



**CAFÉ
DIRECT**

CAFÉ DIRECT

Impact Report
2022

AN UPDATE

From Our CEO



Although 2022 was a challenging year in many ways, it was also a year of significant progress and achievement, especially with impact.

The company's turnover for the year ended 31 December 2022 was £17.5m, which was a 1% decrease compared with 2021. Cafédirect continued to adapt well in the face of significant change and uncertainty driven by the global pandemic and worsened following Russia's invasion of Ukraine. There were multiple cost increases across all aspects of the business, and these were further exacerbated by regulation changes arising from Brexit which restricted the movement of organic goods between the UK and the EU. Higher inflation created an environment of rapidly increasing costs and changing consumer

behaviour. Despite this challenging situation, Cafédirect continued to perform well, with UK Grocery sales growth of 9%, significantly outperforming the market¹. Overall, Cafédirect branded sales in UK Grocery reached £19m for the first time ever². The business responded rapidly and resiliently to all challenges and with the support of key partners navigated the issues to deliver a small profit of £44k (2021: Loss of £76k).

Crucially, Cafédirect increased its Fairtrade Premiums and Organic Differentials and overall impact investment; £1.4m compared to £1.25m in 2021. As the company looks to improve smallholder farmers' livelihoods, the average price paid to growers this year was 66% higher than the combined Fairtrade Minimum Price and Fairtrade Premium.

It has been a step-change year for sustainability and impact. Near-term targets were set with the Science-Based Targets initiative: by 2025, Scope 1 and 2 greenhouse missions will be reduced by 25% and to 50% by 2030 from a 2019 base

year. In addition, a science-based commitment has been set to reach net zero by 2040. As part of this, new, lower-footprint packaging will launch into stores next year, including recyclable coffee bag packaging and aluminium tins.

This year, Cafédirect built on the achievement of becoming the UK's first B Corp certified coffee brand in 2018 by recertifying with a score of 126.2 - the highest score of any UK coffee brand. The score is defined as 'outstanding' by B Corp and is one of highest scores in the world. And importantly, eight UK coffee companies have followed Cafédirect's example and joined the B Corp movement.

As a complete endorsement of the Cafédirect approach, two of our long-standing cooperative partners (Huadquiña and Chirinos) won first place at the Golden Cup awards in Peru - evidencing the better for everyone promise, with better lives and better-quality coffee.

Cafédirect's podcast series, Building Better Business, went from strength

to strength with the development of season two this year. Following the launch in 2023, the series has now achieved over 20,000 downloads.

The business continued to reorganise itself to operate a simpler, more profitable, and larger-scale business with real clarity on a limited number of priorities. Marketing investment focused on initiatives launching in 2023 and communication plans were deferred to accommodate these projects and to offset the significant cost increases. There has been investment in capability for further success and to create further profitable growth in 2023 and beyond, including key appointments such as the Head of Purpose and Commercial Analyst roles.

Looking ahead to 2023, I am confident that growth can be attained, whilst maintaining profitability, optimising impact, delivering upon the business's powerful purpose and its commitment to all its stakeholders.

¹ IRI Market Data 12 months to Dec 31st 2022, coffee single grind and beans.

² IRI Market Data 12 months to Dec 31st 2022, total coffee.

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CAFÉDIRECT

Believes everyone deserves better

better lives, better standards and
better tasting coffee.

We have been working directly with small-scale farmer cooperatives for over 30 years to create a truly sustainable and ethical business. It is our long-term partnerships that make life better for our partners and a better cup of coffee.

Our farmer cooperative partners are an entrepreneurial community who know their industry and are experts in growing coffee but often lack resources. We

provide trade for small-scale farmers and deliver impact through our unique model: fair prices, equitable social and environmental premiums and investing in Producers Direct, a non-profit enterprise led by farmers for farmers. Our responsible growth also sets an example to others about how business can be a force for positive change.



OUR MISSION

We champion the work and passion of smallholder growers, delivering great tasting hot drinks to improve livelihoods, whilst pioneering new and better ways of doing business.



OUR VISION

A rebalanced world which celebrates business as a force for good and measures success in the shared wellbeing of the communities it touches.



OUR IMPACT MODEL

WE DRINK 98 MILLION CUPS OF COFFEE DAILY IN THE UK¹.

It is the second most popular drink only to water.

Approximately 80% of the world's coffee is produced by 25 million smallholders². But most coffee farmers today receive an estimated 3%³ of the cost of a cup of coffee sold in a coffee shop, and many earn less than \$2 a day. Our impact model aims to redress this balance.

¹ <https://britishcoffeeassociation.org/coffee-consumption/>

² <https://www.fairtrade.org.uk/farmers-and-workers/coffee/>

³ World Coffee Portal, Allegra Strategies August 2021



WE PAY A HIGHER PRICE

- Fairtrade Minimum Price
- Fairtrade Premium
- Quality differential



WE BUY DIRECTLY AND FOR THE LONG-TERM

- We only buy directly from smallholder farmers
- We have long-term relationships
- We pay quickly
- We have two grower representatives on our Board



WE HELP FARMERS IMPROVE PRODUCTION

- Producers Direct provide training and support to over 1 million farmers and their families
- This work results in an over 50% increase in incomes for farmers

SUSTAINABLE PRICES & LONG-TERM PARTNERSHIPS

AN INCREDIBLY VOLATILE YEAR FOR COFFEE PRICES

In 1991 Cafédirect was founded by Oxfam, Traidcraft, Equal Exchange and Twin Trading in response to the collapse in coffee prices falling below farmers’ production costs. It aimed to trade directly to ‘give coffee bean, cocoa, and tea growers a larger slice of the purchase price for the products’. Volatile market prices are still an issue today. The coffee futures market is by design opaque so whilst we cannot specifically define how much of the price volatility is driven by speculators it is widely agreed that on a volume basis the large majority, possibly as much as 90%, of trading is speculative in nature.

\$2.20
\$2.00
\$1.80
\$1.60
\$1.40
\$1.20
\$1.00

This volatility shows how farmers are at the mercy of an unpredictable market. Higher prices might sound advantageous, but it can result in contracts defaulting. It also relies on cooperatives finding additional funds to pay farmer members a higher price for

their coffee, despite a lower contractually agreed price with buyers. Even when farmers receive the Fairtrade Minimum Price, Fairtrade Premium and quality price differentials, they have little control over their prices.

In 2022, the extreme price volatility caused acute difficulties for cooperatives. High-interest loans were sought to cover costs, but banks were lending less due to the perceived additional risk. Inflationary fertiliser costs and the pandemic-induced delays in

shipping (and hence payment) compounded this problem. As part of our impact model, we work with coffee cooperatives in long-term partnerships, providing some financial security through repeat purchases.

GRAPH OF COFFEE PRICES 2014-2022

<https://www.macrotrends.net/2535/coffee-prices-historical-chart-data>

2014

2016

2018

2020

2022

FAIR PRICE

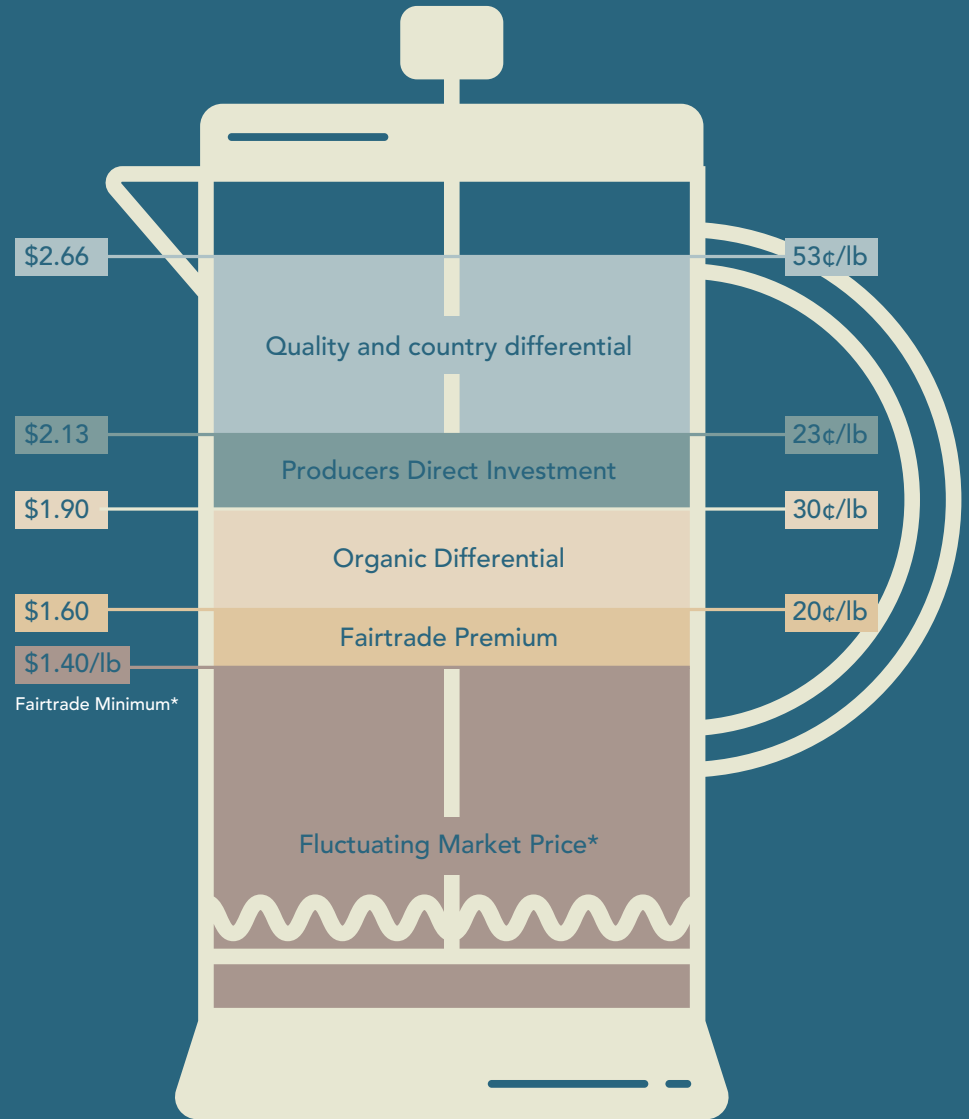
We directly agree on the coffee price with farmer cooperatives rather than through an importer. We always pay social and environmental premiums on top of the market price for coffee - Fairtrade Premiums and Organic Differentials. The cooperative members invest the Fairtrade Premium in projects of their choice. Organic Differentials are paid for coffee produced with strict standards to keep soils, ecosystems and people healthy.

***Based on the following parameters:**

- For coffee shipping in the calendar year 2022
- Includes micro lots but using the total weighted average price
- Price set at Free on Board (FOB), the price paid to cooperatives at the port of origin.
- Only Arabica purchases.
- Fairtrade Premium price: Fairtrade Minimum Price 140 c/lb + 20 c/lb Fairtrade Premium.

In 2022 we paid **66% more** than the Fairtrade Minimum Price and Fairtrade Premium for coffee on average **(266 c/lb vs 160 c/lb)***.

FAIRTRADE AND ORGANIC PRICE DIFFERENTIALS EXPLAINED



*Because of the volatile market price of coffee, the Fairtrade Minimum Price can be above or below the market price. The Fairtrade Premium of 0.20¢/lb is added to whichever price is the highest.

The figures in the diagram are illustrative only.

LONG-TERM PARTNERSHIPS

Our commitment to long-term partnerships with cooperatives is based on our recognition of the value it creates for these growers. In fact, 78% of our partnerships have lasted for over two decades. By making repeat purchases, cooperatives can invest in their businesses which makes them less risky and more able to secure farm loans. This investment allows farmers to improve coffee quality and productivity, leading to increased income and a positive environmental impact.

The following statements from our partners offer a glimpse of the success that our long-term relationships have.

78% of our partnerships have lasted for over two decades

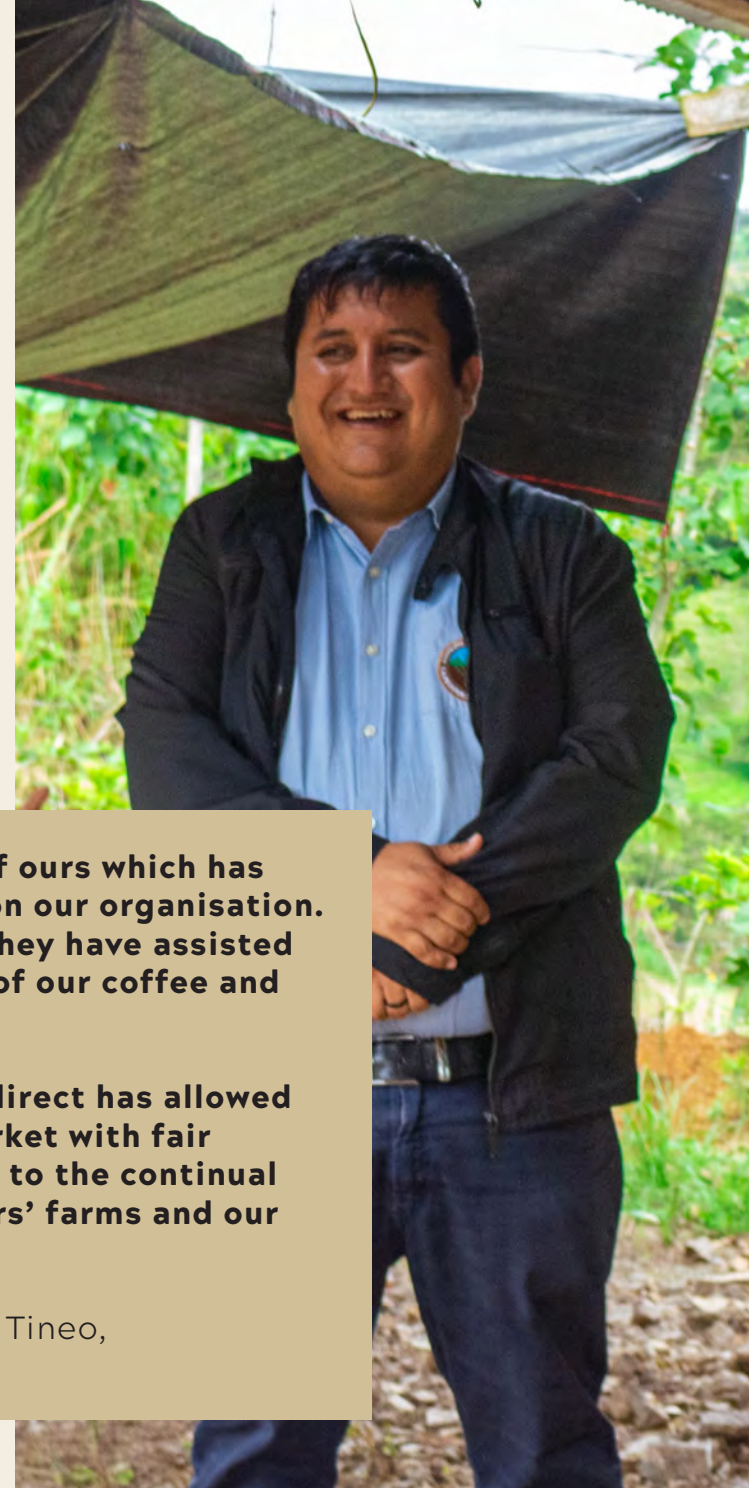
Cooperativa Agraria Cafetalera ‘La Prosperidad de Chirinos’ Ltda. - PERU

Chirinos is in San Ignacio Province, North-Eastern Peru. We have worked with them since we were founded in 1991 when they were also part of Central de Cooperativas Agrarias del NorOriente (CECOOAG NOR).

“Cafédirect is a great ally of ours which has had a very positive impact on our organisation. Through Producers Direct, they have assisted us in improving the quality of our coffee and diversifying our farms.

Having the support of Cafédirect has allowed us to have access to the market with fair prices. This has contributed to the continual improvement of our members’ farms and our infrastructure.”

Michael Anthony Montalvan Tineo,
General Manager





“Through Cafédirect, producers are able to implement practices that improve their coffee’s quality on their farms. As a result, they get a better price for their coffee, which in turn improves their quality of life. We consider Cafédirect as an unconditional friend because our relationship has remained strong for many years despite the difficult challenges that arise at each coffee harvest.”

Luzmila Loayza Feliú, Export Sales & Logistics Manager
Frontera

Cooperativa Agraria Frontera de San Ignacio Ltda. (COOPAFSI) - PERU

Frontera is in the northern Department of Cajamarca in Peru. Frontera has been a partner since 1991 when they were part of CECOOAG NOR.

“Our relationship with Cafédirect has allowed us to learn about the expectations and trends in the specialty and certified coffee market. Through Cafédirect we can sell the crops of our producers and receive a better price.”

Sixto Bonilla,
General Manager
CESMACH

Campeños Ecológicos de la Sierra Madre de Chiapas S.C. (CESMACH) - MEXICO

CESMACH is in the southern state of Chiapas, Mexico. We have worked with them since 2003, and their coffee supplies our Mayan Gold roasted coffee.



“As long-term business partners, we can work together on quality, price, communication, and development. Working with Cafédirect provides opportunities with new clients and benefits our producers. Our cooperative members appreciate being visited by Cafédirect so we can tell them how we work, and we can understand who their customers are.”

Ángel Burgos, Commercial Manager
Tzeltal

Cooperativa de Producción Tzeltal Tzotzil S. C. L - MEXICO

Tzeltal Tzotzil is also in Chiapas, Mexico. We bought their coffee for the first time in 2022, however, indirectly when they were part of ‘Unión Majomut’ prior to 2008.

INCLUSIVE GOVERNANCE

Our business purpose is locked into the governance of our company, so we will always remain true to our mission and values. The Guardian Share Company functions to enable this. This group oversees the delivery of the Gold Standard (our responsible growth framework) and approves any changes. They also hold the golden share, which means they have shareholder veto power to protect the company mission from outside interests that might seek to dilute our mission and impact.

Additionally, our board of directors includes two farmers - Raul Talledo Torres, representing our Latin American producers and Lebi Gabriel Hudson from the Rungwe Small Tea Growers Association Project (RSTGA) cooperative in Tanzania - who provide invaluable insights into the needs and challenges faced by the farmers we work with.



Raul Talledo Torres



Lebi Hudson



PODCAST: GOOD BUSINESS GOVERNANCE: A DRIVER FOR CHANGE

Alex Maitland, OXFAM INTERNATIONAL | **James Ghaffari,** B LAB | **Lebi Hudson,** RSTGA COOPERATIVE & CAFÉDIRECT DIRECTOR

WWW.CAFEDIRECT.CO.UK/PODCASTS/GOOD-BUSINESS-GOVERNANCE-A-DRIVER-FOR-CHANGE/

INVESTMENT IN FARMERS

As a social enterprise, we exist to benefit the farmers we work with. Investment in growers is a proven way to improve farm performance, leading to a higher income.⁴

We make a yearly donation to Producers Direct for this purpose. Producers Direct is an independent not-for-profit led by farmers who develop innovative solutions to support farmers with their challenges. Their model works by working directly with farming communities and facilitating rotating loans, training, access to buyers, data and technology.

The core funding provided by Cafédirect also enables them to leverage additional resources through other funding partners via competitive grants. Their innovative and award-winning approach has improved the livelihoods of over 1.3 million farmers and their families so far. See the Growers section in this report for more detail.

TO DATE, CAFÉDIRECT HAS INVESTED OVER £7.5 MILLION IN PRODUCER FOCUSED PROGRAMMES, WORKING SINCE 2009, IN PARTNERSHIP WITH PRODUCERS DIRECT

TO FIND OUT MORE GO TO [CAFEDIRECT.CO.UK/IMPACT/PRODUCERS-DIRECT/](https://www.cafedirect.co.uk/impact/producers-direct/)



PERU'S GOLDEN CUP

Two of our longest-standing cooperative partners achieved first place at Peru's Golden Cup coffee competition 2022 - **Cooperativa Agraria Cafetalera la Prosperidad de Chirinos** and **Cooperativa Agraria Cafetalera Huadquiña Ltda.** - exemplifying how investment in the cooperatives results in better conditions for farmers and better quality of coffee.

The awards, which are organised by the **National Coffee Board (JNC)**, the **National Fair Trade Coordinator (CNCJ-Peru)** and the **Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC)**, determine the highest quality Fairtrade coffees that are produced each year in coffee producing countries. The coffee is cupped and scored for quality on a 100-point score, with a score above 80 considered specialty.

- La Prosperidad de Chirinos won the **whole container category**, which equates to 19 tonnes of coffee beans. Chirinos scored 85.42, which is an outstanding achievement for such a large volume of coffee. We have worked with La Prosperidad de Chirinos since 1991 when they were part of a larger cooperative, CECOOAG-NOR (Central de Cooperativas Agrarias del Nor-Oriente).
- Huadquiña achieved first place in the **micro-lot category**, between 60 kilos and a few hundred kilos of green coffee grown by a single farmer. Huadquiña scored 93.92, the highest score in Peru's competition history. Huadquiña has been our partner since 1994, and their cooperative provides the coffee for our best-selling Machu Picchu.

⁴ <https://www.solidaridadnetwork.org/publications/coffee-prices-matter-but-investments-make-farms-perform-better-to-achieve-living-income/>

2022 KEY FIGURES

2022 PURCHASES



COFFEE:

1,500 TONNES



TEA:

7.86 TONNES

BUSINESS FOCUS: COFFEE

This year, coffee became a strategic focus for the business going forward. Our coffee products have been particularly successful within our hot beverage range, displaying strong growth.

Tea and hot chocolate have been discontinued; however, one tea customer remains. With more people and financial resources dedicated to coffee, we can take this success to the next level.



2022 SALES

- Cafédirect hit £19m in Retail Sales Value, up from £17.4m in 2021.
- New product development Machu Picchu Decaf Beans and Freeze Dried and Mayan Gold Freeze Dried.
- Mayan Gold is number two in the Single Origin range. Sales value increased 78% year on year.
- Cafédirect Freeze Dried range outperformed the market (+8.4% vs market 0.5%)

Source: IRi 52 weeks to 31.12.22



2022 IMPACT INVESTMENT



FAIRTRADE PREMIUMS

£579,000

(2021 £575,000)

Globally, Fairtrade Coffee Smallholder Producer Organisation invested 24% of their Fairtrade Premium in payments to members and their families, including disaster or emergency payments, and 14% was invested in facilities and infrastructure within the organisation, including crop storage facilities and the rental or purchase of land.⁵

⁵ Source: Fairtrade Coffee Report 2023



ORGANIC DIFFERENTIALS

£711,247

(2021 £561,300)

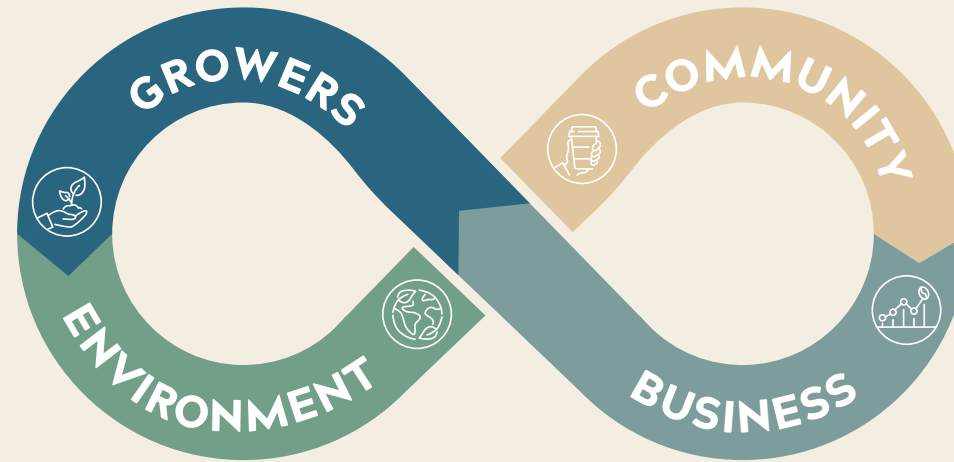


PRODUCERS DIRECT

£100,000

(2021 £110,000)

GOLD STANDARD



Our Gold Standard is a governance tool. It is a framework for decision making to ensure we grow responsibly. The result is a streamlining of our goals within four key pillars - Growers; Community; Environment; Business.



GROWERS

Building a sustainable future

GOAL

By 2030, our ambition is for every small-scale farmer in our network to be empowered and engaged, having a powerful voice and earning beyond a living income.

As a result of grower representation on the boards of Cafédirect and Producers Direct, as well as a participation in key meetings and decision-making, we are able to tackle the systemic challenges facing small-scale farmers.

Continued investment in product quality and shared insights from direct, transparent relationships can deliver meaningful impact. It also has the benefit of strengthening the overall resilience of Cafédirect’s supply chains.



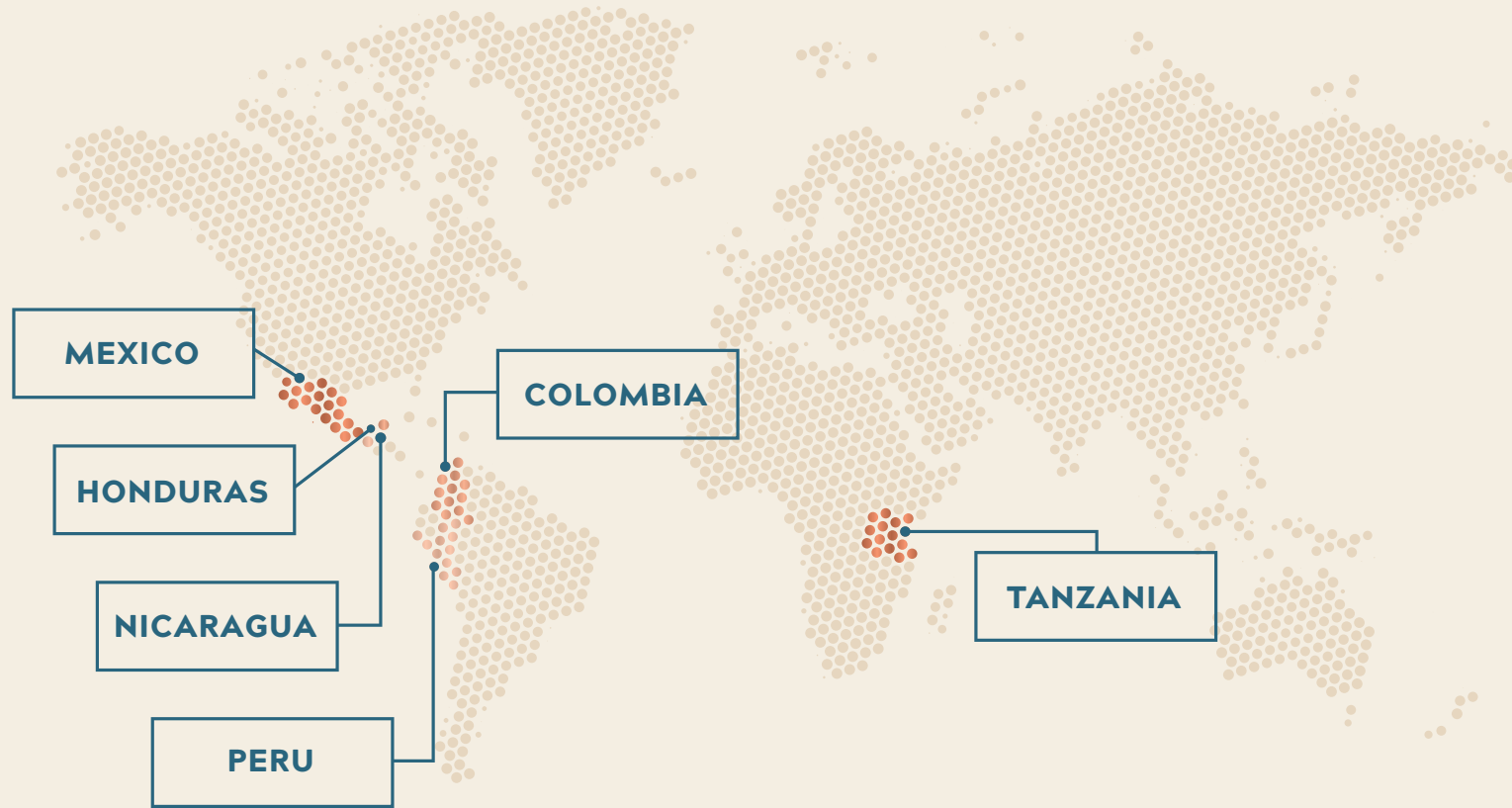
PODCAST: RETHINKING ECONOMICS TO SAVE THE PLANET

Erinch Sahan,

DOUGHNUT ECONOMICS ACTION LAB

WWW.CAFEDIRECT.CO.UK/PODCASTS/ERINCH-SAHAN/

COOPERATIVES WE WORKED WITH IN 2022



BREAKDOWN OF COFFEE PURCHASES

Origin	Cooperatives	Growers	Total Kgs	% 2022 purchases
Peru	11	13,647	1,119,525	75%
Mexico	4	3,123	189,750	13%
Tanzania	1	2,150	115,577	8%
Colombia	1	3,212	38,500	3%
Honduras	1	260	18,975	1%
Nicaragua	1	2,400	18,975	1%
Total		24,792	1,501,302	



PODCAST: WHO GROWS OUR FOOD?

Dorothy Shaver, UNILEVER **Nick Hoskyns,** ETICO **Beatrix Richards,** SOLIDARIDAD

WWW.CAFEDIRECT.CO.UK/PODCASTS/WHO-GROWS-OUR-FOOD/



Our Commitments



GROWERS

BEYOND A LIVING INCOME FOR SMALL-SCALE FARMERS

The Living Income Community of Practice defines living income as: **“The net annual income required for a household in a particular place to afford a decent standard of living for all household members”⁶.**

Being Fairtrade certified does not guarantee that farmers will earn a living income. This depends on many other factors. To address this, Producers Direct promotes the diversification of income streams, particularly among women and youth from smallholder communities, to develop on-farm agri-enterprises and provide market access for these products.

The following highlights a few examples from Producers Direct that illustrate how their approach to building a sustainable future for growers aligns with ours.

⁶ <https://www.living-income.com/the-concept>



**HONEY PROGRAMME –
DIVERSIFYING INCOME THROUGH
BEEKEEPING AND HONEY
PRODUCTION**

Producing honey can be a beneficial income diversification strategy for coffee farmers. It provides additional income, promotes sustainable agriculture, and delivers value-added products that improve resilience to market volatility and unpredictable weather patterns. However, producing honey requires specialised knowledge, skills, and resources often unavailable to farmers.

Producers Direct’s honey programme showcases how their impact model aligns with such challenges by addressing the following elements:

- Facilitating training and information services
- Providing micro-loans to buy equipment, such as hives and protective equipment
- Tracking data on hive activity and farmer income
- Building a honey brand locally to create a market for the product



**PODCAST: THE WISDOM IN
PRODUCER PARTNERSHIPS**

Claire Rhodes,
CEO OF PRODUCERS DIRECT

WWW.CAFEDIRECT.CO.UK/PODCASTS/CLAIRE-RHODES/

Honey products launched in Peru this year. Honey was distributed to local shops, restaurants, cafés and cooperative partners totalling 12,400 kg.

Sale of honey in Kenya increased by 415% to 29,716 kg.



**PODCAST:
BUSINESS WHERE
SOCIETY PROFITS**

Peter Holbrook,
SOCIAL ENTERPRISE UK

WWW.CAFEDIRECT.CO.UK/PODCASTS/PETER-HOLBROOK/





STRENGTHEN THE PARTICIPATION & INFLUENCE IN THE SUPPLY CHAIN OF SMALL-SCALE FARMERS AND FARMING COOPERATIVES

Coffee farmers face various challenges when it comes to accessing markets. Some of the most common problems are lack of information, such as prices or demand, and limited access due to scarce market linkages. This affects not only the commercialisation of their primary coffee production but also complementary crops that could help diversify their sources of income. Producers Direct seeks to support farmers with some of these problems through the FarmDirect app.



FARMDIRECT - STRUCTURING UNSTRUCTURED VALUE CHAINS

FarmDirect is a digital tool that connects farmers to buyers. Farmers can bundle their crops with other farmers to fulfil larger orders from buyers such as hotels, schools, and market stalls. Youth agents support the process by creating linkages with buyers and helping with the logistics of moving the produce.

‘before using FarmDirect, 68% of women had never sold surplus produce they had grown’

But why is this important? A survey of 483 women farmers in Peru found that 84% of women have no additional income beyond on-farm activities, and before using FarmDirect, 68% of women had never sold surplus produce they had grown. These results demonstrate both the need and the potential of a tool to connect them with markets.

IN 2022, FARMDIRECT FACILITATED THE SALE OF THOUSANDS OF PRODUCTS, INCLUDING:



20,000kg avocados



5,000 bunches of bananas



1,000kg of vegetables



The FarmDirect platform is in continual development. In 2022, the user interface was tested by farmers, youth and buyers across Uganda and Peru. Updates are then tested with field teams before being rolled out more widely.

The results up until end of 2022:

- 3,361 farmers have registered on FarmDirect across Kenya, Uganda, Tanzania, and Peru.
- 334 buyers are actively buying products from farmers using the platform.
- 113 youth agents are managing the buying and selling activity on FarmDirect.

RESEARCH INDICATES THAT FARMERS' INCOME IS INCREASING FROM USING FARMDIRECT:

In a study with farmers in Uganda, 88% reported increased incomes after selling via FarmDirect compared to just 66% of a control group who were not accessing markets via FarmDirect.

In the same study, 93% of respondents who had received a blended set of services (including training and finance) on top of FarmDirect, saw an improvement in the condition of their farm in 2022. This figure is compared to 50% for the control group who did not access any of the services.



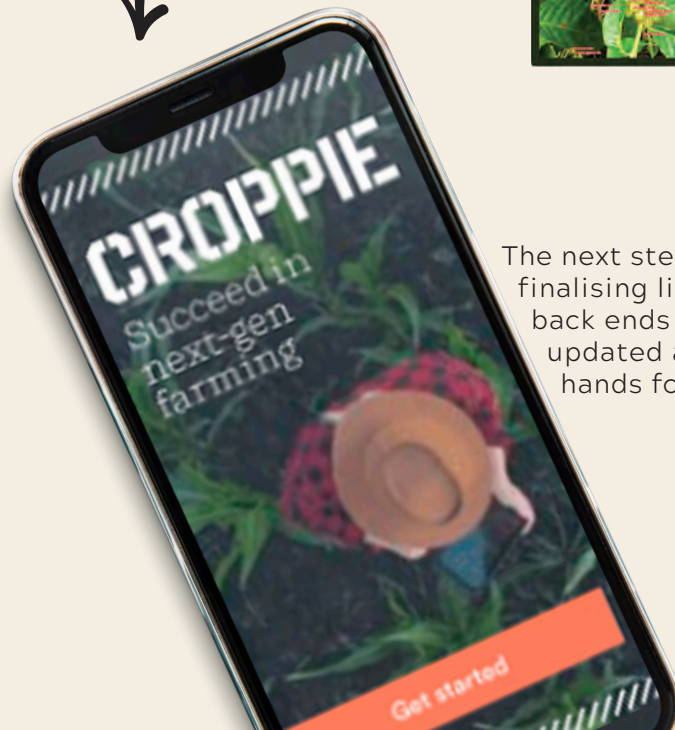
SUPPORT SMALL-SCALE FARMERS AND FARMING COOPERATIVES TO ACCESS THE RIGHT KNOWLEDGE, SKILLS AND TRAINING FOR MORE SUSTAINABLE LIVELIHOODS.

Yield forecasting is a powerful tool for coffee farmers as it can help them plan their production, manage their resources more efficiently, and make informed business decisions. Producers Direct has been working on an app that could help address some of the challenges producers face.

CROPPIE: THE POWER OF TECHNOLOGY AND DATA IN THE HANDS OF SMALLHOLDERS

Producers Direct continue the development and improvement of the Croppie app aiming to provide precise, actionable yield predictions for smallholders. The app provides these farmers with insights that commercial actors focused on larger-scale agricultural systems benefit from.

Enabling smallholder farmers to access and benefit from yield predictions



The next steps involve finalising linking up front and back ends and getting the updated app into farmers' hands for further testing.

KEY 2022 FIGURES



Data collected from 977 smallholders.



Yield estimates were provided to 285 smallholders in Colombia and 677 in Peru.



750 farmers received tailored agronomic tips.



“I told her (the buyer) how FarmDirect works, how FarmDirect will keep bringing products closer to her, and she accepted. I provided support on how to use the system, and she kept placing orders. [...] Farmers are coming to me and asking to be added to FarmDirect because they see other farmers selling their products without having to look for a market.”

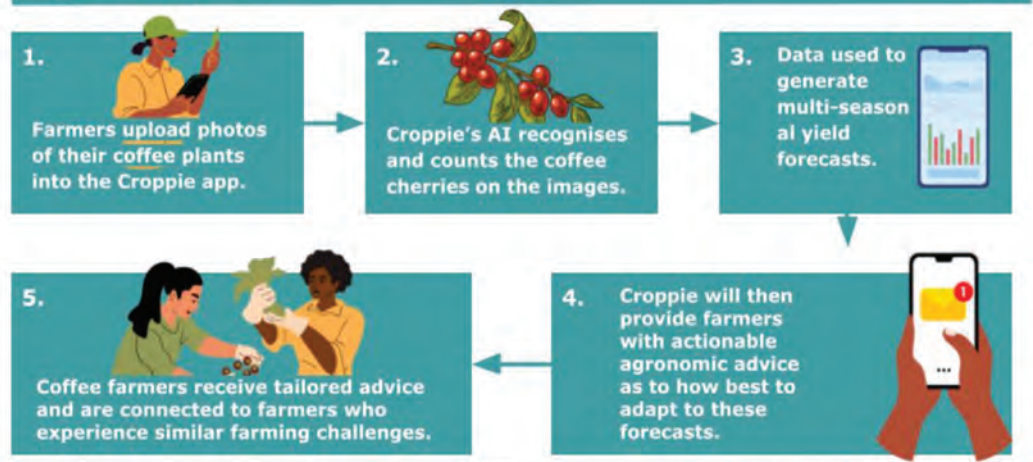
“Working with youth agents has meant we receive a higher price for our produce, and we don’t have to find the buyers ourselves.”

Tumuheki Isaac, Youth agent
Uganda

Birungi Jescah, ACPCU cooperative farmer
Uganda



How it works



FAIRTRADE PREMIUMS



Cafédirect not only participates in Producers Direct's efforts but also contributes Fairtrade Premium payments. These additional funds are pooled together into communal funds that can be used by workers and farmers to enhance their social, economic, and environmental conditions.

The Fairtrade Premium is paid directly to the cooperatives, meaning the democratically elected representatives of the farmers can determine how the money is spent. This mechanism means they have the flexibility to choose activities that align with their specific needs, goals, and priorities. The summary diagram shows how all coffee cooperatives engaged in the Fairtrade movement invested the Premium globally.

For more information check: www.fairtrade.net/impact/top-7-products-dashboard

Source: Fairtrade Coffee Report 2023, based on Fairtrade International's 2021 producer organisation Monitoring Data

GOAL

By 2030, Cafédirect will run its own operations within its environmental limits and be making significant progress towards its longer-term science-based net-zero ambition.

ENVIRONMENT

**Protecting &
restoring our planet**

We want to secure a future for growing high-quality coffee. To do this we must invest in nature-based solutions that mitigate against the effects of climate change and contribute to sustainable livelihoods.

By applying a systems-based approach, we will enable the next generation to innovate and evolve sustainable and regenerative agricultural techniques, which support coffee quality and consistency.



Our Commitments

SUSTAINABLE USE OF RESOURCES ACROSS THE SUPPLY CHAIN

Ensuring the long-term sustainability of the coffee industry relies heavily on the responsible utilisation of resources throughout the supply chain. This promotes the endurance of coffee production, safeguards the environment, and enhances the well-being of coffee farmers and their communities. Below are some of the measures we implemented in 2022 to continue progressing towards our objectives.

We want to secure a future for growing high-quality coffee. To do this we must invest in nature-based solutions that mitigate against the effects of climate change and contribute to sustainable livelihoods. By applying a systems-based approach, we will enable the next generation to innovate and evolve sustainable and regenerative agricultural techniques, which support coffee quality and consistency.





SCIENCED-BASED TARGETS INITIATIVE (SBTI)

In 2021 we committed to set our greenhouse gas (GHG) emissions reduction targets as part of the Scienced-Based Targets initiative (SBTI).

Targets are considered ‘science based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. In this global agreement, participating countries committed to limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

In 2022, we officially set our near-term science-based target: By 2025, we will reduce our Scope 1 and 2 greenhouse emissions by 25% and to 50% by 2030 from a 2019 base year.

In addition, we have set a science-based commitment to reach net zero by 2040⁷ – to start this, we have begun measuring and reducing emissions from our suppliers and customers, which form part of Scope 3 emissions.



⁷ Definition of Net Zero defined by Science Based Targets initiative: Under the Net-Zero Standard, most companies are required to reduce emissions by at least 90% to reach net zero.

SCOPES 1, 2 & 3 EXPLAINED



Scope 1 emissions: direct emissions from owned or controlled sources.



Scope 2 emissions: indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed.



Scope 3 emissions: includes all other indirect emissions that occur in our value chain, for example, growing coffee, packaging, water use and freight.

72% of the coffee we bought this year was certified Organic by the Soil Association. This is an increase of 16% from 2021, and surpasses our Gold Standard goal of purchasing 50% Organic coffee by 2025.



PODCAST: THE RACE TO REDUCE FOOD'S FOOD CARBON FOOTPRINT

Mike Barry,
MIKE BARRY ECO

Mike Berners-Lee,
CARBON FOOTPRINT AUTHOR

WWW.CAFEDIRECT.CO.UK/PODCASTS/THE-RACE-TO-REDUCE-FOODS-CARBON-FOOTPRINT/

CARBON FOOTPRINT MEASUREMENT

To evaluate our emissions, we collaborate with an environmental consulting company. Our joint efforts over the year have involved measuring the decrease in emissions during 2021, which forms the basis for practical action plans for the following year.

Accurate data collection is crucial for these audits, and therefore, we are exploring ways to standardise the data collection process and include greenhouse gas and other criteria in our sourcing contracts in the future. This information will allow us to analyse the impact data of our suppliers and partners to understand their sustainability practices better.

Our examination of previous years' GHG emissions revealed that most originate from scope 3 sources. Specifically, 83% of emissions are linked to our consumers, primarily from boiling kettles, while 7% can be attributed to producers. Nevertheless, we strive to minimise emissions across the entire coffee supply chain.



To advance sustainability, quality, and profitability within the industry, implementing optimal practices throughout the coffee supply chain is essential. Following our carbon footprint analysis, we have identified recyclable packaging as an area for improvement in both new and existing products. We aim to have 99% of all our products packaged in recyclable materials by 2023. Below are two examples of our efforts to continue improving in this area.

Recyclable coffee bags have been our long-term ambition. Our journey has followed the industry's innovations, which now delivers the recyclability and usability we aimed for. In 2022 we finalised our new recyclable bags of coffee, ready to launch in store in 2023.

Coffee bags have a complex packaging requirement because they need to provide protection from sunlight, moisture and oxygen to preserve taste, freshness and aromatic characteristics. A particular challenge was finding a material that provided an oxygen barrier that was recyclable within UK waste facilities. Other special requirements include material stiffness, graphics performance and fast machine run speeds which required a cutting-edge solution.

We worked closely with our packaging manufacturer, who provided us with an award-winning solution made of Polyethylene. This type of material was selected because these plastics have the greatest recycling demand and are much easier for recycling facilities to handle than other polymers.

While the government has committed to providing flexible plastic kerbside collections nationwide by 2027, for now, the soft packs be taken to recycling collection points at many large UK supermarkets. Tesco, Sainsbury's, Coop, Waitrose, Morrisons and Aldi all have front-of-store collection points for flexible plastics such as this.



PODCAST: ACTION ON PLASTIC

Helen Bird
WRAP

Lucy Reynolds
BOOTS

Lee Man
THE BODY SHOP

[WWW.CAFEDIRECT.CO.UK/PODCASTS/
ACTION-ON-PLASTIC/](http://WWW.CAFEDIRECT.CO.UK/PODCASTS/ACTION-ON-PLASTIC/)





INSTANT COFFEE ALUMINIUM TINS

In addition to introducing recyclable coffee bags, we also made significant progress in reducing the carbon footprint of our instant coffee packaging. We worked to replace our instant coffee glass jars with fully recyclable aluminium tins with plastic lids in 2023. These tins have undergone key changes to ensure they can be easily recycled through kerbside collections to continue moving forward with our sustainability standards.

Although tinplate is known to be more carbon-intensive per kilogram than glass, the use of aluminium tins will lead to a significant reduction in emissions. This decrease is because the tin packaging is 78% lighter than glass, meaning less material is needed, and transport emissions are reduced. Overall, we expect that the use of tin packaging will result in around 68% fewer emissions compared to glass jars, making it a much more sustainable option. We are proud of this accomplishment and will continue to look for ways to reduce our carbon footprint and promote sustainability in the coffee industry.





RESTORE OUR LANDSCAPES THROUGH REGENERATIVE AGRICULTURE

Peru, where we source large amounts of coffee and our networks are stronger, is at the epicentre of climate change. Dramatic increases in rainfall are washing away the soil and nutrients on the slopes where coffee grows, resulting in lower yields each year. In response, Cafédirect and Producers Direct are working with landscape projects to enhance small-scale farms’ resilience.



SIERRA PIURA REFORESTATION PROJECT

Cafédirect, in collaboration with Producers Direct and Norandino coffee cooperative, initiated a reforestation project in Choco, Peru, in 2010 to safeguard coffee farms against soil erosion and regulate rainfall. Cafédirect engaged NGO’s to explore solutions and decided to utilise carbon credits as an incentive for the Choco community to plant trees. The people of Choco received a carbon credit for every tonne of carbon captured by new trees, which they could sell in the global carbon trading market as a source of income. Although Cafédirect provided resources and financing initially, Producers Direct and an NGO now oversee the project.



PODCAST: LET’S FIGHT FOR OUR FORESTS

Sarah Wakefield,

WWF

Steven Ripley,

TESCO

WWW.CAFEDIRECT.CO.UK/PODCASTS/LETS-FIGHT-FOR-OUR-FORESTS/





Since 2010, 536 hectares have been reforested with 594,774 trees, and 22,830 carbon credits have been sold, more than half of their target of selling 42,784 carbon credits by 2035.

The revenue generated from the sale of carbon credits is used for further reforestation activities, expanding to new areas, and generating more carbon credits for the community.

As of 2022, there are 533 members in 11 reforestation committees across the Piura region, with women comprising 21% and men 79% of the members.

“Our trees help us purify the air...It helps us with biodiversity especially. The white edged orioles, the parrots and many little birds that come here to live alongside us.”

Herman Salvador,
Norandino cooperative farmer



536

HECTARES REFORESTED



594,774

TREES PLANTED



22,803

CARBON CREDITS SOLD



GOAL

By 2030, the Cafédirect experience will have inspired 15 million customers and consumers to make a positive contribution to the world.

This goal aims to inspire more customers, consumers, and citizens to become part of a positive movement for change. Customers and consumers that understand the value of our products, from the coffee quality to our vision for a world that is better for everyone, will be more loyal and engaged.



**Inspiring our
community to make
a difference**

COMMUNITY



Our Commitments

INSPIRE CUSTOMERS AND CONSUMERS BY PROVIDING EDUCATIONAL AND ENGAGING CONTENT

Providing educational and engaging content to customers and consumers is crucial to building a sustainable and responsible brand. Through our podcast series, we aim to inform and inspire individuals about their choices' impact, encourage positive change, and promote awareness of important issues.

BUILDING BETTER BUSINESS PODCAST

The Building Better Business podcast, hosted by CEO John Steel, gives listeners insight into how responsible business leads to a fairer society and a healthier planet. The podcast launched in August 2021 and ended with a special edition Fairtrade Fortnight episode in March 2022. The 21-episode series features guests from responsible businesses and NGO's, academics, and consultants to explore the impact good business can make. Since launch to the end of this year, there has been over 11,300 downloads.





CEO John Steel speaks about his conclusions from recording the series in this interview with Lizzie Rivera of Live Frankly.

You can read the full interview on the [Live Frankly website](#).

PODCAST: SEASON TWO

In 2022, the podcast concept was developed further for season two. The series brings both purpose-driven organisations, such as Riverford, Solidaridad Network, Oxfam, and big profit-driven companies including Unilever, Nestlé and Tesco, together to explore the role of business in today's world. It shines a light on what businesses are doing to protect the future and what more can be done.

Season two will launch in January 2023.

“One of the biggest things that struck me was the people working in organisations like Unilever and Nestlé, and Tesco. They are brilliant and engaging and I can see they do want to make a difference. But ultimately, they’re operating within a structure that prioritises profits for their shareholders and fundamentally doesn’t deliver environmentally or socially.

The problem with this is that if we small businesses only change a tiny percentage of the market we ultimately fail and we all will have to deal

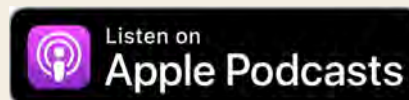
with the consequences. So, we need to engage big business.

The problem isn’t the people, it’s the structures and ownership. Adding sustainability on top of a profit-driven business isn’t working. You can see how larger corporations with better resources are greenwashing the world to an inadequate response.

We need real transformation in terms of ownership and governance. With the current system and the current set of incentives, change is going to be wholly inadequate.”

– CEO, JOHN STEEL

The Building Better Business podcast is available on [Apple Podcasts](#), [Spotify](#) and other podcast platforms along with [our website](#).



MOBILISE CUSTOMERS AND CONSUMERS TO ACT ON SUSTAINABILITY

Encouraging customers and consumers to take action towards sustainability is vital to achieving a more sustainable future. We use social media and other communication channels to connect with our customers and motivate them to take sustainable actions in their daily lives. Through this approach, we aim to inspire a collective movement towards a more sustainable world.



FAIRTRADE FORTNIGHT

21 February - 6 March 2022

'Farmers on the Frontline' live Zoom broadcast - a collaboration with Divine, JTS, Liberation, Shared Interest, Traidcraft, Zaytoun and Cafédirect. The webinar featured video footage of farmers and their experience with climate change and a Q&A session with each of the brand's presenters.



We also produced a live broadcast of a Building Better Business podcast '**Climate of Crisis for farmers**' - with Sir Tim Smit (Eden Project), Ed Gillespie (the Futureonauts podcast, Greenpeace) and Claire Rhodes (Producers Direct).

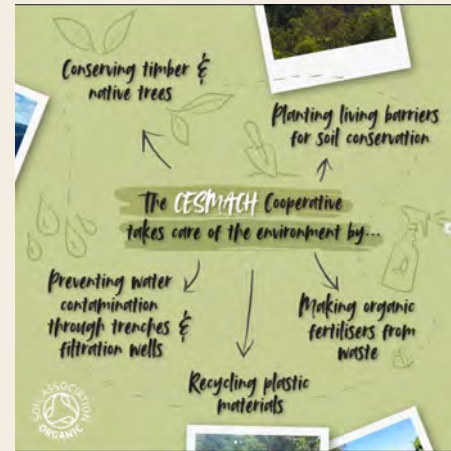
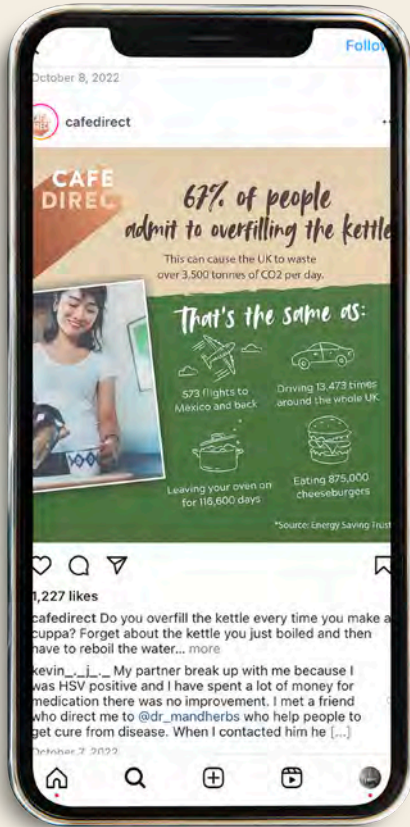
They explored how climate change is affecting the farmers that grow our food, what that means for all of us and how we can all help.

The podcast was the best-performing episode of the year, with over 1,500 downloads in 2022.



SUSTAINABILITY AWARENESS

To increase awareness about the energy consumption associated with kettles, which contributes significantly to coffee's carbon footprint, we used social media platforms to communicate this message to our audience.



Our social media channels focused on how the cooperatives we work with protect and restore their environment. Over six months, weekly content showcased their work, including their Organic and Fairtrade farming practices, which was complemented with newsletters.



We also celebrated B Corp month in March and Organic September on social media and with our newsletter to raise awareness of these initiatives with our audiences.

BUSINESS

Championing business for positive change



GOAL

By 2030, Cafédirect will be a beacon of sustainable business and continue to be known for its pioneering approach in advocating for small-scale farmers.

Our ambition is to create a high profile for our pioneering and evolving model and brand. To do this we must leverage resources to drive wider change to secure the future of our products and our industry so that we can deliver more impact.



Our Commitments

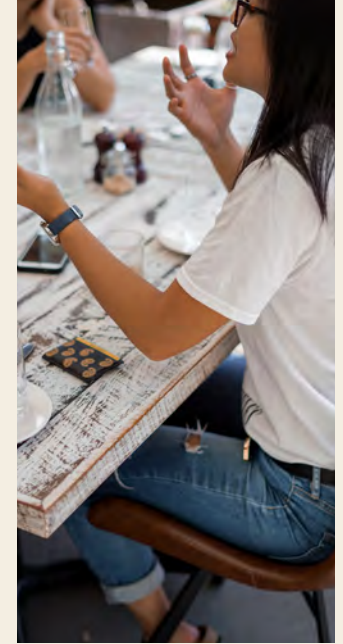
SHAPE OUR INDUSTRY: WE WILL RAISE THE PROFILE OF IMPORTANT ISSUES, HOLDING OUR SECTOR TO ACCOUNT

As a responsible coffee company, we are committed to promoting sustainable practices, raising awareness of critical issues, and advocating for change from within the agri-food industry. Achieving this involves engaging stakeholders to promote sustainability and collaborating with other organisations to create a meaningful impact. Below we outline some of our actions to drive change within the sector.



EVENTS

As part of our goal to inspire other businesses to do better, CEO John Steel spoke at various events throughout the year, including **Future Food Systems, Innovation Forum, #asktheindustry** and International **Food & Drink Event (IFE)**. These events gather sustainability, supply chain, innovation, and R&D leaders across various sectors, such as food brands, hospitality providers, retailers, ingredient manufacturers, and agri-business companies, to examine the connection between sustainability, technology, and innovation within the global food system and find opportunities for collaboration. These forums allow us to showcase our business model as an inspiration to other companies.



UNIVERSITIES

Partnering with universities is an essential part of our strategy to drive change and make a positive impact in the coffee industry. Through these partnerships, we aim to increase awareness and understanding of critical sustainability issues among students, striving to inspire the next generation of leaders who will be at the forefront of driving sustainable practices in the industry.

Previous Collaborations:

Leeds University Business School: **Research & Innovation podcast;**
Leaders in Residence presentation and Q&A with students.

Oxford Brookes: Industrial fellow and takes part in residential workshops with students; Lost & Found interview on Instagram Live.

York University: **What do you actually do? Podcast.**

London School of Economics: **LSE Focal Point podcast.**

King's College London: KCL Meaning and Purpose Network (MaPNet), Masters student project to begin in March 2023.



WE RECOGNISE THE POWER OF COLLECTIVE IMPACT:

WE COLLABORATE AND PARTNER TO PUNCH ABOVE OUR WEIGHT ON GLOBAL ISSUES

We recognise that addressing global sustainability challenges requires collective action. Through partnerships and collaborations, we can combine our resources, knowledge, and expertise to achieve a more significant impact than we could alone.



JOINED BUSINESS DECLARES

This year, Cafédirect joined the network **Business Declares**. The not-for-profit organisation is an official member of the UN Race to Zero team for COP26. They see business with a major role in tackling climate, ecological and social emergencies. Support is generated by working across the business and political sectors. Across the business community, they raise awareness of the importance of balancing profits with people and ethics, along with living within the limits of the planet. They also galvanise businesses to advocate for regulatory changes and greater political will for urgent action.

During COP27, the Financial Times featured a Business Declares, a full-page advert calling on business leaders to step up and fight the climate crisis. By adding our logo to the advertisement, Cafédirect joined other businesses in support.



FAIRTRADE

FAIRTRADE'S ASK TO THE EU: DUE DILIGENCE LEGISLATION FOR THE UNIVERSAL DECLARATION OF HUMAN RIGHTS

The Universal Declaration of Human Rights were created over 70 years ago, but the rights of millions of farmers and workers remain unfulfilled today. Human rights and environmental violations are still prevalent in agricultural supply chains, and legislation to help address these violations is critical.

We signed an **open letter** from Fairtrade farmers and workers to the European Union. It called for impactful and strong **due diligence legislation**, asking the European Union to include their voices and needs in negotiations.

BE TRANSPARENT AND LEAD BY EXAMPLE

We believe that transparency is crucial for building trust with our stakeholders, and we strive to be open and honest about our actions, policies, and impact. We recognise that as a responsible company, we have a responsibility to set a positive example for others to follow.

B CORP

This year we received our new B Corp score following the recertification process required every three years. We are delighted with a 30% increase in our score, which amounted to an impressive 126.2. This score is the highest for a consumer coffee brand in the UK and demonstrates our commitment to inspiring our peers to do business better.

Becoming a B Corp shows we surpassed high standards across five key areas: governance, workers, environmental impact, community, and customers. A score of 80 or higher must be achieved through a rigorous assessment to be accredited.

Our new score recognises our efforts to strengthen our governance and unique business impact model: fair prices for coffee, additional social and environmental funds, and investment in Producers Direct.

The governance score rocketed following the changes made

to our legally binding Articles of Association, which outline our business responsibilities committing to make all our actions positively impact society and the environment - a premise already fundamental to our purpose.

Our score for the positive impact we have on our communities also soared. This improvement shows our considered approach towards the farmer cooperatives we work with, our staff and suppliers and our commitment to diversity and inclusion.

Since recertifying, we have joined the Science-Based Targets initiative, which provides a path to meet international climate change goals.

Our new points score is classed as 'Outstanding', but we will keep working to improve so we can continue to lead the industry by example.

Certified



Corporation



WHAT'S NEXT

Impact Goals for 2023



GROWERS

Moving forward, we will uphold our commitment with the Fairtrade system by implementing the updated Fairtrade Minimum Price resulting from the consultation that took place in 2022. We will also collaborate with the cooperatives in our networks to better communicate to our consumers the difference their daily choices are making for the communities of coffee farmers.

Our ongoing support to Producers Direct will continue, with an emphasis on evidencing the changes our investment contributes to their initiatives and explore how we can achieve combined synergies.

We will also work closely with our producer's network to support them in complying with the EU Deforestation Regulation (EUDR). This regulation is aimed at preventing the import of products associated with deforestation and forest degradation into the EU. We will continue to strengthen our collaboration beyond our commercial relationship.



ENVIRONMENT

In an effort to continue reducing our environmental impact, new packaging solutions will be launched during the first quarter of 2023, including the new coffee bags and aluminium tins made of materials that can be easily recycled, reducing the amount of waste that ends up in landfills.

Following extensive consultation with Producers Direct, a regenerative agriculture policy is due to launch next year. As a responsible, purpose-led business, we want to ensure that we are sourcing agricultural commodities in a respectful, restorative, and inclusive way. This policy will outline how we intend to excel in this ambition.



COMMUNITY

To evolve the brand as an enticing choice for consumers, several new developments will take place in the first quarter of 2023. The brand will undergo a revitalisation process, which will involve updating the logo, refreshing the brand's proposition, refining its voice, and redesigning its visual elements, including a new website. In addition, a new and improved blends range will highlight Producers Direct's gender equality, youth, and climate action projects that we support.

To raise awareness of Fairtrade Fortnight in 2023, a special edition podcast investigates the future of food. Alongside communication activity with other Fairtrade brands, our participation aims to drive more uptake of Fairtrade products.



BUSINESS

The team behind the podcast have created a second season with exciting content and engaging interviews. They have been reaching out to industry experts, academics, and activists to bring their perspectives on a wide range of topics related to the coffee industry. The new season promises to be even more informative and entertaining than the first, with a diverse range of guests and thought-provoking discussions. Season two of the podcast launches in January 2023.

We remain committed to supporting the efforts of Business Declares, as well as other partners who share our Gold Standard goals. Our collaboration will continue to foster a sustainable future for farmers and their communities while promoting responsible growth and environmental stewardship.

CAFÉ DIRECT

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