated in the lawful unionization of the remaining 15 percent of our local workforce.

During 2001 we trained all our workers in Costa Rica with our worker training pamphlet, which explains that they are free to join any organizations they wish, including unions.



### *Costa Rica*

See our 2000 Corporate Responsibility Report for a detailed case study on freedom of association in Costa Rica.

As we reported, Costa Rica is unusual among our divisions in that only about 15 percent of our workforce belongs to unions, a figure that is typical across all industries in the country. Instead, permanent committees that collectively bargain for wages and benefits represent most local workers in Costa Rica. Despite that, every month we meet with local union representatives to discuss any issues of concern.

During 2001, we trained 100 percent of our Costa Rican employees with our worker training pamphlet and the IUF/COLSIBA/Chiquita Agreement. Both clearly explain that workers are free to join any organizations they wish, including unions.

### *Guatemala*

Temporary workers, who legally cannot join a union in Guatemala, told our assessors that they were not able to exercise their right to freedom of association.

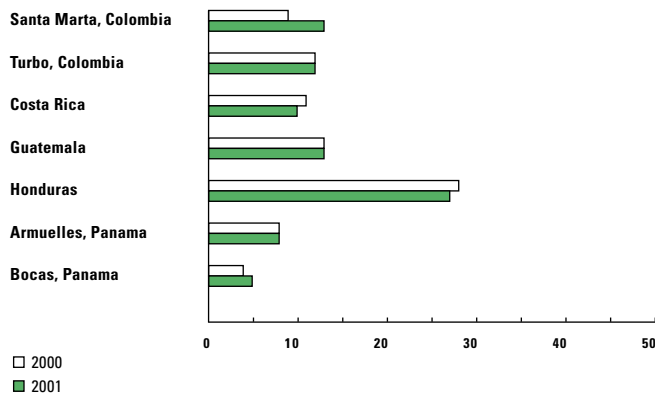
In 2002, our new division management instituted a policy that employees doing regular, full-time work will no longer have temporary worker status. As a result, 66 percent of the division's employees previously considered temporary now have regular full-time status with the legal right to freedom of association.

## Discrimination

Mutual respect and cooperation across cultures are essential to our success as a global company. In addition, our Core Values commit us to respect individual and cultural differences.

Everyone deserves the opportunity to develop fully his or her abilities and talents. Even though it may be difficult to overcome cultural barriers that exist in several communities where we operate, we remain committed to equal opportunity for everyone employed at Chiquita.

**Percentage of Women Workers on Owned Farms**



#### *Discrimination Against Women and Indigenous Workers*

In 2000, we identified a number of discrimination issues against both women and indigenous groups, especially in Panama. While we have continued to develop and communicate our policies, we have made insufficient progress to improve the situation.

In Armuelles, Panama, the pressing issues of low productivity and the Fall 2001 strike (see page 30) distracted the division from making significant progress in improving professional growth opportunities for women. Our assessors also found that women continue to be denied equal opportunities in Guatemala and Bocas, Panama.

**In response, the management teams of all three divisions have begun to implement hiring policies designed to encourage more opportunities for women.**

We recognize that we must improve opportunities for women, especially at the professional level.



In 2000, our assessors found evidence of discrimination against indigenous people in Bocas, Panama, one of our most rural divisions. In 2001, the division did not implement policies designed to improve this situation. Members of this indigenous community often face barriers due to lack of access to education and Spanish-language development, and skilled professionals are most often available in urban areas, which have smaller indigenous populations. However, where possible, we are now actively recruiting and promoting skilled indigenous workers.

#### *Sexual Harassment*

In 2000 and again during the most recent internal assessment, we noted allegations of sexual harassment in Guatemala. Since then, we have fired two supervisors implicated in sexual harassment cases. However, we recognize the need to develop a more disciplined and systematic approach to prevent sexual harassment and address such allegations that might arise.

**We are in the process of developing a companywide training program that will include ways for victims of sexual harassment to report allegations and seek guidance. In addition, we have trained human resources personnel to conduct investigations into allegations of sexual harassment.**

#### **Working Hours**

Working hours continue to be a problem in some divisions. In particular, administrative personnel regularly exceed the maximum allowable hours. In 2000, we reported on some administrative personnel in Bocas, Panama, who regularly worked overtime without compensation. In 2001, these violations occurred again in Bocas as well as in Guatemala and Honduras. To date, we have not implemented an effective method to bring these divisions into compliance. We have begun to investigate policy changes to correct this problem.

In 2000, we were non-compliant with respect to overtime in our packing stations in Honduras. Since then, Social Accountability International has revised the SA8000 standard so that more than 12 hours of overtime per week can be required if it is negotiated under a collective bargaining agreement with legitimate worker representatives. Because our union contract in Honduras allows for mandatory overtime, this change in SA8000 brought us into compliance.

## Compensation

We far exceed the legal requirements for compensation and benefits in the countries in which we operate, as shown in the following chart. Our wages and benefits are substantially above both local minimums and the averages for agricultural workers in these countries.

Consistent with our Code, we are also conducting basic needs wage assessments in all of our Latin American divisions. We expect to complete these assessments by year-end 2002, after which we will report our findings.

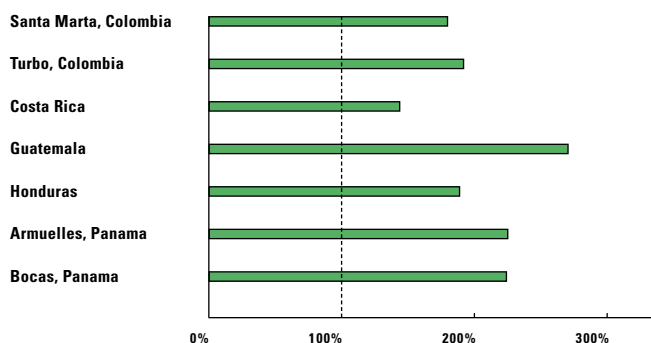
In 2000, we reported on unclear pay slips in Bocas, Panama, where we have since implemented a new design that corrected the problem. In 2001, workers in Costa Rica complained that the calculations for vacation time were confusing. We plan to simplify the pay slips further to ensure that, in all respects, workers can understand them clearly.

In 2000, we reported that management in Guatemala improperly hired some employees as temporary workers ineligible to receive benefits. Our assessors in 2001 noted the same problem. In 2002, the new management team in Guatemala changed the policy so that employees hired for regular, full-time work will no longer have temporary worker status.

## Management Systems

As described in our first report, SA8000 is unique among labor standards in that it requires management systems adequate to ensure ongoing compliance. We are making progress in all divisions implementing management systems, which require, in part, periodic internal reporting on the status of non-conformances, regular monitoring of key indicators, and regular internal and external reviews.

**Chiquita Wages & Wage-Related Benefits as % of Legal Minimum Wages & Benefits**



## CORE VALUES PERFORMANCE

We believe that Chiquita will be most successful when our employees and other stakeholders see us consistently living our Core Values. Therefore, one important measure of our performance is the degree to which employees believe we are following them.

Last year, we established a baseline of performance by interviewing 550 employees, or 2.7 percent of all workers in our divisions. This year, in an effort to increase the reliability of our data, we interviewed 641 workers in six banana divisions, or 3.4 percent of our workforce in those divisions.

## Scoring Methodology

Each score in the following tables is a numerical average of all the individual interview responses we received (1 = Very Bad; 2 = Bad; 3 = Good; 4 = Very Good). We present separately the responses from 2000 and 2001 for both our farm workers and our administrators and managers, followed by key observations about their feedback.

## EMPLOYEE FEEDBACK ON OUR CORE VALUES

*Owned Banana Divisions in Latin America*

Numbers in chart below represent the following divisions:

- 1 Santa Marta, Colombia
- 2 Turbo, Colombia
- 3 Costa Rica
- 4 Guatemala
- 5 Honduras
- 6 Armuelles, Panama
- 7 Bocas, Panama

2000									2001*						
1	2	3	4	5	6	7			1	2	3	4	5	6	7
							<b>Farm Workers</b>								
							<b>Elements of Our Core Values</b>								
							<b>INTEGRITY</b>								
							Open communication								
							Honest communication								
							Straightforward communication								
							Lawful conduct								
							Living by our Core Values								
							<b>RESPECT</b>								
							Fair treatment								
							Respectful treatment								
							Recognize family								
							Individual differences								
							Cultural differences								
							Individual expression								
							Open dialogue								
							Sense of belonging								
							<b>OPPORTUNITY</b>								
							Personal development								
							Teamwork								
							Recognition								
							<b>RESPONSIBILITY</b>								
							Pride in work								
							Pride in products								
							Pride in satisfying customers								
							In communities								
							In environment								
							Careful use of resources								
							Returns to shareholders								
<b>50</b>	<b>63</b>	<b>64</b>	<b>42</b>	<b>20</b>	<b>33</b>	<b>18</b>	<b>No. of workers surveyed</b>		<b>0</b>	<b>50</b>	<b>60</b>	<b>89</b>	<b>71</b>	<b>42</b>	<b>39</b>

- Very Good
- Good
- Bad
- Very Bad

We were unable to conduct assessments for 2001 in Santa Marta, Colombia, due to safety concerns.

\* We present here, as a proxy for year-end 2001 performance, data from assessments conducted in February 2002.

## EMPLOYEE FEEDBACK ON OUR CORE VALUES

*Owned Banana Divisions in Latin America*

Numbers in chart below represent the following divisions:

- 1 Santa Marta, Colombia
- 2 Turbo, Colombia
- 3 Costa Rica
- 4 Guatemala
- 5 Honduras
- 6 Armuelles, Panama
- 7 Bocas, Panama

2000							Administrators and Managers							2001*						
1	2	3	4	5	6	7	Elements of Our Core Values							1	2	3	4	5	6	7
							<b>INTEGRITY</b>													
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Open communication	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Honest communication	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Straightforward communication	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Lawful conduct	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Living by our Core Values	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
							<b>RESPECT</b>													
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<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Respectful treatment	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Recognize family	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Individual differences	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Cultural differences	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Individual expression	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
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<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Sense of belonging	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
							<b>OPPORTUNITY</b>													
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Personal development	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Teamwork	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Recognition	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
							<b>RESPONSIBILITY</b>													
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Pride in work	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Pride in products	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Pride in satisfying customers	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	In communities	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	In environment	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Careful use of resources	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	Returns to shareholders	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
36	87	36	30	28	24	23	No. of workers surveyed	0	61	27	68	57	43	34						

Very Good

Good

Bad

Very Bad

We were unable to conduct assessments for 2001 in Santa Marta, Colombia, due to safety concerns.

\* We present here, as a proxy for year-end 2001 performance, data from assessments conducted in February 2002.



## KEY OBSERVATIONS ON EMPLOYEE FEEDBACK

### 1. Significant overall improvement in Costa Rica and Guatemala, particularly among farm workers

Both Guatemala and Costa Rica have shown marked improvement in perceptions of Core Values performance. Costa Rica showed the most improvement in issues relating to Responsibility, while Guatemala showed improvements in both Respect and Responsibility.

*"I like what I do, and I want to improve every day."*

*"We now have very good environmental programs."*

### 2. Decrease in worker perceptions of Integrity in Panama

In Panama, worker perceptions of Integrity decreased. Ratings declined in Living by our Core Values in Bocas, and in Open and Honest Communication in both Bocas and Armuelles.

*"There are times when my immediate supervisor treats my colleagues in a disrespectful way."*

*"There are some people that do not need the English classes and yet receive them, while others who do need the classes do not get them."*

### 3. Generally positive results in Responsibility across all divisions

Among all employees interviewed, Responsibility was uniformly rated as positive. Of particular note were the high marks given to "Pride in Work" and "Pride in Products."

*"Our bananas are the best quality!"*

*"There is a high degree of awareness about recycling."*

### 4. High marks in Turbo, Colombia

While the results in 2001 slipped somewhat compared to the previous year, all workers in Turbo, Colombia, rated the company's performance as "Good" and "Very Good," with the notable exception of "Honest Communication," which slipped to "Bad."

*"We are very proud of our work."*

*"Sometimes it is difficult or painful to tell the truth, but we accept it. Besides being open and honest, we are direct, and we do not have a problem with it."*

### 5. Administrators and managers generally continue to feel better about the company than do farm workers

Similar to 2000, administrators and managers generally rated the company higher than did farm workers in 2001. In particular, managers and administrators tend to rate Integrity, Respect and Opportunity higher than the farm workers of the same divisions.

### 6. Large differences in worker perceptions among divisions, but less so than in 2000

Workers in Costa Rica and Colombia generally rate the company's performance more positively than do workers in the other divisions. However, the perception gap between workers is decreasing. Of special note are the rising scores in Guatemala.

#### **UPDATE ON 2000 ISSUE: LOCAL COMMUNITY INVOLVEMENT IN SANTA MARTA, COLOMBIA**

In 2000, workers in Santa Marta, Colombia, said that the company was not sufficiently involved in the local community. During 2001, the local management team and workers implemented a community literacy program. Through a local foundation, FundaBanadex, we also began a recycling program of office paper and plastics, sponsored a program to teach children the importance of dental hygiene, and donated money and materials to local schools to teach children about the environment. FundaBanadex works with other community leaders, churches and organizations to implement positive programs to improve lives, with a special focus on children.

#### **Social Reporting in the Future**

As we achieve third-party SA8000 certification in each of our owned banana divisions, we intend to replace our internal assessment data with verification opinions from independent accredited auditors. This area of our reporting will evolve, in part, based on the requirements of our involvement with Social Accountability International and the Ethical Trading Initiative. For example, we will begin to report the degree to which our independent suppliers undertake and achieve compliance to SA8000.

Our interviews on Core Values are an important tool to identify how employees feel about the company's performance. We will continue to report this data, perhaps supplementing it with feedback from a global employee survey now in development.

We will collect and begin reporting additional social performance indicators, such as workplace accident data, through SOMA, our new environment, occupational health and safety system (see page 18).

We are also examining additional reporting based on the Global Reporting Initiative's core indicators, which would extend our reporting beyond the workplace to include the company's economic impact on local communities.

## FINANCIAL PERFORMANCE

This section includes 2001 financial performance highlights for our parent company Chiquita Brands International and summaries of our financial restructuring completed in March 2002 and potential developments in EU banana trade policy. It also includes selected information about the impact of corporate responsibility on various aspects of the company's operations.

### FINANCIAL RESULTS — 2001

On net sales of \$2.2 billion, Chiquita posted operating income of \$36 million in 2001. The company had a net loss of \$119 million after net interest expense of \$115 million, reorganization costs of \$34 million and income tax expense of \$7 million. Interest expense of \$78 million associated with the company's parent company debt was accrued through November 28, 2001, the date of the company's Chapter 11 bankruptcy filing, but was not paid, as approved under the company's restructuring plan. EBITDA (earnings before interest, tax, depreciation and amortization) and before reorganization costs and other unusual items was \$155 million, a seven percent improvement over the prior year. The company generated net cash flow from operations of \$100 million.

In the Fresh Produce segment (bananas and other fresh fruits and vegetables), operating income before unusual items rose to \$55 million from \$17 million in 2000, mostly as a result of higher European banana pricing and volume. This benefit more than offset the substantial negative effect on earnings of weak European currencies in relation to the U.S. dollar.

In the Processed Foods segment (primarily canned vegetables and processed fruit ingredients), operating income before unusual items declined to \$9 million from \$31 million in 2000, primarily due to lower pricing on canned vegetables throughout the year, as the company and industry were reducing inventory levels.

In 2001, we incurred \$28 million of unusual charges primarily associated with the closure of farms, a third-quarter labor strike and related labor issues at our Armuelles, Panama, banana division (see page 30). During 2001, we closed non-competitive farms that represented about 20 percent of this division, and during the fourth quarter reached agreement with the local union regarding work practices intended to improve productivity, cost and quality in the remaining farms.

Please see Chiquita's full [2001 Annual Report to Shareholders](#) and [Form 10-K](#) for more operating and financial performance information.

### COMPLETION OF FINANCIAL RESTRUCTURING

In January 2001, Chiquita commenced the restructuring of our parent company debt. In November 2001, we reached agreement with bondholders and filed a pre-arranged Chapter 11 Plan of Reorganization to reduce our public debt and accrued interest by more than \$700 million and our future annual interest expense by approximately \$60 million.

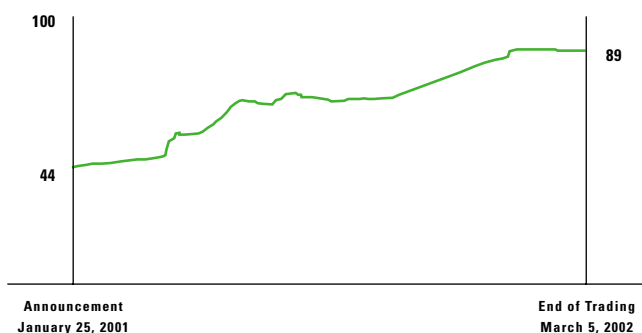
**In March 2002 — only 3½ months after the Chapter 11 filing — Chiquita emerged with a strong balance sheet and renewed growth and earnings potential. We continued to serve our customers successfully throughout this entire period (see Case Study No. 3 on page 36).**

At the completion of the restructuring, the company's bondholders appointed a new board of directors and executive management team with broad international business experience and a continued commitment to values-based leadership.

### Bondholders

Chiquita bondholders, who had priority among financial stakeholders during the debt restructuring, received \$250 million of new bonds and accrued interest, and 38.2 million shares, or 95.5 percent, of the new stock of the reorganized company. This package of securities was considered valuable enough that our prior bonds were trading near par value just before completion of the restructuring. The graph below shows the value of our prior 10¼% Senior Notes from the date we announced our intention to seek a restructuring agreement until they stopped trading on March 5, 2002.

**Market Value of 10¼% Senior Notes Throughout Restructuring**



## Shareholders

During 2001, when we were in the midst of the financial restructuring process, our stock value declined 36 percent.

Although common and preferred shareholders typically lose their entire equity value during a Chapter 11 restructuring, Chiquita shareholders received both two percent of the new common stock of the reorganized company and seven-year warrants to purchase up to 25 percent of the company's new stock at \$19.23 per share. These warrants trade on the New York Stock Exchange.

We believe that the company acted responsibly and that, all things considered, our shareholders were treated fairly in the restructuring (see Case Study No. 3 on page 36).

## SETTLEMENT OF EU BANANA TRADE DISPUTE

During April 2001, the United States and the European Union reached a settlement of their eight-year banana trade dispute. The import licenses Chiquita gained as a result of the settlement provide greater access to Europe, our most profitable market. We expect future changes in the European banana import regime with the potential expansion of the EU to 25 countries in 2004 and the planned move toward free trade in 2006. There is uncertainty about both the future allocation of EU market access rights in 2004 and the level of tariffs on the import of Latin American bananas into the EU in 2006 or later. This uncertainty presents both risks and opportunities for the company.

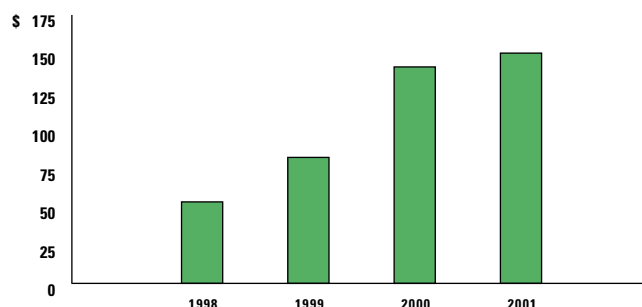
## CONTINUING COST REDUCTIONS

As illustrated in the graph above, the company has achieved considerable cost savings, particularly in the areas of production and logistics.

**In 2001, we saved \$152 million versus our 1997 operating costs.**

Some of these cost savings result from, or are reinforced by, our commitment to more environmentally responsible operating practices. For example, we have achieved significant savings from the reduction of agrichemical use in our farms and from the introduction of pallet recycling in our logistics network. We believe our focus on reducing resource consumption and waste will allow us to achieve more savings in the future.

**Savings in Operating Costs versus 1997**  
in millions

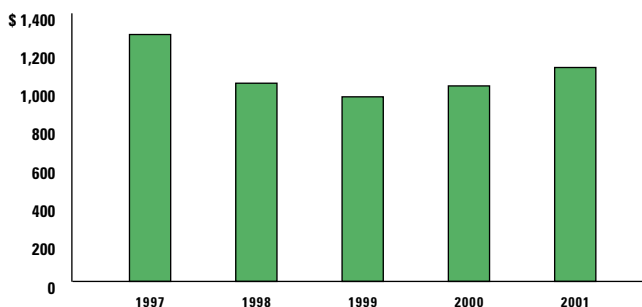


## Agrichemical Use

In agriculture, control of pests and disease is essential to both productivity and quality. We use several types of agrichemicals in the production of safe, high-quality bananas. Our commitment is to reduce pesticide use as much as possible, both for cost savings and environmental reasons.

**In 2001, we spent on pest and disease control an average of \$1,123 per producing hectare, an increase of nine percent from the prior year due to disease outbreaks in Guatemala and Bocas, Panama, but a 14 percent reduction from 1997.**

**Average Cost per Hectare for Pest Monitoring and Agrichemical Application**



## Pallet Reuse and Recycling

We use wood pallets to ship 95 percent of our bananas to Europe and North America. All wood for our pallets comes from managed forests, and we reuse or recycle all pallets in both major markets.

In North America, we participate in an industry pool that allows reuse of pallets among companies with similar products.

Our European pallets, which are painted purple for easy identification, all cycle through our pallet repair facility in Bocas, Panama. In 2001, we recycled more than 800,000 purple pallets and achieved cost savings of about \$3 million compared to the cost of purchasing new materials for each shipment.

## INCREASING CUSTOMER INTEREST IN SOCIAL AND ENVIRONMENTAL PERFORMANCE

Chiquita continues to have strong market shares in world banana markets, including:

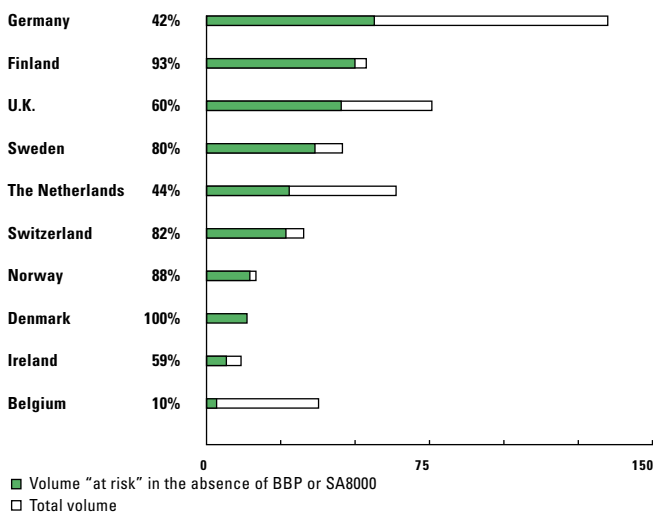
- ▣ 28 percent in North America,
- ▣ 20 percent in the European Union, and
- ▣ 10 percent in Japan.

Social and environmental performance is important to our customers, particularly in Europe. We believe the pressures to improve will continue to increase, and we are focused on achieving the highest standards in the industry.

## European Customers

In 1999, we compiled a list of European customers (mostly retailers) who had either inspected our farms or asked us to respond to questions about our social and environmental performance. We concluded the volume sold to these customers was “at risk,” because they may have changed suppliers if we were unable to demonstrate our achievement of high social and environmental standards. The chart above indicates that these same customers represented 54 percent of the total volume we sold into key European markets in 2001.

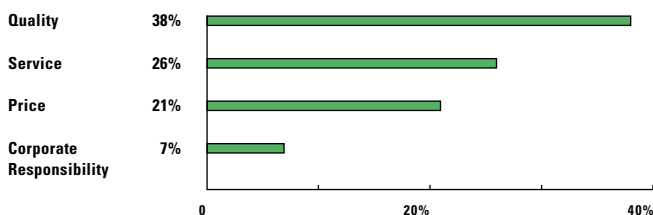
**Bananas Sold to Customers in Selected European Markets During 2001**  
in thousands of boxes per week



## North American Customers

In 2001, we surveyed our customers in North America to identify the key drivers of their brand purchase decisions for bananas. The chart below shows that Corporate Responsibility is a key driver of satisfaction for seven percent of our customers. We expect this percentage to increase over time.

**Relative Importance Assigned by U.S. Customers**



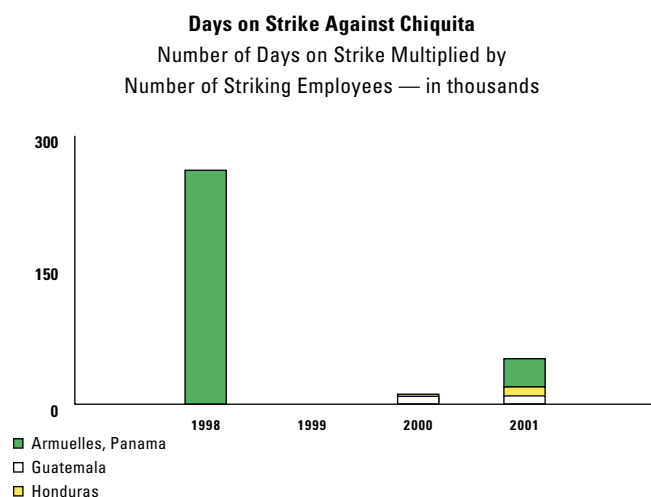
Chiquita operates an extensive program to recycle its purple pallets. Each pallet may travel more than 70,000 miles during its service for the company.



## LABOR RELATIONS

Good labor relations allow us more easily to implement innovative labor practices, which often improve productivity, efficiency and costs. Conversely, poor labor relations may result in strikes, lost productivity and the cost of rehabilitating neglected farms.

The chart below shows the days lost to strikes over the last four years in Guatemala, Honduras and Armuelles, Panama; our other divisions combined had a negligible number of strike days. We define a strike as any voluntary worker-initiated stoppage that lasts more than 24 hours. The data excludes strikes that occasionally occur due to disputes unrelated to the company, such as strikes to protest government actions or to demonstrate solidarity with unions outside Chiquita's operations.



### Armuelles, Panama, Banana Division

Our Armuelles division serves as an example of the cost of poor labor relations. From 1997 to 2001, our costs in Armuelles were nearly \$90 million higher than costs for equivalent volume from our other sources.

Our workers in Armuelles went out on strike for 57 days in 1998 and 10 days in 2001. Ineffective work practices, labor tensions, resulting poor fruit quality and the 10-day strike combined in 2001 to cause approximately \$21 million in lost productivity, farm deterioration and additional purchased fruit cost. The 2001 strike was in reaction to work practice changes the company was pursuing to reduce costs and significantly improve quality.

Although new work practices accepted by the union at the conclusion of the most recent strike have helped, Armuelles remains uncompetitive in measures of productivity and cost. However, it does have the potential to be a viable business. As an example, in contrast to its productivity of fewer than 2,000 boxes per hectare in 2001, the division had produced an average of 2,700 boxes per hectare from 1990-1995.

We have advanced a number of proposals, including the sale of farms to employee-owned cooperatives, union-owned enterprises or independent growers, all under long-term contracts to supply Chiquita at market prices. However, local labor leaders have rejected these proposals.

Although we are committed as a company to the long-term health of the communities in which we live and work, the difficulties we have experienced in Armuelles reflect a situation that is not sustainable for the company or for our employees.

Negotiations with the government and union continue in an attempt to reach a long-term solution that is sustainable for both the company and the community, but time is running out. We have announced that we will either negotiate a viable long-term solution by the end of 2002 or be forced to exit the division.

**Negotiations with the government and union continue in an attempt to reach a long-term solution that is sustainable for both the company and the community, but time is running out. We have announced that we will either negotiate a viable long-term solution by the end of 2002 or be forced to exit the division.**



## **SOUND FINANCIAL MANAGEMENT PRACTICES**

We are committed to maintaining accurate accounting records, and we enforce strict policies against improper payments and conflicts of interest. Managers understand these policies and regularly certify their compliance with them. We have systems of internal control and compliance programs designed to prevent and detect policy violations, for which employees understand they may be fired.

### **Settlement of 1996 FCPA Violation in Colombia**

In October 2001, Chiquita paid a \$100,000 civil penalty to the U.S. Securities and Exchange Commission (SEC) to settle an alleged violation of the Foreign Corrupt Practices Act's accounting provisions resulting from the conduct of Chiquita's Colombian subsidiary, Banadex. According to the SEC's findings, (1) without the knowledge or consent of any employees outside of Colombia, Banadex employees in 1996 authorized the payment of \$30,000 to local customs officials to secure a license renewal at a Banadex port facility, and Banadex's books and records incorrectly identified the payments; (2) Chiquita discovered the payments during an internal audit review in April 1997; and (3) following an internal investigation, in 1997 Chiquita took corrective action, including terminating the responsible employees and reinforcing internal controls at Banadex. The company cooperated fully with the SEC throughout its investigation, which began in 1998.

## **Our Future Financial Reporting**

Like many other companies, we have already increased transparency in reporting our financial results, as witnessed by our recent quarterly earnings reports and investor communications.

We are examining new models for communicating triple bottom line performance, such as the Global Reporting Initiative standards. We are considering including in our 2002 Annual Report to Shareholders an executive summary of our progress and performance in corporate responsibility, which would reinforce its importance as a fundamental management practice of the company.

We will continue to monitor evolving best practices in reporting and ensure that we are satisfying the expectations of our stakeholders in this area.

## CASE STUDIES

At Chiquita, we define corporate responsibility from each of three perspectives:

- Living by our Core Values and Code of Conduct;
- Achieving the highest possible environmental, social and ethical standards; and
- Fairly balancing the interests of our stakeholders.

When we encounter difficult issues, we try to understand the points of view of our stakeholders and arrive at balanced solutions. This approach is a logical extension of our Core Values. We invite stakeholders to learn from us as we learn from them.

In this report, we include the following case studies, one for each element of the triple bottom line. These case studies are both indicative of the opportunities, issues and challenges we faced during 2001 and representative of our approach to engagement with stakeholders.

- Historic Labor Rights Agreement: Framework for Improving Relations
- Insecticide Use in Fruit Protection: Seeking Safer Alternatives
- Financial Restructuring: Balancing Stakeholder Concerns

In our 2000 report, we examined four case studies.

- [Aerial Spraying](#)
- [Freedom of Association in Costa Rica](#)
- [Standards for Independent Banana Growers](#)
- [Genetically Modified Foods](#)

Each case study provides background information, a summary of our understanding of stakeholder concerns and our current approach to each challenge. We invite your feedback as we continue to explore these issues and seek, if possible, to develop better solutions.

**When we encounter difficult issues, we try to understand the points of view of our stakeholders and arrive at balanced solutions. This approach is a logical extension of our Core Values. We invite stakeholders to learn from us as we learn from them.**

**HISTORIC LABOR RIGHTS AGREEMENT:  
FRAMEWORK FOR IMPROVING RELATIONS**  
*IUF / COLSIBA / CHIQUITA*

**Background**

Chiquita employs the largest percentage of unionized labor in the banana industry (70 percent) but historically had been the target of negative media reports and NGO campaigns about labor conditions on our farms.

In July 1998, Chiquita and other banana companies received letters from German Zepeda, then regional coordinator for the Coordinating Committee of Banana Workers' Unions (COLSIBA), inviting us to begin a dialogue about regional labor standards. Over the next three months, we debated how to respond.

We were unsure if engaging with COLSIBA would improve or hurt the relationships we had developed for over 40 years with many of the largest and most reputable local unions in Latin America.

Before replying to the invitation, we met with representatives of these major unions and asked about their affiliation with COLSIBA and how they thought we should respond.

At the same time, several outside stakeholders, including the U.S. Labor Education in the Americas Project (US/LEAP), members of the Interfaith Center for Corporate Responsibility, and Danish Coop, a large food retailer, were urging all major banana companies to accept the invitation.

In November 1998, we met with COLSIBA in Guatemala and began a serious dialogue on regional labor standards for banana workers and macroeconomic issues affecting the industry. We established that local issues would be dealt with primarily on the local level between duly elected union leaders and local managers. During 1999, we met with representatives of COLSIBA two more times.

**Watershed Meetings – Miami and San Jose**

By May 2000, the dialogue had widened to include the IUF and several nongovernmental organizations. We were invited, along with other major banana companies, to a two-day meeting in Miami.

Pressing issues identified by the banana unions included:

- Fear that weak market conditions would hurt banana workers most;
- Allegations of improper (and possibly illegal) anti-union activities by the companies;
- Union concerns about poor social protections and lack of freedom of association in Ecuador; and
- Environmental issues affecting worker health.

The concerns that banana companies presented included:

- Weakness in the banana markets due to oversupply;
- Illegal EU banana license regime in place at the time; and
- Pressure from supermarkets for lower banana prices.

The purpose of the Miami session was to create a framework for the entire banana industry. Chiquita and one other banana company met again with COLSIBA and the IUF in 2001 in San Jose, Costa Rica.

**Framework Agreement –  
A Groundbreaking Partnership**

Following the San Jose meeting, Chiquita, the IUF and COLSIBA continued to meet in an effort to negotiate a framework agreement on labor rights. On June 14, 2001, we signed the [IUF/COLSIBA and Chiquita Agreement on Freedom of Association, Minimum Labour Standards and Employment in Latin American Banana Operations](#) at the International Labour Organization (ILO) headquarters in Geneva.

**"New ideas always need pioneers, and you are the pioneers of something that I believe is going to be a part of the way business is going to be run in the future."**

Juan Somavia, Secretary General, International Labour Organization

During the signing ceremony, ILO Secretary General Juan Somavia said: “New ideas always need pioneers, and you are the pioneers of something that I believe is going to be a part of the way business is going to be run in the future.”

In the Agreement, Chiquita reaffirmed its commitment to the core ILO conventions in SA8000 and Chiquita’s Code of Conduct, including freedom of association. Chiquita acknowledged its responsibility to provide safe and healthy workplaces, and the three organizations agreed to collaborate to further improve health and safety at the company’s banana operations.

A joint IUF, COLSIBA and Chiquita review committee meets at least twice a year and oversees application of the Agreement, which does not replace effective local labor-management relations. The review committee only intervenes in allegations of serious or systemic violations of labor rights.

#### Benefits For All Parties

For Chiquita, the Agreement has strengthened efforts to promote our Core Values and Code of Conduct to workers and has had a stabilizing influence on local labor relations in several locations. In Colombia, workers quickly reached a resolution with the company and halted an attempt to publicize and politicize a dispute; and in Guatemala, an offer of mediation from COLSIBA helped to spur the resolution of disputes between local management and workers. Chiquita’s image has also improved significantly, especially among labor advocates and NGOs in North America and Europe.

The Agreement also has benefited the IUF and COLSIBA, enabling them to better serve their members. They report increased international recognition that business and unions can work together to solve shared problems, the ability to gain initial meetings with independent banana producers and a broader knowledge of issues affecting the banana industry as a whole.

#### Looking Ahead

We have begun to convene working groups to address specific issues of common interest. So far, we have convened one group focused on health and safety, and we are discussing the development of a joint training program on effective labor-management relations, for both local labor leaders and company managers.

To date, Chiquita has not achieved any significant marketplace advantage as a result of the Agreement, and this may remain the case until labor issues become a more significant factor in the decisions of global retailers. However, several leading European customers have praised the company’s commitment to labor rights.

We believe the Agreement and the improved relationships that it helped bring about will allow us to operate at lower cost and with less risk of disruption to our business. Over time, we believe that more customers will come to expect their suppliers to demonstrate higher standards of social and environmental performance, which this Agreement will help us achieve.

**“We have seen real progress as a result of the Agreement in a number of Chiquita operations. We need to work hard to confront the serious challenges that remain, particularly with some Chiquita suppliers. I remain impressed with the good faith and serious intent Chiquita has brought to this process and look forward to continuing progress and concrete benefits for our current and future members over the coming months and years.”**

Ron Oswald, General Secretary, International Union of Foodworkers

## INSECTICIDE USE IN FRUIT PROTECTION: SEEKING SAFER ALTERNATIVES

### Background

In any agricultural production in the tropics, the control of pests is important to both productivity and quality. Young banana stems are susceptible to damage from a variety of insects, including mealybugs. Where infestations are severe, we use insecticide-infused plastic bags to protect the fruit. One insecticide commonly used for this purpose is chlorpyrifos. It is the least toxic of all the insecticides registered with the EPA for use on bananas, but may harm the human nervous system if not used properly.

In 2000, the EPA reassessed the risks to humans of chlorpyrifos in light of its widespread use in insecticides, pet care and other home products. In its revised assessment, the EPA retained almost all agricultural use, but restricted significantly the household uses of chlorpyrifos.

### Our Approach

We use several types of pesticides to produce safe, high-quality bananas. Our policy is to apply the least amounts necessary and only the least toxic agrichemicals approved for use on bananas by the EPA and the EU.

The use of chlorpyrifos-infused bags has been common throughout the banana industry for many years. We have found the treated bag to be the safest and most controlled method of application.

The treated plastic is infused with chlorpyrifos in a small dosage, representing about one percent of the bag by weight, or about .256 grams per bag. The bag covers the vulnerable areas of the fruit, provides protection to the banana stem in its early stages of development, and leaves virtually no trace residue on the peel of

the fruit. The use of the infused bag is preferable to aerial spraying or ground application because it directs and limits the application to the target area.

We require that all workers who apply bags wear protective safety equipment, including pants, gloves and long-sleeved shirts, to prevent skin contact and an activated carbon mask to prevent any possible inhalation. Before applying treated bags for the first time, and every three months thereafter, each worker must undergo a blood test to ensure he or she is not at risk from exposure. If we detect any negative change from these tests, the worker may not work with the treated bags. All workers must leave safety equipment at the farms, which have laundry facilities, and shower before going home.

### The EPA and Bifenthrin

Sometimes our policy of only applying EPA-approved products slows our introduction of less toxic alternatives. While we are operating with chlorpyrifos in the most responsible way possible, we believe there is a safer alternative. Our research has shown that a less toxic chemical, bifenthrin, is just as effective at insect control. However, this chemical is currently not approved by the EPA for use on bananas.

Since 1997, we have been lobbying through industry associations for the EPA to review bifenthrin. In 2001, members of the International Banana Association made a presentation to EPA registration officials regarding bifenthrin and its possible uses in banana cultivation. In 2002, the EPA began its evaluation of bifenthrin, and the results should be available by the year-end.

We will begin switching to bifenthrin if and when it receives all required regulatory approvals.

Mealybugs, if left uncontrolled, can destroy months of investment and hard work in producing top-quality bananas.



Workers wear protective equipment while applying insecticide-infused bags to protect banana stems from mealybugs.



**FINANCIAL RESTRUCTURING:  
BALANCING STAKEHOLDER CONCERNS**

In our first corporate responsibility report, issued in September 2001, we described the major factors that led to the company's poor financial performance over the last decade and our January 2001 decision to seek a voluntary restructuring of our parent company debt.

On March 19, 2002, our Chapter 11 debt restructuring plan became effective after Court approval. Under the new plan, Chiquita's new capital structure consists of 40 million shares of new common stock, 13.3 million warrants for the purchase of new common stock and \$250 million of 10.56% Senior Notes due in 2009. The plan reduced our debt and accrued interest by more than \$700 million and our future annual interest payments by approximately \$60 million, giving us a strong balance sheet with renewed growth and earnings potential.

In developing the restructuring plan, our challenge was to achieve a fair balance among the concerns of the many stakeholder groups impacted by the process, including:

- Bondholders — who wanted to be fully compensated, including principal and interest, for the money they had loaned the company;
- Employees — who wanted assurances of continued employment and benefits;
- Business partners — who wanted the company to maintain an uninterrupted flow of quality products and prompt payments for goods and services; and
- Shareholders — who wanted the highest possible recovery of their equity investments.

The table on the following page summarizes our approach to working with each stakeholder group and the impact the restructuring had on them and the company.

Our performance throughout the 14-month restructuring process was a testament to the commitment and hard work of our employees worldwide, the power of our brand and the quality of our relationships. Although the process of restructuring is always difficult, we believe that we achieved the best possible balance among the interests of the company's stakeholders.

BONDHOLDERS	EMPLOYEES	BUSINESS PARTNERS	SHAREHOLDERS
<b>&gt; STAKEHOLDER INTERESTS</b>			
Chiquita had \$861 million of parent company bonds outstanding, including \$86 million maturing in March 2001 that we were unable to pay, plus \$100 million of accrued interest.	Employees' jobs and, in some cases, retirement benefits were dependent on the company's success.	Our customers and suppliers wanted Chiquita to keep its business commitments throughout the debt restructuring. In many countries, lack of familiarity with the U.S. bankruptcy laws caused fears that Chiquita would not be able to meet its obligations for payment or product delivery.	Shareholders owned 78 million shares of old Chiquita common stock and three million shares of old preferred stock.
<b>&gt; OUR APPROACH</b>			
<p>We announced our desire to restructure our public debt and worked with bondholder committees to negotiate an equitable solution.</p> <p>On November 12, 2001, we announced that we had reached agreement with bondholders on a pre-arranged restructuring plan that helped bondholders achieve maximum value for their investments.</p>	<p>When we announced our intention to restructure the debt, we changed our contributions to employee retirement plans from stock to cash to protect employee assets.</p> <p>We restricted our employees from purchasing new Chiquita stock and allowed them to sell any Chiquita stock they received from company retirement plan contributions.</p> <p>We were able to maintain normal operations.</p>	<p>Following our initial announcement, we sent letters to customers, suppliers and business partners assuring them that our operations would proceed as normal.</p> <p>Management met with key customers, suppliers and business partners to explain details of our restructuring process.</p> <p>We continued to communicate clearly and transparently throughout the process.</p>	<p>By issuing warrants to shareholders in addition to new common stock, we enabled them to benefit from share-price increases above the level at which bondholders would earn full recovery of their investments plus accrued interest.</p>
<b>&gt; OUTCOME</b>			
In exchange for the conversion of approximately \$960 million in debt and accrued interest, the bondholders received \$250 million of new debt and 95.5% of the company's new stock, a package considered valuable enough that our prior bonds were trading near par value just before completion of the restructuring.	We experienced average employee turnover.	<p>We made all of our trade payments and met all of our business-related obligations.</p> <p>We did not lose any major customers or suppliers as a result of the debt restructuring process.</p>	<p>Shareholders received:</p> <ul style="list-style-type: none"> <li>2% of the company's new common stock; and</li> <li>Publicly traded warrants to purchase 25% (13.3 million shares) of new stock at \$19.23 per share until March 19, 2009.</li> </ul> <p>The amount recovered by shareholders, though small compared to their original investments, was quite high among Chapter 11 restructurings.</p>



## LATIN AMERICAN BANANA OPERATIONS — 2001

We believe our corporate responsibility efforts are best understood in the context of the countries in which we operate, most of which face difficult challenges in economic and social development. We believe that our performance and the standards by which we operate are important contributors to these countries.

Chiquita's Latin American Banana Operations – 2001	Total Employees	Owned Volume as % of Division Exports	Total Boxes Shipped Including Purch. Fruit (in millions)	Chiquita Exports as % of Country Banana Exports	Total Payroll (in millions)
Santa Marta, Colombia	900	60%	4.4		\$ 4.7
Turbo, Colombia	2,800	81	10.2	19%	15.5
Costa Rica	2,400	40	27.3	30	26.9
Guatemala	2,800	20	19.4	45	13.5
Honduras	3,500	75	11.8	46	16.2
Armuelles, Panama	3,200	85	6.5		15.9
Bocas, Panama	4,200	81	15.9	89	26.9
Subtotal	19,800	55%	95.5	36%	\$ 119.6
Ecuador	30	0	8.8	4	0.4
Nicaragua	10	0	2.3	100	0.1
Total	19,840	49%	106.6	23%	\$ 120.1

Host Country Environments	Total Population (in millions, 2000) <sup>1</sup>	Rural% (2000) <sup>2</sup>	Rural % of Poor Households (1997) <sup>2</sup>	Agriculture as a % of Total FOB Export Value (2000) <sup>3</sup>	Fresh Bananas as a % of Total Exports (2000) <sup>3</sup>	Gross Nat'l Income per Capita (purchasing power parity, US\$, 2000) <sup>1</sup>	Adult Illiteracy Rates (% age 15 and above, 2000) <sup>1</sup>	Rural Pop. Without Access to Improved Drinking Water (in %, 2000) <sup>4</sup>	Rural Pop. Without Access to Improved Sanitation (in %, 2000) <sup>4</sup>	Population Without Access to Health Services (in %, 2000) <sup>5</sup>
Colombia	42	26	54	22	4	6,110	8	27	49	13
Costa Rica	4	50	23	31	10	8,040	4	2	5	3
Guatemala	11	61	72	58	7	3,800	31	12	24	40
Honduras	7	52	80	49	2	2,410	25	18	43	38
Panama	3	42	34	42	19	5,730	8	14	6	18
Ecuador	13	37	NA <sup>5</sup>	28	17	2,940	8	49	63	20
Nicaragua	5	45	NA <sup>5</sup>	65	2	2,100	34	41	32	NA <sup>5</sup>

1 World Bank. (www.worldbank.org)

2 2000 Human Development Report to the United Nations Human Development Programme. (www.undp.org)

3 Economic Commission for Latin America and the Caribbean. (www.eclac.org)

4 Lack of access to potable water sources or sewage disposal services. World Health Organization. (www.who.int)

5 No information was reported.

## MANAGEMENT STRUCTURE

Jeff Zalla serves as Chiquita's corporate responsibility officer, a role he has held since its creation in May 2000. He reports to the chairman and chief executive officer and to the audit committee of the board of directors.

Corporate responsibility at Chiquita depends on the support and dedication of our senior management team and senior operating managers, who provide the leadership behind our efforts.

### Senior Management Team



**Jill Albrinck**  
Vice President,  
Strategy and New  
Business Development



**Cyrus Freidheim**  
Chairman and  
Chief Executive Officer



**Bob Kistinger**  
President and  
Chief Operating Officer  
Chiquita Fresh Group  
Worldwide and  
Chiquita Fresh  
North America



**Barry Morris**  
Vice President,  
Human Resources



**David Ockleshaw**  
President and  
Chief Operating Officer  
Chiquita Processed  
Foods



**Bob Olson**  
Senior Vice President,  
General Counsel and  
Secretary



**Jim Riley**  
Senior Vice President  
and Chief Financial  
Officer



**Jeff Zalla**  
Corporate Responsibility  
Officer and  
Vice President, Corporate  
Communications

### Senior Operating Managers



**Jeff Brown**  
Vice President  
Worldwide Logistics



**Peter Horekens**  
President and Chief  
Operating Officer  
Chiquita Fresh Europe



**Charles (Buck) Keiser**  
Senior Vice President,  
North American  
Banana Sourcing  
Chiquita Fresh Group



**John Ordman**  
Senior Vice President,  
European  
Banana Sourcing  
Chiquita Fresh Group



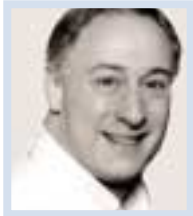
**Craig Stephen**  
Vice President, Far and  
Middle East, Australia  
and Asia Region  
Chiquita Fresh Group



**Jim Wiley**  
Vice President,  
Non-Banana Sourcing  
Chiquita Fresh Group

A Steering Committee of managers from across our business units meets monthly to coordinate and guide our corporate responsibility efforts.

#### Steering Committee\*



**John Goldberg**  
Manager, Community  
Involvement



**Adrian Guzman**  
General Manager  
Bocas, Panama,  
Banana Division  
Chiquita Fresh Group



**Bethany Heath**  
Senior Manager,  
Corporate Responsibility  
Worldwide Logistics



**Mike Hull**  
Plant Manager  
Chiquita Processed  
Foods



**George Jaksch**  
Director, Corporate  
Responsibility and  
Public Affairs  
Chiquita Fresh Europe



**Joann Jones**  
Director, Human  
Resource Development



**David McLaughlin**  
Senior Director,  
Environmental and  
Regulatory Affairs



**Sherrie Terry**  
Vice President,  
Marketing  
Chiquita Fresh  
North America

\* The Steering Committee also includes Barry Morris and Jeff Zalla (photos on page 39).

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