



POCKET GUIDE

SUSTAINABLE SOURCING



**SUSTAINABLE
COFFEE
CHALLENGE**

OVERVIEW

Where are we in the journey? How much farther do we have to go?

Coffee was one of the first commodities to embark on sustainability. Today 48 percent of coffee is produced according to a sustainability standard. This means the coffee comes from producers who have met the requirements of one or more of the following programs: Rainforest Alliance, FairTrade, Utz, 4Cs, C.A.F.E. Practices, and/or AAA Nespresso. That's the good news... we're nearly half way there.

Yet, of this coffee only 12 percent of global coffee is marketed under one of these labels. 88 percent is not. These figures do not account for coffee traded via direct trade or other programs that operate more on a supply chain investment model. The totals may be more or they may be less.

Yet, these figures do tell a story. It's a story of farmers adopting practices and undergoing the audits, but perhaps not seeing the demand for sustainability always match and reward their efforts. Commitments to sustainable sourcing help align these expectations.

Source: State of Sustainability Initiatives (full reference needed)

What is a sustainable sourcing commitment?

A commitment made by a downstream buyer of coffee (e.g. a retailer, roaster and/or trader) to source coffee that meets a minimum level of good environmental and social practice.

These commitments often set a target for the percentage of supply they want to transition to sustainable sourcing, define the types of programs they will accept in their accounting toward that target and a date by which they expect to meet their goal.

Why do they matter?

Sustainable sourcing commitments send strong signals throughout the coffee supply chain that there is market demand for sustainability in the coffee sector.

They also enable companies to build stronger relationships with suppliers and identify opportunities for collaboration.

Sourcing commitments also allow us to track and communicate our progress on transitioning the coffee sector to sustainable production.

PEOPLE NEED COFFEE TO THRIVE, AND COFFEE NEEDS PEOPLE AND NATURE TO THRIVE

MAKING SENSE OF SUSTAINABLE SOURCING OPTIONS

What are the various approaches?

There are a number of options available to coffee companies developing a sustainable sourcing strategy. Traceability, transparency, certification, verification, direct trade. It can seem overwhelming and confusing.

What do they encompass? What is the difference in the approaches? And are they right for your business?

Transparency + Assurance + Investment

Each of type of program really address three key issues: knowing where the coffee came from, knowing how it was produced and identifying opportunities to invest in programs that sustain production, support communities and conserve nature.

1. Transparency / Traceability:
Understanding where the coffee was produced - which origin, which cooperative, which farm produced the coffee Programs can range from full traceability of the coffee back to the farm to knowledge of the supplier names to knowing only the country of origin for the coffee.
2. Assurance of Sustainable Practices:
Understanding whether the coffee was produced using good environmental and social practices. Programs range from supplier questionnaires to 3rd party certified coffee. Transparency and assurance are often addressed together via verification and certification programs.
3. Investments that support sustainability of coffee production: Financial investments made by companies can range from support of large multi-stakeholder initiatives to investments in countries of origin to investments that support the farmers and mills supplying coffee to that company.

48%

OF THE GLOBAL
COFFEE CROP

IS NOW BEING PRODUCED
UNDER SOME SORT OF
SUSTAINABILITY STANDARD



WHY PURCHASE SUSTAINABLE COFFEE?

WWW.SUSTAINCOFFEE.ORG

91% OF CONSUMERS

would like to see more of the products, services, or retailers they use **supporting worthy social and environmental issues** (Cone Communications)
Sales for brands with a demonstrated commitment to sustainability **grew 4%**

1. MEET DEMAND

- Meet needs of sustainability-conscious buyers and consumers
- Establish yourself as an industry leader
- Support brand development
- Engage and excite employees

25 MILLION SMALLHOLDER FARMERS

depend on coffee for their livelihoods (Fairtrade International)

2. DRIVE IMPACT

- Improve farmer and worker incomes
- Increase productivity
- Support environmentally sound production practices
- Invest in resilient communities
- Promote gender equality

85% OF CONSUMERS

would **stop buying products** if they learned a company's irresponsible or deceptive business practices (Cone Communications)

Sales for brands without a demonstrated commitment to sustainability **grew <1%**

3. MANAGE RISK

- Control reputation and press coverage
- Guarantee supply
- Avoid child and forced labor
- Meet and exceed regulations

COMMIT TODAY!

Join a growing movement working to make coffee the first 100% sustainable agricultural product.

WWW.SUSTAINCOFFEE.ORG



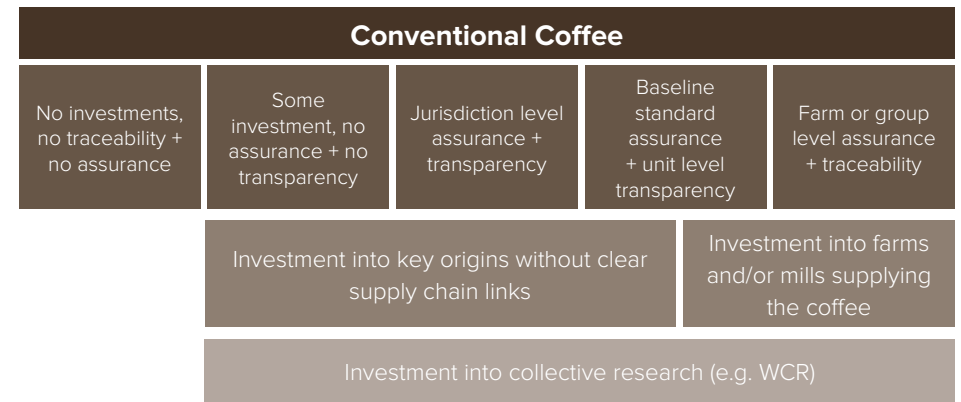
Not all coffee is the same, so not all sustainability strategies are the same.

Often the type of strategy selected is based on the type of coffee being purchased. This is due in part to the demand from the customer, price points and supply availability.

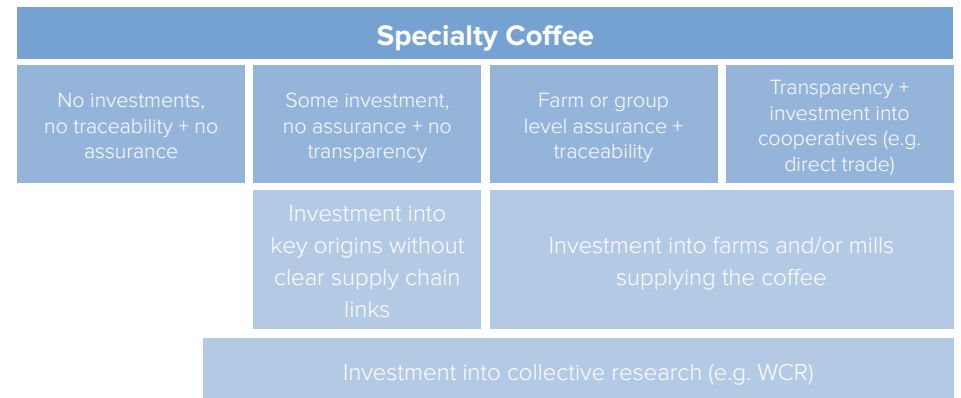
The following diagrams present an overview of different types of strategies frequently adopted by stakeholders in the conventional and specialty coffee markets. These are not intended to be progressions or rank one strategy against another. They

simply show the variation in strategies being implemented today.

Although sourcing commitments may only include a commitment to purchase sustainable coffee, we often find that leading companies are also making environmental, social and coffee productivity investments that support coffee farmers in origins they source from. We have included this in the diagram as we believe transitioning more producers to sustainable production will require additional investments.



Conventional coffee sustainable sourcing programs can range from investments in either research and/or origin all the way through to certified coffee sourcing coupled with investments



Specialty coffee sustainable sourcing programs tend to include a greater emphasis on traceability and assurance, although with direct trade programs there is a growing emphasis on direct investments into supplying cooperatives

DEGREES OF ASSURANCE

When seeking information, it's important to understand the level of credibility it has to the outside world (i.e. your customers) and the types of claims it will enable you to make.

While you may trust the information a supplier provides, the outside world might not. Society tends to have more confidence in information provided by a credible, neutral third party. Sustainability programs are no different. They tend to

move from relying initially on 1st party information from suppliers to 2nd party and on to 3rd party audits as they become mature and as companies seek to communicate externally on their progress.

It's important to note that none of these are completely foolproof against issues popping up in a supply chain.

1st Party/ Self-Reporting

- Accepting information provided by a supplier or contractor as truthful
- May include some internal management systems and internal oversight mechanisms to enhance credibility

2nd Party

- Company purchasing the product develops a program by which they can verify compliance with practices.
- May include spot checks or more formal audit process developed and implemented by an audit department in the purchasing company

3rd Party

- Hiring an auditor from a company that is completely independent from the purchaser and supplier.
- Auditor may verify compliance with performance standards developed by producing company, purchasing company or a set of standards developed by external process

Certification

- 3rd party verification according to a standard established via multi-stakeholder process
- Represents the gold standard for assurance programs

SELECTING AMONG SOURCING STRATEGIES

Which is best for me?

It depends...on your business, on your values and on your knowledge of your supply chain and the needs of the coffee producers. Here are some key questions you can ask:

- What is your appetite for risk? Are you risk averse or a risk taker?
- What is your relationship with your suppliers? Do you know them? Do you know where your coffee is coming from? Does this change frequently or is it stable?
- What types of coffee do you source? What are the costs and price margins? How much do the various programs cost and how do they affect these margins?
- What feels right and is aligned with your company or organization?

A Balancing Act – Risk + Opportunity

Some sustainability initiatives emerge to address risks that threaten the reputation of a company. Certification and verification programs can help identify whether these issues are within your supply chain.

Addressing these concerns with suppliers often requires engaging with them and co-developing, co-financing and implementing solutions. Leading programs strike a balance between these two needs and find ways to partner with others to bring these to scale.



HOW DO I GET STARTED?

- Make the **business case** internally (see infographic).
 - Review **corporate values and code of conduct to identify key principles** you want to stand behind
 - **Engage with suppliers** to understand what they are doing to promote sustainability in the coffee value chain. Identify opportunities to build on and leverage this work.
 - **Develop principles** to guide sourcing decisions and determine which types of programs align with these principles. Set minimums, etc.
 - Determine **level of verification** you will require.
 - **Communicate** the program with your suppliers.
 - Develop and implement **monitoring** approach for tracking and communicating progress and adapting the program as necessary
 - **Pilot test** the program in select supply chains
 - Revise and **roll out** across more of the business
 - **Adapt** the program as needed
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www.sustaincoffee.org

