Pact was founded on a culture of openness and honesty. In everything we do, from our sourcing principles to our customer service policies, we are taking intentional steps towards making coffee a force for good.

This report acts as a platform for transparency and details our social, economic and environmental impact. The issues that are highlighted in this document include: the ethics that guide our sourcing practices, an explanation of our supply chain, sustainability and financial reporting, the values that inform our decision making, as well as our current limitations and future goals. We hope this report clarifies the questions you may have about Pact’s business practices and the way we think about coffee.
I founded Pact in my kitchen in 2012 and have been pouring my heart into the business ever since.

Pact is a young business with an ambition to make coffee a force for good. I have always believed in the power of startups to fix things that are broken in the world, such as a global addiction to commodity-grade coffee and the dire social and economic impact this has on producing countries. It’s wonderful that we’re able to address this problem by upgrading millions of breakfasts with a cup of carefully sourced specialty coffee, lovingly roasted within a few days of delivery.

Clearly, selling coffee well is not enough, we need to buy well, too. By trading directly with growers, we gain influence at origin and we use that influence to make coffee growers’ and pickers’ lives easier. Today, we’re working directly with 108 growers in seven countries, and I believe this is just the beginning.

It has been a year of great change for Pact. We’ve seen changes in our leadership, team structure, product lines and our near-term strategy. Times of change offer great opportunities to reflect on what you’re doing, why you’re doing it, and what you’d like to do better, and that’s exactly what we’ve done. This document is one small manifestation of those reflections.

A constant question I have to ask myself is, “what should we invest our energy in today?”. As a small team with a very limited budget, we have to make constant trade-offs between rate of growth, investment at origin, investment in our own infrastructure, team size and so on. It’s a hard balance to strike, and outside of the Pacts we’ve made with growers, customers and one another, the rest of our time and energy is up for grabs!

This document is intended to show all our customers, both current and future, what decisions we’re making today that impact our growers and customers. It should also give you some insight into what we care about changing and why.

I hope our policies and practices spark debate and healthy challenge — primarily among our customers — about what we should improve on today and in the future.

With love and coffee,

Stephen & the Pact Team
ABOUT PACT

OUR PACT WITH OUR GROWERS
We will always treat your coffee with the same love, care and attention that you have
We will ensure you are paid the best rate for your beans
We will use our influence to make your lives better, not worse

OUR PACT WITH EACH OTHER, COLLEAGUES, INVESTORS AND SUPPLIERS
We will put our customers' needs above our own
We will push the boundaries of what is possible and raise the industry bar in everything we do
If we make a mistake or spot a problem, we will share it with the team to ensure we can all learn from it
We will take pride in the details, because everything matters

OUR PACT WITH OUR COMMUNITY
We will never compromise the quality of our coffee
We will be open and honest in everything we do
If you have a problem, we will move mountains to put it right
You will guide our decisions. If we can't do what you'd like, we will be totally transparent in explaining why not
Glossary of Terms

**C Market**: Coffee commodity market.

**Cherry**: A common term for the fruit of the coffee tree. Each cherry contains two regular coffee beans, or one peaberry.

**Commodity coffee**: Standard-grade coffee that is sold on the stock exchange as contracts.

**Cupping**: Systematic method to evaluate samples of coffee beans. The beans are ground, water is poured over the grounds, and the liquid is tasted both hot and as it cools. The key evaluation characteristics are Aroma, Acidity, Body and Flavour. Cupping is performed by trained professionals.

**Cupping score**: The quality measure of coffee on a 0–100 scale set forth by the Specialty Coffee Association of America.

**Drying patio**: A clean, large and flat concrete or tiled open space used specifically to reduce the humidity of harvested cherries or beans. Drying patios are used for all methods of processing, including whole cherries, cherries with pulp and washed beans with parchment. The ideal measure is 12.5 per cent humidity.

**FT pricing**: Fairtrade Minimum Prices and Premiums. When the market price is higher than the Fairtrade Minimum Price, producers should receive the current market price or the price negotiated at contract signing. For the purposes of this document, the price ($1.40) and premium ($0.20) for conventional, washed Arabica beans will be used.

**Green coffee**: Unroasted coffee.

**Milling**: Mechanical removal of the dry parchment skin from wet-processed coffee beans, or the entire dried fruit husk from dry-processed beans.

**SCAA**: Specialty Coffee Association of America. The world’s largest coffee trade association that sets quality and industry standards for the specialty coffee market.

**Specialty coffee**: High-quality coffee which has scored 80-plus on the SCAA cupping scale. Specialty coffee is not sold on the futures market and commands a higher price than commodity coffee.

**Washing station**: The location where the wet processing happens. Wet processing can include cherry sorting, pulping, fermentation and washing depending on the processing method being used. In the case of African coffees, this would also be the receiving station of cooperative farms.

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1 Cupping scores explained
2 Fairtrade Pricing
3 Specialty Coffee Association of America
INTRODUCTION

A good cup of coffee is a daily joy for many. While coffee is one of the world’s most popular drinks, it carries a heavy economic, social and environmental impact. Coffee market crashes devastate whole economies, irresponsible growing and harvesting practices destroy microclimates, and low commodity pricing leaves millions of people struggling to cover their most basic needs.

The coffee supply chain is rife with opportunities for exploitation and inequitable practices. The commodity market has a history of instability, which was addressed by Oxfam in a report published during the last major coffee market crisis in 2002. Unfortunately, many of the problems raised in the report still affect the industry. Gresser and Tickell’s *Mugged: Poverty in our coffee cup*, highlights the sources of the crisis and offers potential measures that would balance the supply chain. Pact is proud to say that many of our business practices align with these suggestions.

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<thead>
<tr>
<th>OXFAM SUGGESTIONS</th>
<th>PACT’S ACTIONS</th>
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<tbody>
<tr>
<td>RESTORE QUALITY AND RAISE PRODUCTIVITY</td>
<td>IMPLEMENTATION OF 3 PHASE PROGRAM</td>
</tr>
<tr>
<td>RAISE PRICES</td>
<td>CONTRACT GUARANTEES</td>
</tr>
<tr>
<td>REVIVE LIVELIHOODS</td>
<td>EQUAL NEGOTIATION WITH FARMERS</td>
</tr>
<tr>
<td>RETAIN AND BUILD VALUE ADDING CAPACITY</td>
<td>PAY A FAIR PRICE BASED ON QUALITY</td>
</tr>
<tr>
<td>ESTABLISH REAL ALTERNATIVES FOR RURAL DEVELOPMENT</td>
<td>REGIONAL MILLING</td>
</tr>
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<td>UTILISATION OF LOCAL AGRICULTURAL EXPERTS</td>
</tr>
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The challenge is to make the coffee market work for all... Low coffee price creates a buyers’ market, leaving some of the poorest and most powerless people in the world to negotiate in an open market with some of the richest and most powerful. The result, unsurprisingly, is that the rich get richer and the poor get poorer. Active participation by all players in the coffee trade is needed to reverse this situation:

Coffee is predominantly grown in countries with developing economies and exported for consumption in the developed countries of the global North (see fig. 2).

After oil, coffee is the second most valuable commodity exported by developing countries.

80% of the world’s coffee is grown on farms less than 25 acres, most being family farms between 2.5 and 12.5 acres.

Coffee consumption is shown in the map with different colors indicating the amount of coffee consumed from 200–1999, 2000–4999, 5000–9999, and 10000–25000. The legend states that the values are in thousand 60kg bags.

Women undertake 70% of coffee fieldwork, yet only own 15% of the land, processing facilities, and traded product (see fig. 1).

The bean belt is shown in the map with countries such as Guatemala, El Salvador, Brazil, Rwanda, and Ethiopia highlighted.

The tropic of cancer and the tropic of capricorn are indicated as the regions where coffee is grown.
KNOW YOUR COFFEE: COMMODITY VS. SPECIALTY

Just as with other food products, coffee is given quality grades. The labels ‘commodity’ and ‘specialty’ are indicators of bean quality. Commodity coffee is average-quality coffee that has noticeable defects that negatively impact the coffee’s flavor. Coffee that falls into the specialty category represents 30 per cent or less of the coffee in the world. Let’s break it down further.

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<th>TOTAL SCORE QUALITY CLASSIFICATION</th>
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<tr>
<td>90–100</td>
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<td>&lt;80.0</td>
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Source: Specialty Coffee Association of America

COMMODITY

Commodity coffee is the classification almost all supermarket and instant coffee brands fall under. It can have a certain allowance of defects, including insect damage or mould, and it can be any size or stage of ripeness. Base-level quality for commodity coffee varies by country of origin, but on average has a cupping score in the low- to mid-60s.

Commodity coffee usually does not have a lot of origin traceability because it gets mixed and passed through so many hands. For example, if you buy coffee from Colombia of commodity-grade, it has more than likely been sold as such by a third party, not the farmer. Therefore, the beans in the bag you purchase can be made-up of any number of farms and regions the broker has access to in Colombia.

Commodity coffee is traded on a stock exchange which is susceptible to factors outside of the global supply and demand of coffee. Unfortunately, the commodity price of coffee fluctuates due to outside influences, such as the price of oil or speculators’ leverage. Market instability has historically caused the commodity market price to drop below what coffee professionals estimate as the global average cost of production. This means most farmers producing commodity coffee make a loss on their harvests:

SPECIALTY

To be considered specialty, coffee must have a cupping score of 80 and above on the scale set forth by the Specialty Coffee Association of America (SCAA). Scores are determined by industry professionals who have the cupping expertise to grade coffee.

The SCAA has established a maximum defect count which restricts the number of defects permitted in green coffee. Traces of mould, insect damage, sticks, twigs and stones can all show-up in commodity coffee and taint the quality and flavour, which in turn affects its cupping score.

At origin, specialty coffee is picked and processed by its producers. After processing and milling, coffee below specialty standards is separated and gets sold as commodity. Beans that do not meet the minimum quality requirement for export are used for lower quality coffee products or internal consumption.
The definition of direct trade can vary from organisation to organisation, but it is the method that best describes how Pact sources green coffee. To us, direct trade means we are involved in the entire journey of our coffees, from harvest to home. This infographic gives you an idea of how direct trade differs from the traditional supply chain that so many other coffee companies use. In a nutshell, we’re taking fewer steps in the process, which have several benefits to us, our customers and our producers.

Pact creates a direct link between the coffee producer and the coffee drinker. Most coffee producers are never credited for their efforts. This is because their beans have been mixed at origin, then stamped with the importer’s brand as their Colombian or Ethiopian house blend. It is important to be able to trace your coffee all the way back to its origins, just as you would with milk or beef. And it’s not enough to simply trace back to the coffee’s country or region, but to where it was exactly farmed and produced. Traceability is essential for quality and ethics.
FARM
Relationships with our producers start with visits to origin from Will, our Head of Coffee. Will’s job is to ensure the farms we work with produce high-quality coffee. He also checks the farm for sustainable growing and harvesting methods, fair labour practices (such as working hours, wage ledgers and lodging for migrant cherry pickers), and the potential for a long-lasting relationship with Pact. Thanks to Will, Pact has an excellent reputation throughout many sourcing regions and farmers are eager to work with us.

MILL
Once a relationship is established with a farm and we agree to buy their crop, it is sent to a local mill for processing after harvest. Dry mills are usually cooperative, as most small farms cannot afford the equipment needed to process their own coffee. Will’s relationship with the mills is just as important as his relationships with our farmers. And because he has been able to establish close relationships with mills, they often give him good leads on coffee they handle. When the mill cuppers run across a particularly excellent bean, Pact is one of the first to know!

SHIPPING
Mills also work as exporters, which cuts out a separate broker fee. When our green coffee sacks are ready for export, the reins are passed to a partner company that aids in shipping arrangements. Essentially, we streamline a very complicated part of the supply chain.

Traditionally, there are four steps in shipping coffee, however with our method, we can cut it down to two. For example, the traditional process involves importers buying from exporters who buy from mills. The importers then have to front the costs of shipment and organise the shipping before selling the coffee to brand X. Compared with the traditional process, our shipping method is pretty simple: we buy from the mill, then our partner company arranges shipping, and we pay them directly.

PACT ROASTERY AND GRINDHOUSE
The sacks of green coffee are delivered to our Grindhouse in South London. The beans are then roasted by our Head Roaster, Aissa, to bring out the natural qualities and flavours before being ground, packaged and shipped to thousands of coffee lovers all over the UK each day.

MONEY MATTERS
Good beans don’t come cheap, but we are okay with that. When farmers receive a fair price for their crop, they will gain the financial resources to maintain, even improve, production methods and quality. There are numerous factors that play a part in setting a final price, but our approach is consistent and twofold. First, Pact determines a value based on the coffee’s cupping score. We then ask the producer what price they want and negotiation flows from there. With this approach, farmers have agency over what they are earning for their crop.

It’s beneficial that a farmer feels respected and valued in a professional relationship with us, so that we can continue that partnership season after season. Our sourcing farmers use Pact contracts to secure loans and funding; bank loans help stimulate the local economy, which is good for origin communities. In return, Pact customers can count on their favourite coffees returning to the menu with each harvest. Since beginning Pact Direct Trade contracting in July 2014, we have sourced from 108 farms, including 45 new farms in 2016. Additionally, we have bought green coffee from 35 producers more than once.

WE HAVE SOURCED FROM 108 FARMS, INCLUDING 45 NEW FARMS IN 2016.
Mercanta is a London-based broker that operates on many of the same principles as Pact, and has been a sourcing partner in the past. If we buy coffee through Mercanta, we request beans from farms we have had a previous relationship with. In most cases, Will has even visited the farms and knows more about origin than other potential buyers. This has been the case with some of our earlier offerings such as La Joyeria, Finca El Carmen and Veracruz.

As a fast-growing business, it’s almost impossible to perfectly predict how much coffee we will need in the coming three, six or 12 months. When we under-forecast, we need to purchase additional coffee quickly from a specialty coffee broker who has already imported green coffee into the UK. This happened in November 2015, as shown in the graph.

When we forecast supply, our predictions are based on an estimation of how long we think a coffee will last on the menu. For example, we may launch a coffee at the beginning of a month with the assumption that it will last for the next three months. In the meantime, we are hard at work sourcing and arranging shipment of the next line.

Green coffee is imported by ship and it takes a minimum of ten weeks after signing the contract for it to arrive in the UK. If a certain coffee sells twice as fast as initially predicted, there is no way to expedite a shipment from origin. We have made a commitment to providing fresh, quality coffee, so an emergency menu replacement has to be up to those standards; this is where a specialty coffee broker comes into play.

In November 2015, our supply forecast was wrong. We went back to review our data and discovered one of our Direct Trade coffees was a huge hit with our customers and sold faster than other offerings on the menu at that time. For one month (while we were waiting for our next Direct Trade shipment to arrive in the UK), we brought in coffee to use in our filter and espresso lines from Mercanta in order to maintain the diversity of taste and flavour profiles on the menu. The following month, Pact’s direct trade percentage returned to 82.8 per cent and has remained above that figure ever since.

We are proud to say that within the last year, from June 2015 to May 2016, 82.9 per cent of all our offered coffees were Pact Direct Trade. Our goal is to be 100 per cent Direct Trade by 2017. You can access a complete breakdown of all contracts here.
The following information details our Direct Trade sourcing contracts from July 2014 to May 2016.
GROWTH AND IMPROVEMENT: THE 3 PHASE PROGRAM

At Pact, our primary goal is to make coffee a force for good so that we can improve millions of lives for the better. The building blocks for this are in working with small coffee producers who share our vision and have the drive to produce a fantastic quality product.

Our Head of Coffee, Will, has developed the 3 Phase Program based on his years of experience working directly with farmers in coffee producing regions. The 3 Phase Program is a blueprint that can be adjusted accordingly to meet the needs of specific farms. Since every region and community differs in climate, growing techniques and production, we work with local experts to address the varying challenges of each property. We never walk around farms making suggestions with the assumption that we know more about coffee production and the region than the people who have been doing this for generations. We work very closely with those who understand the techniques that are best for the land, so it would be logical to utilise this expertise.

Not every farmer we work with starts at Phase 1. Brazilian farmer and producer of Fazenda Chapada, Marcus, had been working towards producing specialty coffee, and when we met him, the potential of his farm was immediately apparent. After a lengthy discussion, Marcus and Will decided to reinvest the money we paid for the specialty-grade section of his harvest into a new piece of equipment for his farm. With advice from a local agronomist, we found that a cherry sorting machine would be the best investment for him. The cost of the machine was $7500, and Marcus put up $4500 for the sorter, so we struck a deal. Marcus wanted to improve his coffee and his farm for the long-term, so we financed the remaining $3000 in exchange for that value in coffee in the next harvests.

The cherry sorting machine has allowed Marcus to ensure that his coffee drying patios were filled with more ripe cherries and fewer over- or under-ripe ones. Through this, he was able to produce a higher volume of specialty-grade coffee. So much so in fact, after he fulfilled his Pact order, he still had a surplus of coffee that he was able to sell to other coffee companies at the specialty premium. In addition, Marcus has now hired more skilled employees to manage the sorting machine, and he is able to pay them a good wage.
During the initial stage, we identify producers that possess the basic requirements — which includes land potential and technical ability — to produce high-quality coffee. We assess the farm, its production and processing methods, as well as looking for people who are genuinely motivated to cultivate specialty-grade beans. These producers become an example for everyone else in the community by showing that hard work can pay off — great coffee earns great reward.

We request the farmer makes a small investment of time and energy into a small lot of their land to meet specialty-grade standards. It is a risk for them, because it costs more to produce high-quality specialty coffee in comparison to commodity-grade coffee. However, knowing that they can make more than the C market price on that small batch makes it worth the risk.

When the beans are ready, we buy the harvest and import it to Pact HQ for further assessment. Our coffee team carries out a quality check and tests the moisture content and longevity of the beans. From this information, we can put together a picture of what’s happening on the farm and get an idea of what small changes we can suggest to improve quality. For example, we may advise the farmer to dry the coffee a little bit slower, pick more ripe cherries, or to try pick the cherries before they become overripe.

These small changes improve the quality of coffee being produced. For coffee that is already in the 80-plus specialty range, improving the cupping score by even a quarter of a point is significant. While a quarter of a point may seem small, dealing in specialty coffee means that any minor improvement will allow the farmer more leverage to negotiate a higher price. This improvement in score shows the farmer’s commitment to producing high-quality coffee.
Phase 2 is where we demonstrate our commitment to the producers who have collaborated with us on farm improvements. We make small technical investments up to $1000. This may not seem like much, but it is enough to help streamline their practices and produce quality beans over larger volumes of coffee.

Thermometers and humidity meters are small tools that enable producers to easily track data on the farm. These simple instruments give them more reliable and precise readings as opposed to outdated methods that are not as consistent or scientific. Once producers have consistent read-outs, they are able to better understand exactly what measures are necessary to improve quality and make a jump in production.

If a farmer has been business savvy and has reinvested the money from the crop we have bought, they can also expect to see benefits emerging through the rest of their coffee production. One of the Colombian producers we have worked with, Finca El Cairo, used the money they earned from selling their initial specialty crop to us to expand their drying area. This increased the quantity of specialty coffee they could produce, and they jumped from producing ten sacks of specialty coffee per year to 60 sacks.
The final phase is about looking at how we can finance farmers to scale-up more rapidly, so they can gain the benefit of selling quality coffee at a faster rate. By this point, we have already built a strong relationship with the producer. We know they are committed to producing high-quality coffee, and as business people, they want to produce specialty coffee at scale. Phase 3, therefore, starts with working with local agronomists to understand the soil in meticulous detail.

With Finca El Cairo, we provided advance funding for a project that increased the size of their washing station and drying patio. With this loan, they began these expansions immediately rather than waiting for the profits from the harvest. The loan will be repaid over a year, interest-free. By using this approach, we have put Finca El Cairo in a position to produce 150 sacks of specialty coffee annually with not just us, but other coffee buyers who are willing to pay great prices for it. The financial resources provided by selling specialty coffee can finance an entire farm’s renovation, and the ability to pay their workers a good wage.
A high level of skill is required to produce specialty coffee and workers demand a fair wage and good working conditions. If workers are paid badly, they do not properly pick the cherries, work in the mill, set up the processing equipment, or turn the patios enough, which leads to defects in the beans. Major defects will ultimately end-up classified as commodity-grade and be sold at commodity price. There is more to specialty coffee than just good growing methods; it requires the care of a skilled workforce every step of the way.

At no point in our professional relationship is a producer obligated to sell their coffee to us. We do not work with them to get a monopoly on their coffee and they are not indentured to us. We contract their coffee, which creates an incentive and a sense of security. We sit down with them as business people with agency to create a mutually beneficial relationship. As they have a fantastic product that we love, we want to make sure they are rewarded properly.

When we start these relationships, we find that some farmers want to sell their entire crop to us. This is a strong indicator of how important our relationship is to them and how much they want to keep growing, which is something we are very proud of.

We want to do everything we can to make sure our farmers get the recognition they deserve. After all, they are the ones that possess the skill to understand the intricacies of growing and processing coffee on their specific patch of land. The land, growing and processing techniques all impact the coffee’s flavour profiles, which is what makes the bean so unique. To show our appreciation of this talent, our customers receive an information card with their order that credits the person that spent all year growing the coffee.

**CREDIT WHERE CREDIT IS DUE**

**LA SECRETA**

GROWN BY: Gonzalo Moreno Blanco

Peach and green apple

HINTS OF: MIRAFLORES

**TOLEDO**

GROWN BY: Jose Reinaldo Santos

Strawberry and peach

HINTS OF:
OPEN AND HONEST: PACT VALUES

Pact was founded on a value system that has, and always will, guide us in our decision making and operations. Maintaining an open and honest culture is what drives our relationships with our source farmers, customers and each other.

AT SOURCE
We asked Will, our Head of Coffee, what impact he has seen within the sourcing communities where Pact has invested using the 3 Phase Program. The following describes the Colombian region of Huila, where we have frequently sourced our beans:

Over the past 30 years (as those people who watch ‘Narcos’ will be aware), there has been a lot of instability and violence from drug cartels and guerrilla groups all over the country. Buyers were unable to access certain areas and work with farmers to understand the requirements of specialty coffee and how to achieve that quality.

During the last five to ten years, the Colombian government has worked to make the region of Huila a lot more accessible. So today, we can get in there and guide these producers so they will be able to earn significantly more money by raising the quality of their crop. Now all these producers in Huila know that if they work hard and make improvements to increase the quality of their coffee, they can receive more money, pay their workforce a higher wage and reinvest in their farms. You can already see this happening and it’s spreading out into the local community.

Coffee is a massive part of the Colombian economy and its ability to change people’s lives and improve local economies is huge. This is Pact’s goal, to get coffee consumers to understand the value in specialty coffee and the impact their purchasing choice can have in origin communities. It’s a win-win: customers get a fantastic cup of coffee and that revenue supports the livelihood of whole communities who grow it.
OPEN AND HONEST: PACT VALUES

SUSTAINABLE FARMING

Because of the precise care and skill it takes to grow, harvest and process specialty coffee, much of the work is done by hand as opposed to utilising machinery. Even on the farms that are mechanised — as is the case for many larger farms in Brazil — a high level of care is still taken. The Brazilian Forest Code is a law that states that in certain areas, a proportion of the land must be permanently preserved for conservation of natural resources and wildlife. Fazenda Chapada and Planalto, a couple of our Brazilian sourcing partners, maintain 35 per cent of their land in compliance with this law. The land is the livelihood of coffee farmers, so it is in the best interest of everyone in the coffee supply chain to be mindful of environmentally friendly practices.

Most of the farmers we work with are generational coffee growers and have the desire to keep the farm thriving for their children and beyond. Producer of La Girita, Ricardo Gonzalez Jaimes, is one such farmer. For him, growing coffee is not only about farming, it ensures the sustainability of his family’s livelihood through the generations.

You may have heard of the term ‘shade grown coffee’. This is a cultivation method where coffee plants are grown under a canopy of varying density shade trees. Coffee grown under shade takes longer to ripen. It tastes better because the extended ripening time contributes to complex flavours. In addition, shade promotes biodiversity and higher harvest yields, as well as providing habitats for local bird populations. However, unfortunately a shaded environment is also ideal conditions for Hemileia vastatrix, or Roya.

Roya, also known as coffee leaf rust, is a fungus that has devastated Central American coffee regions in recent years. Many producers have lost entire harvests to the disease, and control and prevention has become a major point of investment for growers looking to protect their crops. Not all farmers at risk can afford to take the drastic measure of purchasing and replanting Roya resistant beans, especially considering that coffee plants take four years to produce harvestable cherries. A simpler prevention method is to expose plants to more sunlight. Since Roya thrives in cool, damp environments, using the warmth of the sun to keep the growing area dry has proven to be a simple and effective control method.

In Honduras, one of our producers reduced the shade on their coffee farm, which was done on the advice of local agricultural experts in a manner that was least damaging to the local ecosystem.

BIKE COURIERS
London delivery by bicycle started in October 2014 through a third party. After it was proven successful, we hired our own riders in February 2016.

Cycling is not only environmentally friendly, most people would agree that it is the best way to get around London. In an average week, our four couriers ride 200 miles each and deliver 1200 bags of coffee!

Currently, delivery by bike is only available to our customers in London, but with its proven success, we hope to expand to other metropolitan areas in the UK within the next few years.

PODS
The decision to offer pods was not an easy one. Once our customers began to request them we knew we had to weigh the pros and cons. Ultimately, we decided the most good can be done when specialty coffee is in as many households as possible. If pods are the way some of our customers choose to brew their coffee, then we want to accommodate this. We believe it is important to look at the best long-term benefit as opposed to the immediate influence, so our top priority is to promote good-quality coffee grown under sustainable farming practices, delivered to customers in a way that best suits their needs.

We began exploring how to develop a capsule that both preserved the flavour and freshness of the coffee, while having a minimal carbon footprint. Initially, we tested a fully biodegradable pod, but it proved to be problematic to users, as if it was not disposed of immediately after brewing, moisture would cause the pod to break down inside the machine.

Our current capsule body is made entirely of recyclable plastic, but the coffee must be emptied out and the foil seal completely removed before it is tossed into recycling. We are continuing the search for more convenient and environmentally sound alternatives.

PACKAGING
We never want to use packaging that would compromise the quality and freshness of our coffee, but with that in mind, we also take into consideration the material construction and its recycling potential. Here are some suggestions for recycling the packaging that your coffee is delivered in:

- **Envelopes** — 100 per cent recyclable.

- **Coffee pouches** — are constructed from Paper/Aluminium/PET/PE. It is only recyclable in some boroughs due to the mix of materials that need to be separated to be recycled.

- **Pod capsules** — 100 per cent recyclable. To recycle the pods, the coffee must be emptied out and the foil removed. The separate parts are not recyclable as a whole.

- **Pod boxes and void fill packaging** — 100 per cent recyclable.
ROASTING

The biggest carbon footprint in the coffee supply chain happens between the roasting process and consumption. There isn’t a uniform certification scheme specific to this part of the supply chain, especially if compared with the particular standards set by other third parties, such as Fairtrade and Rainforest Alliance. As a result, it is left up to roasters and retailers to prioritise and make environmentally conscious decisions.

At Pact, all of our coffees are roasted in a Loring S70 Peregrine, which is not only one of the best roasters for specialty coffee, it is also among the most eco-friendly roasters in the world.

A limitation of traditional coffee roasting equipment is the constant heating of air to roasting temperature, sending it through the roaster one time only, then disposing of it.

Disposal is traditionally done with an afterburner. The afterburner is a separate chamber designed to heat up to a very high temperature to burn off the smoke and odour that roasting coffee produces. The chamber has a chimney to expel the odourless, colourless emissions. A downside to using an afterburner is its need for a separate gas supply, but Loring has developed a solution for this. They have designed a roaster that does not waste hot air, but instead spins out chaff in a cyclone. As the air is circulating through the cyclone, it gets heated back up to roasting temperature by the burner, strategically located in the cyclone. This only takes a small amount of energy due to the air already being hot. Then, the air is sent back to the roaster to roast again, and again, and again. Only a very small amount of air actually leaves the system.\(^1\)

\(^{11}\) Disposal is traditionally done with an afterburner. The afterburner is a separate chamber designed to heat up to a very high temperature to burn off the smoke and odour that roasting coffee produces. The chamber has a chimney to expel the odourless, colourless emissions. A downside to using an afterburner is its need for a separate gas supply, but Loring has developed a solution for this. They have designed a roaster that does not waste hot air, but instead spins out chaff in a cyclone. As the air is circulating through the cyclone, it gets heated back up to roasting temperature by the burner, strategically located in the cyclone. This only takes a small amount of energy due to the air already being hot. Then, the air is sent back to the roaster to roast again, and again, and again. Only a very small amount of air actually leaves the system.\(^1\)

\(^{12}\) Coffee chaff is the dried skin on a coffee bean (the husk) which separates during the roasting process.


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**ENERGY EFFICIENT OPERATION OF THE LORING S70 PEREGRINE**

<table>
<thead>
<tr>
<th>ROAST SEGMENT MINUTES</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>IDLE</th>
<th>ROAST TIME MINUTES</th>
<th>CYCLE TIME MINUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DURATION</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>BURNER %</td>
<td>90</td>
<td>75</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BTU USED</td>
<td>93,744</td>
<td>29,295</td>
<td>7,812</td>
<td>2,604</td>
<td>10,416</td>
<td>143,871</td>
<td>934</td>
</tr>
</tbody>
</table>

Source: Loring product catalog, 2014
COMMUNITY OF COFFEE DRINKERS

Our pact with our customers is to never cut corners when it comes to quality. This does not only apply to the beans we source, but how we handle them after. Roasting, meticulous grinding, packaging and delivering coffee within seven days all play a major role in its retention of flavour. Our coffee team checks its quality every step of the way to ensure the coffee that lands at your door is living up to its fullest potential.

If customers ever have a problem, we will do everything humanly possible to set it right. Without our customers, there would be no Pact. We appreciate your commitment to our coffee and if for any reason there is something making your experience unpleasant, we want to fix it. It is no coincidence that our customer service team is called ‘Customer Happiness’.

We consider our customers as part of a community. We encourage everyone to get involved in Pact events, such as coffee masterclasses, customer feedback evenings and online suggestion forums.

WHERE IS YOUR THIRD PARTY ACCOUNTABILITY?

This is a question that we get asked on a daily basis. There are dozens of options for auditing and trade certifications when it comes to coffee. Organisations like Fairtrade and Rainforest Alliance come with their own set of rules and standards that must be followed in order to retain membership. While many of these organisations do help improve conditions for the most vulnerable members of the coffee supply chain, we see these guidelines as the bare minimum a company can, and should do, to be held accountable for ethical business practices.

To Pact’s founder, Stephen, it is not just about selling coffee and calling it a day. Stephen saw the problems that plagued the coffee industry, so he set out to create a culture of company values that would make a positive impact. Pact’s business practices are informed by a moral conscience and faith in the ability of social enterprise to have a positive impact on the world.

Pact is committed to operating on an ethical level above and beyond the minimum requirement set forth by third party organisations. One way we do this is by addressing the specific issues of each individual farm we work with. Sourcing regions are diverse and unique, so implementing a rigid and uniform approach to our relationships would be a gross disservice to our growers, our customers and ourselves.

Cooperative farming, which is mandatory for Fairtrade certification, blends coffee from all co-op members, which in turn makes it difficult to focus on individual needs and to highlight the specific qualities of each farm. There are huge variations among our source farms, as they range anywhere from a one-hectare family farm, to a 430-hectare modern coffee plantation, but the one thing they all have in common is their potential to produce fantastic quality coffee. Factors such as size, climate, harvesting methods, seasonal turns, levels of understanding of growing knowledge, business knowledge and market access are also all taken into consideration when we establish a relationship with a producer. Our goal is to lead by example and show that a profitable company can do good by being attentive to the needs of our community.

PACT IS COMMITTED TO OPERATING ON AN ETHICAL LEVEL ABOVE AND BEYOND THE MINIMUM REQUIREMENT SET FORTH BY THIRD PARTY ORGANISATIONS.
THE FUTURE OF COFFEE

We would love to see a cup of Pact coffee in every home, every morning. Flavourful, high-quality coffee is for all, it’s not just an unattainable luxury, so making it accessible to everyone is what we aim for. It costs hundreds of pounds for a glass of the world’s finest wine or scotch, yet you can be drinking some of the world’s best coffee every day for 46 pence per cup, and we don’t want that to change. Pact customers are buying the best quality coffee in the world, turning on their kettle and brewing it right in their kitchen. That is really special, as there are not many industries who can make that happen.

As excited as we are about our growth and current market presence, we do realise our impact is limited. We are still a small company, so our influence is not as far-reaching as other brands. A major limitation is a lack of resources to constantly monitor our source farms for ethical practices. During our visits, we survey farms for environmental health, check payroll ledgers and talk to cherrypickers about their treatment and pay. We use our best judgement to decide whether or not we are going to establish a relationship with the producer. Even the largest auditing organisations do not have daily monitoring capabilities and schedule auditing visits in the same manner we do. Constant supervision is simply logistically and financially unreasonable.

As the company grows, we hope that our positive influence does too. Our long-term goals are centred around the ability to directly enrich the lives of our producers. Currently, we are exploring ways we would be able to directly coordinate and fund a community enrichment project in one of our origin regions. Undertakings on this scale take time and intricate planning, so a realistic goal for us is to be in a position to implement such a project in five years.

Within the next few years, we will be taking steps towards solidifying our industry presence as an example of a successful direct trade coffee company, and hope to become a leader in the UK speciality coffee movement. Specialty coffee in the UK has been forecast at 13 per cent year-over-year growth, outpacing the ten per cent growth of the total UK coffee market and the British economy as a whole.\(^{13}\)

It is in this growth that we have recognised an opportunity to do things a little differently than traditional coffee companies. Considering the UK coffee market is growing at such a rapid rate, it would be easy to compromise our values in order to make quick financial gains. However, this is not the impact we want to have. We have made a commitment to pay a fair price for high-quality coffee and maintain a good reputation in sourcing communities across the globe. Our current practices and future vision detailed in this document is our roadmap towards making coffee an undeniable force for good.

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For enquiries regarding this report, please contact us here.