

EFICO
GREEN COFFEE & COCOA

The Ethico Report 2013

Efico Group
based on the Communication On Progress
of the United Nations Global Compact

COP Year 2013
Antwerp, March 2014



**EVOLUTION, PROGRESS, SOLUTIONS & INNOVATION FOR A SUSTAINABLE GREEN COFFEE SUPPLY CHAIN
EFICO GROUP SUPPORTS THE UN GLOBAL COMPACT PRINCIPLES SINCE 2003**



This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact.

We welcome feedback on its contents.

FOREWORD

THE ANNUAL COMMUNICATION OF THE ETHICO REPORT IS BASED ON THE COMMUNICATION ON PROGRESS (COP) REQUESTS OF THE UNITED NATIONS GLOBAL COMPACT (UNGC). IT IS A SUMMARY AND A DEMONSTRATION OF THE EFICO GROUP'S COMMITMENT TO THE UNITED NATIONS GLOBAL COMPACT AND ITS PRINCIPLES.

Since 2003, as a Global Compact signatory, EFICO is committed to publicly communicate annually about its progress made in implementing the ten principles aiming to stimulate and enhance sustainability and transparency towards internal and external stakeholders.

EFICO shares its UNGC commitment in all communication material and in meetings with its stakeholders. Within the international and business-to-business context the UNGC-awareness is significantly growing.

By reading this report you will find the implemented activities of the EFICO Group in 2013.

COMPANY PROFILE

EFICO is a coffee and cocoa trading company, established in 1926, with offices in Belgium, Germany, Switzerland, Brazil, Ethiopia and Guatemala.

Our team of traders continues to uphold the values of a long-standing family business, and provides tailor-made services with a 'personal touch'.

The company has always been characterized by its spirit of responsible entrepreneurship and proactive approach to the sustainability of the sector.

EFICO has subscribed to the United Nations Global Compact principles since 2003 by taking

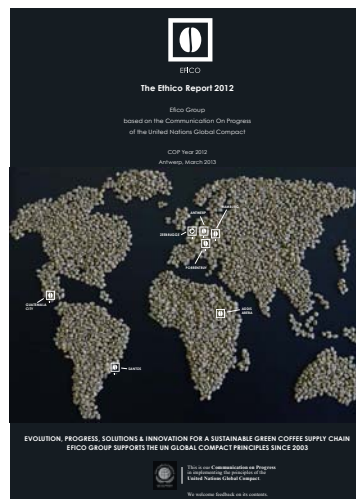
ownership of its values and by implementing an ambitious sustainable approach which covers the green coffee supply chain. This received several international recognitions.

EFICO shares this know-how of sustainability with its partners, stakeholders and approximately 450 European coffee roasting companies.

SCOPE OF REPORTING AND REPORTING PERIOD

Being a member for ten years, our earlier editions contained a lot of information about the UNGC principles on our strategies and operations.

Our Ethico Report 2012 was published on www.efico.com/un-global-compact:



This new Ethico Report 2013 issue focuses on the main implemented sustainable activities achieved by the EFICO Group in 2013.

Our report is anew published on www.unglobalcompact.org and on www.efico.com/un-global-compact

UNGC AWARENESS

With this report, we anew hope to further contribute to the recognition of the UNGC-framework, demonstrating more easily our corporate engagement.

As part of the learning process, we proposed a GC ACTIVE LEVEL, as detailed in the UNGC requirements report.



CONTINUOUS IMPROVEMENT AND SUSTAINABILITY

For this Ethico Report 2013, we analyzed the EFICO Group's progress, not only taking into account SUSTAINABILITY but going far beyond.

The biggest change in our trading environment occurred when "sustainability" became a fashionable word. Sustainability is what today thriving politics, economics and social behavior is. Sustainability is part of EFICO's coffee genes, ever since this company was founded in 1926 long before the 'civil and politically correct society' made an issue of it.

www.efico.com
www.seabridge.eu
www.eficofoundation.org

Statement of continued support 2013

Dear Partner,
Dear Stakeholder,

2013 should have been a year of celebration for the EFICO Group, being a UNGC Member for ten years.

In 2003, EFICO became the first coffee and cocoa trading company to sign up to the United Nations Global Compact Principles.

Instead, the EFICO team lost its driving force behind the UN Global Compact Membership, former CEO, innovator and sustainable entrepreneur, Patrick F. Installé.
He passed away on September 14th, after a brief illness.



In Memoriam

Patrick joined the family company in 1986, and became part of the Management in 1990. Through his leadership, EFICO became one of the leading green coffee trading companies in Europe. He aimed to ensure the continued relevance of green coffee trading in a changing environment. In 2009, his vision was to add a full service package to traditional coffee trading and set the standard for high-qualitative and sustainable coffee logistics: the SEABRIDGE state-of-the-art green coffee logistics center in the port of Zeebrugge was opened.

Patrick contributed in many ways to the coffee industry. He was past President of the European Coffee Federation and he was a driving force behind the approval of European delivery points under the New York 'C' contract. He also launched the EFICO FOUNDATION in 2003, as a commitment of the EFICO Group to sustainable development in producing countries, involving many European roasters and donors.

He highly valued his numerous trips to the origin, making sure that good personal relations with his suppliers were an integral part of business relations. Patrick took great importance in understanding the strife of coffee growers and was always supportive of their efforts. He became involved with several sustainability initiatives at an early stage of his career.

Patrick will be much missed, both on a personal and professional level, for setting an example for everyone in the coffee world. The EFICO team is grateful for his vision and his guidance, setting EFICO on the coffee map as an innovative, international player.

The Board of Directors of the EFICO Group is now presided by Philip Van gestel. Management is in hands of Michel Germanès, Olivier Dandois for Finance and Marc Beernaert for SEABRIDGE.

Patrick's vision remains the backbone of the EFICO Group's current route. EFICO's sustainable journey hence continues. It is still the Group's ambition to inspire you with our sustainable business model.

To conclude with Patrick's words: *"The UN Global Compact provides the basis for EFICO's corporate citizenship model. We developed tools to implement best practices in our company – also with coffee and cocoa suppliers and clients. This strategic multi-stakeholder approach improves sustainable entrepreneurship. EFICO's commitment towards sustainable entrepreneurship is a tool for clients and suppliers to promote responsible business practices in the coffee and cocoa sector."*

CORPORATE ENGAGEMENT

OUR COMMITMENT

As a business with strong family values and a passion for coffee and cocoa, EFICO strives for excellence in providing correct and safe products and a personalized service with consideration for all players in the sector.

We are active in a socially, economically and environmentally responsible manner, in line with the ten basic principles of the United Nations Global Compact, contributing to the improvement of living and labor standards in coffee and cocoa producing nations through the EFICO FOUNDATION.

OUR VISION

EFICO feels responsible for delivering quality products that are safe for consumption and that are traceable at all times.

EFICO is aware of its impact on the environment and is proactively looking for solutions in-house and on behalf of its customers with regard to waste management and reducing and compensating CO₂-emission levels.

EFICO remains faithful to its roots and has continued this tradition for a long time, demonstrating how mutual respect and personalized service can form the basis for long-term, sustainable business relations.

OUR POLICY

EFICO is committed to transparency in its business activities and to maintaining a personalised approach.

We aim to exceed the demands and expectations of our customers and to continually improve the quality and safety of our

products, services, social commitment and sustainability.

RESPONSIBLE BUSINESS CONDUCT

To highlight the importance of EFICO's choice of business partners, the **EFICO Group Responsible Business Conduct Policy** was formalized and distributed in June 2013.

When EFICO acquires raw materials, the choice of our partner relationships is based upon:

- **Quality, food safety and traceability** in a free competitive market
- **Willingness to improve** responsible agriculture practices
- **Well-managed and reliable partners** operating **ethically** and following the local and international **legislation** and the standard contract of the European Coffee Federation (ECF)
- **Business integrity and transparent information transfers**, that can be used by all our customers
- **Openness** to welcome all our requests or those of our partners

SPECIAL FOCUS ON BUSINESS PARTNERS

A special focus has always been the selection of our business partners.

Since EFICO is member of the United Nations Global Compact (UNGC), since early 2003, sustainability is embedded in our overall company strategy.

To map EFICO's sustainable journey, we publish each year the **ETHICO REPORT** available on: www.unglobalcompact.org and www.efico.com/un-global-compact.

Explore and find out more about the Group's operations to strengthen its commitment to the 10 UNGC principles throughout the supply chain.

INTEGRATED MANAGEMENT SYSTEMS

Additionally, the EFICO Group has seriously invested in integrated management systems: ISO 9001 (Quality Management) and ISO 22000 (Food Safety Management), conformity to ISO 26000 (Social Responsibility), HACCP (Hazard Analysis and Critical Control Points) and AEO (Authorized Economic Operator).

All EFICO Group's certificates are available on www.efico.com/certifications and www.seabridge.eu/certifications.

SECURING A RELIABLE SUPPLY CHAIN

EFICO can count on several tools, willingly shared with its partners:

1. **Business integrity**
2. **Long-term** partnerships with **reliable** green coffee suppliers, customers and partners
3. **Special Procedure** for **new** green coffee **suppliers**
4. **Offices** in producing countries
5. Trading of **certified sustainable** products: Our offices in the producing countries are **actively involved in creating new sustainable supply chains in partnership** with our suppliers, through workshops, training sessions and on-field pre-audits.
6. **UN Global Compact supplier audit**, initiated and created by EFICO in partnership with Mayacert
7. **Risk Assessment of Suppliers**
8. Quality, Sustainability and International Relations
9. Rewarding of **SEABRIDGE ethical and responsible practices**
10. Sustainable projects of the **EFICO FOUNDATION**, providing empowerment to local producing communities

The EFICO Group's Corporate Social Practices (CSR) are further detailed on page 8 and further.

RESULTS IN ETHICAL BEHAVIOR

OUR VALUES

Our corporate values describe what we strive for and shape the ethical personality of our Group.

They **guide and determine the way** we trade, the services, the products and the support we provide to all our stakeholders.

They are **inspired by** the United Nations Global Compact framework.

INDIVIDUAL LEVEL ETHICAL BEHAVIOR

These **EFICO values** define the principles and expectations the EFICO Team should comply with:

Integrity
Tailor-Made
Passion
Respect
Open Minded
Values
Ensure Quality
= **IMPROVE**

ORGANIZATIONAL LEVEL RESPONSIBLE ENTREPRENEURSHIP

We are concerned by the **evolution of compliance screenings**.

Reliable: our legacy is acting with highest values and principles: a strong foundation for our future.

Transparency: we continuously improve our performances with measurable and economically responsible objectives, as well as our Corporate Policy.

Stimulate Partnership: requires inspirational and highly effective teamwork. Our winning culture highlights our attitude to share added value.

Tailor-Made Service: flexibility meets our clients' requirements with excellence and a 'personal touch'.

Accountability: willingness to endorse our responsibilities, awareness of collective responsibility towards customers, colleagues, communities and all stakeholders to maximize long-term return.

Embedded Sustainability: we attempt to leverage worldwide global issues to ensure profit, sustainable growth and empowerment of our sustainable and ethical supply chain.

We **reduce any negative environmental impact** as much as possible. The Group is conscious of its influence on the environment. It is **proactively looking for solutions for waste management and reducing CO₂ emission levels** in the supply chain.

PROFESSIONAL HUMAN RESOURCES (HR)

As an **interactive department**, it keeps our teams informed and interconnected around the **strategic goals** of the organization.

These **goals are key to measure and monitor performance** and to carry out a **relevant employee evaluation** throughout the year.

The **EFICO values** are **highlighted at frequent intervals** by HR and serve as check during performance reviews. See also p.22

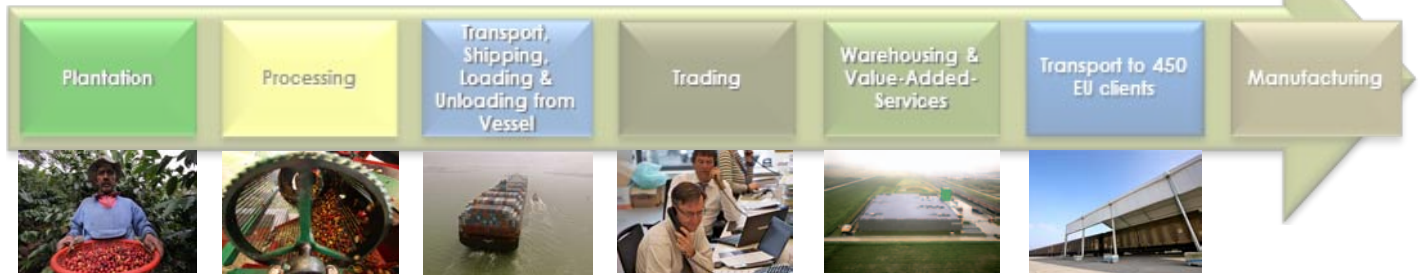


Blooming coffee flowers

Guatemala



EMBEDDING OF THE UNGC PRINCIPLES THROUGHOUT EFICO'S GROUP SUPPLY CHAIN



UNGC PRINCIPLES

ACTION EFICO GROUP 2013

<p>HUMAN RIGHTS</p> <p>principles based on the Universal Declaration</p>	<p>PRINCIPLE 1: Support and respect the protection of human rights</p> <p>PRINCIPLE 2: Ensure no complicit in human rights abuses</p>	<p>Responsible Business Conduct Policy</p> <p>Respecting Values both on Individual and Organizational level</p> <p>Yearly UN Global Compact Supplier Audit</p>
<p>LABOUR</p> <p>principles resulting from the international Labour organization's Declaration</p>	<p>PRINCIPLE 3: Freedom of association and right to collective bargaining</p> <p>PRINCIPLE 4: Elimination of forced and compulsory labour</p> <p>PRINCIPLE 5: Effective abolitions of child labour</p> <p>PRINCIPLE 6: Elimination of discrimination in respect of employment and occupation</p>	<p>Responsible Business Conduct Policy</p> <p>Internal Code of Conduct = IMPROVE</p> <p>Yearly UN Global Compact Supplier Audit</p> <p>Following national and international legislation of countries we work with</p>
<p>ENVIRONMENT</p> <p>principles derived from the Rio Declaration</p>	<p>PRINCIPLE 7: Precautionary approach to environmental challenges</p> <p>PRINCIPLE 8: Promote greater environmental responsibility</p> <p>PRINCIPLE 9: Development and diffusion of environmentally friendly technologies</p>	<p>Both in origin and Europe: Supporting sustainable projects; Since 2009 focus on climate change in coffee regions</p> <p>Green energy production (SEABRIDGE) + stimulate transport by barge, train</p> <p>Close collaboration with our clients to develop a Sustainable Supply Chain</p>
<p>ANTI-CORRUPTION</p> <p>principle based on the UN Convention against Corruption</p>	<p>PRINCIPLE 10: Prec Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>Authorized Economic Operator (AEO) certificate</p> <p>Memorandum of Understanding (MOU) with Customs</p>



In 2013, EFICO formalized its **Corporate Social Responsibility (CSR)** commitment in a **Responsible Business Code**. This document was distributed towards our key stakeholders to share EFICO's vision on ethical behavior and sustainable business practices.

These CSR practices are fully approved, supported and monitored by the Group's Management Team:

BUSINESS INTEGRITY 'WITH A PERSONAL TOUCH'

Earning and maintaining the trust of our business partners and other stakeholders is critical to the success of our Group. We aim to manage our operations responsibly and conduct our business in an ethical and transparent way. Quality and on-time delivery is the primary focus.

But confidence when it comes to **respect of a given word** and hence respect of all the promised engagements is also vital. When a promised commitment cannot

be met, it is of our utmost importance to be informed. **Transparent exchange** about the real situation is **fundamental**. Besides, any particular customers' demands have to be answered appropriately. This includes the way the product they will commercialize is produced, to get the **right picture of what is happening in producing countries, the starting point of the supply chain**.

Customer satisfaction is monitored to assess the different products and services provided by the Group.

In 2013, EFICO carried out a **Customer Satisfaction Survey** based on the parameters QUALITY - TRACEABILITY - SUSTAINABILITY - COMMUNICATION - LOGISTICS - EFICO FOUNDATION – and RESPONSIBLE SOURCING. The survey consisted of 6 pages, containing 14 open- and closed questions. If clients chose for a negative answer, they had to explain why so that EFICO can improve these issues/seek a solution. The response rate was 52%, indicating that our customers also highly value giving feedback and

being able to cooperate to continuous improvement.

EFICO is generally conceived as being a trusted partner, generating added value, being innovative, following the highest standards, having respect for agreements made and having a professional image and reputation.

The Group also positively replies to all kind of information requests formulated by one of our partners.

RESPONSIBLE SOURCING

LONG-TERM PARTNERSHIP WITH RELIABLE SUPPLIERS, CUSTOMERS AND PARTNERS

Working hand in hand with our stakeholders is essential to ensure our future business activities. Reliable suppliers can count on the support of our family business Group. Several teams are dedicated to improve **all steps of the supply chain**. This is realized through our different depart-

ments, the offices in producing countries, SEABRIDGE logistics & warehousing, and the EFICO FOUNDATION.

NEW GREEN COFFEE SUPPLIERS

New suppliers are **carefully selected**. Their evaluation is based on references, coffee quality samples, flavor cup tasting, price setting, personal contacts, flexibility, CSR-concern, and a visit to the company. The final decision has to be supported by a member of the Board.

Within the ISO 9001 (Quality Management) context, EFICO established a new Supplier Selection Procedure and a List of Approved Suppliers, highlighting the **importance of its focus on suppliers** at the **beginning of the sustainable coffee supply chain**.

OFFICES IN PRODUCING COUNTRIES

Thanks to EFICO's offices in producing countries (located in Brazil, Guatemala and Ethiopia), coffee suppliers and exporters from those regions can be followed and screened in an efficient and effective way. These offices have a direct control on the most strategic origins of EFICO. This qualitative tool **guarantees close presence making quick reactions possible** with regard to market needs. They play an essential role in selecting the desired coffee flavor and organize visits of our team, customers or partners willing to gain some field experience.

In 2013 the coffee world was confronted with a serious coffee plant disease in Central America. The fungus La Roya (Coffee Rust) attacked seriously on coffee leaves which substantially reduced total production in the affected areas.

Thanks to our offices in origin, we receive **thorough reporting and detailed information** of the market situation, production levels, weather conditions, stocks and so on.

In this way, **the EFICO trading team can provide its clients relevant market and coffee information**.

TRADING OF CERTIFIED/VERIFIED SUSTAINABLE PRODUCTS

It is the farmers' responsibility to choose whether or not they want be certified. EFICO is member of all certification bodies. Some of our customers also have their own sustainable control system which we support.

All those initiatives are part of our key stakeholders with whom we have regular contact to follow their specific requirements and to inform our customers.

Through the EFICO FOUNDATION we also support certification and verification programs. By trading those goods our customers are more confident with respect to best practices.

UNGC SUPPLIER AUDIT

In 2004, EFICO initiated and created an **audit based on the 10 UNGC principles in partnership with Mayacert**; accreditations are available on www.mayacert.com/english/. Since then, this audit takes place minimum once a year. Farms, processing units or exporters could be screened. It gives a clear indication on how our supplier respects basic principles

on human rights, labor, environment and anti-corruption.

On each principle, the audited organization is quoted, recommendation points are suggested to improve the organization. The results of these audits are confidentially shared with the involved partners. EFICO assessment will ask for corrective matters, if requested. Loyal customers involved with the audited supplier can request the audit results. This audit is also the ideal tool for an organization to test its best practices and to be prepared for any other future certification program. In 2013, green coffee exporter Laumayer was audited in Colombia. Laumayer successfully passed this audit.

RISK ASSESSMENT OF EFICO GROUP'S TRADING SUPPLIERS

EFICO's **key coffee suppliers are evaluated on their global performance**. The results of this analysis are used to improve our collaboration. And it will allow EFICO also to:

- summarize and update the available supplier information
- acquire a picture of the way good practices are implemented
- collect or be aware of all certificates owned by the supplier

When necessary, appropriate measures are taken. This regular process strengthens our own con-



fidence and reinsures EFICO's customers.

EFICO also focuses more and more on systematic analyses of gathered data material concerning complaints – both from customer side and towards supplier side. This root-cause analysis will allow the EFICO Group to optimize Claims Management, KPI monitoring and improve customer satisfaction.

QUALITY, SUSTAINABILITY AND INTERNATIONAL RELATIONS

All these departments are involved and support the trading activities.

As the green coffee sector has always been an initiator in the agri-business, a lot of different topics, which can have impact on the organization's ability to operate successfully, must be followed.

Quality is one of EFICO's cornerstones. Through EFICO's standardized coffee laboratories, over 280 varieties of coffee beans and blends are tested and selected, samples analyzed, comparing physical and sensorial parameters according to international standards.

Cupping samples are roasted in the traditional or the high-tech way. All traders take part in the daily cupping sessions before deciding whether or not to buy and sell a particular coffee.

Since 2003, Efico is ISO 9001 quality management certified.

The EFICO Group wants to provide its clients with solutions and answers towards a more demanding consumer and legislator

'Being convinced that 'quality' will generate the ultimate consumer demand for a cup of coffee, EFICO understands it to be its duty to deliver such a coffee and service on which the roaster can rely upon to develop and to generate continuous consumer demand.'

Sustainability relates to environmental, economic and social aspects of the activities.



International Relations are important insofar as raw materials provide an essential part of the export earnings of most of the producing countries. Institutional support and advice on corporate action can be necessary.

REWARDING OF SEABRIDGE ETHICAL AND RESPONSIBLE PRACTICES

Within the EFICO Group, SEABRIDGE is the logistics services provider.

On request of one of its customers, SEABRIDGE was pleased to be submitted to an external independent audit, executed by Bureau Veritas to get a clear overview of the company's current position on ethical and responsible practices.

SMETA (SEDEX Members Ethical Trading Audit) is an international guideline for sustainable and ethical supply chains, and the preferred standard for SEDEX audits.

SMETA audits follow the ISO 26000 guidelines on social responsibility and have a common methodology (measurement against the ETI base code and local law), time plan, report format and corrective action plan and are used as basis for many ethical audits.

See further on page 12 and 13

EFICO FOUNDATION

The Foundation is fully committed to support and innovate in sustainable multi-stakeholder projects in producing countries and federate partnerships to encourage sustainable commitments of as much customers and donors as possible.

The sustainable projects intend to strengthen the coffee producing community by supporting coffee farmers to develop their farm management skills, agricultural practices and tools through appropriate training.

The Foundation aims at empowering the beneficiaries and shapes to improve the livelihoods of many. The project selection and administration process are followed-up through the King Baudouin Foundation. All collected resources are invested in projects. The Foundation allows all the actors throughout the green coffee supply chain to perform their sustainable commitment.

See further on page 16 to 20

IT SUPPORT

Within the EFICO Group, BINARY SERVICES provides total solutions for software, hardware, infrastructure and networking.

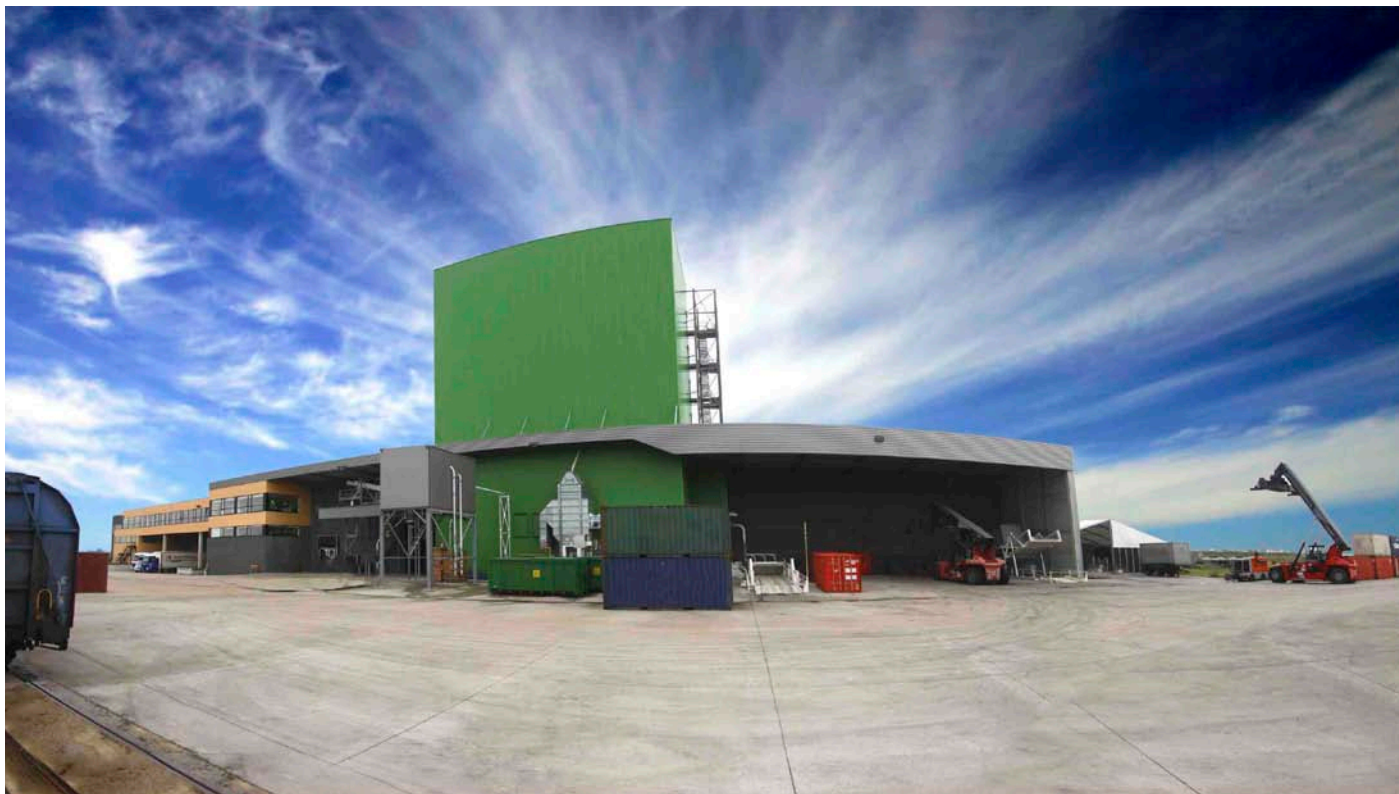
All departments can count on their support.

See further on page 14 and 15

Red, ripe coffee cherries

Ready to be harvested





S EABRIDGE is a logistics partner of the EFICO Group of companies for coffee storage, handling, product enhancement and distribution.

This European state-of-the-art sustainable facility center is located in the port of Zeebrugge.

With a strong focus on Quality, Sustainability and Traceability, SEABRIDGE aims to provide services to partners in the coffee sector sharing the same values.

The lay-outing of a warehouse in Antwerp, inclusion of intermodal transport and continuous improvement in Quality, Safety and Sustainability are among the most important highlights for 2013.

NEW WAREHOUSE IN ANTWERP "NOORDKAAI"

Next to its main activities in the port of Zeebrugge, SEABRIDGE started to manage a second warehouse in 2013 named "Noordkaai" for coffee storage in the port of Antwerp. This allows SEABRIDGE to serve a bigger

range of clients with the same qualitative logistic services while increasing cost-effectiveness.

INTERMODAL TRANSPORT

As from May 2013 SEABRIDGE shifted its transport policy towards intermodal transport.

The basis of these changes are a restructuring of the Belgian railway operator systems. The cancellation of daily Narcon service Zeebrugge-Antwerpen limited our logistics options towards clients.

With the use of barge services, the same level of flexible solutions can be offered to SEABRIDGE's clients, while reducing the CO₂ footprint.

CERTIFIED MANAGEMENT SYSTEMS

In 2012, SEABRIDGE's Integrated Management Systems were for the first time certified according to ISO 9001 and ISO 22000. In 2013, Management Systems were

improved and again certified in November. We also successfully passed Bio, FairTrade and AEO (Authorized Economic Operator) audits.

Additionally, the Federal Agency for Food Safety and Security audited our premises according to the standards in food processing industry. We successfully passed the audit and now dispose of an Approved Autocontrol-System according to the Belgian legislation.

SEABRIDGE's HACCP-team (Hazard Analysis and Critical Control Points) analyzed the performance and improvements for Food Safety related topics.

A strong emphasis on Safety and Security resulted in a higher performance and detailed monitoring of all incidents. We note a reduction of incidents of 10% compared to 2012.

SUSTAINABLE SUPPLY CHAINS

Continuous improvement in

sustainability resulted in a **reduced energy use of 5%** compared to 2012.

100% of the energy used is green energy produced on-site or certified green energy injected from the national grid.

A **further focus on waste management** resulted in the recycling of 91% of all waste streams, or an **increase of 15%** compared to 2012.

The global CO₂ footprint has been further reduced by the use of barges instead of train.

QUALITY LABORATORY

SEABRIDGE harbours a **state-of-the-art laboratory** offering a customized analysis of green coffee samples on physical and sensorial aspects.

All green coffees samples are **daily tasted following standardized procedures**. Automatic sampling is made on bag per bag basis and homogenized to get a representative sample.

Our team takes great care in individually roasting and cupping of all arrival samples, as well as all

offered and pre-shipment samples from producers around the world.

Daily cuppings are organized, registered, the results being reported back to growers, shippers and offices completing the purchasing process.

Strict guidelines are followed regarding Food Safety:

- **Humidity Content** is limited to maximum 12.5%; a thorough control is carried out at the reception of every lot
- **Presence of Ochratoxine A must be excluded**; this indicates fungus: Tests are done on a sample of average 10 lots/month

Among our Green Coffee Quality Expert team is IVAN LAMILLA MUNOZ. He is an Agronomist Engineer and Q-Grader from the Coffee Quality Institute.

Trainings are organized to keep the other Green Coffee Quality and Trade colleagues up-to-date in the knowledge on different standards for green coffee exporters, Sensorial Analysis Standards, Physical Coffee Quality, SCAA Cupping Protocol and Factors influencing Coffee Quality and Impact on End Quality and so on.

In 2013, the **focus on offering Specialty Coffee** was anew highlighted, not only by EFICO's Specialty Coffee Department, but also by Cupping and Grading Support from the Quality Team.

TRACEABILITY

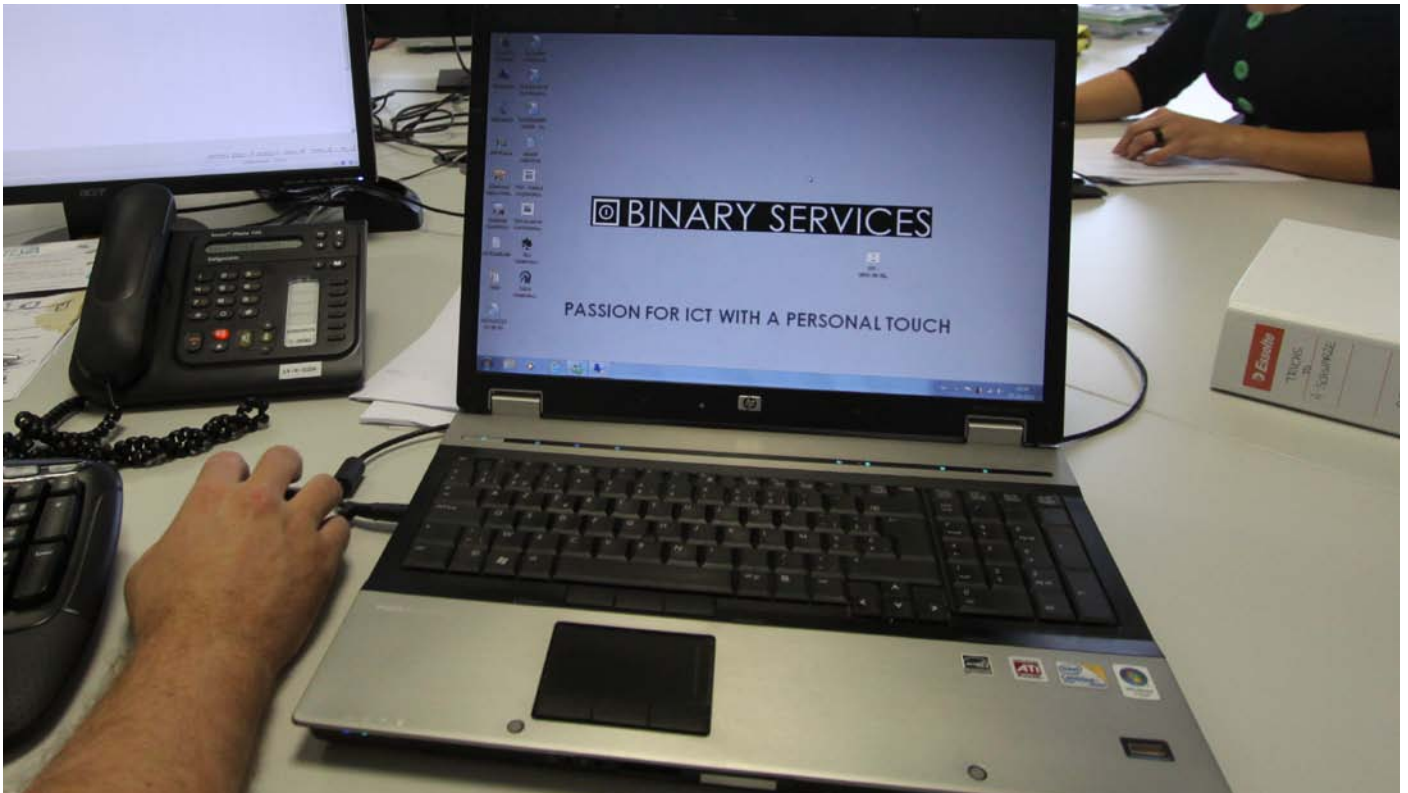
Besides, our team keeps track of the **traceability of all stock-linked samples**.

Every sample has been **bar-coded and part of the laboratory inventory**.

Samples are stored under the **same temperature and relative humidity as in storage zone**, for two years. This allows our customers to recall samples at any time to eventually control their conformity.

Traceability is a means to anticipate to problems, take preventive action, and take corrective measures if necessary.





BINARY SERVICES is an independent ICT company within the EFICO Group that develops tailor-made ICT solutions. Software solutions are based on developments in Microsoft Dynamics NAV.

A distinct effort is made to respond to the growing need for detailed registration, data analysis and reporting for the EFICO Group and its clients.

Highlights for 2013 are:

DATA INTEGRATION WITH KEY ACCOUNTS

The long-term partnership of EFICO and its clients and the need for accurate and detailed information in time, made the Group decide to invest in automated data transfer systems with its key accounts.

BINARY SERVICES set up an interface between SEABRIDGE and its key accounts. Thanks to this automatic and life data transfer, manual input and risk of making errors have been strongly reduced.

SOLUTIONS IN A CHANGING LOGISTICS ENVIRONMENT

BINARY SERVICES promptly responded to changing logistics flows in SEABRIDGE.

New registration models were developed to combine and plan intermodal transport and facilitate the information flow from administration up to the warehouse and final clients.

SHAREIT!

The EFICO Group's internal communication and information exchange has been strongly improved thanks to a new platform for inter-company data sharing.

Several efforts have been made to shift from 'my data' to 'our data'. All our colleagues over the world have access to our internal data platform.

Optimization of internal communication contributes to optimization of external communication.

WAREHOUSE MANAGEMENT SYSTEMS AND EDUCATION

Full track-and-trace in the warehouse is guaranteed by a scanning system.

Together with the education center for dockers in the port area of Zeebrugge, BINARY SERVICES organized a "refreshing" course and manual for registrations on green coffee reception, handling and distribution.

The skills of 20 dockers have been improved to operate in a scanning-based warehouse environment.

Thanks to constructive discussions during the course, several improvements have been identified and implemented.

The error rate has been strongly reduced.

Track-and-trace system

SEABRIDGE, Belgium





The EFICO FOUNDATION is the private Foundation of the EFICO Group, established in 2003, supporting sustainable multi-stakeholder development projects and improving the livelihoods of many coffee and cocoa producing families.

THE EFICO FOUNDATION IN 11 POINTS:

1. EFICO FOUNDATION = independent, apolitical, philosophically and ideologically neutral.
2. Mission to promote and develop sustainability solely with coffee and cocoa related projects; EFICO FOUNDATION, a partner in the South.
3. EFICO Fund = a corporate fund within the King Baudouin Foundation, a reputable partner in charge of managing the monies and judging the submitted projects.
4. Assurance that an independent jury professionally selects projects based on strict criteria.
5. 100% allocation of generated funds to projects; operational costs of the structure are financed by the EFICO Group.
6. Transparency is guaranteed through communication via website www.eficofoundation.org.
7. Efico Foundation is an open initiative, so far the only one in Europe, to focus on coffee and cocoa achieving multi-stakeholder participation in the development of its projects.
8. EFICO FOUNDATION is therefore a unique vector and a flexible tool to allow anyone to contribute to sustainability and sustainable development of the entire supply chain by federating the sector and stimulating public-private partnership. It is not a certification body but works in partnership with certification organizations, NGOs, public organizations and so on.
9. Today more than 50 roasters in 6 different countries joined EFICO FOUNDATION, 4 governments participate financially or through their development agencies in projects, together with more than 60 different organizations including NGOs, research institutes, universities, national coffee associations, local partners, cooperatives or coffee and cocoa producing organizations.
10. There is no commercial obligation between the beneficiary of a project and EFICO.
11. EFICO FOUNDATION supports 49 sustainable multi-stakeholder development projects in 16 coffee & cocoa producing countries.

MAIN ACHIEVEMENTS 2013

The EFICO FOUNDATION projects require close monitoring and control for best results, which was anew possible thanks to the support of all our project partners, our Team in Central America and the KURU Team in Ethiopia.

In this Ethico Report, we focus on two main achievements: results of the finalized and new projects.

RESULTS FINALIZED PROJECTS

CLIMATE-FRIENDLY FARMING PRACTICES

Special attention is adhered to the results of the **Climate-Friendly Farming Practices** in Guatemala, Costa Rica, Honduras and El Salvador.

This project was made possible thanks to the Rainforest Alliance, Anacafé, EFICO and the EFICO FOUNDATION.

Since 2009, the focus lies on climate change in coffee regions.

The project aim was the co-development of a **Climate Module**. This Module consists of criteria for mitigation and adaptation to climate change, reinforcing the current Rainforest Alliance certification criteria and provide additional value.

Efico Central America provided supervision and coordination of the projects. The project further implemented in 2012 and 2013 consisted in the application of the module on different countries in Central America.

This project is financially supported by the EFICO Group and Franke. Franke Coffee Systems is a Swiss manufacturer of professional coffee machines, also member of the UNGC.

The **SAN Climate Module** was launched in 2011 and since then, more than 260 coffee producers in Guatemala, Honduras, El Salvador and Costa Rica have implemented its principles for climate-friendly agriculture.

By adopting practices that curb emissions and increase carbon storage, these farms have captured more than 218,000 metric tons of carbon equivalent to the annual emissions of approximately 43,600 cars.

During the implementation of these climate change adaptation and mitigation practices on Rainforest Alliance Certified™ coffee farms, important environmental and even economic benefits have been observed.

Below we present some of the improvements found on farms verified under the module.

More details are published on www.eficofoundation.org/projects, www.efico.com/press and www.efico.com/communication-material:

1/Differences in production between worm composting and traditional composting:

- During traditional composting the organic material is not turned or mixed enough, which produces methane (CH₄) emissions. This does not happen with worm composting, the alternative proposed in the **Climate Module** used by verified farms.
- The preparation of traditional compost makes ammonia more available, which in turn increases emissions of nitrogen oxide (N₂O), a greenhouse gas. This is prevented with worm composting.
- Worm compost production requires less raw material and labor.
- Worm compost yields lower concentrations of nitrogen in the form of ammonia and higher nitrogen in the form of nitrates.

2/Cost of worm compost preparation:

- The cost to produce one quintal of traditional compost in Guatemala varies from Q38.00 to Q45.00 (US\$4.75 to \$5.63).
- The cost to produce one quintal of worm compost for the Cooperative Nuevo Sendero, R.L. is Q13.00 (US\$1.63)—less than one-third the cost of traditional compost.
- Traditional compost tends to have higher acidity values (pH) and lower concentrations of nutrients compared to compost made using worms.

3/Reduction of CO₂ emissions:

- A savings of **38,327 liters of fuel** per year was documented in the wet milling process.
- The farm emits **1,357.60 kilograms** of carbon dioxide less than one with a traditional mill.
- By burying the fertilizers instead of applying them on the soil, **El Platanillo Farm prevents nitrous oxide emissions**.
- It has also directly **reduced** carbon dioxide emissions to the atmosphere by an amount equivalent to the fuel consumption of **49 vehicles for a year**.

4/Reduction of water consumption:

- El Platanillo Farm **saves 15,080,173 liters of water per year** = equivalent to water consumption of 20,658 persons for a year.



El Platanillo Farm,

San Rafael Pie de la Cuesta, San Marcos in Guatemala

The first farm to implement practices for mitigation and adaptation to climate change and obtain Climate Module verification in 2011



NEW PROJECTS

In 2013, the EFICO FOUNDATION supported 6 new development projects in Africa, Central and South America.

For more detailed info and photographs per project, see www.eficofoundation.org/projects

QUALITATIVE AND SUSTAINABLE COFFEE DRYING

In the Sidamo region in Ethiopia a collaboration between Peeze Koffie - a Dutch coffee roasting company, Fero Cooperative - coffee producers organization, Technoserve - an NGO, and the EFICO FOUNDATION has been set up. EFICO/KURU coordinates the project.

The goal of the project is to build sustainable coffee drying beds in remote coffee production areas.

This pilot project aims to improve coffee quality by appropriate coffee drying while using sustainable materials for the construction of the drying beds and therefore reducing wood consumption.

These improved drying beds are the first of its kind in the Sidamo region and therefore have a leverage on knowledge on surrounding cooperatives.

WATER FILTER PROJECTS, HEALTHY LIFE AND LEVERAGE FOR SUSTAINABLE DEVELOPMENT

Potable water is a vital aspect for a healthy life, but access to fresh and clean water is still limited in many coffee producing areas.

Therefore 2 water filter projects are supported:

One in El Salvador, as a collaboration between AFAL- Association des Femmes d'Amérique Latine, EURACEN - Chamber of Commerce Europe and Central



America and Alianza de Mujeres en Café El Salvador, a member of IWCA – International Women Coffee Alliance: Water Purification in the rural coffee areas of El Salvador.

546 water filters are distributed in 3 regions in El Salvador, to about 2,750 beneficiaries. Training is also given for the use of these water filters and the importance of safe drinking water and healthy practices. The daily well-being and the working lives of coffee families will be directly impacted.

In Guatemala, safe drinking is provided to 275 households in coffee growing regions, in the regions of Quetzaltenango, Santa Rosa, Jutiapa, San Marco, Sololá and Alta Verapaz. (Photo see p.16)

This project also provides training and education to Guatemalan women who live in rural coffee growing regions on the importance of access to clean, safe drinking water for cooking, cleaning, and drinking at home.

This is a first step in promoting household health via the correct and continued use of water filters. The project is funded by Hesselink – a Dutch coffee roasting company.

Efico Central America provides supervision of and coordination to both water filter projects.

IMPROVED LIVING CONDITIONS

In San Rafael Las Flores, Guatemala a partnership has been set up to improve the living conditions of 200 families by installing smokeless stoves and improved latrines.

Each participant family receives training in financial planning, disaster response, preventative health, nutritional cooking, project management, and stove/latrine construction. They are also responsible for contributing materials and labor in building these products under Habitat for Humanity's supervision.

Next to the positive impact on health and living conditions, a positive environmental impact will be realized by these wood-efficient stoves, with lower CO₂ emissions and reduced wood consumption.

This project is a partnership between Habitat for Humanity, the Local Community Development Council COCODE, Mocca d'Or – a Dutch coffee roasting company – and the EFICO FOUNDATION.

Renaud Cuchet, Managing Director of EFICO Central America, attended the inauguration of the project.

TRAINING ON SUSTAINABLE AGRICULTURE

Since education is crucial to bring opportunities for a better future, the EFICO FOUNDATION supports 2 new Training and Education projects in Ethiopia and Peru.

In Jimma, Ethiopia, a partnership between the Catholic University of Leuven, Jimma University, Ma'ar (NGO), Maison Josy Juckem – a Luxembourg coffee roasting company – and the EFICO FOUNDATION aims to diversify farms and forests by bee-keeping as an additional income and increase ecosystem services.

Bee-hives and bee-keeping training will be provided for coffee farmers to increase food security and improve ecosystem functioning of the coffee forest. The improved bee-keeping in the forest diversifies and increases farmer family income by delivering honey and derived products and by increasing coffee yield through enhanced cross-pollination.

In San Martin, Peru, young workers in coffee plantations are trained for sustainable coffee production in agroforestry systems.

This project addresses **main weaknesses** that are currently preventing its smallholders from reaching full potential in terms of **quality, competitiveness and sales**.

The project enhances **productivity and sustainability of coffee production** in agroforestry systems through an integrated technical assistance and training plan.

Solidaridad, Aproeco and Café Doncel are the executing partners of this project.

MILLENNIUM DEVELOPMENT GOALS

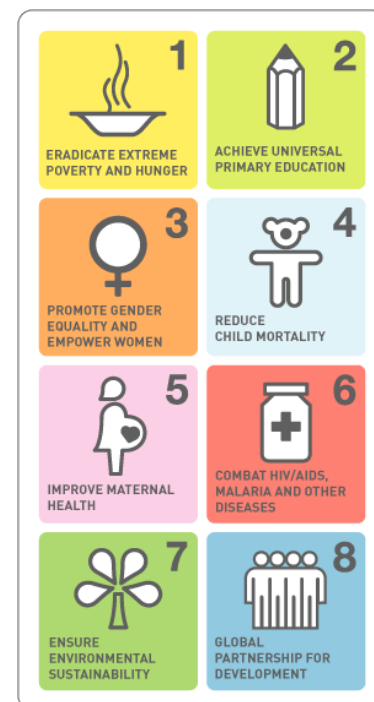
By supporting these projects, the EFICO FOUNDATION and its partners contribute to the Millennium Development Goals.

Our focus is to improve living conditions in the broadest sense of

the word in remote coffee and cocoa producing areas.

Bringing in several stakeholders is our key to a successful set-up, implementation and follow-up of the projects.

Overview of Millennium Development Goals:



Enhancing productivity and sustainability through training

San Martin, Peru

Sustainable coffee drying beds

Sidamo region, Ethiopia



EFICO GROUP COMMUNICATION AND HR SUPPORT

COMMUNICATION

Optimization of communication between all departments within the EFICO Group is key to being able to provide good external communication. The ShareIT! platform enhances good internal communication and cross-pollination of ideas.

Our experienced Trading Team keeps up minute by minute with the London and New York commodity futures and world currency markets, offering clients the best price at the right time.

Aside from top quality coffee, commodity market analysis and hedging assistance, we have solid backgrounds in sustainable programs.

We guide our partners through the process of becoming a sustainable actor in the coffee sector. EFICO shares its know-how with its stakeholders and its customers.

Besides the info shared by our Traders, EFICO's customers receive a daily digital Coffee Market News bulletin with the latest movements of the market is; this can also be downloaded on: www.efico.com/market-news.

A Coffee Origin's library is available. The full description of almost every coffee variety acquaints the final consumer with its coffee preferences.

Our Trading Team, but also other departments within the Group, can use different communication material to present the Group, its green coffee supply chain training, coffee market pricing, climate change issues, the sustainable projects of the EFICO FOUNDATION, etc.

Tailor-made presentations are provided on demand.

Our Communication Team is also at disposal of customers to support any advertising campaign towards sustainability.

HUMAN RESOURCES

In 2013, a complete training program was developed by our Human Resources Department.

The training program takes into account the current knowledge, competencies, skills, values and so on.

The yearly employee evaluation process was refined and professionalized using four topics:

- Performance evaluation
- Compliance with EFICO Group's values
- Defining future growth
- Training needs

This evaluation process allows Management to clearly map the efforts and results made throughout the year and define the individual goals in line with the EFICO Group's strategy.







FUTURE PERSPECTIVES

As coffee is one of the major worldwide traded commodities, and mostly produced by smallholder families, our **trading practices** and **Sustainable Business Model** have solid impact on local level.

Added value is based on experiences in the field and abroad.

Our **model hasn't changed; it is only continuously being optimized**. Over the years, EFICO has maintained the same values and engaged in structural reforms in how a business can conduct and improve sustainable economy.

Ten years ago, EFICO joined the Global Compact with the aim to generate, disseminate and ensure its legal compliance with

all parties involved in the supply chain.

Together with our **offices in origin**, we are **actively involved in creating new sustainable supply chains** in partnership with our suppliers, through workshops, training sessions, on-field pre-audits and so on.

Being able to secure a reliable Green Coffee Supply Chain is key to the EFICO Group.

Therefore EFICO **will anew highlight the importance in 2014 of supplier evaluation** and will focus on **performance reviews**.

Further **system developments** in Microsoft Dynamics NAV will strengthen **data analysis** and will

provide further tangible support.

Knowledge-sharing and exchange with our stakeholders, partners and clients is part of the Group's sustainable approach.

It is still EFICO's ambition to not only **inspire** our stakeholders, but also all readers of this Ethico report **with our Sustainable Business Model**.

www.efico.com
www.seabridge.eu
www.eficofoundation.org

*This Ethico report is also available on the United Nations Global Compact Website.
For the printed version please consult www.efico.com/un-global-compact
Consulting this document on the web gives you the opportunity to discover more information.*