

PACT COFFEE DIRECT TRADE AND SOCIAL IMPACT TRANSPARENCY REPORT 2018



EXECUTIVE SUMMARY

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.

Carmo de Minas
SITIO FERNANDES



Pact

Yellow Catuai
Natural

002 / 1352 / 0121

LETTER FROM OUR MANAGING DIRECTOR

I am extremely proud to be writing my first introduction to our CSR promises and commitments having recently taken over the leadership of Pact from our esteemed Founder, Stephen Rapoport.

Stephen started Pact in his own kitchen back in 2012 with the clear vision and ambition that coffee could become a force for good, directly uniting the very best and most passionate growers on the global coffee belt with discerning coffee lovers to create one strong and lasting community. He poured his heart into the business for five years, building a unique and successful offering, and he remains a strong guiding force in the business today.

As I write, Pact has more than 40,000 regular subscribers to its Coffee Plans, and many more thousands of consumers buying coffee and coffee-related products from its website on an ad hoc basis. In the last year, Pact has taken its amazing story into UK offices and workplaces and has already signed up more than 500 businesses who understand the role great coffee can play in helping to build ‘happy teams’. In short, these forward thinking organisations have recognised coffee as the ultimate, affordable staff perk!

Since joining the company, I have been struck by the passion of the whole Pact team, both for coffee in general and the genuine good that we do at source. By dealing with farms directly and unashamedly having a policy of paying well above commodity and Fairtrade pricing for the beans (as they are worth it), we are making a real difference to the lives of those who produce our delicious coffee.

I am personally committed to continuing this journey and, from a CSR perspective, I promise to follow the same path Stephen set out on, as Pact inevitably becomes a much larger business in the coming years.

With love and coffee,

Paul & the Pact Team

We’ve been working with Ananias Perez Santanilla since 2014, when we started our Pact Direct Trade program. Year after year, Ananias has produced outstanding coffee, which has been enjoyed by our ever expanding community of coffee lovers. Over time, the quality of his production has grown to meet our growing demand, and I’m delighted to be part of the team that helps Ananias to maintain this growth and keep scaling his business.



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

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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.

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.

OXFAM SUGGESTIONS	PACT’S ACTIONS
RESTORE QUALITY AND RAISE PRODUCTIVITY	IMPLEMENTATION OF 3 PHASE PROGRAM
RAISE PRICES REVIVE LIVELIHOODS	CONTRACT GUARANTEES EQUAL NEGOTIATION WITH FARMERS PAY A FAIR PRICE BASED ON QUALITY
RETAIN AND BUILD VALUE ADDING CAPACITY	CREATE LONG-TERM RELATIONSHIPS THAT HELP DEVELOP BETTER INFRASTRUCTURE
ESTABLISH REAL ALTERNATIVES FOR RURAL DEVELOPMENT	REGIONAL MILLING UTILISATION OF LOCAL AGRICULTURAL EXPERTS

Oxfam’s 2002 report, Mugged: Poverty in our coffee cup

*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.*⁴

⁴ Charis Gresser and Sophia Tickell, Mugged: Poverty in our coffee cup (Oxfam International 2002), 3.

THE BEAN BELT



ALL OF THE
WORLD'S COFFEE
IS GROWN BETWEEN
THE TROPIC OF CANCER
AND
THE TROPIC OF CAPRICORN
(see fig. 1)

WOMEN UNDERTAKE **70% OF COFFEE FIELDWORK**,
YET ONLY OWN **15% OF THE LAND**,
PROCESSING FACILITIES, AND TRADED PRODUCT

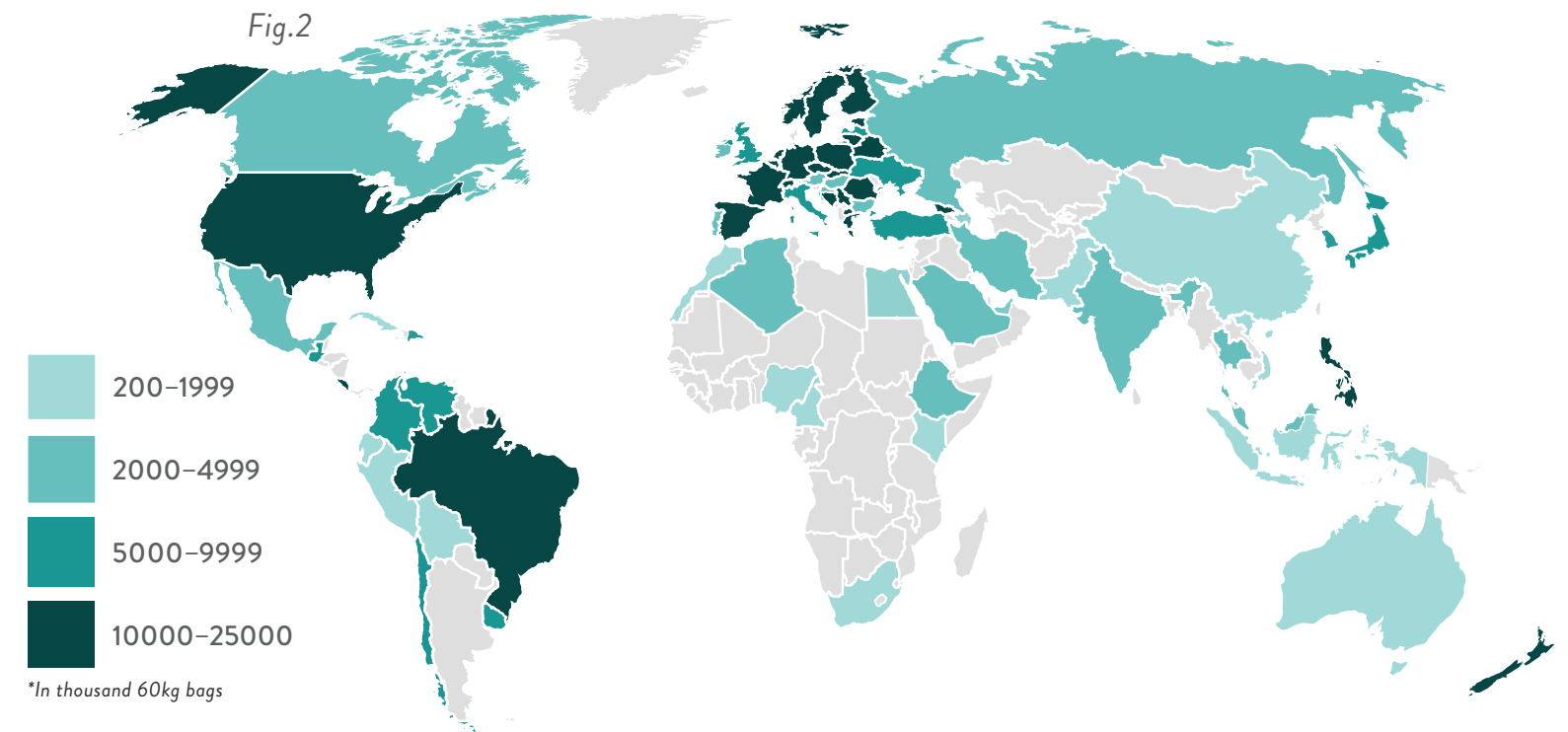
AFTER OIL, COFFEE IS THE
SECOND MOST
VALUABLE
COMMODITY EXPORTED
BY DEVELOPING
COUNTRIES

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 IS PREDOMINANTLY GROWN IN
COUNTRIES WITH **DEVELOPING ECONOMIES** AND
EXPORTED FOR CONSUMPTION IN THE
DEVELOPED COUNTRIES OF THE GLOBAL NORTH

(see fig. 2)

COFFEE CONSUMPTION





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.⁵ Let’s break it down further.

TOTAL SCORE QUALITY CLASSIFICATION		
90–100	OUTSTANDING	SPECIALTY
85–89.99	EXCELLENT	
80–84.99	VERY GOOD	
<80.0	BELOW SPECIALTY QUALITY	NOT SPECIALTY

Source: Specialty Coffee Association of America

⁵ Maria Hill, “The Cost of a Cup of Coffee: Where Does the Money go?”, [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.⁶

⁶ Nick Brown, "Producers Struggle to Break Even as Coffee Prices Drop, ICO Says," *Daily Coffee News*, 18 June 2013.

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, these count as defects and in turn affect 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.

DIRECT TRADE: THE PACT SUPPLY CHAIN

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 the effort they put into producing their coffee.

This is because their beans have been mixed at origin, then stamped with the exporter’s brand. 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.



DIRECT TRADE: THE PACT SUPPLY CHAIN

FARM

Relationships with our producers start with visits to origin by 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 cherrypickers), 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 Roastery in South London. The unique lots of coffee are then profiled by Stephen our Quality Control Manager and roasted by Andy and our team of skilled roasters 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

Great coffee beans don't come cheap, but we are okay with that. When farmers receive a great price for their crop, they gain the financial security in the foremost followed by the ability to buy resources to maintain, even improve, their coffee trees, production methods and therefore final coffee 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 and a developed understanding of how improvement to coffee quality will result in an even higher value for their coffee.

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. The farmers we work with are able use to 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.

WE SOURCED COFFEE FROM **96** FARMS IN 2017,
93% OF THIS COFFEE CAME FROM FARMS WE
ALREADY HAVE RELATIONSHIPS WITH.

⁷ For more information on our roasting practices, see page 23.

⁸ For cupping score information, see page 9.

PACT DIRECT TRADE

We are proud to say that, as we had set as our goal in the 2016 Pact CSR report, in 2017 100% of our coffees were Pact Direct Trade.

Our next step was to increase the number of coffees we offered from the farms with which we have formed relationships. In 2017, 93% of the coffee we bought was from farms we had bought from at least once before. These relationships are of varying lengths: from the first we forged back in 2014, to those we began working with just last year.

“Since we started to work with Pact in 2015, our life has changed a lot. Our coffee company has a loyal client paying double the price of the commodity market. We are able to manage the farm in a completely different way, both financially and agronomically. We have better management of the lots, and are able to produce higher quality coffee. Pact is our main client and source of income, and enables us to improve the farm and our processes. I know that Pact values the effort I put in at the farm and that is very important to me and my family; I feel honoured to work with Pact Coffee.”

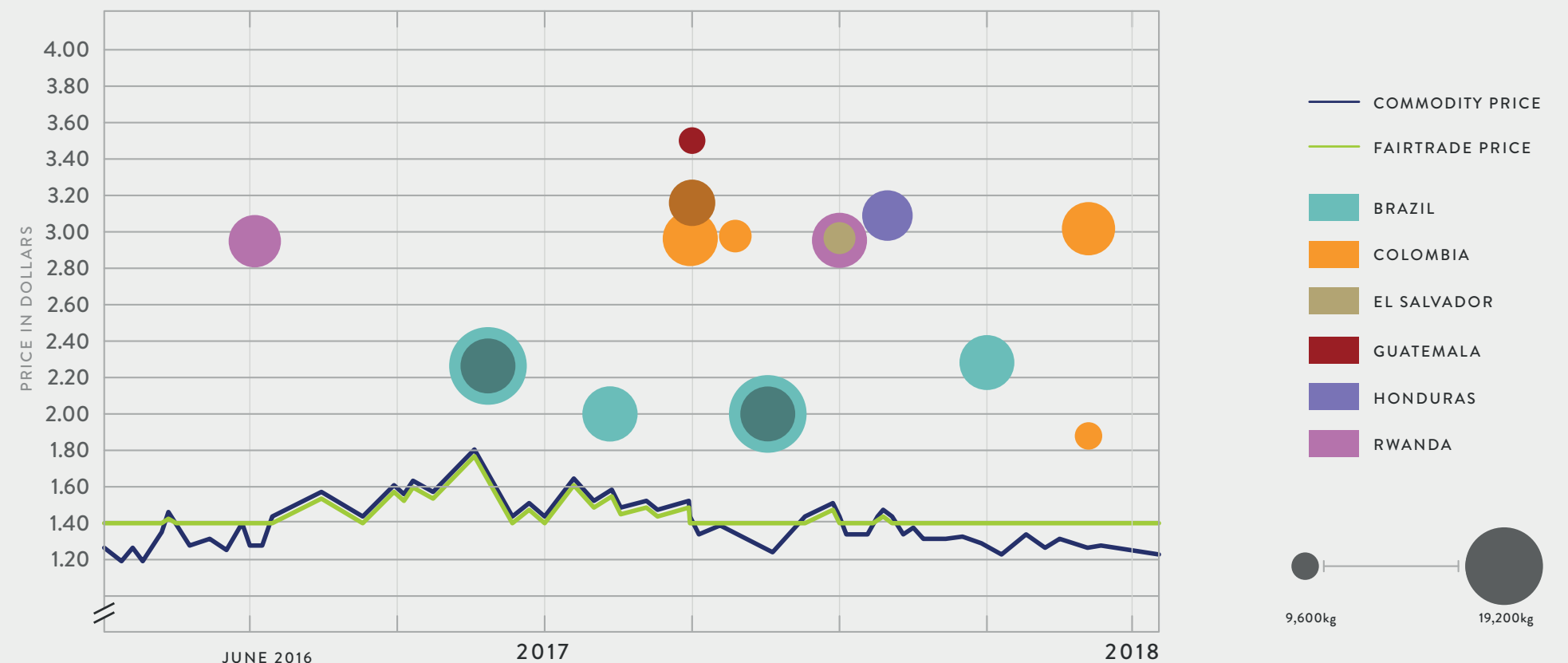
- Ananias Perez Santanilla, El Mirador.

That 93% of our coffee comes from previously established relationships, not being 100%, leaves us wiggle room to work with new farms and to procure special, one-off “treats” for our Micro-lot, Limited or Gold Dust lines.

93%

BY THE NUMBERS: 2017 FINANCIAL REPORT

The following information details our Direct Trade sourcing contracts since our last CSR report June 2016 to December 2017.



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 farmers who share our vision and have the drive to produce fantastic quality coffee.

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 and it would be unreasonable to utilise this expertise.

PHASE 1

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 taste and 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

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.

PHASE 3

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 in larger volumes. 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 us working with local agronomists to understand the terroir and optimised processing methods in meticulous detail. Using this information we can fund projects in advance with no interest (a form of microfinance) allowing producers to rapidly scale their quality production in line with our demand so that as we grow they benefit too.

CASE STUDY

In 2015, Will organised a competition for a small group of coffee farmers in the Northern Colombian region of Norte de Santander, the outcome of which was 13 coffees from farms in a number of towns around the region. We agreed to buy that year's crop for a great price and immediately move them onto phase 2 together.



PHASE 2 CASE STUDY

Phase 2 projects are about solving common problems that arise on coffee farms across the world in a cost effective, repeatable way. Having successfully identified the 13 farms in Norte de Santander using the competition format, we immediately went about solving their most common problem: a lack of flotation tanks on the farms was reducing the coffee tasting score. We developed a cheap and ecologically friendly flotation tank system (that preserves water) that could be distributed for just \$10 per farm. The result was a huge increase in quality across each of the farms. We are now in our third year of working with the farmers from Toledo and Labateca and the farms, including Miraflores, La Secreta, El Silencio and Esperanza, have become regular favourites with our customers.

But it's not only about the Three Phase Program. Following our initial Phase One and Two work with the farmers in Norte de Santander, and having received great prices for their coffee thanks to a couple of seasons working with Pact, they have been able to provide properly for their families, and pay back loans taken out to cover basic costs. Extra cash in the bank has been re-invested in their wet mills, updating equipment not only to increase quality but to prevent any nasty surprises should things need fixing in the future.

PHASE 3 CASE STUDY

When we started working with Finca El Cairo in 2015, Faiber Vega and his family grew 10 sacks (700kg) of specialty coffee for us. We loved it, our customers loved it, and so began a number of ambitious projects between Pact and the Vega family. Over the past four crops of coffee we have provided advance funding for projects to increase the size and quality of the equipment at their wet mill and to develop their drying patio. With these loans, they have been able to grow with Pact, selling us more coffee each year in line with our increasing demand, rather than having to wait years for the profits of smaller harvests. The loan is repaid each year, aided by increase in coffee volume, interest-free. By using this approach, we have put Finca El Cairo in a position to produce 150 sacks of great specialty coffee, using the revenue to improve their house, live a higher quality of life whilst developing a deep knowledge of coffee within the family and the ability to pay their workers a good wage.

CREDIT WHERE CREDIT IS DUE

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.





Finca El Mirador, Colombia

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.¹⁰ Chapada and Planalto, a few of our Brazilian sourcing partners, maintains 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.

AT PACT HQ...

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 percent 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 percent 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 percent 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.

¹⁰ Julie Craves, “Coffee growing in Brazil’s Cerrado region,” *Coffee and Conservation*.

¹¹ Coffee chaff is the dried skin on a coffee bean (the husk) which separates during the roasting process.

¹² Joel Starr, “Eco Friendly Coffee Roasting: Wishful Thinking or New Reality?,” *Tea and Coffee Trade Journal*, (Sept. 2007), 30.

OPEN AND HONEST: *PACT* VALUES

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, 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.

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THE FUTURE OF COFFEE

A cup of coffee is a daily joy for more Brits than ever, with consumption soaring to 95 million cups a day, most of them at home or at work. 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 from 37 pence per cup, and we don't want that to change. Pact customers have been buying the best quality coffee in the world, turning on their kettle and brewing it right in their kitchen since we began in 2012. That is really special, as there are not many industries who can make that happen and we're proud to now be bringing that experience to workplaces across the country.

As excited as we are about our growth and current market presence, we do realise our impact is limited. We are still a growing 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; inspire a future generation of coffee growers and bring together communities by helping them to improve their coffee production.

We will continue to take 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 specialty coffee movement. Specialty coffee in the UK has been forecast at 13 per cent year-over-year growth, outpacing the 10 per cent growth of the total UK coffee market and the British economy as a whole.

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.



¹³ Nick Brown, "UK Specialty Coffee Boom Just Beginning, 100% Growth Expected by 2020," *Daily Coffee News*, 24 August 2015.

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A C K N O W L E D G E M E N T S

A special thank you to everyone on the Pact team that contributed their knowledge and insight to this report.

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