

social and environmental assessment 2004  
ONE SCOOP at a time.



**BEN & JERRY'S**





## t.o.c.

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# social auditor's letter 2004

The social auditor's job is to review a company's social and environmental performance and to render an assessment. Unlike financial reporting, however, there are no generally accepted accounting and auditing standards on which the auditor and the reader may rely. There are as many different approaches to social auditing as there are firms and individuals conducting such audits. I prefer to use the term "review" instead of "audit."

In 2004, as in every year beginning in 1996, my review has focused on Ben & Jerry's own self-assessment of how well it did in staying true to its three-part mission. Although the format has changed every so often, over the years the company has evolved an approach to this self-assessment that involves a critical self-examination of the impact of its actions on consumers, employees, franchisees, the environment and communities in which Ben & Jerry's has a presence. (Before its acquisition by Unilever, Ben & Jerry's also reported on the impact of its actions on shareholders.) Few companies have been as open about their operations, and fewer still have been as self-critical.

My review of the company's 2004 self-assessment includes analysis of the report that follows this letter, supplemented by meetings with senior managers and other employees, and examination of other reports and data made available to me at my request. I have been given free rein to speak with anyone I wish to interview and to address in my review any matter I consider worthy of attention. While technically my review is limited to calendar year 2004, the perspective I bring to bear is informed by what I've learned about Ben & Jerry's business and its culture over the years.

As I noted in the conclusion of my analysis for 2003, having spent three years

restructuring and reorganizing its business, Ben & Jerry's entered 2004 with an opportunity to strengthen its commitment to its Social Mission by creating a "broader, bolder vision of how it can leverage its reputation and its expertise to advance its Social Mission." At the end of 2004, the company's own self-assessment makes it quite clear that Ben & Jerry's decided instead to follow a much more conservative course. There were some successes such as the introduction of Fair Trade Certified™ coffee into all of Ben & Jerry's coffee-based flavors, and some shortfalls. But, with the notable exception of international operations, where Ben & Jerry commitment to community is being activated on a global scale, there were few new Social Mission initiatives, and none that could be called bold or strategic.

## International Business

On the plus side, 2004 was a very good year for Ben & Jerry's international business. In partnership with Unilever entities in Europe and elsewhere, Ben & Jerry's turned in strong economic performance. Especially in Europe, Unilever partners embraced the Social Mission and were able to adopt it creatively to a variety of local market conditions with initiatives such as country-specific community action projects, the launch of a sustainably produced milk initiative and the transition of its manufacturing facility in the Netherlands to green energy. That said, the full impact of Ben & Jerry's influence in the area of values-led business has yet to be demonstrated in its operations abroad.

Commitment to Social Mission initiatives in Europe was bolstered by the decision in late 2004 to hire the first Social Mission Manager to coordinate Social Mission activities in Europe while reporting to Ben & Jerry's in Vermont. International appears to be the one area of the company's operations in which new Social Mission initiatives are underway.

## Environmental Management

Ben & Jerry's can be proud of its environmental record in 2004. In 2004, as in years past, the company delivered outstanding performance in working to reduce harmful impacts on the environ-

ment. It exceeded its goals in reducing wastewater at its two Vermont manufacturing facilities. It continued to make progress in using energy more efficiently. It significantly reduced high-strength dairy waste at its St. Albans plant and, to a lesser degree, at its older and smaller Waterbury plant. For the third consecutive year, both plants had a 100 percent regulatory compliance record.

Also in 2004, Ben & Jerry's continued to support research on sustainable dairy farming practices and on new eco-friendly refrigeration technology that could have significant environmental impacts in the future.

## Retail Operations

Ben & Jerry's opened a record number of retail Scoop Shops in 2004. The growth in retail operations strongly suggests that, after many years of struggle, the company has developed a viable retail strategy. The absence of litigation between Ben & Jerry's and its Scoop Shop franchisees in 2004 and over the years evidences a level of trust and fair dealing that is often absent in the heavily franchised retail food industry.

In contrast, the PartnerShop Program continued to struggle in 2004. Initiated 18 years ago as a vaguely defined effort to partner with non-profit groups, the PartnerShop Program experienced a number of disappointments in 2004. The company has now decided to devote more resources to working more closely with existing partners that have expertise in job training and youth development. Despite the many frustrations and setbacks, Ben & Jerry's remains committed to this unique program.

## Employees

Four years of restructuring—including hundreds of layoffs and the closing of two facilities—have severely damaged morale for those who are still at Ben & Jerry's. Strong evidence of low morale is apparent in the results of a 2004 companywide employee survey, in which more than 90 percent of employees participated.

The survey results show that employees continue to give the company high marks in some areas—for its benefits, for exam-

ple, and for its stated commitment to social responsibility and environmental protection. But a number of responses indicate a low level of confidence that Ben & Jerry's will remain committed.

- Only about a third of employees gave the company favorable ratings for fulfilling its three-part mission.
- Fewer than half expressed confidence that Ben & Jerry's will continue to uphold its commitment to values.
- Fewer than a third said they are able to question decisions they think are wrong.
- Only 30 percent said Ben & Jerry's remains true to its roots and origins.
- Only 45 percent said that Ben & Jerry's top management takes the social mission seriously.

Overall, the survey results show that morale is stronger in the plants than at the South Burlington Central Support facility, where 35 percent of respondents say they are seriously thinking of leaving the company.

On a more positive note, the decision in 2004 to fund a defined benefit pension plan for all employees deserves special mention. This is in addition to the already generous benefits Ben & Jerry's provides to all employees.

### Suppliers

Ben & Jerry's continued to support its traditional socially aligned vendors in 2004. This included expanded purchase of rBGH-free milk and cream from the St. Albans, VT Cooperative; brownies from New York's Greyson Bakery, which provides job training and employment opportunities to at-risk individuals; and coffee, vanilla and other ingredients from various other socially aligned vendors.

Regrettably, Ben & Jerry's suspended its supplier diversity program in 2004. The stated reason was that "redirected priorities, staffing changes and cost savings mandates had made it impossible to continue the program." While Ben & Jerry's may continue to purchase some items from minority vendors, the decision to suspend the program is a backward step and an unfortunate precedent. It can fairly be asked whether other social mission objectives will be dropped for the same reasons.

### Philanthropy and Community Involvement

Ben & Jerry's maintained its strong tradition of philanthropy<sup>2004</sup>. Guided by an independent board whose members include co-founder Jerry Greenfield, the Ben & Jerry's Foundation continued to support programs that focus on children and families, sustainable agriculture, and other initiatives that advance the company's social mission. Employees continue their involvement in giving decisions; an employee committee participates in foundation grant making, and, separately, employees at each of the three Vermont facilities comprise Employee Action Teams that make grants to community-based nonprofit groups.

Ben & Jerry's also continued its traditional community involvement programs at its Vermont locations, and it expanded these efforts abroad in 2004. For many Vermont-based employees, particularly those in the St. Albans and Waterbury plants, community involvement remains the company's strongest expression of social responsibility.

### Conclusion

Overall, 2004 was a year in which Ben & Jerry's largely maintained its previous Social Mission commitments. Retail operations expanded in North America and abroad, providing new opportunities for expression of Social Mission, but otherwise there were few new initiatives.

For the first several years after it was acquired by Unilever, Ben & Jerry's focused on getting its business model right. In 2004, the company had the opportunity to shift focus to new Social Mission initiatives. The official introduction of Fair Trade Certified coffee extract was a positive step that will hopefully indicate expanding opportunity and commitment in the area of "socially aligned sourcing." And continued support for the organic flavors rolled out in 2003 is encouraging. Overall, however, the absence of new Social Mission initiatives is disappointing, given the economic successes the company is now enjoying.

Perhaps the most important development of 2004 affecting Ben & Jerry's Social Mission was the completed reorganization of its business structure, including sales, operations, and the announcement

of changes to come in finance and information systems. As the year closed, the departure of CEO, Yves Couette, was announced and Unilever renamed the role as General Manager/ Chief Euphoria Officer, reflecting the change in the organizational structure of the business.

While this restructuring may be justified in terms of economic efficiency, it is a perilous move in so far as the Social Mission is concerned. Key decisions will now involve the North American Ice Cream Group in Green Bay, Wisconsin, which has no demonstrated commitment, and no track record, in supporting the Social Mission. This creates enormous reputational risks if Ben & Jerry's fails to live up to its three-part mission in the future.

It remains to be seen whether this new structure will give the business sufficient control over all functional elements to deliver against the Company's three-part mission statement. The next year will define whether Ben & Jerry's is a company operating in alignment with its Statement of Mission, or simply a Unilever marketing operation using the brand's reputation for social responsibility to promote sales.



James E. Heard

## fire and ice [cream]

To help raise money for the NYC Fire & Emergency Relief Fund, Ben & Jerry's shops in Fort Myers, Bonita Springs and Naples, Florida, hosted a special "honorary scooper" event, inviting local firefighters to serve up free scoops of Ben & Jerry's in exchange for donations to the Fund. Marching bands in Bonita and Naples and a great singing group in Fort Myers provided festive tunes to spur the firefighters' efforts; by the end of the 2-hour event, donations totaled \$3242.





## ceo statement

**Putting** together the annual Social & Environmental Report prompts us to open our eyes and look inward at our successes, shortfalls and milestones along the road to where we are today.

For my family and myself, the road now leads home to France where I have accepted another position with Unilever as Senior Vice President of Global Beverages. After four years in the role of Chief Executive Officer, I am overwhelmingly grateful for the dedication, inspiration and support of the team here at Ben & Jerry's that has kept their shoulder to the wheel in the course of transition and unprecedented change.

And what a transition it has been.

Very little about the last four years has been easy. We've focused intensely on the economics of this business and its contribution to a collective competitive edge across Unilever's total business. These have been years of growth and learning as we've closed doors and opened new ones, forged fresh relationships, tapped unexplored strengths and taken on a diversity of opportunities. Success has been hard work and hard-won. It has been worth it.

In 2004 we celebrated a robust business year of unparalleled results, not only meeting, but also exceeding our economic objectives. We grew our top line impressively and improved market share. Sales in 2004 increased by 19% over 2003 levels, surpassing even our own performance expectations for the year by 5%. As of early 2005, the trend appears to be on a positive track and gaining strong momentum.

Thanks to the power of the brand and tenacity of an exceptional management team, Ben & Jerry's franchised Scoop Shop network saw solid growth of 23% with 106 new Scoop Shops opening across the country. Our international efforts, as well, showed a marked upturn in 2004, celebrating a 19% increase in 2004, and a Ben & Jerry's presence now in 14 countries beyond the US.

As to our quality mission, we welcomed an 18% drop in consumer complaints on our regular pint flavors, making essential headway in quality consistency. And we applauded our inspired product developers who delivered on aggressive targets, with 23% of total sales

in 2004 coming from products newly introduced in the last two years.

Yet, even in the midst of critical economic considerations and, thanks to so many untiring keepers of the flame, we continued to uphold Social Mission commitments that look to integrate environmental and societal concerns into Ben & Jerry's day-to-day operations.

Our stance on rBGH-free products was upheld, along with our longstanding relationship with Ben & Jerry's dairy supplier, the St. Albans Cooperative. In fact, in 2004 some 59% of Ben & Jerry's ingredient and packaging dollars (a 10% increase over 2003) were spent on companies whom we see as aligned with our values. And we were delighted at last to take the necessary steps to transition all of our coffee extract purchases to Fair Trade Certified™, displaying the Fair Trade Certified™ logo on our coffee flavor pints. PartnerShops®, Ben & Jerry's franchised Scoop Shops owned and operated by nonprofit organizations, consumed our attention in 2004. In 2005 the program will benefit not only from revised screening criteria and enhanced support systems, but from the attention of a dedicated cross-departmental team that will explore alternatives for moving PartnerShops® and sister models toward a more solid base of self-sufficiency.

Our passion for exploring alternative refrigeration techniques led to a partnership with Penn State. On Earth Day of 2004, we jointly presented the first working ice cream cabinet powered by sound waves instead of environmentally harmful gases such as HFCs and CFCs. In Europe, our production plant led the way as the first industrial facility in the Netherlands to convert 100% of its electricity to green energy. We pooled our resources to launch "Caring Dairy," an innovative project in Holland, that is similar to our US project, which brings Ben & Jerry's, Unilever, industry and trade, academia, nonprofits and local farmers together to brainstorm and implement model standards for sustainable dairy production. At home, we revisited our own goal of a 10% reduction in carbon load emissions by 2007.

We acknowledged that the target will be a stretch, but at the same time, we agreed to assess the challenges in hopes of driving innovation.

Our Lick Global Warming Campaign moved ahead, raising awareness about immediate action to help stop Global Warming. We partnered with the non-profit Rock the Vote, concocting a new flavor with a "get out the vote" message. And we dedicated staff, scoop trucks, a mini-festival in Burlington, Vermont, and a website that helped them register 1.5 million people to vote in the pivotal election of 2004.


To be sure, the events of 2004 were not without intense impact on the organization. In the course of economic overhauls and structural simplifications, jobs were severed, resources re-allocated, and many dedicated people left Ben & Jerry's. Those staying offered concerned responses on our 2004 employee survey that helped us understand the current environment. Their thoughtful insights and candid feedback clearly called for, as a highest priority going forward, directions that will nourish creativity, reward commitment and re-energize the spirit.

I believe that Ben & Jerry's is today ideally positioned to move forward with a values-driven vision as a continuing leader in business and a catalyst for progressive social and environmental change. For that I'm grateful to all—staff, franchisees, international partners, consumers, customers, suppliers and the community who have offered unfailing support and encouragement. I intend to keep a close watch in anticipation of hearing great things about this Company. And I am thankful to have been, at one time, part of the Ben & Jerry's adventure.

I wish you all the best.



**Yves Couette**



## introduction to the social & environmental assessment

**This** year, as in others, we rallied around a number of directions for our visual theme and landed where we could all agree. 2004 was a year for Retail Operations. Our franchise network made heroic headway and grew to represent Ben & Jerry's in increasingly broader segments of the population, welcoming like-minded new shop owners and managers to activate the brand's Social Mission in their own innovative ways. We're extremely fortunate to have as owners people with addresses around the world, who, with their hardworking teams, are dedicated, committed and serious about relationship-building and sharing values in their communities.

Our first Social Performance Report was published in 1989 and our first Environmental Report was published in 1993 using the CERES format. For this year's effort, we invited candid commentary from the Consumer Product Stakeholder Team of CERES. Together, page-by-page, we scrutinized their sharp-eyed findings and made changes in some places and added explanations in others. Combining the different interests and observations of their team enhanced our reporting experience and crafted a better tool, as much for you to learn about us, as for us to drive our own momentum.

In 2002 we began using the Global Reporting Initiative (GRI) format for our Social & Environmental Report. While we continue to find their guidelines helpful in supporting uniformity and scope of content, we discovered ourselves devoting more meetings than seemed efficient to adapting our content to GRI's format. So this year, we re-allocated time and energy to telling our story and, rather than organizing our content in GRI sequence, have included an index referencing the GRI guidelines to help you find information that is relevant.

James E. Heard, Vice Chairman of Institutional Shareholder Services, Inc., has again interviewed our senior management and key staff members for the purpose of reviewing this report with a letter of external verification. Now in his ninth year of providing an independent perspective on the quality, accuracy, integrity and accessibility of our report, Jamie brings us a more objective and up-front look at how we're doing, as well as an added measure of accountability. We are grateful for his opinions.



**In** late July, Unilever, our parent company, launched One Unilever, a global effort intended to ease the complexities and costs across all operating companies of their expansive international structure. At the same time, it also drove unprecedented change at Ben & Jerry's and reinvented much of our structure in the form of significant and difficult reductions in headcount.

During the year, we underwent the progressive integration of our Sales teams and Supply Chain group into North American Ice Cream (NAIC), which is comprised of Ben & Jerry's, Good Humor, Breyers, Klondike and Popsicle. There were additional restructuring and staff reductions within our Finance and Information Systems departments. The small teams that will remain in Vermont to support the brand's marketing, development and retail and international business will either report to or work closely with NAIC.

Over the past four years, Yves Couette, Ben & Jerry's CEO since 2001, stewarded the Company through a number of critical changes with a focus on the eco-

nomics of strengthening our business and positioning for future growth. At year-end, Yves accepted a new assignment as Unilever Category Senior Vice President for Beverages, returning to Paris, family and friends. We welcomed his experience and commitment that put the brand on track and had us gaining momentum financially. And we enjoyed his instantaneous attachment, not only to the team here, but to Vermont as his newly, if briefly, adopted home.

With Yves' departure, the new role of Chief Euphoria Officer went to Walt Freese, Ben & Jerry's former Chief Marketing Officer. Continuing to lead the brand's marketing efforts, he will head up Ben & Jerry's senior leadership team and MOM (Managers of the Mission), and play a key role representing Ben & Jerry's on the NAIC Executive Committee, which oversees Unilever ice cream operations in both the US and Canada.

While Walt becomes the ultimate guardian of our tradition of values, he will meet quarterly, as did Yves, for feedback and solid counsel from our external Advisory Board. They are wholeheartedly invested in the work of doing well by doing good, and bring to the table much welcomed objective and varied perspectives to round out and energize our own thinking. We have a Head of the Social Mission who is charged with lighting fires within every department to spark passion for integrating progressive values-based thinking and action into our operations and practices. Beyond simply management, all who work here are asked to commit to a personal Social Mission target. This can be just about anything from volunteer work in their home community to contributing heart and soul to brainstorming novel ways of making ours a balanced and happier workplace.

Above and beyond all manner of transition we've experienced to date, our appetite for ice cream concocted around a core commitment to the social and environmental values we believe in has not, and will not, be changed. Neither will our hallmark home base in Vermont, our marketing quirks and campaign adventures or our passion for reinventing ice cream at its very best.

# 4

our company statement of mission

We have a statement of mission nearly as old as our brand. When people ask, as they often do, how we make our daily decisions and what we mean by “values-led business,” we point out our Mission Statement, the glue that holds things together - campaigns and causes, benefits, best practices and business decisions, platforms, position statements and projects of every kind. We find that the more we focus, the better we fare. So over the years, we’ve pinpointed the essentials that mean the most to us and to the brand.

## LEADING WITH PROGRESSIVE VALUES

### *Economic & Social Justice:*

We recognize that capitalism and the wealth it produces fail to provide oppor-

tunity for everyone equally. We look to create economic opportunities for those who have been denied them and to advance new models of economic justice that are sustainable and replicable. Our collaborative efforts with Greyston Bakery and with our PartnerShop® owners tell an interesting story of where we have found traditional business resources that can be used to support economic and social change in our communities.

### *Eliminating Negative Impact on the Environment:*

By definition, the manufacturing of products creates waste. We strive to minimize our negative impact on the environment through projects that look to assess and address the environmental impact of our practices from packaging to manufacturing, distribution and working habits at all of our locations; through a commitment to support sustainable agricultural practices; and through partnerships with likeminded individuals, companies and enterprises such as suppliers and nonprofit organizations, many of whom we rely on for information and assistance. In 2002, for example, we entered into a partnership with NativeEnergy, a business dedicated to

providing clean energy options to companies.

### *Generosity Toward the Communities in Which We Do Business:*

We strive to show respect for human beings inside and outside our Company and for the communities in which they live. Ben & Jerry’s divides its philanthropic pool of funds between the Foundation, Corporate Philanthropy and employee Community Action Teams (CATs) at each Ben & Jerry’s manufacturing and administrative site in Vermont. CATs make small grants to community organizations within Vermont and coordinate hands-on staff volunteerism to community-based projects and social change initiatives.

## COALITION FOR ENVIRONMENTALLY RESPONSIBLE ECONOMIES

In 1992 Ben & Jerry’s signed the CERES Principles which indicated our belief that we have a responsibility for the environment. The ten principles indicated that we will operate all aspects of our business as responsible stewards of the environment by operating in a manner that protects the earth:

### *Protection of the Biosphere*

*We will reduce and make continual progress toward eliminating the release of any substance that may cause environmental damage to the air, water, or the earth or its inhabitants. We will safeguard all habitats affected by our operations and will protect open spaces and wilderness, while preserving biodiversity.*

### *Sustainable Use of Natural Resources*

*We will make sustainable use of renewable natural resources, such as water, soils and forests. We will conserve non-renewable natural resources through efficient use and careful planning.*

### *Reduction and Disposal of Wastes*

*We will reduce and where possible eliminate waste through source reduction and recycling. All waste will be handled and disposed of through safe and responsible methods.*

### *Energy Conservation*

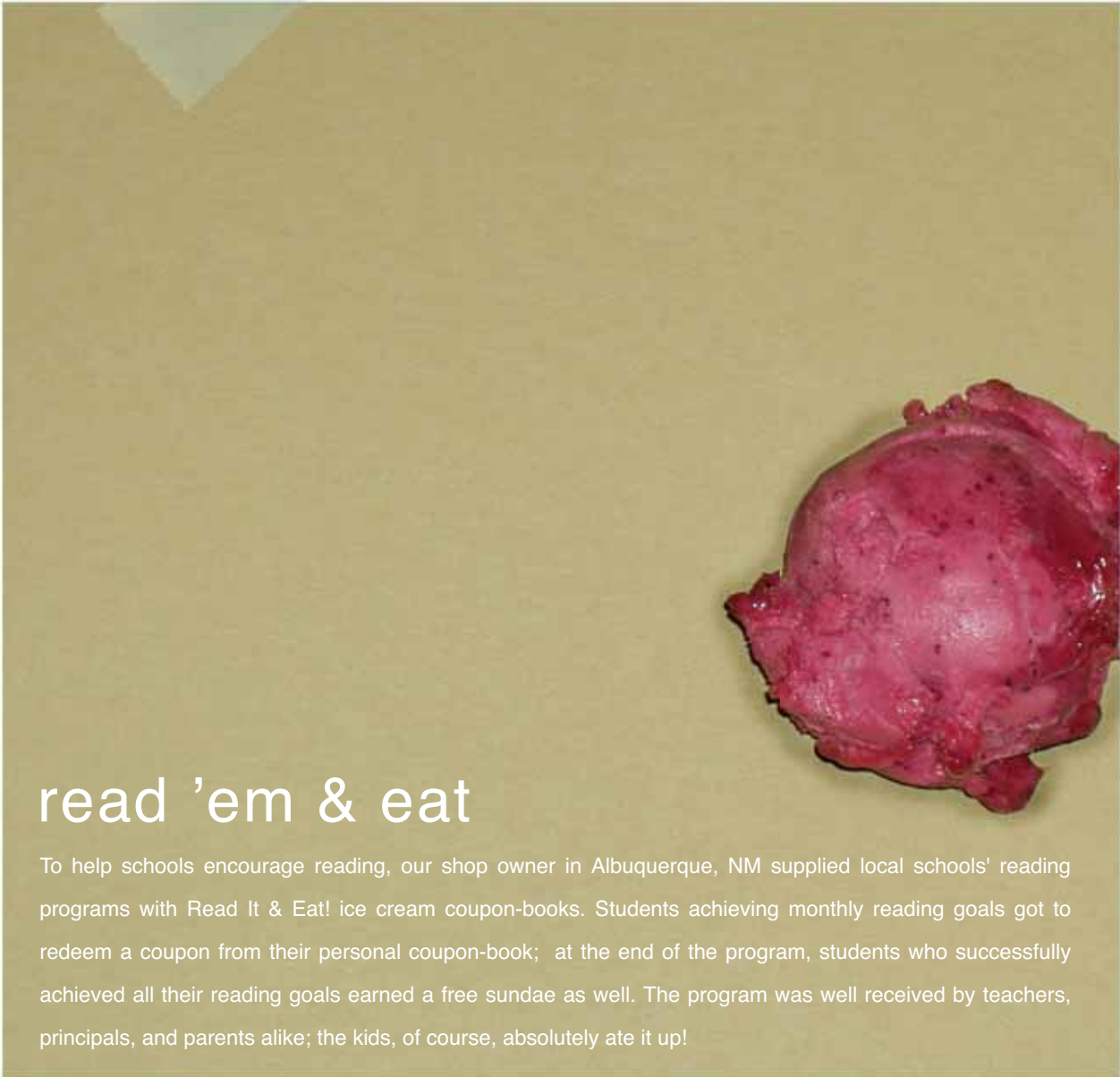
*We will conserve energy and improve the energy efficiency of our internal operations and of the goods and services we sell. We will make every effort to use environmentally safe and sustainable energy sources.*

## STATEMENT OF MISSION:

Ben & Jerry’s is founded on & dedicated to a sustainable corporate concept of linked prosperity. Our mission consists of 3 interrelated parts:

PRODUCT	ECONOMIC	SOCIAL
To make, distribute & sell the finest quality all natural ice cream & euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients & promoting business practices that respect the Earth & the Environment.	To operate the Company on a sustainable financial basis of profitable growth, increasing value for our stakeholders & expanding opportunities for development & career growth for our employees.	To operate the Company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally & internationally.

CENTRAL TO THE MISSION of Ben & Jerry’s is the belief that all 3 parts must thrive equally in a manner that commands deep respect for individuals in & outside the Company & supports the communities of which they are a part.



# read 'em & eat

To help schools encourage reading, our shop owner in Albuquerque, NM supplied local schools' reading programs with Read It & Eat! ice cream coupon-books. Students achieving monthly reading goals got to redeem a coupon from their personal coupon-book; at the end of the program, students who successfully achieved all their reading goals earned a free sundae as well. The program was well received by teachers, principals, and parents alike; the kids, of course, absolutely ate it up!



### *Risk Reduction*

*We will strive to minimize the environmental, health and safety risks to our employees and the communities in which we operate through safe technologies, facilities and operating procedures, and by being prepared for emergencies.*

### *Safe Products and Services*

*We will reduce and where possible eliminate the use, manufacture or sale of products and services that cause environmental damage or health or safety hazards. We will inform our customers of the environmental impacts of our products or services and try to correct unsafe use.*

### *Environmental Restoration*

*We will promptly and responsibly correct conditions we have caused that endanger health, safety or the environment. To the extent feasible, we will redress injuries we have caused to persons in communities near our facilities. We will not take any action against employees for reporting dangerous incidents or conditions to management or to appropriate authorities.*

### *Informing the Public*

*We will inform in a timely manner everyone who may be affected by conditions caused by our company that might endanger health, safety or the environment. We will regularly seek advice and counsel through dialogue with persons in communities near our facilities. We will not take any action against employees for reporting dangerous incidents or conditions to management or to appropriate authorities.*

### *Management Commitment*

*We will implement these Principles and sustain a process that ensures that the Board of Directors and Chief Executive Officer are fully informed about pertinent environmental issues and are fully responsible for environmental policy. In selecting our Board of Directors, we will consider demonstrated environmental commitment as a factor.*

### *Audits and Reports*

*We will conduct an annual self-evaluation of our progress in implementing these Principles. We will support the timely creation of generally accepted environmental audit procedures. We will annually complete the CERES Report, which will be made available to the public.*

**Ben & Jerry's** Homemade, Inc., a wholly-owned subsidiary of Unilever, is a Vermont-based corporation which manufactures and markets super premium ice cream, frozen yogurt, ice cream novelties and sorbet. Our products are produced in pints, 500 ml cups, 2.4-gallon tubs, single-serve cups and individual novelties. Ben & Jerry's products are distributed nationwide and internationally in supermarkets, grocery stores, convenience stores, Scoop Shops, restaurants and other venues.

Ben & Jerry's franchises Scoop Shops in both the US and Canada. Outside North America, Ben & Jerry's products are marketed and distributed by affiliated companies within Unilever and by some third party licensees in Israel and South Korea.

At the end of 2004, Ben & Jerry's employed 522 staff members worldwide as compared to 498 worldwide in 2003. The increase in staff is due to added manufacturing jobs at each of our plants.

## **YEARLY REVENUE**

As a wholly-owned subsidiary of Unilever, Ben & Jerry's is part of a larger multinational publicly-traded business. For the purpose of this report, the Company reports financial results based on an annual revenue reporting range provided by the Global Reporting Initiative (GRI). For 2004, Ben & Jerry's revenue was between \$200–\$500 million.

## **(5.1) OPERATIONS**

2003 brought numerous transitions to our manufacturing facilities. We closed our Springfield, Vermont, plant early in the year and then our Distribution Center in Bellows Falls, Vermont, in the fall. The resulting changes in Company operations were significant and, in many ways, difficult. Fortunately, we were able to find

other companies to occupy the spaces that our decision to close left behind and, most importantly, offer employment to many of the people whose jobs would otherwise have been lost. At the same time, our St. Albans manufacturing site underwent a major expansion that included a frozen warehouse and a bulk container line. This led to the creation of new jobs there.

In 2004 our supply chain group underwent significant restructuring to improve efficiencies between Ben & Jerry's and Good Humor-Breyers. Through the reorganization, there were changes made to the Materials and Logistics groups, which included management of the supply chain, and resulted in those functions reporting directly into Good Humor-Breyers. While the Quality team remains in Vermont, the Director of Quality will be moving to Good Humor-Breyers' head office in Wisconsin to oversee the North American Ice Cream (NAIC) quality program. The Health & Safety Manager also reports into Good Humor-Breyers. And the Manager of Natural Resources Use reports to Ben & Jerry's Senior Director of Human Resources.

Though the integration of these positions has been challenging, and resulted in the loss of three positions in Vermont, it did provide yet another opportunity for Ben & Jerry's and Good Humor-Breyers to work together towards innovative solutions. We like to think that our back-and-forth information sharing had a hand in influencing Good Humor-Breyers to take on their community project of building a playground in their Huntington, Indiana, manufacturing plant neighborhood. Their team-based approach to business is called "Keys to Enterprise," and now references, as one of its key indicators, the inclusion of community involvement into annual management strategies.

In 2004 Ben & Jerry's also began producing certain Good Humor-Breyers lines at our plant in St. Albans. The addition of Good Humor-Breyers production to our own helps optimize the St. Albans facility's productivity, while generating needed additional capacity for Good Humor-Breyers. At the same time, increasing volume contributed to the idea of "extended runs," or making ice cream for long periods of time without shutting

down operations. The results were helpful to the business in many ways and reduced utility usage, water and chemicals, eliminated many Saturdays, and provided those employees who wanted to work overtime with the hours they desired. This new schedule also reduced the number of “seconds” the plant produced (product that does not meet our strict quality standards).

While the schedule certainly boosted efficiencies, there is still room for improvement. The Plant management agrees that too much product is destroyed or handled too many times, thus reducing optimal efficiency rates. The plant has a goal to reduce the amount of product that is destroyed and to find ways to more efficiently handle product.

## (5.2) INTERNATIONAL International Business Development (Outside of US & Canada)

On the international front, 2004 was our third consecutive year of strong growth and major improvement in gross margins. Overall, our international revenue increased over 40% in current U.S. dollar terms, including the currency appreciation of the Euro and Sterling versus the U.S. Dollar. In constant currency terms (Euros and Sterling), our revenue growth in Europe was 19% and our worldwide international growth (excluding USA and Canada) was 19%, including rapid growth in Singapore, Hong Kong and Mexico.

## Our Social Mission in International Markets

We’ve traveled some distance to find our way in international markets and, today, the road map is clear. We designed an expansion system that we call the “1st Key Principle.” This system enlists Unilever Chairmen within our target countries to “handpick” Ben & Jerry’s Brand Champions. They believe that these local people will help to build the brand and support our commitment to values-led business wherever we trade, through their business acumen, appreciation of their country’s culture, and their commitment to social and environmental change. Our new international partners energize our overseas expansion with the

advantage of their in-country focus and experience. And to our home team, they bring a much-needed outward looking perspective that helps translate the best of Ben & Jerry’s, Vermont, and Social Mission in meaningful ways across many cultures.

Our challenge more than ever, at home and abroad, is to capture the essence of what it means to lead our business with progressive values. We’re learning more about the terrain for Corporate Social Responsibility beyond U.S. borders. In a number of areas, the opportunities for progressive social action internationally are significantly different from those at home, considering the involvement, in many countries, of government, legislation, trade unions, etc. In the U.S., for example, we continue to demand milk and cream from cows untreated with rBGH while the use of rBGH has been banned in Europe for a number of years. We’re told by our friends at Business for Social Responsibility (BSR), [www.bsr.org](http://www.bsr.org), that Corporate Social Responsibility in Europe is said to be those business decisions and actions that extend above and beyond what is required by law. Our Social Mission challenge going forward is to understand and act on areas where we can optimize our business resources to be at the forefront of progressive social and environmental change, wherever we do business.

In the process of international expansion, we’re learning something about ourselves. As much abroad as at home, Ben & Jerry’s Social Mission develops better through the human touch than through the corporate system. In countries where we have dedicated Brand Champions leading our brand and Social Mission development, (such as the UK, Netherlands, Belgium, France, Germany, Spain, Sweden, Mexico, Hong Kong and Singapore), activities and projects that translate our values into community action are strong. You can read about these projects further in this report. But where, instead of a dedicated Brand Champion, a Unilever affiliate company or third-party distributor oversaw the establishment of our brand without appointing a dedicated Brand Champion, as was the case in 2004 in Switzerland, Iceland, Malta, Ireland and Jamaica, we saw little development in the area of

Social Mission. With the support of our sister companies in those countries, we’ll look to address the shortfall during 2005.

## Improving Our Processes for Social Mission Worldwide

Among the learnings we brought home in 2004 were a number of reminders that across national cultures, values and their locally legitimate expressions can sometimes be jarringly different from our own in the USA. In December, for instance, a much-loved and aging Dutch convent of Augustinian nuns, who have served the homeless community in the heart of Amsterdam’s red light district for decades, rolled up their sleeves and went to work in search of an enterprising solution to their troubled finances. The homeless people of this community, anxious to support their friends at the convent and ensure that their care of the Amsterdam homeless would continue, volunteered to support a plan to present themselves as “ambassadors” for the Augustinian convent. Together, they kicked off a campaign that involved recruiting sponsorship of local businesses whose logos would appear on warm winter coats that the homeless would welcome and wear around town.

When asked for their commitment, our Ben & Jerry’s colleagues in Amsterdam didn’t hesitate to get involved. They were impressed with the enthusiasm and drive of Sister Witlox, Head of the Convent, and with the support that the homeless community showed for this program. We’re told that Sister Witlox and the nuns, along with the homeless volunteers, were grateful to Ben & Jerry’s for being the first to help kick off their coat program. The reaction was instantaneous from the public and the media, at home and abroad.

While the Dutch press supported what they called “progressive” and “socially-responsible” advertising, stateside we heard from consumers and media who were angered and saddened by what they saw as our Company’s exploitation of the homeless. In the U.S. we respected the good intentions of our Netherlands colleagues and

debated the moral pros and cons of the “coats” initiative. We were reminded of the proverb that says, “A house full of people is a house full of different points of view.” On both sides of the ocean, we committed to improving our communication, particularly when traveling on uncharted roads.

### Manufacturing In Hellendoorn, Netherlands

2004 was a solid year for cost savings on international transport and import duties, while reaching full-scale operations at Ben & Jerry’s production line in Hellendoorn, Netherlands. We engineered a number of efficiency improvements in production and supply chain that resulted in significantly increased gross margins for our European business. They, in turn, funded higher 2004 levels of promotional support to accommodate our trade partners, profitable growth to reward our shareholders, and the growing investment needed in staffing, brand-building and Social Mission to build our values-led business and brand equity.

Hellendoorn’s leadership team launched a number of initiatives intended to positively impact social and environmental change in the community:

- The Hellendoorn team partnered with De Reggeberg, a community school that focuses on emotionally challenged children. Students were invited to the factory for an ice cream making adventure, while faculty members teamed up with the plant’s leadership team for a day of staff training seminars and mutual information sharing.
- Through an agreement with Dutch energy supplier, Essent, effective January 1, 2004, our Hellendoorn plant became the first industrial facility in the Netherlands to convert 100% of its electricity purchases to energy produced from renewable, non-polluting energy sources (wind power, biomass and hydro-electric generation). The premium we paid for the plant’s green electricity uses in 2004 was significant, and the agreement with Essent included capital investments toward increasing energy efficiencies to offset the premiums paid.

### Free-Range Eggs

We care about family farms, animal welfare and the environment. Consumers familiar with our brand know we believe strongly that food production works best for people, animals and the environment when it occurs on family farms in rural communities. While our heritage as a brand has been to make small family farmers our first priority, we’ve tried to source ingredients that reflect our serious commitment to animal welfare and the environment. That challenge was magnified when we began producing Ben & Jerry’s for the European market in Hellendoorn. We’ve worked steadily since that time to better understand the philosophies of local and national special interest groups and NGOs (Non-Governmental Organizations), while developing a sourcing strategy that respects the requirements of the European countries where our product is sold and reflects our Company’s Social Mission. Working with independent experts, as well as with the organizations that provide our eggs, we discovered that the Dutch definition of ‘scharreleieren’ (barn eggs) is popular with Dutch consumers and acceptable to Dutch animal welfare groups, but is not readily understood or accepted in other European countries. So, we were fortunate to have enlisted the expert guidance of Maarten Frankenhuis, former Director of the Amsterdam Zoo and former Professor of Poultry Medicine & Pathology at Utrecht University.

Thanks to Dr. Frankenhuis, we established that while battery cage housing systems (‘batterij kooi’) don’t meet our best case scenario for animal welfare, they are significantly more environmentally friendly than the other housing systems for poultry, such as barn houses (‘scharrelstallen’) and aviary systems (‘volière stallen’), which can have a serious impact on the environment. Together with Dr. Frankenhuis and our Brand Champions, we moved to switch Ben & Jerry’s Hellendoorn production to using free-range eggs (‘vrije uitloop’), for which we pay a significant premium above the cost of barn eggs, which, themselves, are more costly than battery cage eggs. While we’re pleased to have been able to include free-range

eggs in our European ice cream, we’ve not yet found an economically manageable way to do the same for our US production.

### Caring Dairy

The “Caring Dairy” initiative launched in Europe in 2003 gained major momentum in 2004. As a collaborative commitment between Ben & Jerry’s, Unilever’s Sustainable Agriculture Initiative, our milk supplier, local farmers and Wageningen University, the initiative is intended to help establish user-friendly guidelines and tools for farmers that will lead to continuous improvements in the environmental, social and economic aspects of their dairy production.

The project takes a bottom-up approach, with 11 indicators that recognize the unique situations of individual farmers: soil fertility and health, soil loss, nutrients, pest management, biodiversity, farm economics, energy, water, social/human factors, impact on local economy and animal welfare. In 2004, ten farmers joined the initiative providing baseline measurements for all 11 criteria on their farms. Our intent is for additional farmers to join the program and to build on this unique approach. We hope our findings will add up to a helpful learning tool, which we’ll be eager to share not only with farmers, but with anyone interested in sustainable farming alternatives.

### European Manager of Environmental Sustainability & Social Mission

In December of 2004, the time was right to sign off on a full-time position in Europe that will be our resource for building social and environmental values into our brand development there. We were sorely lacking an on-the-ground point person to navigate the terrain around progressive social responsibility in Europe. So the Manager of Environmental Sustainability & Social Mission, Europe, reporting into Ben & Jerry’s, Vermont, will take on a number of tasks from leading the Caring Dairy initiative to enhancing communications between countries and continents, to supporting passion among our international Brand Champions for driving positive social and environmental change within their own countries.



## (6.1) SUPPLIER DIVERSITY

By the end of 2003, we recognized that the year's redirected priorities, staffing changes, and cost-saving mandates made it unmanageable to keep up with a Supplier Diversity Program that would be impactful enough to be proud of. When we first envisioned the program in 1996, with the goal of providing opportunities and market access to minority-owned businesses which they might not otherwise have, we had hoped to make it mainstream within our purchasing group. The founding team worked hard and made milestones at the front end. Still, a bona fide program requires measuring, tracking tools, human resources and a project owner, all of which, while available to many larger corporations that do more in this area than us, are in shorter supply at Ben & Jerry's today than when we launched the program. We didn't intentionally phase out these efforts, but they've had to take a back seat. Until we can focus additional efforts and resources here, and work with our purchasing partners at Unilever to leverage our collaborative skills and strength in this area, we'll count on individual employees in our purchasing groups to include bona fide minority-owned businesses in their purchasing decisions. (For more information about minority suppliers visit the National Minority Supplier Development Council at [www.nmscdus.org](http://www.nmscdus.org).)

## (6.2) SUPPLIERS FOR VALUES DRIVEN PURCHASES

In 2004 approximately 59% of our ingredient and packaging dollars went to companies that we see as aligned with our values, compared to 48% in 2003 and 50% in 2002. The increase in 2004 came almost entirely from higher dairy costs in 2004. While we no longer report our exact spending, we'll continue to track and, ideally, increase purchases from our values-driven suppliers.

We buy a significant percentage of ingredients from socially responsible vendors. Taking Social Mission sourcing to the next level has challenged us. As it happens, measuring and setting goals haven't been our strong suit, in part because conventional metrics don't calculate what we really want to measure with any accuracy. They're useful for gauging percentages of purchasing dollars dedicated to Social Mission vendors and for determining proportions in terms of volume. Yet they don't tell us whether we're making a difference in the lives of the communities we want to support and, if so, how meaningful a difference.

Most of our Social Mission vendor relationships were developed more than seven years ago. Since then, without measurements, tangible targets and a strategic road map, we've merely held the course. In 2005 we need to set in stone our clear goals for expansion of this socially aligned sourcing program and develop a seasoned understanding of how to leverage the strengths and challenges of our integration into the Unilever North American Ice Cream Supply Chain to make our targets.

The values led sourcing initiative involves a number of purchasing strategies. Most often, however, our values-led sourcing relationships involve suppliers whose progressive values align with ours, or whose products fulfill our environmental and social goals. Here is an update of our relationships with our Social Mission vendors in 2004:



### Milk & Cream

The St. Albans Cooperative Creamery has been Ben & Jerry's partner and major supplier of cream and condensed milk ingredients for over 19 years. The Coop is a member-owned business whose farmers have direct influence over their operations and their profit allocations. In 2004, while dairy prices trended significantly upwards due to market conditions, we continued to pay a premium (\$660,000 in 2004) in support of the Coop's pledge to supply us with cream and condensed milk from cows that have not been treated with rBGH. The genetically-engineered growth hormone, rBGH, is used to increase milk production. We oppose its use. Looking ahead, Ben & Jerry's and the St. Albans Cooperative face a shrinking dairy supply in the Northeast. While the Coop has kept their milk production stable, our own production needs are on the rise even more so with the addition of Good Humor-Breyer's volumes at our St. Albans plant. Over the long term (2006 and beyond), Ben & Jerry's faces a challenge if the St. Albans Cooperative is to remain our sole dairy vendor for conventional dairy.



### Brownies

The brownies in our Chocolate Fudge Brownie and Half Baked™ ice creams and frozen yogurts come from the Greyston Bakery of Yonkers, New York, our partner since 1988. The bakery is owned by the Greyston Foundation, a nonprofit that manages a number of businesses and programs focused on social improvement and personal empowerment, from housing for the homeless and childcare to employment training and care for people living with HIV/AIDS.

In 2004 Greyston built a new plant after years of work and preparation. They can now produce baked goods more efficiently, reduce costs and hopefully attract new customers. We're proud to have provided technical support for this new bakery throughout its construction.

From the start we've paid a premium for Greyston's great brownies to help support their mission-related costs such as training and job skills for their employees, most of whom are people who face barriers to employment. We've mutually agreed the time is right to phase down that premium, as Greyston becomes a viable, competitive sustainable business.

In 2004 we expanded our partnership with Greyston, showcasing their New York Cheesecake and best-selling apple pies in our Scoop Shop at Times Square in New

York. And we have plans in 2005 for including Greyston's brownies in 6 new products—all of which distinguishes our ice cream with uniquely delicious baked goods while helping to support Greyston's invaluable community services.



### Fair Trade Certified<sup>™</sup> Coffee

In the fall of 2004 we were delighted to be able to transition all of our coffee extract purchases to Fair Trade Certified<sup>™</sup>. The Fair Trade Certified<sup>™</sup> label on our pints that contain coffee extract guarantees consumers that the farmers who grow our coffee at La Trinidad Cooperative in Oaxaca, Mexico, are paid a fair price for their harvest; are members of democratically-organized cooperatives; and have access to affordable credit. For years we have purchased our coffee from La Trinidad Cooperative and have supported farmers there with the same fair price they receive through the Fair Trade Certified<sup>™</sup> model. We are proud to have become official members in the global Fair Trade movement and to carry the Fair Trade Certified seal on our packaging. For more about Fair Trade Certified<sup>™</sup> visit [www.transfairusa.org](http://www.transfairusa.org).

La Trinidad Cooperative, whose growing operations are also certified by the widely recognized standards for sustainability of the Rainforest Alliance, now has 350 farmers in five growing communities (Naranjos, Lagunilla, Malvarisco, Loma Canela and Xanica). They have opened a small organic honey production site in Xanica and added a new truck to service Xanica and Lagunilla growers. At four of the five communities, there are now small stores where they can purchase basic foodstuffs at affordable prices, and there is a new coffee warehouse in Lagunilla. In 2004 La Trinidad earned more than \$50,000 (over and above payments to farmers that were 20% higher than the commercial price) that they reinvested in coffee tree nurseries, support for community technicians, and transport and seed capital for the community stores. Their progress toward self-sufficiency speaks volumes about the potential for business sourcing practices that help drive positive social and environmental change.

### For A Change<sup>™</sup> Flavors

We discontinued use of the For A Change<sup>™</sup> name in 2004 after rolling the flavors out nationally in 2003. The line debuted with three flavors whose primary ingredients (vanilla, coffee & chocolate) were all sourced from democratically-run cooperatives in developing countries. Strawberry For a Change<sup>™</sup> followed in early 2004. While we now call those flavors "Smooth Vanilla, Chocolate, Strawberry and Coffee", we have continued our commitment to buying the socially sourced ingredients.

### Vanilla

Vanilla ice cream is made with vanilla extract from a blend of vanilla beans, the majority of which are grown and harvested by small-scale farmers in North Sumatra, Lampung, and Bali, Indonesia. They are members of local farmer associations that support sustainable farming practices and participate in technical programs that further soil conservation, shade and fertility management and non-chemical treatment of their crops. Our supplier provides bonuses and incentives to farmers and local processors that use soil conservation techniques and sustainable agriculture management practices. With increased incomes, these vanilla growers can reinvest in the productivity and conservation of their farmlands, rebuild their homes and improve their communities. Fortunately these farmers escaped the serious damage and loss from the December Tsunami as their growing operations are on higher ground. Through our supplier we were able to direct a \$5000 donation to the growing region for use where it was immediately needed. Ben & Jerry's also encouraged employees to utilize the existing matching gift program so that their contributions to a Tsunami relief organization would be matched dollar-for-dollar. Along with Ben & Jerry's program, Unilever also offered all employees an opportunity to have their contributions doubled.

### Cocoa Powder

Chocolate ice cream uses cocoa powder made from a blend of beans, most of which come from Kuapa Kokoo, a democratically-run growers' cooperative in Ghana, West Africa. Kuapa Kokoo, which means "good farmers cocoa com-

pany," exists to support small-scale farmers and enhance their strength in the cocoa trading chain by increasing their income level, encouraging sustainable farming and production techniques, and opening new markets for their fine cocoa beans. At the same time, it is the mission of Kuapa Kokoo to improve the quality of life for the coop's farm families. At all levels of the organization, Kuapa Kokoo has a commitment to empower its women members and enhance their participation in the coop's decision-making process. Kuapa Kokoo's social practices and environmental standards are certified by the Fairtrade Labeling Organization (FLO). International FLO certification prohibits child exploitation such as forced labor and trafficking, as does the written Code of Conduct of Kuapa Kokoo. Here at Ben & Jerry's we pay above conventional market prices for the cocoa we buy from Kuapa Kokoo to help support their mission.

### Strawberries

Smooth Strawberry ice cream is made with a puree from a blend of strawberries, including bushels of berries from Stahlbush Island Farms in Oregon. By working to protect their groundwater and farmlands through the use of sustainable farming techniques, Stahlbush Island Farms is paving the way for positive environmental change. In 2004 we added Mike & Jean's Berry Farm in Washington as another vendor for the same puree. Mike & Jean's has a strong commitment to labor issues as well as to environmental care. And they provide their seasonal workers with housing and health care.

### Bananas



Borja is a family-owned banana farm and banana puree processor in Ecuador. Their business is one of the few family businesses in the banana market and competes with large multinational firms such as Gerber (owned by Novartis) and Chiquita. The Borja business continues to educate Ecuadorian farmers about sustainable farming methods. The business also operates a childcare center and provides opportunities to the hearing impaired at the banana processing

facility. As a commitment to help raise local awareness about environmental issues, Borja established The Water Foundation, whose mission is to educate young Ecuadorian children about the environment. Programs there also support public access to pure drinking water and train high school volunteers to become ecological tour guides.

### Pint Paperboard



Using chlorine to bleach paper results in dioxins being released into the environment. Minimizing the release of dioxins was

the major reason for conversion from bleached to unbleached paper in our cups and lids beginning in 1997. In 2004 we moved to transfer our unbleached cups and lids purchases to a new source. We're thankful to our former partner, Sweetheart, who worked with us to develop this challenging innovation, and we look forward to moving ahead with our new supplier, Huhtamaki. While we in no way changed our requirements for unbleached board, a cross-functional decision-making team felt that, beyond simply financial considerations, this new partnership would support us with innovative engineering resources, quality service and technical research capabilities as we look for paper and packaging alternatives that are environmentally smart.



### Peanut Butter

In 2003 Ben & Jerry's established a supplier relationship with Superior Nut, a small, family-owned com-

pany that now produces our peanut butter products. As a 100% carbon neutral business, Superior Nut entirely offsets carbon dioxide (CO<sub>2</sub>) emissions associated with their business. Their offset program ensures that an adequate number of trees get planted to compensate for emissions from their manufacturing locations. Their collaboration with the nonprofit, Reforest the Tropics, supports tree planting in deforested areas of Costa Rica, which they help fund by contributing a percentage of their own profits. The current reforestation project is sized based on 460 tons of CO<sub>2</sub> emis-

sions. We're happy to support this good work with our peanut butter purchases.

### (6.3) BEN & JERRY'S FRANCHISEES, COMPANY-OWNED STORES & PARTNERSHOPS.

In 2004 our fundraising efforts turned the corner on the first of a 5-year Strategic Plan for Growth and measured success in all but one of our Strategic Priorities.

Here's where we took some solid strides:

- We reversed a 5-year negative trend and saw positive results in same-store-sales and average transactions per shop.
- We opened a record 106 new shops.
- We launched a test of a new international franchise sales program in Singapore that proved successful.
- We improved shop performance across all three parts of our Mission Statement.

### Screening Franchisees for Commitment to Values

The number of new shops we open is a strong measure of our success; but the quality of the people we're lucky enough to call franchisees tells us even more. While many retailers hail "location, location, location" as the cardinal three rules, for sure it's the energy and expertise of our franchisees that drives success in our shops. We try to design our programs to attract and screen for candidates who will commit to bringing the values of this brand into their local communities.

In 2004 as never before, new franchisees partnered with their community nonprofit organizations, welcomed their neighborhoods at gala Grand Openings and took leadership roles in their communities in ways that embraced the values of the brand. Still, every now and then we missed the mark. Like, for example, when on the franchise trail we came across a spanking new franchisee-owned Hummer with its 10 mpg fuel economy, fully-branded with Ben & Jerry's logos and Woody Jackson cows. While we were relieved to learn it runs on biodiesel, we were reminded that we can never be too thorough communicating, even amongst ourselves, exactly what those values are.

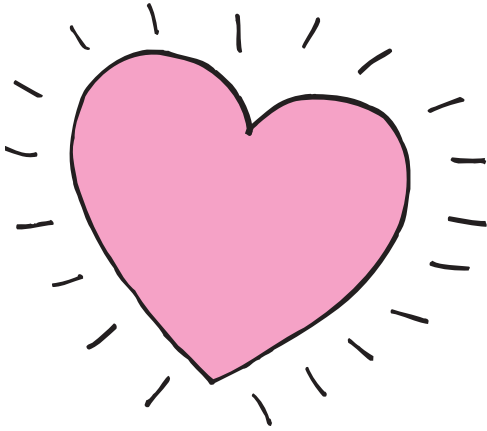
International scoop shop expansion comes with its own challenges and rewards. We intend to see our scoop shops abroad lead the way in building product awareness and brand equity, just as they have in most U.S. markets where scoop shops cropped up around town before pints ever made it to store shelves. We need skilled, passionate international franchisees who understand and commit to all three parts of our Mission Statement. In 2004 we began customizing our U.S. franchise sales effort for foreign markets. We traveled to Singapore, for example, and interviewed 36 candidates for franchise ownership there. We asked as much about their commitment to community involvement and progressive social and environmental thinking as we did about their accounting skills and scooping strength. We'll do the same in Europe in 2005 to find franchisees with an inspired passion for doing well by doing good.

### Social Mission in our Company Stores

Our goal is to have Ben & Jerry's company-owned shops serve as the paragons of our system and beacons of best practices. With a change in management in 2004, we began to institute significant operational changes in our company store practices to improve overall performance. In an effort to ramp up our Social Mission activities, we sought out a partnership with a local nonprofit to develop a job-training program for youth who face barriers to employment. In partnership with Linking Learning to Life, we developed a six-month supportive employment program and job readiness curriculum, which culminates with employment opportunities in our company stores. Recruitment of program participants began in November 2004. The pre-employment training and work experience will begin in 2005. Our goal for year one is to provide job training and employment opportunities to 12 youths. If the pilot is successful, we'd like to replicate the model in all of our company stores.

In the Times Square location, we launched a prototype Scoop Shop

which sells more than ice cream. They offer cakes from Greyston Bakery, organic and Fair Trade Certified™ coffee from Green Mountain Coffee Roasters, cookies and confections, all in an effort to showcase goods and ingredients that represent our values. In 2004 we saw sales increase in that store by 17%.



### The PartnerShop® Program

PartnerShops® are scoop shops owned and operated by youth-serving nonprofit organizations. Ben & Jerry's waives the traditional franchise and royalty fees for PartnerShops® and provides customized training to support the unique needs of these social enterprises. In turn, PartnerShops® offer youth facing barriers to employment a unique opportunity for developing job skills. All proceeds from PartnerShops® flow back to the parent nonprofit to support social programs.

In 2004, we saw mixed results for our PartnerShop® operators and identified some common and significant challenges for our nonprofit franchisees. Several operators experienced operational/management challenges and, as a result, fell short of meeting their financial objectives. Several also faced challenges resulting from leadership changes in the organization. Overall, most partners reported falling short of their financial objectives. All but one met their social target of providing youth with meaningful job readiness and work experience.

In 2004 we opened three new PartnerShops®: Portland, Oregon; Pittsburgh, Pennsylvania; and Derry, Northern Ireland.

Our greatest achievement for the PartnerShop® Program in 2004 was putting into practice new criteria for partners and a more rigorous screening process for applicants. As a result, we approved nine highly-qualified organizations. These organizations are located in Brooklyn, NY, Columbus, GA, Detroit, MI, Louisville, KY, Dallas, TX, Ft. Worth, TX, Austin, TX, Houston, TX, and Seattle, WA. All have expertise in the field of youth development and job training and six have previous experience operating a revenue generating, retail business.

Two of our longtime partners, Common Ground and Juma Ventures, decided to transfer or close some of their scoop shops. Common Ground's Rockefeller Center and Times Square locations in New York City were acquired by Ben & Jerry's Franchising. Even though the shops were performing well, Common Ground decided to sell these locations based on economic factors, as well as a shift away from job training as a core component of their mission. Common Ground retained their 104th street location. Ben & Jerry's will continue to work with Common Ground and their partner, Volunteers of America, to employ individuals with barriers to employment in the Times Square and Rockefeller Center locations.

After 10 years, Juma Ventures decided to close their Chestnut Street location in San Francisco, when they learned the rent would be increasing by more than 50%. Juma is also considering closing their other two locations, but will most likely retain the Candlestick Park concession business.

Two newer PartnerShops® located in Yonkers, NY, and Chester, UK, closed after less than two years in operation. In both instances the locations did not meet expectations and they were unable to meet their financial objectives.

We've always expected the PartnerShop® program would really take off. As yet, we're underwhelmed with our own progress. After 18 years we're still not

seeing the strong financial and social outcomes we had hoped for our partners. Here's what we know as of 2004:

- Most PartnerShops® strive to achieve financial sustainability rather than self-sufficiency. In other words, most continue to rely on outside sources of funding (grants and other subsidies) to support their job training programs and have not been able to count on business revenues to replace dependency on other funding. Some have been able to decrease their dependency, but no one has achieved self-sufficiency.
- PartnerShops® face challenges traditional shops do not face, primarily because they: 1) lack retail food service experience, 2) have an absentee owner and 3) have the added challenge of employing at-risk youth.
- Our scoop shops are effective job training environments to youth who face barriers for employment. The setting is easy-going and the menu is straightforward.
- Our best PartnerShops® are run by organizations that have a strong track record of helping youth develop job-related skills and a high level of organizational capacity.
- PartnerShops® need more coaching and support than traditional Scoop Shops.

In 2005 we intend to increase the support we offer to PartnerShops® by adding an additional staff person to work specifically with PartnerShops® and by developing new mentoring programs for PartnerShop® operators and managers. Additionally, the Field Operations Team will provide more operational support and business management coaching for PartnerShop® organizations.

In 2005 we will move away from aggressively recruiting new partners and focus our energies on helping to improve outcomes for our current PartnerShop® operators. At the end of 2005, we hope to see improvement in both the financial and social outcomes for our PartnerShop® operators.

### Worldwide Free Cone Day

For the 26th year in succession, Ben & Jerry's offered heartfelt thanks to consumers with "Free Cone Day" on April 27, 2004. We gave away one million cones worldwide in the very same spirit as our first Free Cone Day.

In the United States, Ben & Jerry's put its partnership with Rock the Vote to work on Free Cone Day, making the best of long lines by registering ice cream fans to vote. Our scoop shops partnered with Rock the Vote street teams to complete the in-line voter registration effort with overwhelming results. More than 11,000 voters were registered on Free Cone Day - the biggest single-day registration effort in the history of Rock the Vote!

Elsewhere in the world, while we're told a number of international Ben & Jerry's fans would have voted in the U.S. elections if they could have, our Scoop Shops hosted Free Cone Days in France, Spain and Korea. And in Germany and the United Kingdom our shops raised awareness and funds for local partner charities and organizations in addition to giving away free cones. Ben & Jerry's Free Cone Day 2005 is scheduled for April 19. Just show up!

### Franchise Ownership Diversity

At the end of 2004, 77% of our shops were independently operated and 22.4% (65) of those operators were women or people of color, a decline compared to 24.6% in 2003.

### Franchise Packaging & Materials

In 2004, we got back on track with a longtime on-again-off-again project we had been working on to drastically cut back, if not entirely eliminate, bleached paper. We were successful in transitioning all of our bleached paper drink cups to plastic. Both our 16 oz. cups and 21 oz. cups are now plastic and we have dropped the number of cups in our frozen drink program from four to two offerings. We're working to transition to compostable plastic resins in our plastic-ware for all of our retail shop disposables. And we are once again exploring alternatives compatible with our long-range goal of compostable packaging and paper products throughout our system. We'll get there....

### Community-Based Franchisee Activities

Ben & Jerry's franchisees take great pride in being part of their community, and mostly all translate our Social Mission into action in their own unique ways. We're always learning about our franchisees' readiness to support ongoing local blood drives, school fundraisers, health awareness programs and charity initiatives right in their neighborhoods.

Many shops go a step further. In Boca Raton, Florida, for example, our shop owner launched his own "Scoops for Schools" competition. It was great fun for the schools that competed, and each was awarded a cash bonus toward much needed supplies.

In Washington, DC, our franchisees donated time and ice cream in their work with the Whitman Walker Clinic, a nonprofit clinic serving HIV/AIDS patients, and helped to raise awareness about the clinic's good work. They scooped at Capital Pride Day and participated with their team in the Anacosta River clean-up project with ice cream and awareness raising, and in so many ways have turned their shop's time and resources into community support.

In Charleston, South Carolina, our longtime shop owners have worked with countless local organizations. In 2004 they launched an ongoing kids' beach clean-up project, offering ice cream awards and environmental teachings about the impacts of litter. And they were at the ready during the 2004 hurricanes. With a rented van they volunteered their time and wheels to chauffeur people in need of safe shelter. In November, they rolled out the van again to get people to the polls on voting day.

Whenever we can, our Vermont staff teams up with franchisees as we did at the Scooper Bowl in Boston, MA. All of our shop owners in the Cape Cod and Boston areas came together with our Northeast Regional Franchise Manager and organized this annual event, said to be the world's largest ice cream sampling happening. This event, which benefits the Jimmy Fund and the Dana Farber Cancer Institute's children's cancer programs, raised over \$120,000 in 2004. We're always proud of the contribution our family of franchisees brings to their communities and amazed at the number of innovative ways they find to be involved.

### Consumers for Science in the Public Interest (CSPI)

2004 saw consumers grow increasingly interested in the nutritional content of what they eat. With the advent of low-carb diets and revised nutritional guidelines, the need for easy-to-understand nutritional information became even more critical, especially in the retail sector where the food and beverages that are served don't come with nutritional information like packaged food does.

Early in the year, the Consumers for Science in the Public Interest asked us to improve our communication of the nutritional content of all euphoric offerings of our scoop shops. We thought that this was an excellent suggestion and took several steps to help meet our consumers' growing need for information. First, we created an extensive list of nutritional information that includes all of our ice cream, frozen yogurt and sorbet and many of our popular recipe items including smoothies, ice cream cakes and waffle cones. We then took this information and made it available in two different formats: a poster that is displayed prominently in each of our Scoop Shops and a take-away nutritional brochure.

Most importantly, we added consumer-friendly language to each of these pieces to help explain the serving size of each of our best-selling Scoop Shop products. While many a Ben & Jerry's consumer has difficulty estimating how much ice cream 87 grams is, they can certainly understand how much one scoop is!



**Ben** & Jerry's continues to maintain Environmental Coordinators at each of its manufacturing sites who are dedicated to operating and monitoring the site's environmental activities. In addition to ongoing daily compliance, the Environmental Coordinators are responsible for wastewater management, composting, solid waste management and recycling efforts. They are also accountable for communicating specific environmental initiatives to their sites. While the two Environmental Coordinators report directly into the manufacturing plant, they work closely with the Manager of Natural Resources and have a dotted line report. The Manager of Natural Resources provides the plants' overall environmental direction, regulatory guidance as needed, and acts as a resource for environmental information. The Environmental Coordinators compile monthly reports covering key environmental issues for their plant managers and the Manager of Natural Resources. These reports cover progress towards annual goals, status of key indicators for the plant and any other relevant issues regarding environmental performance.

For most of 2004 the Manager of Natural Resources Use reported to the Senior Director of Operations. However, due to a restructuring of the business at the end of the year, the reporting relationship changed to the Senior Director of Human Resources who reports to the Chief Euphoria Officer of Ben & Jerry's. These positions are located at the Central Support offices in South Burlington, Vermont.

#### **(7.1) ENVIRONMENTAL MANAGEMENT SYSTEMS**

Beginning in 2002, the manufacturing sites initiated the development of an environmental management system that followed Unilever's framework standards. These framework standards closely parallel the ISO14001 management system and have proven to be a useful strategy by providing a single resource for all plant-related environmental information. Specifically, the framework standards are important for training needs and regulatory compliance. At the beginning of each year, their content is reviewed by the Environmental Coordinators and the Manager of Natural Resources. The standards are then maintained by the Environmental Coordinators and are updated on a regular basis as needed.

Unilever completes an annual Environmental Performance Review (EPR), also known as the Proforma. The Proforma collects environmental data from all the worldwide operating sites and compiles the information into Unilever's Annual Environmental Report. All of Unilever's operating facilities utilize both the Framework Standards and the Proforma.

#### **(7.2) ENVIRONMENTAL TRACKING/COST ACCOUNTING**

In 1994 Ben & Jerry's initiated an environmental tracking system that measures key environmental indicators. The areas measured include energy, carbon dioxide emissions, recycling, solid waste, wastewater, composted waste ice cream, water use and wastewater parameters. All of these indicators are normalized to gallons of production. In addition, we collect the financial data associated with each one of the performance measures. For example, we measure not only solid waste per gallon of ice cream, we also measure the cost of solid waste per gallon of ice cream. This analysis is completed for all the areas in which we measure. The tables reflect annual goals and progress towards these goals and are used in monthly reporting and annual goal setting. The tracking tables continue to be a valuable source of information.

#### **(7.3) ENVIRONMENTAL PERFORMANCE**

The two manufacturing sites had an outstanding year meeting their environmental goals. In January of each year, each plant develops environmental goals that are approved by the Plant Manager and posted on an environmental bulletin board. Both weekly and monthly reports are added to this bulletin board to communicate progress toward the established goals. The plants focus their goals primarily on wastewater, waste ice cream, solid waste and carbon dioxide emissions. While these areas are the primary environmental impacts for the manufacturing sites, it is at the discretion of the plant leadership to determine the appropriate unit of measure and areas of focus. It is through the knowledge of prior environmental performance, information gathered on annual reporting tables, and understanding of anticipated production that goals are set.

A significant contribution to the success of the manufacturing sites was the use of "extended runs," or the practice of producing product for longer lengths of production time. These extended runs produce less waste and allow for a more consistent and even production process.

Goal	Results
<b>St. Albans Plant</b>	
Solid Waste Reduction Goal of -5%: 0.0574 lbs of solid waste generated per gallon of ice cream	0.0536 -11%
BOD (Biochemical Oxygen Demand) Goal: Maintain 0.0146 lbs of BOD per gallon of ice cream and optimize the balance between BOD and HSDW (High Strength Dairy Waste) management to control BOD levels and HSDW cost	0.0130 -11%
Fat, Oil and Grease Reduction Goal: 0 .00608 lbs/gallon of ice cream	0.0032 -49%
Wastewater Reduction Goal of -5%: 1.49 gallons of wastewater per gallon of ice cream	1.31 -16%
High Strength Dairy Waste Reduction Goal of -5%: 0.1 gallons of HSDW per gallon of ice cream	0.0979 -12%
<b>Waterbury Plant</b>	
High Strength Dairy Waste Reduction: Q1 - 0.068; Q2-4 - 0.066 gallons of waste per gallon of finished product	0.066 -7%
BOD (Biochemical Oxygen Demand) Goal: 1.65 pounds per 1,000 gallons of finished product	1.41 -20%
Wastewater Reduction: 1.16 gallons of wastewater per gallon of finished product	.97 -16%
Global Warming Reduction: 10% reduction in CO <sub>2</sub> emissions by 2007	-5%

### Energy Use

The State of Vermont is not one of the country's deregulated Energy States; therefore, we do not have the opportunity to choose the source of our energy. The Waterbury Plant energy sources include electric power supplied by Green Mountain Power and fuel oil. St. Albans' electrical power is supplied by Central Vermont Public Service Company. That plant also uses natural gas. The energy sources in Vermont are primarily nuclear and hydroelectric, with the balance made up of coal and, to a small extent, wind.

### Energy Statement


Scientists began to recognize in the early 60s that an increase in Greenhouse Gases would make the earth warmer. These gases, which include carbon dioxide, methane, nitrous oxide and other manmade chemicals, are the primary culprits. While each of these gases has significant environmental impacts, carbon dioxide is the most prevalent in the atmosphere. Industry accounts for approximately one-third of all carbon dioxide emissions. Ben & Jerry's is committed to reducing our emissions and, therefore, will target a 10% reduction in carbon dioxide from our manufacturing facilities by 2007 over 2002 levels. To achieve this goal, we have developed five key areas of focus to reduce our energy consumption and to strive toward technological advances to reduce Greenhouse Gas emissions.

- We will evaluate our refrigeration systems for maximum efficiency.
- We will seek assistance from outside sources including Efficiency Vermont to identify energy efficiency opportunities.
- We will expand our current energy tracking system to include a calculation of Greenhouse Gas emissions.
- We will evaluate alternative energy options.
- We will provide extensive educational information to our employees, customers and suppliers regarding actions every one can take to reduce Greenhouse Gas emissions.

Through our educational programs, we believe that we can have a positive effect on the reduction of greenhouse gases.

	Manufacturing	Distribution
Chemical Use	x	n/a
Energy Use	x	x
Packaging	x	x
Solid Waste	x	x
Hazardous Materials in Product	n/a	n/a
Product Waste	x	x
Water Use	x	n/a

## Fuel Use

	2002 Normalized/gal 1 <sup>st</sup> Quality Product (% change from prior year)	Total (000)	2003 Normalized/gal 1 <sup>st</sup> Quality Product (% change from prior year)	Total (000)	2004 Normalized/gal 1 <sup>st</sup> Quality Product (% change from prior year)	Total (000)
 Electric and (KWhS)	1.31 (-0.1%)	2,570,000 (-2%)	1.32 (+1%)	2,453,000 (-5%)	1.24 (+5%)	2,540,000 (+4%)
Fuel Oil (gas)	0.12 (+33%)	99 (+90%)	.009 (-29%)	51 (-49%)	.0075 (-18%)	46 (-10%)
Natural Gas (ccf)	.0122 (-2%)	241 (-1%)	.021 (+75%)	273 (+13%)	.023 (+8%)	320 (+17%)
BTU's	6437 (-1%)	272,000,000 (-1%)	6387 (-1%)	246,000,000 (-9%)	5938 (-7%)	261,000,000 (+6%)

## Greenhouse Gas Emissions

In 2001 we committed to an energy target. Our goal was to proactively address the impact our manufacturing process has on global climate change and, specifically, on carbon dioxide (CO<sub>2</sub>) emissions. The 10% reduction goal over 5-years, which began in 2002, will be a challenge to our Company. Subsequent to setting the goal, we closed the Springfield manufacturing site and the Distribution Center. Clearly, these closures will impact the baseline year of the goal, and we will also look to evaluate CO<sub>2</sub> reductions by plant.

With 2002 as the base year, we initiated the first part of the 5-year CO<sub>2</sub> reduction program. The 2003 expansion at the St. Albans Plant provided us a good opportunity to implement energy conservation design plans. Through the energy efficient options that were included in the St. Albans expansion, the manufacturing plant will save 948,603 KW per year, which is equivalent to 64 tons annually of CO<sub>2</sub>. Efficiency Vermont ([www.encyvermont.org](http://www.encyvermont.org)) completed an energy evaluation of the Waterbury Plant in 2004. The information collected from this evaluation was incorporated into 2005 operating goals. It is clear to Ben & Jerry's that achieving a 10% reduction goal from our manufacturing sites will be a stretch for 2007. However, through consolidation of our distribution system, the Company significantly reduced the CO<sub>2</sub> emissions associated with transporting ice cream. Ben & Jerry's had transported frozen ice cream from the two manufacturing sites to our distribution center prior to national distribution. Annually, the distribution shuttles typically emitted over 2,000 tons of CO<sub>2</sub>. We no longer have this emission due to restructuring. While we still maintain two delivery trucks, total annual emissions are less than 50 tons annually. Currently, ice cream is moved from our Waterbury manufacturing site to the St. Albans Plant (for distribution) by a third-party contractor.

To date, the CO<sub>2</sub> emissions at St. Albans are up 9%. Considering the extensive renovation and expansion the Plant underwent after the 10% reductions goal was established, this number is to be expected. A great deal of the additional space utilizes electricity, but does not produce ice cream (the goals are based on emissions per gallon of product produced). The Waterbury Plant has reduced their CO<sub>2</sub> emissions by 11%—an excellent achievement. And they met the goal three years before schedule! This can be attributed to increased efficiencies in production and various other energy saving measures implemented.

While the Company focuses primarily on carbon dioxide emission reductions, we understand that there are 11 main greenhouse gases that contribute to global climate change. The focus on carbon dioxide emission is because it accounts for greater than 50% of the world's global warming problem, more than all the other 10 greenhouse gases combined.\* We also realize that these other greenhouse gases are significantly more intense than CO<sub>2</sub>. Through our thermoacoustic refrigeration program we are addressing the impact that chlorofluorocarbons (a greenhouse gas) have on the environment. Our Dairy Stewardship Alliance project, discussed in the Sustainable Agriculture section of the report, will eventually look at alternative methods for addressing farm manure through the use of methane digesters. Methane is another greenhouse gas.

### NativeEnergy & Green Tags

In 2004 we continued our relationship with NativeEnergy ([www.nativenergy.com](http://www.nativenergy.com)) The goal of NativeEnergy is to develop clean, renewable resources to provide energy needs. Their desire is to help develop domestic renewable energy resources and to feature Native American projects which create social, economic and environmental benefits. The Company took a major step forward by joining forces with the Rosebud Sioux Tribe of South Dakota and helping them build the first large-scale Native American-owned and operated wind turbine. This "demonstration" turbine, a single 750 kW NEG-Micon turbine, represents Phase I of the Tribe's wind development initiative. The Tribe completed construction in the spring of 2003 with the help of an unusual financing mechanism known as "green tags," a dedication ceremony was held on May 1, 2003. Green tags represent the environmental attributes of clean energy, specifically, the reductions in CO<sub>2</sub> and other pollution that occurs when clean energy displaces energy otherwise generated by burning fossil fuels. When a power plant is unwilling to pay a premium for wind power, the wind project can sell the electricity output as generic power at market rates and recover its premium cost through the separate sale of the green tags. Purchasing green tags is a way for individuals and businesses to effectively convert their electricity to wind power, or to offset the CO<sub>2</sub> impacts of their electricity and fossil fuel use. For two years Ben & Jerry's has purchased an equivalent number of green tags to offset 100% of its CO<sub>2</sub> emissions from the manufacturing sites. The Company also offsets emissions associated with certain public events, including our Rock the Vote Festival on the Burlington Waterfront in August 2004.

In 2004 the wind turbine was available for operation more than 98% of the time, over 3% above the target level. To relate this to Ben & Jerry's 17.1% share of the project, our portion produced 393,377 kWh. Based upon EPA data, the annual CO<sub>2</sub> reduction for our share was 466.2 tons. Over the 25-year lifespan of the turbine, this will equate to 11,655 tons. The Tribe is completing the planning phase, utility negotiations, pre-construction engineering and environmental studies for the 30 Megawatt St. Francis Wind Farm—and hoping to start construction in the summer of 2005.

### Ozone-Depleting Substances (ODS) & Other Emissions

Ben & Jerry's continuously investigates new ways to reduce and eliminate use of ozone-depleting substances (ODS), especially those used as coolants in freezer "dip cases" in our Scoop Shops. The oldest dip case models (10 years or older) contain R-502 or R-12 coolants; models 3-10 years old contain R-22 or R-124 coolants with lesser ozone-depleting qualities. All newer units contain R-134 or R-404 hydrofluorocarbons (HFCs)—coolants that are not considered ozone-depleters.

The Company uses anhydrous ammonia and propylene glycol freezing systems in the manufacturing plants. These systems contain no CFCs or other ozone-depleting chemicals and have no global warming impacts. Air conditioning units at Waterbury containing CFCs will be replaced in 2005.

### Distribution & Transportation

January 2004 marked the establishment of a new distribution system for Ben & Jerry's. We transitioned to a consolidated management and delivery system with the Good Humor-Breyers team in Green Bay, Wisconsin, a move which will allow our customers to be serviced from one truck with a single focus on all of Ben & Jerry's and Good Humor-Breyers products. The transition represented significant change for the business, our people and a number of our practices, but was necessary for us to remain competitive in our marketplace. The move also simplified our delivery systems. With the expansion of our St. Albans Plant's frozen distribution center, all Ben & Jerry's inventory now ships from this plant to one of the seven Unilever North American Ice Cream distribution centers, and then on to the national distribution network.

Vermont's Finest®, located in Waterbury, Vermont, continues to operate seven trucks for sales and distribution purposes throughout the state. These trucks distribute both Good Humor-Breyers and Ben & Jerry's products. A unique aspect of Vermont's Finest® is the delivery of ice cream "seconds" to many of the local "Mom & Pop" stores. The revenue generated through the sales of seconds is redirected to local community activities.

The following table details the 2004 emissions from Vermont's Finest®, as well as the historical data for a tractor-trailer fleet that had been associated with their Distribution Center.

#### Diesel Emissions (tons)

Trucks	Vermont's Finest.			Plant Shuttles*		
	2002	2003	2004	2002	2003	2004
Hydrocarbons	.17	.29	.26	1	n/a	.01
Carbon Monoxide	1	2	1.5	7	n/a	.07
Carbon Dioxide	289	500	445	2,109	n/a	21
Nitrogen Oxides	2	3	3	15	n/a	.14
Miles Traveled	142,133	245,327	218,546	1,036,810	n/a	10,139

(Calculations based on EPA's MOBILE6 model) \*Plant Shuttles travel between the manufacturing sites and Central Support.

#### (7.4) HAZARDOUS WASTE MANAGEMENT

Given the small amount of hazardous material the Company generates, Ben & Jerry's is considered an Exempt Small Quantity Generator (ESQG). This means that we do not generate greater than 220 lbs of hazardous waste or 2.2 lbs of acutely hazardous waste on a monthly basis. The hazardous waste generated at Ben & Jerry's facilities consists almost entirely of waste oil, water from maintaining boilers and compressors, and a small amount of methyl ethyl ketone (MEK). The State of Vermont regulates waste oil as a hazardous waste unless it is recycled. Overall, we continue to look for product substitutions that will ultimately eliminate any hazardous waste.

In 2004 neither of the manufacturing sites generated any waste that was classified as hazardous; all of it was either recycled or didn't meet the definition of hazardous waste. Regardless, the Company takes a very proactive approach to hazardous waste management by which all waste is incinerated at a regulated hazardous waste incinerator.

#### Hazardous Materials Produced

Waste Production	2002	2003	2004
Used Oil (gals)	973	650	1050
MEK (gal)	43	15	n/a
Mercury (ballast) (lbs.)	75	130	27
Waste Absorbents (lbs.)	150	340	80
Lead Acid Batteries & Non-PCB (ballasts)	n/a	n/a	249

#### Waste Management Policies

Following are Ben & Jerry's hazardous waste policies:

- Waste is primarily managed through APT Environmental Services of Vermont. The waste is transported directly to Cycle Chemical, Inc. for incineration. Ben & Jerry's does not use secure landfills for hazardous waste management.

- Used oil is reprocessed through NOCO, a Vermont-based oil company.
- All contractors serving any of our facilities must sign our Company's Contractor's Handbook. This signifies an understanding of the Environmental Health & Safety and Quality Assurance requirements.

### Regulatory Compliance

Ben & Jerry's maintains wastewater permits for both the manufacturing sites. These permits allow us to discharge production wastewater to the municipal wastewater treatment plants. We also maintain an Indirect Discharge Permit that allows us to manage waste ice cream (due to the high content of sugar and oils it is restricted from the wastewater treatment plants) through composting and farmer manure pits.

Due to the presence of ammonia on both sites that exceeds federal reporting requirements, we are required to complete a Risk Management Plan (RMP). The RMP process requires us to evaluate the safety systems we have in place to ensure public safety in the unlikely event of an ammonia release. Our ammonia system is a closed loop system that requires a minimal amount of ammonia to recharge it on an annual basis (less than the regulatory amount of 10,000 lbs) and, therefore, we are not required to report under the Toxic Release Inventory (TRI) requirements. In 2004 the St. Albans Plant underwent an audit of its Risk Management Plan by the federal Environmental Protection Agency. The outcome was very favorable and, while the final letter has not been received, there were no citations or deficiencies noted.

Additional reporting requirements include an annual chemical inventory list of those items that exceed the federal reporting quantity. In addition to ammonia, there are other chemicals used for cleaning the production rooms. Ben & Jerry's completes a Tier II report that identifies the location and quantity of chemicals stored at each site and a copy is given to the state emergency management, the local emergency planning center and the fire department.

The Waterbury Plant maintains a residuals management permit to land-apply sludge from the pretreatment lagoon and an underground storage tank permit for the 10,000 gallon fuel tank. Both manufacturing sites have a storm water discharge permit for management of water from roofs and parking lots.

### (7.5) REDUCE, REUSE, RECYCLE... RETHINK

As a Company, we continue to think about how we can design waste out at the source and reinvent the way we do things in a company that generates waste. Our plants' annual successes are the culmination of numerous small projects undertaken by a number of individuals. The Company operates without many policies and procedures, but rather focuses on doing the work versus writing the statements. This is underscored by the Company's Progressive Values statement that is core to our Mission Statement.

### Green Teams

Each of Ben & Jerry's sites has a Green Team comprised of employees interested in environmental issues. The employee-led team comes up with projects, activities or events that highlight relevant environmental issues both internally and externally. These events include environmental awareness weeks, distribution of young spruce trees on Arbor Day, roadside trash collection for the State's annual Green-Up Vermont Day, and a company-wide paper reduction campaign.

Both of the manufacturing sites have incorporated environmental initiatives into many of their projects.

### Central Support Achievements

- Excess office supplies were donated to The ReStore, a local nonprofit organization that resells them to teachers and artists.
- Scrap paper was made into notepads.
- Lunchroom waste and paper towels from the restrooms were composted.
- Nickel deposit soda cans were collected by an employee and donated to a local nonprofit childcare center or animal shelter.
- Unneeded office furniture was donated to nonprofit organizations.

### St. Albans Achievements

- Changing cherries and other ingredients from 55 gallon drums to 2,300 pound Totes resulted in packaging reductions of 95 tons and solid waste decreased by 13 tons.
- Changes were made in the manufacturing plant's daily cleaning systems that reduced water use by approximately 2,000 gallons per day.
- Collaborative efforts between two departments to find a more efficient way to conduct allergen testing resulted in water savings of approximately 3,000 gallons per day, as well as a reduction in the amount of cleaning chemicals used.
- Water meters were installed on hose stations associated with cleaning dairy waste barrels, raising awareness around water use.
- The Plant developed a Downtime Reduction Team that focused on correcting issues that contribute to the production line being shut down. Downtime is a major contributor to dairy waste. Overall, the team was able to reduce total downtime by 35%.
- Each month approximately 800 broken pallets were sent to Vermont Republic Industries (VRI) in St. Albans to be rebuilt or resold. VRI is a nonprofit organization that employs mentally and physically challenged individuals. This has created job opportunities at VRI and has eliminated the need to truck substandard wood out of state.
- Surplus plastic food preparation aprons and heavy-duty gymnasium mats that were no longer being used were donated to a local elementary school for their arts and gymnastics programs.
- The quality laboratory found substitutions for hazardous chemicals used for testing. Plastic food containers and other supply packaging is sent to the Restore for distribution.
- The site's Green Team worked with the local waste district on a variety of projects. Merry Mulch/Food Drive project was a huge success. Over 600 trees were collected and mulched and 1,400 pounds of food was donated to the local food shelf. The Green Team also assisted with two household hazardous waste collection days and distributed ice cream to all those who participated. The team also participat-

ed in a conservation flower and tree planting around the ponds on the plant property. This effort resulted in an increase in wildlife, including blue herons and American bitterns.

### Waterbury Achievements

- Variable Frequency Drives were installed at the pretreatment lagoon system. The project utilized high-efficiency motors. This qualifying for a rebate from Efficiency Vermont for over \$3,000, with an estimated savings of 85,000 kWh per year or 7 tons CO<sub>2</sub>.
- Ozone treatment and filtration units were installed at the site’s cooling towers to eliminate scaling, thus improving efficiencies.
- We increased the number of cardboard boxes sold versus simply recycling them. The total income generated from this resale project was \$19,000.
- Monthly environmental awareness presentations called 2-Scoops were delivered to the production staff; they focused on the key goal areas.
- The Green Team sponsored four events throughout the year. These events included an Earth Day celebration in conjunction with the Winooski Natural Resources Conservation District; Green-Up Vermont, a day when employees volunteered their time to clean roadways; an environmental awareness week where they made green gift suggestions for environmental purchases during the holiday season.
- Volunteer hours were donated to Gaudens National Historic site in Cornish, New Hampshire, where folks removed invasive plant species and worked on other beautification projects.

The Central Support office was constructed with various environmentally sound building materials. The paint is low odor, all offices and conference rooms have motion sensors (as do offices at the manufacturing sites), the flooring is an all-natural Marmoleum material, all office dividers are made of reconditioned, reused material and all lighting is high efficiency with low mercury light bulbs. All desks throughout the Company have recycling buckets that are emptied in a common area.

### (7.6) SOLID WASTE

One of the most successful programs at both plants is the ability to sell corrugated ingredient boxes into a secondary market for resale. The cardboard generated \$72,590 in revenue, which more than covered the solid waste costs for both manufacturing sites. In conjunction with this project, we also sold bailed stretch wrap for reuse in plastic lumber. This recycling program generated over \$5,000 in revenue. In 2005 the plants will begin to generate income from selling fiber drums. The manufacturing sites find a multitude of ingenious ways to keep waste out of all of the compactors. However, we still see a large amount of solid waste reaching the landfill. The primary materials are the contents of pint containers, ingredient packaging and lunchroom waste. In 2004 the Company had a 53% recycling rate. This is down 2% from the prior two-year rate of 55%. The change is likely the result of ingredient packaging reaching the dumpster.

“Factory Seconds” (our designation for products not meeting first quality specs due to such things as over- or under-filling, too many/too few add-ins, etc.) are stored in freezers designated for employee use at each site (employees are entitled to take home 3 pints per day); factory seconds are also donated for charitable events.

Packaged product determined to be unusable/unfit for consumption is incinerated at a co-generation facility in Massachusetts. In 2004 Ben & Jerry’s incinerated 590 tons of product and ingredients that were unfit for human consumption. Most of this waste is ice cream that is banned from landfills because it is considered a liquid. Covanta Energy, Haverhill, Massachusetts is a waste-to-energy plant that manages the waste stream. An ambitious 2005 goal is to eliminate this waste stream.

Waterbury chose not to establish solid waste goals for two years because they felt that without changes to incoming packaging, they were already diverting as much waste as they could.

### Solid Waste Generated (Landfill) & Recycled

Solid Waste & Recycling	2002	2003	2004
Recycled (tons)	891	787	733
Solid Waste (tons)	737	643	655
Recycling %	55%	55%	53

### Solid Waste Reduction

	2002		2003		2004	
	Goal	Actual	Goal	Actual	Goal	Actual
St. Albans	-10%	-15%	-5%	8%	-5%	-11%
Waterbury	0%	-10%	n/a	-15%	no goal	+4%

## (7.7) HIGH STRENGTH DAIRY WASTE

There is always product waste associated with the Company's manufacturing processes. This waste contains sugar, cream, eggs, flavorings and add-in ingredients, all mixed with water. Waste product occurs in a variety of ways:

- Through the cleaning process associated with flavor changes on production lines.
- At the start/stop of production runs.
- When formulation errors occur.
- From spillage on the factory floor.
- As a result of testing new flavors or equipment.

This particular product waste, otherwise known as High Strength Dairy Waste (HSDW), represents one of the Company's greatest environmental impacts. Ice cream contains all those ingredients with higher amounts of sugar and fat which, without proper management at a wastewater treatment facility, can impact aquatic environments. Both manufacturing sites discharge to a municipal pretreatment system and they maintain regulatory permits for this activity.

The Waterbury Plant has a pretreatment system through which production wastewater is treated prior to discharge to the municipal system. The treatment plant uses a dissolved air flotation (DAF) unit and aerobic lagoons to treat the waste to regulated discharge levels.

The St. Albans Plant discharges to the municipal treatment plant. State regulations do not allow direct discharge to any of the State's rivers or streams. When Ben & Jerry's began researching in 1990 where to locate a new facility, the decision was based on the Company's three-part mission statement. Therefore, we chose St. Albans because we would be providing jobs in an economically distressed area. However, the St. Albans Bay was heavily impacted by algal blooms associated with phosphorus. Locating our plant in the watershed that feeds into the bay could have had a further negative impact. But because wastewater is discharged into the municipal treatment plant and the cleaning solutions do not contain any phosphorus, we have had

no impact on the bay. The manufacturing teams at both plants continuously try various cleaning solutions that are nonhazardous and still effective.

Despite the efforts to keep the ingredients flowing into the production system and not into the waste system, dairy waste is still generated. Product waste is managed through two options:

- It is shipped to a permitted composting facility to be turned into fertilizer for landscaping, farms and home gardens.
- It is placed in permitted manure pits for use as fertilizer.

The high strength dairy waste that we compost is sent to one of two sites in Vermont: 1) The Intervale Compost Project, a nonprofit organization in Burlington and 2) the Vermont Compost Company. Once the material is composted it is used as fertilizer by local nurseries, individuals or Intervale Foundations farmer program.

### High Strength Dairy Waste

	2002	2003	2004
Manure Pits	41%	56%	59%
Compost	59%	44%	41%


### High Strength Dairy Waste Reduction Goals

	2002		2003		2004	
	Goal	Actual	Goal	Actual	Goal	Actual
St. Albans	-10%	-19%	+5%	+34%	-5%	-12%
Waterbury	0.068%	0.068%	-5%	+8%	-10%	-7%


### Wastewater Reduction

Ben & Jerry's pays to bring water into the plants and to discharge to the town's treatment plants where we operate. Therefore, water conservation is important to the plants. Through ongoing efforts to reduce water use and, ultimately, what is discharged to the drain, the plants consistently work on ways to reduce incoming water. An example from the St. Albans Plant was a change to a cleaning phase of the pasteurizer. The change resulted in the replacement of an acid wash step by adding surfactants to the caustic wash. The change shortened the wash cycle by 1.5 hours; this eliminated the addition of acid and reduced water consumption by 2,000 gallons per day. The surfactants also help to reduce fats, oil and grease buildup in the effluent tanks by breaking down grease and butterfat. Efforts like these are ongoing at both of the manufacturing sites.

### Incoming Water Use

	2002	Norm	2003	Norm	2004	Norm
St. Albans	23,857,000	2.05	27,604,125	2.15	27,344,000	1.95
Waterbury	10,601,404	2.03	9,726,686	1.73	6,084,729	1.54

### Wastewater Gallons

	2002	Norm	2003	Norm	2004	Norm
St. Albans	17,221,910	1.48	20,062,046	1.57	18,392,531	1.31
Waterbury	6,418,537	1.23	6,418,356	1.15	5,927,908	.97

### (7.8) COMPLIANCE

Ben & Jerry's is proud of its compliance record. In the mid-1980s the Waterbury Plant incurred wastewater penalties prior to the installation of the pretreatment system. Since that time, neither the Waterbury Plant nor the St. Albans Plant have had any regulatory infraction from either State or Federal regulators. In 2002, 2003 and 2004 there were no environmental compliance occurrences or penalties.

### (7.9) SUSTAINABLE AGRICULTURE

Ben & Jerry's has long been committed to Sustainable Agriculture. It is our Company's belief that Sustainable Agriculture is all about making continuous improvements to existing farming practices in order to make them more environmentally sound, socially just and economically viable. Based upon this commitment, Ben & Jerry's had initiated three separate programs focusing on Sustainable Agriculture. Here we talk about the two Vermont projects, the third, Caring Dairy project, can be found in the international section on page 12.

#### The Vermont Dairy Farm Sustainability Project

In 2000 we launched the Vermont Dairy Farm Sustainability Project. This collaborative effort involved Ben & Jerry's staff, farmers, farm suppliers, milk processors, university extension services and dairy product manufacturers, all focused on improving nutrient management methods to safeguard water quality. The result of this three-year study demonstrated that farmers could reduce nutrient levels without decreasing crop size. It also demonstrated that improved water quality and cost savings resulting from reductions in the amount of nutrient use on the farm would be beneficial for the environment as well as the farmers' bottom-line. For more information, see the USDA's National Agricultural Library publication at [http://www.nal.usda.gov/afsic/AFSIC\\_pubs/srb9902.htm](http://www.nal.usda.gov/afsic/AFSIC_pubs/srb9902.htm).

#### Dairy Stewardship Alliance Project

In the spring of 2003, Ben & Jerry's engaged four master's degree students from the University of Michigan's Corporate Environmental Management Program, associated with the School of Natural Resources and Environment, to develop a comprehensive set of economic, environmental and social indicators for dairy farming. The goal of the project was to develop an on-farm

self-assessment tool for farmers to evaluate their farming practices based on these indicators. The Dairy Stewardship Alliance was made up of the St. Albans Coop, the University of Vermont Center for Sustainable Agriculture and Ben & Jerry's. In October 2004 the project is officially launched to a group of farmer members of the St. Albans Coop who agreed to test the tool kit. The farmers will go through each module and answer the questions, and the results will then be included in a confidential database. Each farmer will receive a personalized summary of the results for their farm, a comparison to other member farmers and information on how to improve their final results. Once changes have been made on farms, the farmers will repeat the tool kit test to determine if there have been specific improvements on their farm. In 2005 a second group of farmers will participate.

### (7.10) THERMOACOUSTIC RESEARCH

As we reported in 2002, Ben & Jerry's and Unilever Research partnered to initiate a two-year contract to fund a second round of research on Thermoacoustic Refrigeration (TAR) at Penn State University. TAR is an alternative refrigeration technology that utilizes sound waves to create cooling, as opposed to the traditional means of mechanical refrigeration that relies on the compression and expansion of specialized gases. With more than 1.8 million ice cream cabinets worldwide, the potential for TAR is the elimination of environmentally-harmful and flammable gases from the process of mechanical refrigeration. At the 2004 Earth Day Celebration in New York City, Penn State researchers and Ben & Jerry's debuted the first working ice cream cabinet powered by the thermoacoustic engine we developed in 2003. The engine was functionally integrated into a standard ice cream cabinet and demonstrated in use, cooling ice cream for two public events. Both of these initial presentations showed that ice cream could be cooled to practical operating temperatures (-20 C) and could overcome typical field conditions (125 W of cooling power) using a thermoacoustically-powered device. The operating prototype and related research was also presented at the Refrigerants, Naturally Conference in Brussels, Belgium, on June 22, 2004. This conference, cosponsored by the United Nations Environmental Program, Greenpeace, Unilever, Coca-Cola and McDonalds, is a forum dedicated to exploring and presenting the latest developments in mechanical refrigeration that do not rely on environmentally-harmful gases such as HFCs and CFCs. At Ben & Jerry's we launched a web site presentation, "Sounds Cool," that focuses on consumer education about the environmental dangers of common refrigerants; the options that thermoacoustics and alternative technologies offer; and links to additional information. Our funded research on TAR ended in 2004 with the completion of the prototype. Still, Ben & Jerry's intends to find new ways to support this developing technology by exploring options for beta testing evaluation sites of early commercial units. In 2004 Penn State negotiated the sale of intellectual property rights to the newly founded Thermoacoustics Corporation (TAC). Penn State researchers also secured

two additional years of venture capital funding from the TAC to continue research into a commercial application of the technology. At the close of 2003, Ben & Jerry's was in preliminary discussions with TAC about the possibility of developing beta units of TAR ice cream cabinets for field testing at limited locations in 2005/2006.

## international influence

Taking their lead from the UK, Ben & Jerry's France partnered throughout the year with the French National Blood Service and awarded donors with free scoops. As a major sponsor of "La Villette Parc Outdoor Cinema Festival" in Paris, they also partnered with an enthusiastic grassroots organization, "Cyclo Pouce," that hires the homeless and offers them training in



recycling and reconditioning abandoned bicycles to be used as low cost rentals in the park. Our team has lent their ice cream vending cart to Cyclo Pouce so that they could generate extra revenue through additional fundraising initiatives.



2004 was another year of significant change in the organization that primarily affected the internal structure of Ben & Jerry's. The supply chain, including all of central manufacturing, was realigned to North American Ice Cream. Shared services changes across the Information Systems Group and Finance moved processes and reporting relationships also into NAIC.

Through all this structural change, Ben & Jerry's has continued to focus on and ensure an environment that is relaxed and employee-friendly. There is a great deal of passion around workplace friendly practices such as bringing pets and children into the workplace, Company-sponsored employee lunches, fun and spontaneous celebrations organized by the Joy Gang, and frequent visits to Scoop U. Employees can also take advantage of work-life friendly practices or perks, like dry cleaning pickup and delivery, access to a warehouse at Central that stocks Unilever products at discounted prices and on-site yoga and Pilates classes at noon.

This year's employee-planned annual All Company Meeting was held at Smuggler's Notch Ski Area. The theme was The Renaissance, with a major emphasis placed on renewal of the Company's culture and creativity. People were in period costumes, and events, food and music centered on this theme. It was a great opportunity for all of our employees to come together in one place and spend time together reflecting on and celebrating the great work and accomplishments of the past year.

The Performance Development Planning (PDP) process was kicked off in November with a great deal of emphasis placed on the SMART criteria (Stretch, Measurable, Achievable, Relevant, Time-Framed). PDPs are

linked to Company and department goals. They also provide an excellent opportunity for employees and their managers to discuss upcoming projects and address training and development areas.

We continued with programs that ensure communication processes are ongoing and that the environment is open to discussion and feedback. Yves Couette published his monthly newsletter with the state of the business; each MOM member hosted a monthly roundtable luncheon; and we continued to hold the Strategic Insight Series that educates employees about major projects driving the business.

In 2004 a Best Practices Team was established to conduct a survey with like-minded and mainstream businesses across the US. The goal of the team was to get a sense of best practice programs of other companies and how they are implemented. The team also surveyed Ben & Jerry's employees for ideas of what is important to them. The Benefits Review Crew gathered ideas and then created and prioritized a list to research and implement. Many of our employees' ideas will be implemented immediately; others will take more planning. In 2005 a major effort will focus on implementing the results of the Best Practices Team.

### (8.1) WORKPLACE RESTRUCTURING

2004 was another year of significant change and included further restructuring and alignment with Unilever North American Ice Cream (NAIC). In the four years since the acquisition of Ben & Jerry's by Unilever, we have closed two sites (Bellows Falls and Springfield, Vermont) and integrated the Ben & Jerry's sales force into NAIC in Green Bay, Wisconsin. Over the last two years 219 people have been severed at Ben & Jerry's.

During 2004 Yves Couette, CEO, announced his departure from Ben & Jerry's. Ben & Jerry's Chief Financial Officer moved on to accept a position at a Vermont-based company, Seventh Generation. And when the reporting structure of our supply chain was redirected to NAIC, our Senior Director of

Operations left Ben & Jerry's to take a position as Vice President of Operations at Vermont's Green Mountain Coffee Roasters. Our Waterbury and St. Albans manufacturing sites were also repositioned to report directly to the Director of Manufacturing of NAIC.

Walt Freese, Ben & Jerry's former Chief Marketing Officer, took on the role of "Chief Euphoria Officer". In this position he will continue to oversee marketing activities, lead MOM (Managers of the Mission, our senior leadership team) direct Ben & Jerry's Retail and International Departments, take responsibility for the Company's P&L and be accountable for Ben & Jerry's three part Mission Statement.

The operating framework of One Unilever significantly affected Ben & Jerry's Information Systems and Finance departments as well. As a result, our Chief Financial Officer, newly named in 2004, will report directly to the Vice President of Finance for NAIC. Three members of the Ben & Jerry's finance team will remain in Vermont. The Information Systems department was reduced to 7 employees—the Web team (6 employees) and 1 PC support specialist who will report directly to NAIC. The other Information Systems team members (11 total) were informed that their positions would be eliminated in 2005. Ben & Jerry's Senior Director of ISG will also be impacted.

### Severance Package

Ben & Jerry's employees who are eligible to participate in the severance program receive a severance benefit equal to a minimum of 3 months' salary, not to exceed a maximum of 12 months' salary. The severance benefit is paid in a one-time lump sum payment based on a formula that credits employees with one month of salary for every completed year of service, calculated to the nearest whole year. All severance payments are subject to withholding for all applicable federal, state, social security and other taxes.

In 2004 we notified 24 people, all eligible for severance benefits, of their 2005 severance dates.

### (8.2) WORKPLACE MORALE

We've had a difficult time energizing and inspiring our people, while trying to accommodate the objectives of the One Unilever plan with monthly structural changes and job terminations. Some responses to changes taking place are positive, but overall, the reactions are more concerned than optimistic. In 2005 we'll again see a number of jobs lost. People in those positions have been notified of termination and know the conditions of their severance. Undeniably and regrettably, four years of reductions in headcount in our workplace have taken their toll on morale.

### (8.3) GLOBAL PEOPLE SURVEY

In 2004 we surveyed Ben & Jerry's employees for their perspectives and reactions via the Global People Survey (GPS). The GPS is administered to 125,000 Unilever employees and translated into 41 languages across 100 countries.

The GPS is administered to employees biennially by International Survey Research (ISR), an independent consulting firm specializing in employee research. Segments of the survey are customized to specific Ben & Jerry's needs. Its purpose is to give us a better understanding of the relationships between Ben & Jerry's people, the organization and our business development.

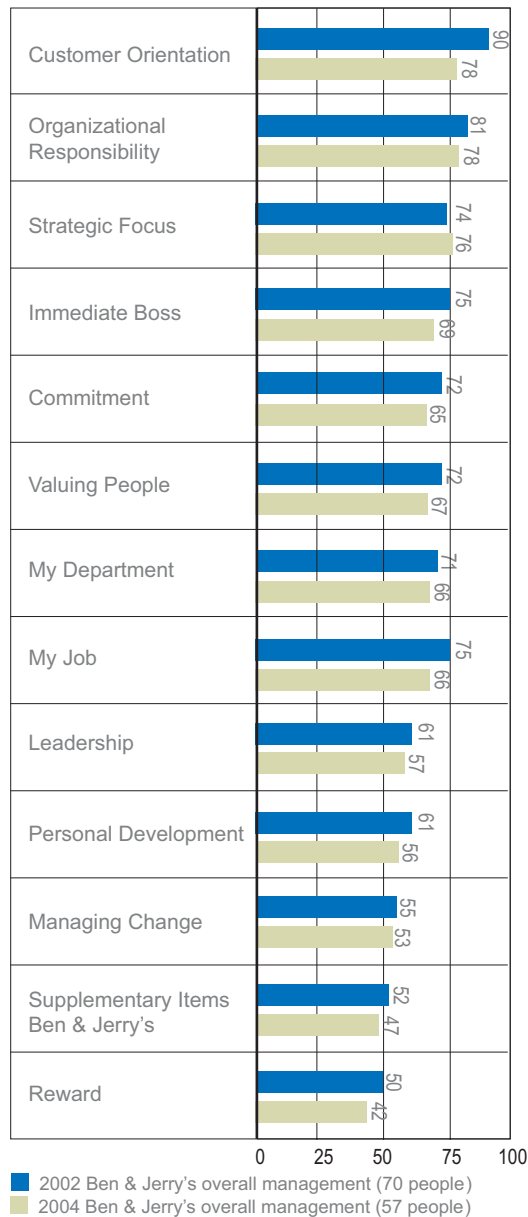
At Ben & Jerry's in 2004, the employee response rate to the survey was 94%, topping that of 2002, the highest in our Company's history.

Overall, what we learned from the survey is that there is urgent work to do and the roadmap is clear.

- Scores have declined since the last survey in 2002. While our analysts say the change is not "traumatic" and our results are on a par with the US National Norm, it's clear that we need to reverse the trend. We are beginning to look like the rest of corporate America.
- We saw a diminishing sense of confidence and trust among employees that appropriate choices are being made in the promotion of Managers.

- While employee pride in our environmental accomplishments and our commitment to the Social Mission are still strong, we heard a significant concern that employees feel less respected and less involved in the decision process and future strategy of the overall business.
- People feel adequately informed about the performance of Ben & Jerry's, but insufficiently involved in the broader strategy, frustrated with less than clear direction and unable to get things done.
- Morale is suffering and leadership must step up and take action based on the GPS results.
- Key people have left the organization and the critical skills base has eroded. The MOM and leadership need to ensure that all employees feel challenged and energized. In addition, we need to ensure that a base of key competencies is developed and that we have a succession plan for critical skills.

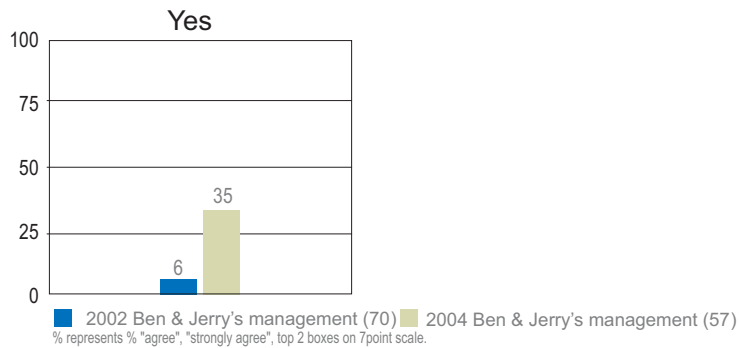
### Question Categories



\*Number represents average % formula ratings of all individual items in each question category.

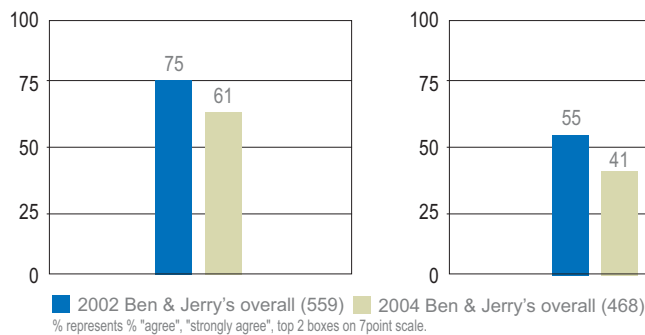
## Manager's Commitment— Many Say They're Looking to Leave

Q - At the present time, are you seriously considering leaving Unilever?

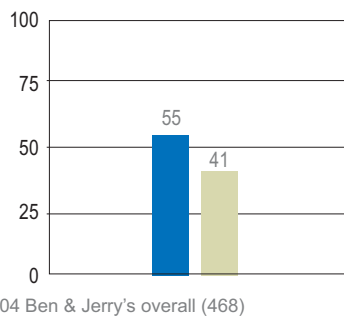


## Scores Have Declined on Some Key Ben & Jerry's Questions

Q - The social mission is important to our success as a business.

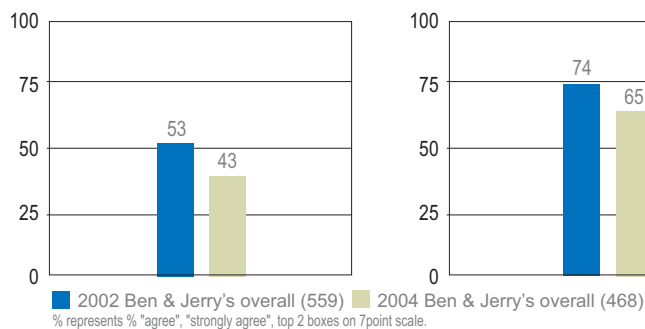


Q - I feel optimistic about Ben & Jerry's success in the future.

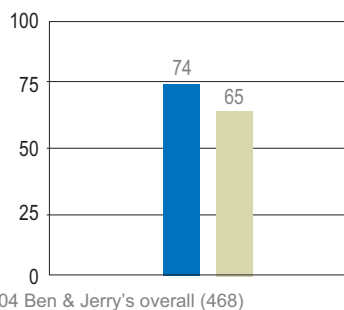


## Significantly Less Pride at Working for Ben & Jerry's

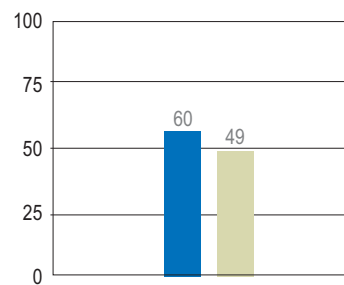
Q - Ben & Jerry's is a quirky, offbeat and fun place to work.



Q - I'm proud to work at Ben & Jerry's.



Q - Ben & Jerry's will continue to uphold its commitment to values.



## (8.4) COMPENSATION & BENEFITS

### Livable Wage

The livable wage for 2004 was set at \$10.18 hour or \$21,175 annually. The livable wage is adjusted based on COLA figures each year to ensure relative value is sustained in today's marketplace.

### Compensation Ratio

In 1985 the Company implemented a 5-to-1 salary ratio, which limited top salaries to five times the lowest salary. In 1995 when we began recruiting nationwide for a Ben & Jerry's CEO, we realized that our salary ratio policy would prevent us from being able to offer competitive compensation for the leadership skills and competencies we needed. At that point, we discontinued the formal practice of the compressed salary ratio policy. Since then, in our annual Social & Environmental Reports, we have continued to track and report on the ratio between the lowest and highest paid employees. However, with the change of ownership and restructuring of our organization, compensation, benefits and bonus arrangements have taken on additional complexities that make it impossible to create apples-to-apples comparisons between the highest and lowest compensations at Ben & Jerry's. Consequently, we have decided to eliminate this section altogether, while continuing to track and report on gender equity and balance.

### Bonus Incentive Plans

We believe that every full-time employee should be eligible for some form of variable pay over and above their base pay. We think it provides an added incentive to achieve sound business results. With that in mind, the company has several bonus incentive programs; the Variable Pay Award or VPA, which was formerly known as the Short Term Incentive Plan, or STIP, allocates bonuses to managers based on the achievement of three factors: North American Ice Cream NPS (net proceeds of sales), North American Ice Cream TC (trading contribution) and finally, an individual award based on the managers' accomplishment of their goals and targets.

We continue to offer bonuses to the rest of the employees in the Company based on their segment of the business. For example in Retail Operations, Sales staff receives a Retail Incentive Plan (RIP), and Vermont's Finest employees receive a Vermont's Finest Incentive Plan (VTFIP). For most others it's based on Performance and Savings Incentive Plan (PSIP), which encompasses the full-time exempt and non-exempt employees not covered in the VPA Plan or other plans. The payout for PSIP in 2004 was \$1,200.

### Benefits

Ben & Jerry's offers competitive benefits to our employees. We launched a best practices study to learn from the offerings of other like-minded businesses, and found our traditional benefits and compensation to be very competitive. And we learned that our 80:20 cost sharing for health and welfare plans is, in fact, quite aggressive. In 2005 we will begin crafting a plan to enhance and expand on more progressive thinking around our non-traditional benefits.

In 2004 we made the decision to add the Unicare Retirement Plan (Pension Plan) to our benefits, which allocates a percentage of employees' total earnings each month toward an established account with Fidelity. This benefit will begin in January 2005. Also for 2005 we added a hearing aid reimbursement benefit and increased the vision care benefit. And finally, we will be offering a new pre-paid legal benefit, which was well received by employees and provides access to pre-qualified attorney services on a variety of personal legal matters at an affordable rate.

The average cost of benefits per employee based on 2004 costs was \$14,234. This is notably lower than the prior year due to the fact that overall medical and dental costs were lower. Health costs were lower for three reasons: 1) in general, we experienced a healthier population; 2) we proactively implemented structural changes to the prescription drugs program; and 3) the number of people covered on the Company's plan decreased based on the severance process. Overall costs will likely increase in 2005 due to the scheduled implementation of an employee Pension Plan.



## Gender Balance

In 2004, 62% of the workforce was male and 38% was female. This compares to 59% male and 41% female in both 2002 and 2003

### (8.5) DIVERSITY

Ben & Jerry's embraces and promotes workplace diversity. We strive to be successful and inclusive in attracting and retaining a diverse workforce. For instance, for many years we've continued to attract and retain individuals of varying sexual orientation; and for just as long, we've continued to offer benefits programs that recognize and support partnerships other than those of traditional marriage. The State of Vermont continues to face challenges in attracting people of diverse race and ethnicity.

In 2004, 2.7% of Ben & Jerry's workforce was nonwhite. Based on the 2000 census, Vermont has a 2.1% nonwhite population.

### (8.6) TRAINING

Having identified in the fall of 2003 that Project Management was a top focus area for 2004, we partnered with a local Project Management organization and designed a four-day extensive program that used "action learning" as its foundation. In March we rolled out the program to Ben & Jerry's senior leaders and managers who attended a four-hour overview of the management, methodology and expectations of the program. In April, we kicked off the first of six Project Management Series. The first four series related to active project teams and included roles for their project sponsors. The last two series were targeted more generally toward anyone interested in the Project Management process for future application. In April and June, we offered the MS Project software needed to plan and track projects.

## Gender Equity

	Gender	Average Salary 2002	Average Salary 2003	Average Salary 2004
Manufacturing & Administration	female (110)	\$25,465	\$29,507	\$29,076
	male (229)	\$27,023 .88-to-1	\$30,041 .98-to-1	\$30,032 .97-to-1
Professionals	female (54)	\$45,851	\$47,484	\$45,981
	male (61)	\$45,514 1-to-1	\$46,738 1.02-to-1	\$47,232 .97-to-1
Middle Managers	female (31)	\$75,461	\$79,739	\$79,396
	male (26)	\$75,985 .99-to-1	\$80,425 .99-to-1	\$79,258 1-to-1
Senior Managers	female (2)	\$121,874	\$132,151	\$132,151
	male (4)	\$124,678 .98-to-1	\$127,080 1.04-to-1	\$120,475 1.10-to-1

## Training

	2002	2003	2004
Number of employees trained*	701	609	843
Total accumulated training hours	10,400	16,432	17,629

\*Numbers may represent individual employees attending multiple training sessions.

We also provided workshops in these areas: supervisory skills, difficult conversations, enterprise coaching, strategic planning, communication, behavioral-based interviewing and managing stress. Twelve monthly Strategic Insight Series sessions delivered by Ben & Jerry's senior directors rounded out the schedule.

In September, we once again conducted a company-wide online training needs assessment. The results of this survey indicated that the top 10 training needs for 2005 are:

1. Proactive Analysis
2. Business Process Rationalization
3. Critical Thinking
4. Strategic Planning
5. Conflict Resolution
6. Creating Business Consultants
7. Analytical Problem Solving
8. Change Management
9. Decision Making Process
10. Leadership Skills

2004 proved to be a year more focused on development and was closely tied to the business need of managing projects to time, scope, cost and results.



## (9.1) THE BEN & JERRY'S FOUNDATION

The Mission of the Ben & Jerry's Foundation is to make the world a better place by empowering Ben & Jerry's employees to use available resources to support and encourage organizations that are working towards eliminating the underlying causes of environmental and social problems.

### About the Foundation

Ben & Jerry's Foundation, a separate entity from the Company, was established in 1985 through a donation of stock in Ben & Jerry's Homemade, Inc. These funds are used as an endowment. Since the time of the merger agreement between Ben & Jerry's and Unilever in 2000, Ben & Jerry's Homemade, Inc. has made a minimum yearly donation of \$1.1 million dollars, adjusting the amount upward annually for sales growth and inflation. In 2004, the Foundation received from Ben & Jerry's Homemade, Inc. \$1,445,844. These funds will be given away in 2005.

Since these significant dollars for philanthropy are the result of the hard work of the Company's staff, employees are extensively involved in the Foundation's grant-making. In general, the purpose of Ben & Jerry's philanthropy is to support the founding values of the Company: economic and social justice, environmental restoration, peace through understanding, and to offer assistance to communities in Vermont and other communities throughout the United States.

The Foundation administers the following programs:

### Employee Grant-Making

A nine-member committee, representing each of the Ben & Jerry's sites in

Vermont, makes funding decisions (subject to review by the Trustees) on grants to national and Vermont-based nonprofit organizations that support progressive social change and environmental work. Members are chosen by their peers. Grants range from \$500 to \$15,000. To learn more about this program and to review our 2004 grant recipient list, visit: [www.benjerry.com/foundation](http://www.benjerry.com/foundation).

### Community Action Teams

Each of the Company's Vermont sites has an employee Community Action Team or CAT. The teams review and decide on small grant requests, generally \$100 to \$1,000 for local Vermont-based nonprofit organizations. These grants are intended to express both employees' concerns and the Company's intent to be a good neighbor.

In addition to the grant-making program, each team working with their site management, identifies, undertakes and underwrites community enhancement projects. Projects must be undertaken with a 501(c)(3) approved nonprofit or a municipal entity. (There are guidelines used for determining appropriate projects.)

### Matching Gift Program

The Foundation matches dollar-for-dollar, up to \$1,000 a year per staff member, contributions that our employees make to nonprofit organizations.

### Other Grants

The Foundation Trustees may make grants to nonprofit organizations in the areas of children and families, environmental restoration, sustainable agriculture and in support of the Company's Social Mission initiatives. These grants may not be used for sponsorships, promotions or other marketing purposes. Recognizing that part of the Company profits comes from international sales, the Foundation Trustees may allocate funds annually for grants to registered non-governmental organizations operating outside the United States.

Funds Disbursed	2002	2003	2004
Employee Grant-Making Committee	\$893,300	\$851,873	\$873,900
Number of grant recipients	92	91	101
Community Action Teams	\$194,539	\$187,100	\$172,101
Number of grant recipients	211	181	163
Other Grants (Corporate)	\$80,200	\$101,000	\$96,200
Number of recipients	43	28	41
Employee Matching Gift Program	\$29,986	\$25,871	\$28,740
% of staff participation	13%	15%	12.5%
<b>Total granted</b>	<b>\$1,144,025</b>	<b>\$1,165,844</b>	<b>\$1,220,941</b>

### “The U Fund”

In addition to the funds allocated to the Foundation from the Company, the Foundation Trustees oversee and administer a one-time, \$5 million dollar gift that resulted from the Unilever acquisition. These funds are granted proactively to nonprofit organizations that support citizen education and activism around globalization issues and social justice. In 2004 the Trustees distributed \$315,000 in grants that included \$250,000 to Global Exchange ([www.globalexchange.org](http://www.globalexchange.org)) and \$50,000 to The Ruckus Society ([www.ruckus.org](http://www.ruckus.org)).

### (9.2) PRODUCT DONATIONS

Ice cream donations have long represented Ben & Jerry’s commitment to give back to the communities where we do business. In 2003 the program was restructured to accommodate changes in our distribution system which limited inventory storage to selected warehouse locations. While we still gave away ice cream to many nonprofit organizations that used it to advance their fundraising activities or to celebrate a successful event, we were limited in reaching the entire country with actual product. These days, we are able to donate pint coupons rather than ice cream to out-of-state nonprofits. In 2004 we gave away approximately 12,500 coupons to 515 nonprofits that requested donations. In Vermont we gave away over 9,000 gallons of second quality product to over 500 organizations in support of a wide range of nonprofit and community activities.

### Big Apple Circus

In addition to giving coupons and ice cream to various nonprofit organizations, the Ice Cream Donations department supported the Big Apple Circus (BAC) with ice cream valued at \$20,000 (our cost, not retail), which BAC sold at their performances. The money raised by this program went directly to the BAC Clown Unit which travels to children’s wards in hospitals throughout the U.S. This project is almost totally funded by the sale of Ben & Jerry’s product. We have supported the Big Apple Circus for over 6 years.

To learn more about our ice cream donations program, visit [www.benjerry.com/our\\_company/donations/index.cfm](http://www.benjerry.com/our_company/donations/index.cfm).

### (9.3) COMMUNITY-BASED ACTIVITIES AROUND THE GLOBE

#### Belgium

Belgium became a new Ben & Jerry’s partner in 2004 and took their first community action steps with conviction, enthusiasm and impact in Antwerp. In partnership with ‘Moeders voor Moeders,’ Ben & Jerry’s launched the “a N’ICE gift” campaign that gave low income, single mothers Christmas celebrations the families might not otherwise have enjoyed. In exchange for gifts for mothers and their families of clothes, toys, luxury foods and confections, Ben & Jerry’s offered free pints in a holiday setting on Antwerp’s busiest shopping street. They plan to develop their relationship with this family-focused organization.

#### France

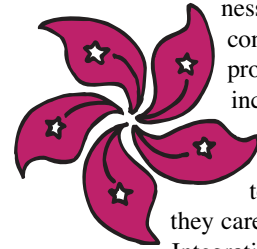
Taking their lead from the UK, Ben & Jerry’s France partnered throughout the year with the French National Blood Service and awarded donors with free scoops. As a major sponsor of “La Villette Parc Outdoor Cinema Festival” in Paris, they also partnered with an enthusiastic grassroots organization, “Cyclo Pouce,” that hires the homeless and offers them training in recycling and reconditioning abandoned bicycles to be used as low cost rentals in the park. Our team has lent their ice cream vending cart to Cyclo Pouce so that they could generate extra revenue through additional fundraising initiatives.

#### Germany

Germany celebrated Free Cone Day in seven Scoop Shops, giving away nearly 9,500 free cones and collecting €2,000 (U.S. \$2,675) in donations for their local nonprofit. They held Pint-for-a-Pint gatherings on four university campuses; partnered with the international Seed the World Campaign in Berlin; and invited university students in Cologne to brainstorm ideas on how to have fun launching Ben & Jerry’s in their city.

#### Hong Kong

Our partners in Hong Kong have made Social Mission the core of their business with ongoing contributions, product donations, incentives for volunteerism and contributions to local causes they care about. Integrating our brand values into their workplace practices, they hire as scoopers youths from the Labor Department’s Youth Work Experience & Training Scheme (<http://www.ywets.labour.gov.hk/>), which offers employment and job skills to young people for building self-sufficiency.



A year after SARS saw a gradual rebound of the economy in Hong Kong, our partners there finessed logistical challenges that prevented our traditional ice cream giveaway. They created Charity Cone Day and awarded free ice cream to anyone who made a donation over HK\$10, (U.S. \$1.29) which went entirely to Make-A-Wish Foundation Hong Kong (<http://www.makeawish.org.hk>). The proceeds from 8 kiosks came to HK\$68,881 (U.S.\$8,833). To support the Foundation’s good work of granting special wishes to children with life-threatening diseases, our Hong Kong Brand Champion invited eight children to share their stories at the Grand Opening with guests, a local celebrity and the press. The event generated eight articles in local media that highlighted the optimism of these children for society—a much needed ray of joy for Hong Kong in 2004.

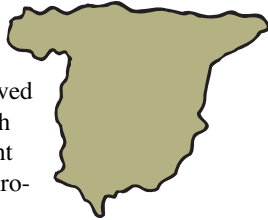
#### Israel

Our Ben & Jerry’s team in Israel had much success with the Give a Pint, Get a Pint campaign. In 2004 they organized an adoption day for abandoned animals that included celebrity appearances and free ice cream. They donated ice cream to the Women’s International Zionist Organization, a non-partisan international movement, to contribute free ice cream to the organization’s summer camps for orphaned and physically-challenged children. And a number of ice cream donations went to

organizations supporting such children's causes as mental retardation, hospitalization, hearing impairment disorders and domestic violence. On Saturday mornings, the Tel Aviv beach shop comes alive with free folk dancing and we are told that people come from miles around to enjoy this pleasant activity.

### Spain

For the third year, Ben & Jerry's Spain served communities with the Pint-for-a-Pint blood donation program and had an increase in participation of 200%. Working arm-in-arm with local Blood Banks and having university campuses as venues, they designed posters and information leaflets, awarded donors with free pint coupons and, by campaign's end, had handed out 12,000 coupons, all of which they hope to see redeemed in their Scoop Shops.



Raising awareness for the Spanish branch of Friends of the Earth (Amigos de la Tierra), they gave away over 6,000 free pints along with packets of seeds to reward Scoop Shop purchases of over €5. Meanwhile, our franchisee in Sevilla sold single scoops for €1 (U.S. \$1.34) and donated two days proceeds of €1,400 (U.S. \$1,872) to ANDEX, a nonprofit that benefits children with cancer. In Barcelona, our team supported a local hostel that works with mentally challenged youth. They provided donations of €12,000 (U.S. \$16,043), umbrellas and cow murals for their terraces and a story on their Ben & Jerry's website to introduce the hostel to the community. For the first time in Spain, our franchisees invited local nonprofits to use Ben & Jerry's Free Cone Day to present their causes and together they welcomed more than 40,000 people who learned about social issues and enjoyed the free ice cream.

### The Netherlands

In Holland, our international partners worked with the nonprofit organization, WAR Child, whose focus is on the psychological needs of children who have

suffered from war and/or conflict situations. Putting into action their mantra of "No one can do everything, but everyone can do something," the team added the phrase (which also happens to be a new flavor name) "What's your Peace of Cake?" They recruited volunteers to work with WAR Child, offered marketing resources to craft an ad campaign and posters, and followed up with a contribution of €0,25 (U.S. \$0.33) per pint sold of Peace of Cake, totaling €30,000 (U.S. \$40,118). For WAR Child's FEAST for PEACE initiative, now in its fifth year, the group teamed up with the food service sector to generate €300,000 (U.S. \$401,298) so far for the campaign. Their collaborative project with the Augustinian Convent in Amsterdam that had the homeless community wearing winter coats bearing advertisements on them drew applause, criticism and a range of reactions that added up to a learning experience for all of us. We talk more about this in the International section of this report.

### UK

#### PartnerShops.

Regrettably, the first UK PartnerShop®, with The Furniture Resource Center Group (FRC), opened in late 2003 in Chester and closed its doors only one year later. In every respect it appeared to have all the ingredients for successful business. The Furniture Resource Center Group was deeply committed to the program, even if it did lack operational expertise and local controls. In 2004 the failing summer sunshine dramatically affected tourism and seasonal sales and operational challenges were abundant. Ultimately, a number of factors conspired against success and they were losing money, and so the decision to



close became inevitable. Most of the youth our team committed to train stayed the course, and remained their partners. Throughout the process, Ben & Jerry's UK gave their full support, but a PartnerShop's® success depends upon the operator's commercial expertise, retail experience and local knowledge. This proved to be a steep learning curve for the UK team, who remain committed to the program. They also provided full cooperation and assistance to FRC in exiting the partnership.

In contrast, a second PartnerShop® opened in Londonderry, Northern Ireland, in August 2004 and has been a tremendous success. It is operated by the Cresco Trust, a unique and visionary organization that was set up two years ago to support the socially-excluded young people of Derry. This area has suffered from years of social, religious and political unrest and the founders of Cresco are committed to providing opportunities for people disadvantaged within their own community to learn, engage and progress. The opening of the store generated huge local support and brought together young people and families from across the political divide. The store continues to thrive, sales are buoyant and the store benefits from having a strong, enthusiastic and highly motivated management team. Cresco is planning to open two more Ben & Jerry's PartnerShops® this year.

#### PartnerBus

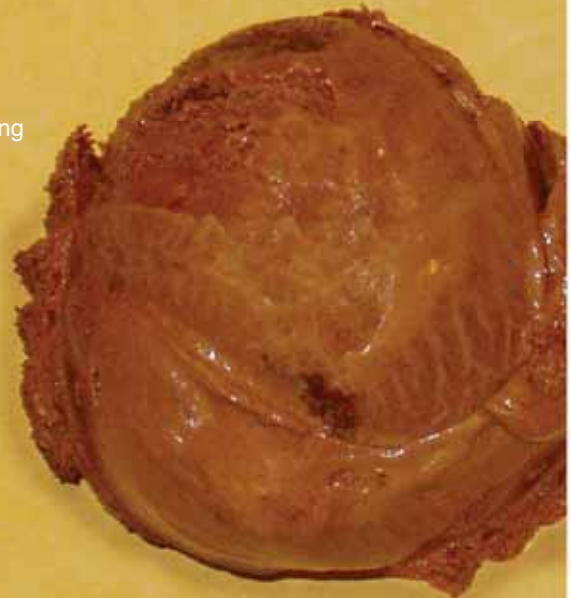
The UK's fundraising PartnerBus, the Flying Friesian, roamed the countryside and raised funds for their chosen charity again last year. Since 1999 their lovable bus has raised over €38,394 (U.S. \$49,708) for the children's charity ChildLine from donations and profits from ice cream sales at music festivals across the country. In 2004 the team felt that ChildLine, which had become one of the UK's leading children's charities, no longer needed the publicity their little Friesian achieved. They decided to switch their focus to the environment and discovered a small, but enormously passionate, organization that was close to their hearts and in need of funding and friends. And so the Flying Friesian acquired a new look and set out to spread the word for Trees

## coffee with friends

Before becoming part of the PartnerShop® team, one young woman was on the verge of homelessness and was in desperate need of a job. She had just received her GED, but without a record of successful work experience she'd been unable to find employment on her own.

In March, 2004 she successfully completed the Ben & Jerry's job training program and began working at the Eastern PartnerShop® in April. She quickly proved to be reliable and was good with customers. Two months later, she was promoted to Shift Leader, and not long after that, to Morning Supervisor for our Breakfast at Ben & Jerry's program. Customers look forward to seeing her and often remark that she's the reason they come in for coffee.

She has faced many obstacles in her life and says that working at Ben & Jerry's has given her the confidence she needs to achieve her goals, which include plans to attend college in 2005 to pursue a nursing degree.



for Cities across the UK. This small organization is an independent charity that plants trees and re-landscapes public spaces in urban areas with the greatest need. Their vision is to stimulate a greening renaissance in cities around the world to help curb on global warming.

During the year, our UK partners attended major music festivals that included Reading and Glastonbury, and ran their very own peace rally across London, providing ice cream to hungry volunteers at Community Action days throughout the year. Despite the atrocious summer weather, they still managed to raise much-needed funds and donated in excess of \$16,000 to Trees for Cities.

### Community Action Days

Following the success of the first Community Action Day (CAD) in 2003, the UK team doubled their challenge in 2004.

In May they joined a team of volunteers and specialists from Groundwork, an organization dedicated to building sustainable communities, nursed a rundown community allotment site back to life and planted flowering shrubs around a small residential home for the elderly.

On July 20, again with Groundwork, they transformed a badly neglected public space into a children's play area. Their most ambitious CAD in 2004 involved building a fully-equipped, safe play area in a particularly deprived east Manchester neighborhood of Beswick. Teaming up with New Deal for Manchester, Beacons for a Brighter Future, Groundwork and scores of volunteers, they invested in the range of \$100,000. Their partnership with UCI Cinema in a fundraising effort kicked off on Free Cone Day in April; all visitors to the cinemas were encouraged to donate to the project in return for their free ice cream. This effort was supplemented by further fundraising activity across the country and culminated in September with a day-long event dedicated to the construction of the playground.

While the benefits were clear, the team met with numerous hurdles and learnings. They felt the advantage of a longer-term commitment was required if they were to make a real and positive

impact on those communities enduring deprivation and social exclusion. However, we remain committed to the program and we will revisit all the locations in 2005 to assess the value of our involvement.

### Weird World Championships

Ben & Jerry's UK remains the proud sponsor of three World Championships. Now in its fifth year, Conkers remains a popular pastime for nutcrackers everywhere. Bog Snorkeling will always be a favorite for those who prefer the murky surroundings of this aquatic event. And last but not never least, our Toe Wrestling championships continue to capture the imagination of its contestants who have taken to calling themselves everything from the Krakatoea to The Toeminator! On a serious note, these events do raise funds for local charities and their involvement helps to support these all important community events. Over the years, they have raised well over \$50,000.

### Crisis FareShare

Ben & Jerry's UK has been supporting Crisis FareShare, an organization which provides food to homeless shelters, since 2001. In 2004 we donated over 15,000 liters (3963 gallons) of ice cream. Crisis served Ben & Jerry's, instead of the traditional holiday pudding, at a special lunch held in the Dome on Christmas day for 2,000 members of the homeless community.

## (9.4) COMMUNITY ACTION ACTIVITIES IN VERMONT

### Site Community Action Team Projects

Both the Waterbury and St. Albans manufacturing plants are very integrated into their communities. In the Fall, the St. Albans Plant shut down for a day so that all 200 employees could work at The Hardack Community Recreation Area that is owned and operated by residents of the community. The project involved cutting and clearing several acres of new trails.

Other projects in St. Albans included:

- A 50/50 raffle that generated \$250 for Project Joy. This annual project provides gifts and a holiday meal to some of our less fortunate neighbors.

- A coat drive, in conjunction with Gadue's dry cleaning, produced four large boxes full of warm winter outerwear.
- A food drive for a local soup kitchen.
- A clothing drive with the Salvation Army.
- Ben & Jerry's annual Elfing Project, where employees share holiday cheer and ice cream with local businesses.

The Waterbury Plant completed these smaller projects during the year.

- Reconstructed a ballfield in Hyde Park, VT.
- Volunteered at the Vermont Food Bank in Barre, VT.
- Participated in a Town Beautification Project in Barre, VT.
- Volunteered for phone duty during Vermont Public Television's annual fundraiser.
- Brought holiday cheer and ice cream to local businesses as part of Ben & Jerry's annual Elfing Project.

The Central Support Community Action Team and other projects included:

- Volunteer work at the Vermont Food Bank.
- Breakfasts, lunches and bake sales to benefit local nonprofit organizations.
- Project Joy, a holiday event where employees provide gifts to kids who may not otherwise receive presents during the holidays.
- Ben & Jerry's annual Elfing Project, where employees bring holiday cheer and ice cream to local businesses.

## (9.5) MARKETING & SALES PROGRAMS

### Rock the Vote Bus Tour

In 2004 we hit the road on a bus tour with Rock the Vote, a nonprofit, non-partisan organization that protects freedom of speech and empowers young people to vote. Riding close behind in the Ben & Jerry's Scoop Truck, we helped roll out Rock the Vote's call to action for youth voter registration in the most hotly contested markets via musical concerts, college campus events and major political conventions. Along the way, we sampled Primary Berry Graham, our new flavor with a "get out and vote" message. Despite a number of logistical and

budgetary hurdles that ended in Rock the Vote's cancellation of over two-thirds of their originally projected bus stops, we managed to meet our highest target expectations. Almost 1.5 million people registered to vote either through the tour or online. Despite the numerous and difficult lessons we learned, 20.9 million young people ultimately got to the polls in 2004 - the highest turnout rate for young voters since the voting age was lowered to 18 years of age in 1971.

In our own backyard, we kicked off Rock the Vote's bus tour with a downsized Ben & Jerry's festival on the Lake Champlain waterfront. The event featured an eclectic mix of musicians, lots of information about election issues and fundraising. Booths were set up to showcase some of our most active social and environmental nonprofits who passionately presented their causes. And of course, the overall focus was on voter registration. Sadly, the day brought with it a bone-chilling downpour and we watched our numbers dwindle below expectations.

We fared far better in our statewide drive to "get out and vote." Fifty-five newly notarized Ben & Jerry's employees traveled around the state registering Vermonters everywhere to vote. In city parks, shopping malls and corporate offices, they sampled Primary Berry Graham ice cream and added 315 names to Vermont's voter registration lists, a noteworthy accomplishment considering our state's prideful voter registration rate of 90%.

And on our Ben & Jerry's website, the first 50,000 people to sign up for our "Oath to Vote" won free iTunes downloads. A total of 81,084 visitors to our site took the oath and promised to show up at their voting polls on November 2.

### One Sweet Whirled™

One Sweet Whirled™ is a Ben & Jerry's flavor dedicated to increasing awareness of the issues surrounding global climate change. A portion of the proceeds goes to Bama Works ([http://www.dmband.com/bama/bama\\_main.asp](http://www.dmband.com/bama/bama_main.asp)), a foundation tied to Dave Matthews Band and our common commitment to fighting global climate change.

We were disappointed in 2004 to see budget cuts slow down our momentum around this campaign. The program was limited to an online effort, with a website that served as a one-stop shop for consumers to learn about global climate change and to find out how they can help slow the process with daily individual action: <http://www.lickglobalwarming.org/>. We promoted the site through [www.benjerry.com](http://www.benjerry.com) and with package messaging. It continues to be a dynamic and information-filled site, but with only minimal resources to drive traffic in 2004, we unfortunately saw traffic to the site diminish.

### Organic Ice Cream

After years of debate and diversions, we entered the Organic Ice Cream market in 2003 by testing a line of four organic ice cream flavors in several US markets (Chocolate Fudge Brownie, Strawberry, Sweet Cream & Cookies and Vanilla). The rollout was national in natural food stores. Where distributed, their performance has been mixed. We intend in 2005 to increase our support for this organic line, which we're proud to have among Ben & Jerry's flavors.

### Considering Carbs

With the focus on health, obesity and carbohydrates in full swing in 2004, we responded to consumer demands by launching a line of "Better for You" ice creams that included Carb Karma® (for use in low carbohydrate diets), Light Ice Cream (all-natural) and No Sugar Added Ice Cream. The Carb Karma® and No Sugar Added lines could only be formulated using artificial sweeteners, and so after many difficult discussions internally, we decided to deliberately digress from our all-natural commitment. Our flavor developers mixed and remixed and formulated and reformulated the best tasting alternatives in their repertoire. At the end of the day, our consumers told us that even the best efforts of our flavor gurus fell short of expectations. We discontinued the flavors by the end of 2004 (you'll find them in our graveyard) and returned to a line free of artificial sweeteners in 2005.

### Body & Soul™

We know our consumers are looking

for healthier alternatives to incorporate into their diets, but still want the indulgent taste of Ben & Jerry's. In 2004 we began discussing a more "holistic" approach to eating - one that considers fat, sugar and caloric intake in moderation, but without sacrificing taste. In 2005 we will launch a line called Body & Soul™ that offers Ben & Jerry's indulgence with a 25% reduction in fat, sugar and calories.

### Peace Pops®

In 2004 we continued to provide Peace Pops® for our consumers. The flavors included Cherry Garcia®, Cookie Dough, Vanilla and Vanilla with Heath® Toffee. The packaging for this novelty line directed consumers to our website where they could check out our list of 50 Ways to Promote Peace. The ideas and activities listed covered a range of topics and commitment levels, from the practically effortless to the simply practical to the powerfully proactive. Check it out at [www.benjerry.com/features/50\\_ways/50ways.cfm](http://www.benjerry.com/features/50_ways/50ways.cfm).

Looking forward to 2005, we are planning a restage of our novelty ice cream bar line. In an effort to simplify our consumer communications, we will remove the name Peace Pop® from our novelty bar packaging, providing increased focus to the flavor and the format of the bar. Our new flavors will include: Half Baked®—Cookie Dough ice cream on a brownie with a thick drizzle of milk chocolate coating; Vanilla Almond—Vanilla Ice Cream on a blonde brownie with a thick drizzle of milk chocolate coating and a sprinkling of almonds; and Vanilla—Vanilla Ice Cream with dark chocolate coating. And we will still produce our beloved Cherry Garcia® bar, with improvements to the dark chocolate coating. Our website will continue to offer ideas to folks on how they can help promote peace both locally and abroad.

### Royalties

Although the band, Phish, played their last concert in the fall of 2004, their legacy continues through the sweet notes of Phish Food® Ice Cream and Frozen Yogurt. Phish Food® produces royalties for the Waterwheel Foundation ([www.phish.com/waterwheel](http://www.phish.com/waterwheel))

wheel) which was created in 1997 by the band. The foundation oversees the band's various charitable activities, including the Touring Division, the protection and preservation of Lake Champlain and the Vermont-based Giving Program. Royalties paid to the Waterwheel Foundation in 2004 totaled \$287,950.

Our Dave Matthews Band flavor, One Sweet Whirled™, is another ice cream that is helping to raise awareness for the environment. This ice cream produced royalties of \$54,015 for Bama Works, a foundation set up by the Dave Matthews Band. In turn, Bama Works donates half of the royalties to SaveOurEnvironment.org, a collaborative effort of the nation's most influential environmental advocacy organizations, harnessing the power of the internet to increase public awareness on today's most important environmental issues.

And finally, Butter Pecan generated \$90,133 for the Tom Joyner Foundation in 2004. The Tom Joyner Morning Show radio program is a top-rated, nationally syndicated morning radio show with a weekly listenership of 5,000,000+ on over 100 stations. The Tom Joyner Foundation is a nonprofit organization that provides assistance to students at Historically Black Colleges and Universities.

### External Communication

Ben & Jerry's PR results in 2004 were a mixed bag. At first glance, there seemed to be plenty to be happy about. We once again delivered on the impressive figure of 2 billion plus print impressions, down just slightly from our 2003 figure. That's a lot of media mentions and it makes us proud. Few companies can boast that kind of media attention year-in and year-out. As expected, Ben & Jerry's continued to hold a significant lead over our two main ice cream competitors, whose combined media exposure wasn't even 25 percent the volume of Ben & Jerry's. And, once again, our pints figured prominently in movies and television sitcoms in 2004. Known in the industry as "product placements," these Hollywood moments come to us free of charge and speak to the power of the

Ben & Jerry's brand, since most companies pay for the privilege.

Hordes of press clippings, we're whipping the competition, and they love us in L.A.! So, what's to complain about? Well, we're the first to admit that we're our own worst critics. And our team who writes this report begs us to be harsh. But we know all too well that stats don't tell the whole story. Media impressions notwithstanding, what we really want to know is how effective we were at communicating the Ben & Jerry's mantra in 2004. Did we have something relevant to say and did the media get the message?

To get an unbiased opinion, we turned once again to the media analysis experts at Carma International for a bit of insight into the content of Ben & Jerry's media coverage. Was it positive, negative or neutral? What we found was daunting, to say the least. While in comparison to its competitors, Ben & Jerry's fared well in 2004; when stacked against our own past performance, Ben & Jerry's media performance was weak.

Turns out, Ben & Jerry's 2004 performance in the media dropped to 2001 levels, when the Company was plagued with controversy over the Unilever acquisition and questions about our future. And, while 2004 didn't attract the severity of negative coverage seen in 2001, we didn't secure the strongly positive reviews of new product introductions and initiatives we've come to expect. "Note that in 2004 the percentage of neutral reports continued to account for a larger portion of coverage than in past years," Carma told us. "Historically, Ben & Jerry's campaign-based coverage has markedly impacted the Company's media penetration and type of coverage generated, and it's absence was most apparent in 2004." "Overall," summarized the Carma report, "it appears that the active personality of Ben & Jerry's dissipated from 2004's media coverage."

Specifically missing this year was a high volume of campaign-based coverage. While our Rock the Vote campaign managed to generate some coverage, it clearly wasn't at the level of campaigns

seen in the past. As part of Rock the Vote's goal to bring 1 million young voters to the polls in November 2004, the nonprofit, non-partisan organization partnered with Ben & Jerry's to create Primary Berry Graham, the new Rock the Vote flavor. After launching the flavor in the fall of 2003, we hit the campaign trail at the New Hampshire primaries, where we asked voters to take an "Oath to Vote" in exchange for a taste of Primary Berry Graham.

Primary Berry Graham made headlines and grabbed airtime nationwide, with stories in the Los Angeles Times, the New York Times, FOX-TV and more. The flavor stole the spotlight in New Hampshire, making an on-air appearance with CNN's Anderson Cooper 360. On the day of the primaries, CNN anchors reported "a different type of scoop":

"It's hard to go to any event in New Hampshire without having a scoop of Ben & Jerry's Primary Berry Graham ice cream handed to you by Rock the Vote (RTV), the youth-oriented voter education group. Dressed as a cow, RTV volunteer Aaron Taylor, 24, said his goal is 'getting people off their ass to vote. People forget it's 18 to vote, not 30.' "

In addition, the flavor made a red-carpet appearance at MTV's "Rock The Vote" awards in L.A., where the Ben & Jerry's integrated marketing team scooped for media and musicians alike, including P. Diddy, Black-Eyed Peas and the Dixie Chicks. Primary Berry Graham was once again front and center on April 27th, when Ben & Jerry's Scoop Shops celebrated our 26th annual Free Cone Day. Particularly newsworthy were downloadable iTunes for those who took the oath to vote on benjerry.com and in-market coverage of Rock The Vote's "street teams" who were on site at scoop shops to register new voters. Unfortunately, after the initial flurry of interest about the flavor, media coverage for Ben & Jerry's participation in the Rock the Vote campaign dropped off substantially, and the brand ultimately shared sporadic mentions with other sponsors on the Rock the Vote summer tour.

New product coverage also fared less favorably in 2004. Reviews of our new flavors, which in 2004 included Carb Karma, were less than enthusiastic. Media reports on Carb Karma started out favorably, however, this line of products soon received criticism from columnists who (a) felt the food industry had gone too far with its low-carb obsession and (b) provided the most negative review of a Ben & Jerry's product ever to cross our desks. One syndicated columnist went so far as to place Carb Karma second on their list of "worst 2004 products," calling it "the first spit-worthy Ben & Jerry's." Ouch.

Alas, while some took offense at our low-carb entry, others seized the opportunity to lambaste Ben & Jerry's for the high fat content in regular full fat flavors. Center for Science in the Public Interest (CSPI) singled out Ben & Jerry's Scoop Shops in their highly publicized attack on the role of retail ice cream establishments in the nation's obesity epidemic. Ben & Jerry's responded by making nutritional information readily available at all franchise locations.

In other news, Ben & Jerry's was mentioned in a syndicated piece concerning fluctuations in the dairy industry, which triggered higher milk prices and, in turn, Ben & Jerry's largest price increase in 26 years.

We had more than a few shining moments in the media spotlight. Most notably was the debut of the Ben & Jerry's thermoacoustic chiller, first introduced in 2001 and showcased again in 2004 in conjunction with Earth Day at a Ben & Jerry's Scoop Shop in New York. News of the successful project landed the company on National Public Radio's All Things Considered, CNN, and the front page of Wall Street Journal's "Marketplace," where a Ben & Jerry's engineer pointed out, "We're going to end the cycle of chemical dependency for the refrigeration industry."

Our environmental mission efforts were again highlighted in a review of the pro-environment movie, "The Day After Tomorrow." Ben & Jerry's was among the coalition of environmental organizations supporting the movie. Specifically, stories in papers includ-

ing the Washington Post and Baltimore Sun noted that Ben & Jerry's teamed up with the Natural Resource Defense Council to direct moviegoers to GetTheRealScoop.org in order to educate them about global climate change and urge them to petition Congress to pass the Climate Stewardship Act.

2004 PartnerShop® openings in San Diego and Portland also yielded positive press, with the co-founders' presence at Grand Opening events creating substantial in-market coverage. The co-founders made headlines when arrested on the steps of the Sudanese Embassy in Washington, DC for protesting Sudan's pro-government Arab militia's attacks on black African farmers. Ben Cohen, in particular, was the leading drive of much socially focused brand coverage in 2004. His political involvement with True Majority, including the PantsOnFire Mobile, prompted numerous reports over the year, and while we didn't necessarily benefit from these stories, they didn't take away from our image.

The good thing about this kind of "magnifying glass" retrospective is this: if we can be brutally honest about what's 'not' working for the brand one year, we'll be better able to establish what to do differently the next. Clearly, we need to find our voice and speak out on those issues we care deeply about. The most compelling are bound to be those that focus more on our social and environmental missions, and these may just be the common theme from which to base all of our 2005 efforts.

### Consumer Comments

The business analysis shows that we have made progress in 2004 with Original products while receiving a less than enthusiastic response on our launch of Carb Karma products. In 2004 we continued the double digit increases in consumer contacts seen in recent years with nearly 20,000 consumers contacting us, an 11% increase from 2003 driven largely by expanded sales and improvements in the Ben & Jerry's website. The proportion of web contacts has been increasing steadily; from 28% in 2002, 40% in 2003 to

47% in 2004. Consumers using the web versus more traditional methods of contact are 20% more likely to file a complaint. Through analysis of production data, consumer surveys and complaints received by phone, we have seen an 18% improvement in consumer satisfaction with Ben & Jerry's Original products.

Texture/Temperature Abuse remains the main source of consumer dissatisfaction, representing 35% of all complaints. Texture/Temperature Abuse occurs when the product is damaged by exposure to fluctuations in storage conditions that cause the product to melt and refreeze. To address this, the North American Ice Cream (NAIC) Sales group distributed a proper handling of ice cream training DVD for retail employees.

Consumers often tell us it's their mood of the day that drives their Ben & Jerry's choice—just breaking up with a significant other, passing final exams, rolling out a romantic picnic with a pint and two spoons, looking for comfort, reward or, perchance, excitement. We took these stories as inspiration in creating our line of Mood Magic flavors for 2005.

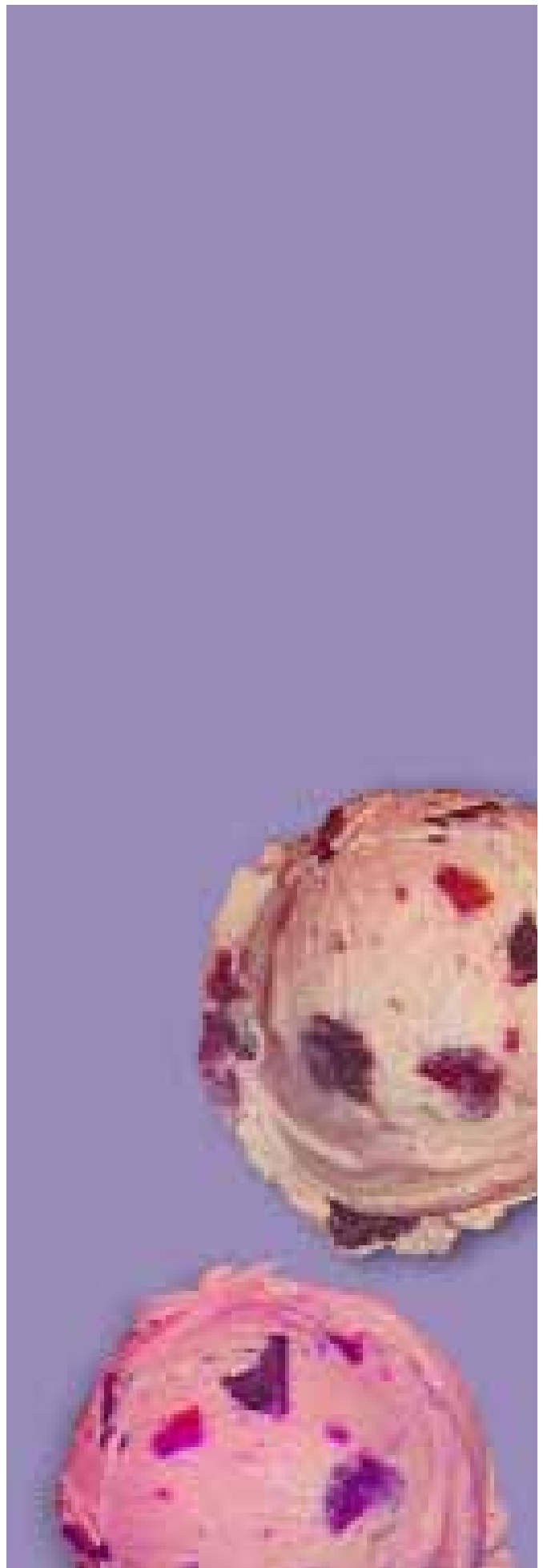
To show our appreciation, we had a "Try Ten Flavors" promotion included in the Flavor Line-Up that we sent consumers in our response letters. If they sent us proof that they had tried 10 different Ben & Jerry's flavors, we sent them some random Ben & Jerry's paraphernalia. We received some poems, pictures and plenty of UPC codes and pint lids. The cooler the entry, the cooler the stuff we sent. We're still waiting for someone to go all out and really impress us, so we're extending the promotion into 2005.

We're constantly letting our ice cream lovers know how much we appreciate their feedback. It's all great to read. Most is positive, but not all. So we found this one refreshing, and share it with all to lift the mood. From Veronica, age 89, "It is many years since I visited your fabulous ice cream plant. But since then, I've never served any other brand. Ben & Jerry's is the tastiest, most flavorful ice cream ever made. Keep on supplying the best there is."



#### CONTACT INFORMATION

For social mission performance, contact **Yola Carlough**, (yolac@benjerry.com), *Head of Social Mission*. For environmental issues, contact **Andrea Asch** (andrea@benjerry.com), *Manager of Natural Resources*. And for Foundation information, contact **Lisa Pendolino** (lisap@benjerry.com), *Foundation Co-Director*.



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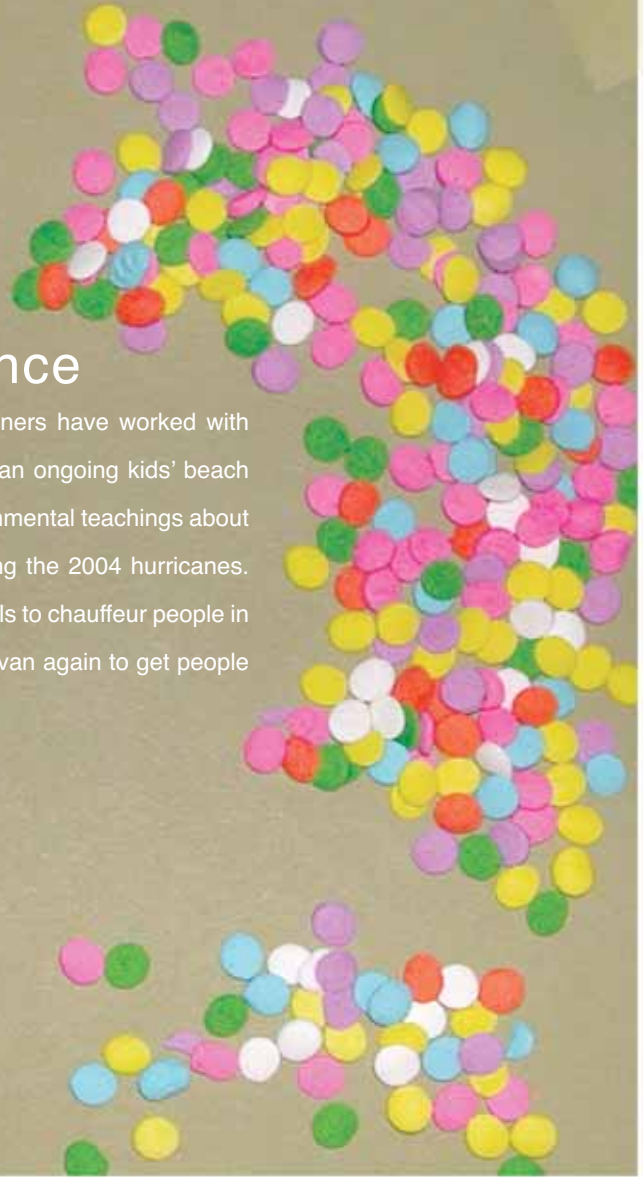
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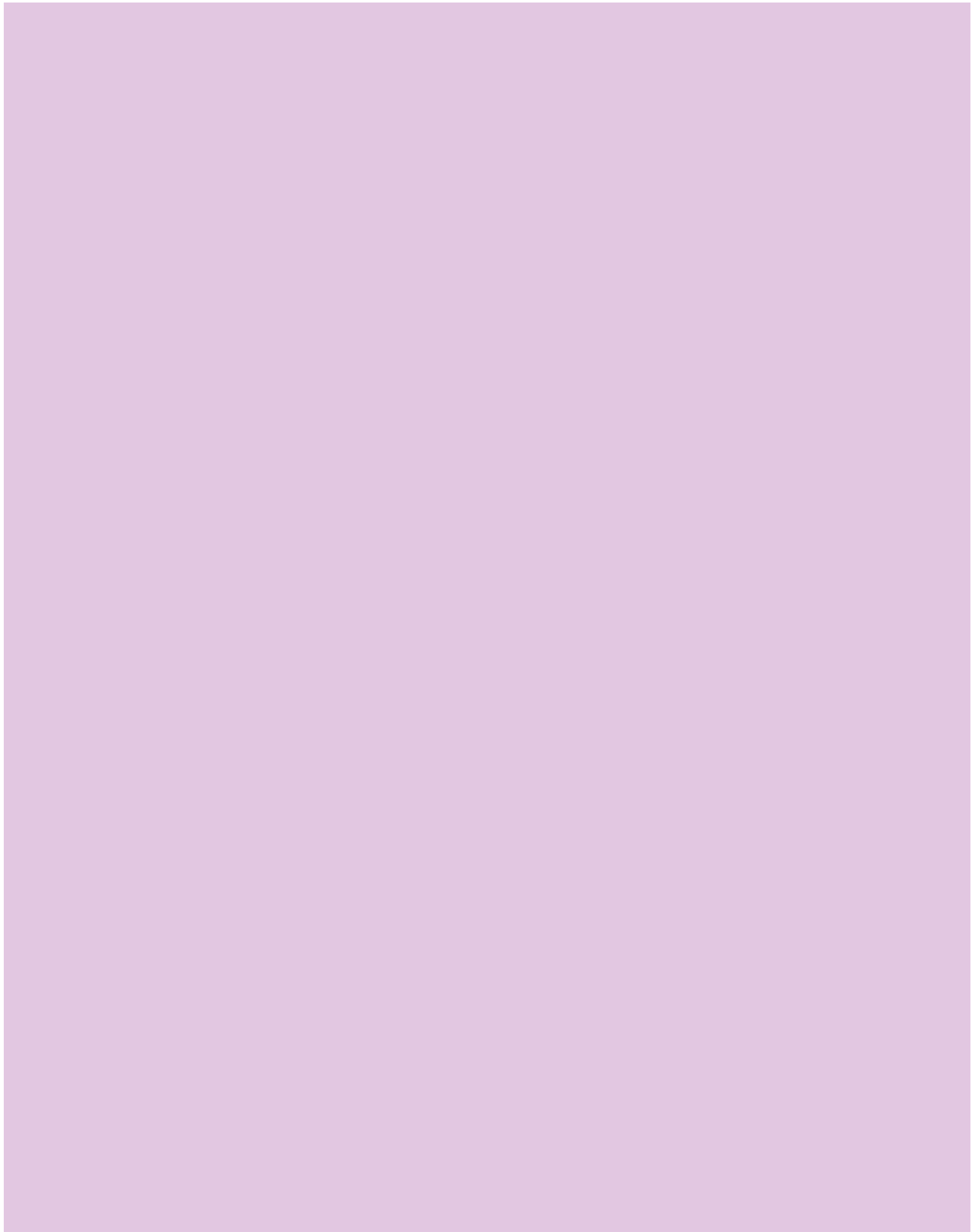
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## one by one — we can make a difference

In Charleston, South Carolina, our longtime shop owners have worked with countless local organizations. In 2004 they launched an ongoing kids' beach clean-up project, offering ice cream awards and environmental teachings about the impacts of litter. And they were at the ready during the 2004 hurricanes. With a rented van they volunteered their time and wheels to chauffeur people in need of safe shelter. In November, they rolled out the van again to get people to the polls on voting day.





SONG JERRY

30 Community Drive - South Plainfield, NJ 07080 - 908-246-1501