



UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS REPORT

FOR THE YEAR

2019

1 EXECUTIVE SUMMARY

In the year 2014 the largest retailer in Denmark, 'Coop Danmark' joined a CSR project in Kenya called "Coffee for a Better Future". The aim of this project was to strengthen direct trade of high quality shelf-ready products from Africa. Consequently, African Coffee Roasters was established in 2015 and the factory was constructed in the first half of 2016 with commercial production beginning in September of 2016.

At African Coffee Roasters we offer a value collaboration between coffee producers and coffee consumers.

We are owned by Coop Denmark Coop Danmark (80%) and the Danish Investment Fund for Developing Countries (IFU) (20%). Our entire operations are located in Athi River within the Export Processing Zone.

Our vision is to improve the lives of coffee producers and coffee consumers through our mission of increasing efficiency and transparency and enabling a larger share of the final coffee sales price to reach the coffee producer.

We support our vision and mission by demonstrating that is economically, socially and financially sustainable to roast coffee in a country of origin while serving the needs of both the coffee producer and coffee consumer.

Our sustainability strategy is based on the premise that responsible business conduct creates value within our operations; for our coffee producers; for our customers and ultimately generates development impact.

Through how we source for our coffee we aspire to improve the lives of the coffee producer. By working towards operational excellence we are increasing efficiencies and driving innovation to create relevant products for our consumers at a fair price.

To drive this strategy, we have based our policy on the ten principles of the UN Global Compact. The UN Global Compact provides a platform for us to align our strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions which delivers lasting benefits to people, communities and markets.

The reporting period covered is 2019

2 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Working with UN Global Compact and it's principles is crucial to African Coffee Roasters.

Being partly owned by one of the world's most responsible retailers, Coop Denmark, who have a huge heart for environment, corporate social responsibility, employees and a lot of other areas and have put a lot of effort in these areas; it is in our DNA to treat everybody with respect and honor the principles set by the UN Global Compact.

Located in Africa, we face a lot of challenges which do not appear in the same way in Europe, for example, bureaucracy, corruption, infrastructure issues etc. We do not believe everything is perfect yet, but we are keen to improve, be "better than we were yesterday" and keep pushing to improve the lives for farmers, our employees and everybody who is working with African Coffee Roasters.

Jacob Elsborg

CEO, African Coffee Roasters

A handwritten signature in blue ink, appearing to read 'Jacob Elsborg', is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.

3 OUR BUSINESS

3.1 Our Story

In the year 2014 the largest retailer in Denmark, 'Coop Danmark' joined a CSR project in Kenya called "Coffee for a Better Future". The aim of this project was to strengthen direct trade of high quality shelf-ready products from Africa. Consequently, African Coffee Roasters was established in 2015 and the factory was constructed in the first half of 2016 with commercial production beginning in September of 2016.

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We develop the coffee supply chain by increasing efficiency and transparency in coffee trade by shortening the value chain. In turn we gain access to high quality coffee which we present to our consumers at a fair price while contributing to the development of the producer's business and living conditions.

Figure 1: Traditional value chain

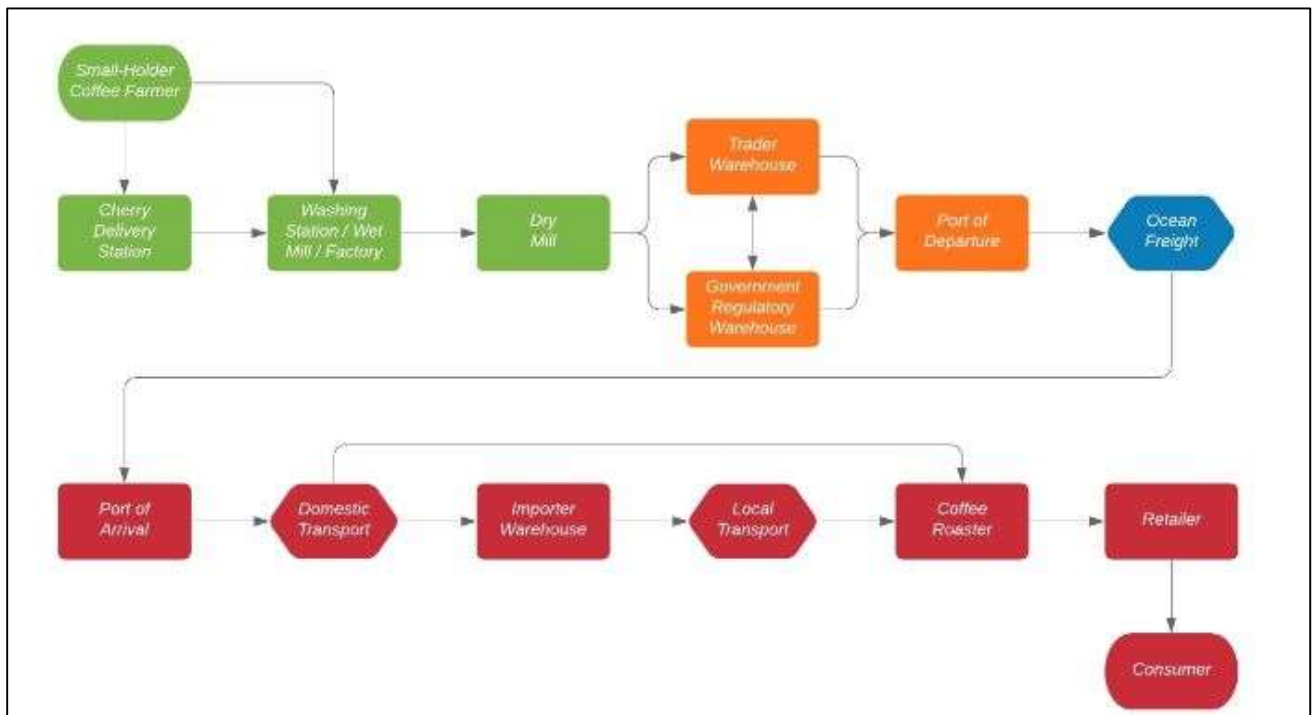
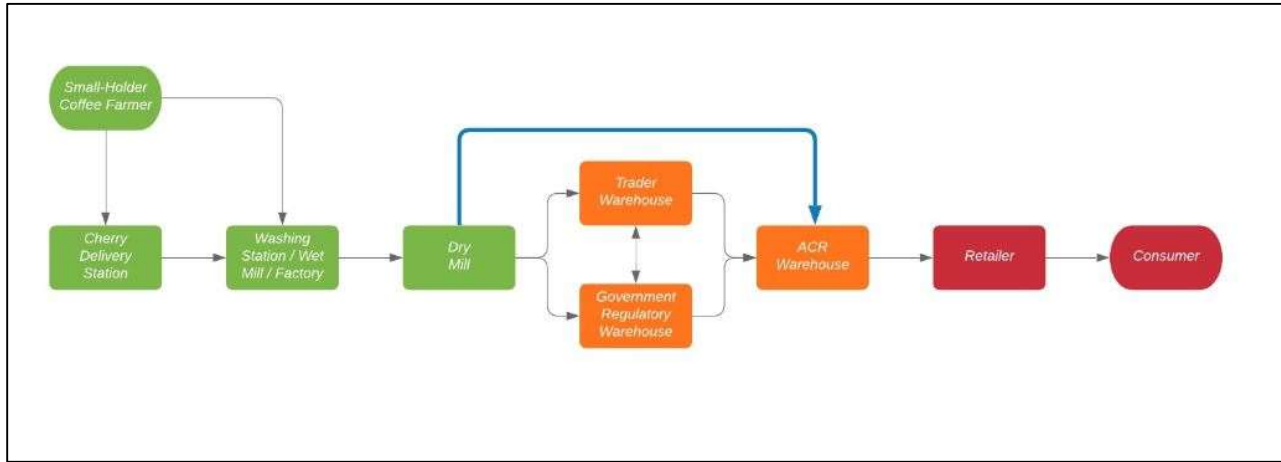


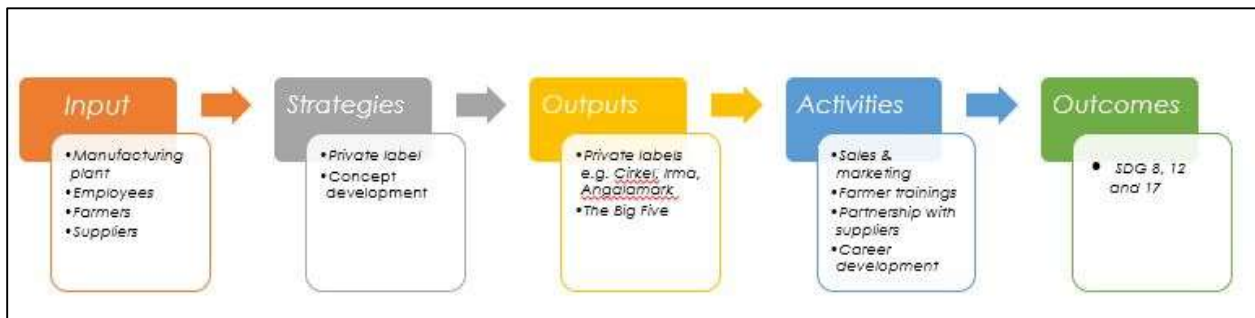
Figure 2: African Coffee Roasters value chain



3.2 Our Business Model

We specialize in servicing the global retail and B2B markets. Since our roots are in retail, it is in our DNA to understand the challenges, specific requirements and resources that retail customers require. We offer product development through private label & concept development.

Figure 3: Our business model



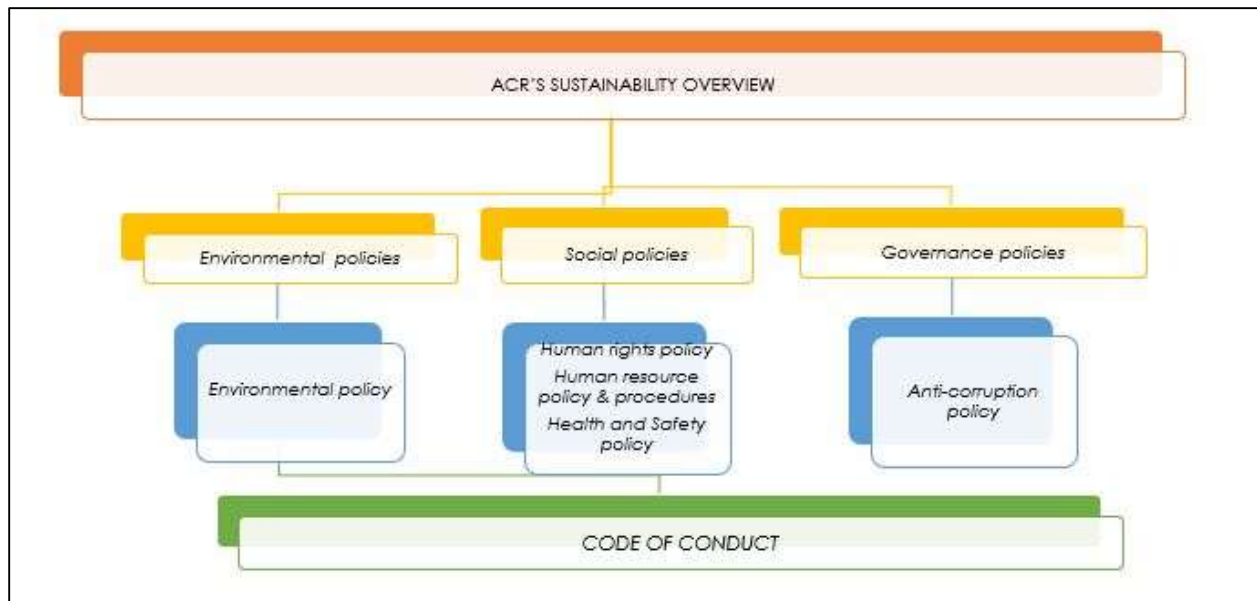
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Figure 4: Our sustainability strategy



4.1 Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

At African Coffee Roasters we support the principles of the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the ILO Core Conventions on Labour Standards.

To this effect we have undertaken the following actions:

- A signed human rights policy statement communicated to all staff;
- A documented human resource policy manual;
- Health and safety auditing of the workplace;
- Improved payment terms to coffee producers;
- Working with certified coffee producers.

Measurements of outcomes:

- We have not one incident of lost time accident in the year 2019.
- There has been no fatality in the year 2019.
- We have had no alleged incidences of human rights abuses.
- We have worked with two cooperative societies in Kenya to establish a direct trade relation eliminating the delays caused by the other middle players thereby improving payment terms.
- Since inception to date we have paid out approximately USD 750,000.00 in premiums to coffee producers.

Goals for the upcoming year:

- Staff training on labour relations and human resource policies at African Coffee Roasters
- Staff training on health and safety risk assessment and the hierarchy of controls in health and safety.

4.2 Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation

- We are a signatory to the Business Social Compliance Initiative (BSCI) code of conduct and have conducted a BSCI audit on social compliance.
- We have a detailed human resource policy manual communicated to all staff.
- We have documented employment contracts with all staff.

- We have a dedicated human resource officer looking into the rights of employees.
- We have an established health and safety committee.
- We have regular consultations with employees through the employees welfare committee.
- We have provided our employees with medical insurance cover including their immediate families.

Measurements of outcome:

- Documented employment contracts for all staff;
- External audit reports such as BSCI audit in 2019;
- Documented anti-discrimination policy.

Goals for upcoming year:

- Training of staff on human resource policy and procedures including grievance mechanisms.
- Training of staff on the BSCI code of conduct; Using the company calendar as a planning tool, have all staff made aware of the BSCI code of conduct and their specific roles.
- Improve on labour planning to reduce overtime hours and have more long term employees.
- Improve the score obtained in the BSCI audit.

4.3 Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
 Principle 8: Undertake initiatives to promote greater environmental responsibility; and
 Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

We are still pursuing our partnership with World Coffee Research to develop climate resistance coffee varieties. In 2019, in partnership with Solidaridad East and Central Africa we were awarded funding by Danida to work with farmers in Kericho, Nandi and Bungoma counties and produce organic certified Kenyan coffee. This will be the first organic certified Kenyan coffee produced by small holder farmers.

Goals for upcoming year:

- We are also still pursuing our goal to develop compostable capsules and foil for the future

4.4 Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

We are currently in the process of developing an anti-corruption policy

Goals for upcoming year:

- Documented anti-corruption policy.
- Training of staff on our commitment to anti-corruption.