



OVERCOMING THE ODDS

**UN GLOBAL COMPACT COMMUNICATION ON
PROGRESS REPORT**

for the

YEAR 2020

Table of Contents

1	EXECUTIVE SUMMARY	2
2	MESSAGE FROM THE CHIEF EXECUTIVE OFFICER	3
3	OUR IMPACT IN SUMMARY	4
3.1	Summary of our development Impact over time	4
3.2	Summary of our development impact in 2020	5
4	OUR RESPONSE TO COVID-19	7
5	OUR BUSINESS	8
5.1	Our Story	8
5.2	Our Business Model	9
6	OUR SUSTAINABILITY STRATEGY	10
6.1	HUMAN RIGHTS	11
6.2	LABOUR	12
6.3	ENVIRONMENT	13
6.4	ANTI-CORRUPTION	14
7	MOVING FORWARD	15

1 EXECUTIVE SUMMARY

In 2014, the largest retailer in Denmark, 'Coop Danmark,' joined a CSR project in Kenya called "Coffee for a Better Future." This project aimed to strengthen the 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 it 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, our coffee producers, 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 increase efficiencies and drive innovation to create relevant products for our consumers at a fair price.

In 2017, we signed up to become members of the UN Global Compact. We have based our sustainability strategy on the ten principles of the UN Global Compact and specific targets within the Sustainable Development Goals.

The reporting period covered is 2020.

2 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

2020 has been a challenging year for every company globally, except maybe for those who provide online shopping, digital solutions for meetings, or similar. Even those companies also faced the Covid-19 challenge in terms-how can we keep operating and still keep our staff safe?

At African Coffee Roasters we have been over and over these questions as well, and many times. We have felt, for numerous reasons such as preserve jobs and supporting our partners, that we were obligated to do both. Investing in our staff's safety at their workplace, but also 'to and from work' and at their home, has been successful for us in 2020.

We are incredibly proud that we have achieved to keep our safe staff, increased sales and production, created new jobs, and still be true to our goals and DNA, including the UN Global Compact Goals. Living by the UN Global Compact ten principles along with other standards like BSCI or SMETA keeps us "on the toes" and reminds us that running a financially sustainable business can perfectly be balanced with a human- and environmentally sustainable balanced business.

Has it been easy? No, but even though 2020 has been challenging, we strive to improve further in 2021 and have ambitious goals for our staff, partners, and the environment.




JACOB ELSBORG

Proud CEO of African Coffee Roasters

3 OUR IMPACT IN SUMMARY



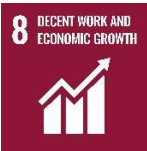
3.1 Summary of our development Impact over time



 Development outcome: Direct Employment				 Development outcome: Coffee purchased from small holder coffee producers in East Africa			
Impact indicator: Number of employees working for ACR-full time equivalent				Impact indicator: ACR increases small-scale farmers opportunities by purchasing their green bean coffee (Kgs)			
Baseline year	2016	20		Baseline year	2016	179,169	
Year 1	2017	25		Year 1	2017	393,509	
Year 2	2018	32		Year 2	2018	435,265	
Year 3	2019	39		Year 3	2019	624,977	
Year 4	2020	53		Year 4	2020	1,227,972	
 Development outcome: Export of roasted packed coffee from Kenya to the global north				 Development outcome: Growth of auxiliary services & goods to support operations of ACR			
Impact indicator: Value & volume of roasted coffee exported from ACR		% increase in value at point of export:	Volume (Kgs)	Impact indicator:		Value of domestic purchase (KES):	
Baseline year	2016	200%	95,463.40	Baseline year	2016	48,542,551.89	
Year 1	2017	290%	340,989.10	Year 1	2017	45,573,704.0	
Year 2	2018	63%	223,426.70	Year 2	2018	48,120,059.0	
Year 3	2019	216%	641,419.85	Year 3	2019	59,276,404.0	
Year 4	2020	153%	1,102,637.5	Year 4	2020	56,227,193.0	
 Development outcome: Valuable intangible assets established in a coffee producing country							
Impact indicator: Roasting & blending recipes			Impact indicator: Countries of green bean origin		Impact indicator: Shelf ready SKUs		
Baseline year:	2016	65	KEN, ETH, RWA, D.R. CONGO		14		
Year 1:	2017	95	KEN, UGA, RWA, D.R. CONGO, PERU, TZA		15		

Year 2:	2018	110	KEN, UGA, RWA, D.R. CONGO, TZA	49
Year 3:	2019	130	KEN, BUR, D.R. CONGO, ETH, RWA, UGA	92
Year 4:	2020	170	KEN, UGA, RWA, ETH, D.R. CONGO, BRAZIL, COLOMBIA, GUATEMALA, NICARAGUA	145

1. Approximate numbers
2. Value of domestic purchase does not include local taxes & staff costs

3.2 Summary of our development impact in 2020

Specific SDG	SDG target	Impact (year 2020)
	<p>Target 2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment</p> <p>Target 2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality</p>	<p>Purchased 1,227,972 Kgs of green beans from East African small holder coffee farmers.</p> <p>Launched the Traceable Organic Coffee from Kenya project The project aims to reduce adverse ecological footprints by promoting organic farming practices which emphasize the efficient management of natural resources and avoiding the use of toxic fertilizers, pesticides and fungicides, which are big contributors to greenhouse emissions, poor human health and environmental degradation.</p>
	<p>Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p>	<p>Women make up 40% of the management team. 14% of women in other supervisory positions.</p>
	<p>Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>41 permanent staff, 11 seasonal workers, 1 intern, 4 sub-contracted staff</p>
	<p>Target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<p>Election of members of the welfare committee by staff and empowerment of the committee by providing a robust structure for engagement with the management.</p>

Specific SDG	SDG target	Impact (year 2020)
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p>KES 56, 227,193.00 spent on domestic purchases.</p> <p>Produced our first compositable coffee capsule Initiated the recycling of organic coffee waste to produce organic certified fertilizer in partnership with Sanergy-City Fresh. 1.2 tonnes of organic waste recycled to produce organic fertilizer.</p>
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>Target 17.11: Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020</p> <p>Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</p>	<p>USD 5,765,349.72 worth of roasted shelf ready coffee exported to the global north. Increase value of the export + increase export itself.</p> <p>Are working in partnership with Solidaridad East and Central Africa to contribute to economic growth and promote environmental and social standards of 15,000 smallholder coffee farmers (30% women and 10% youth) in Kericho, Nandi and Bungoma counties by growing Kenya's organic certified coffee.</p>

4 OUR RESPONSE TO COVID-19

Like everywhere in our world, 2020 presented unconceivable realities to life as we knew it. As a company we had to rethink our operations with top priority going to keeping our staff and their families safe while securing their livelihoods. We had to think of meeting our obligations to the coffee consumer and ensuring that during these difficult times, they could still access their preferred quality coffee brands. We had to think of our suppliers and the best possible way to anchor our partnerships to minimize any economic hardships.

To this effect, we provided transport to all workers including sub-contracted workers and seasonal employees. We equipped our staff with knowledge on managing their mental health as well as of their families during the lockdown and isolation periods. We had ongoing supply of PPE and hand sanitizers to all staff, including for their immediate family. We maintained our operations and increased our vigilance on maintaining personal hygiene as well cleaning & sanitation of all surfaces. We improved our office meals to provide a balanced diet to help develop natural immunity among our workers & partners on site.

Due to restriction in travel one of our systems auditor could not access our facility to conduct our annual social audit as required. We therefore quickly adapted by becoming members of SEDEX to increase visibility along our supply chain to reassure our consumers.

5 OUR BUSINESS

5.1 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.

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.

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

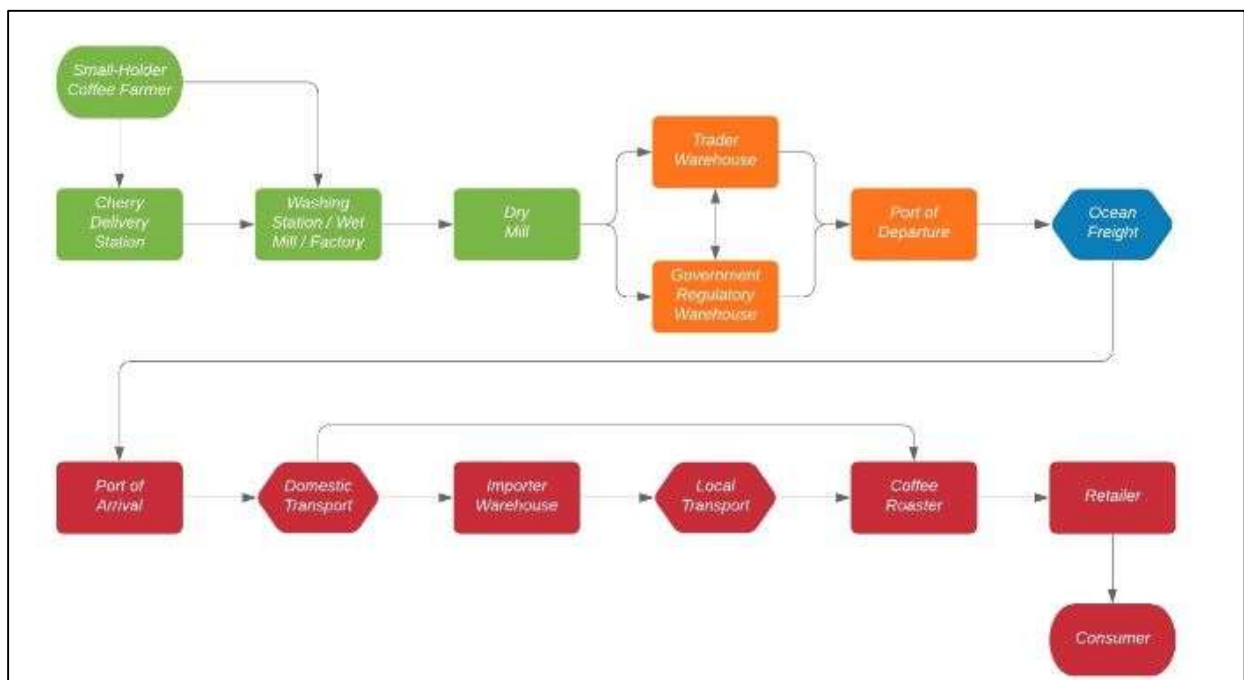
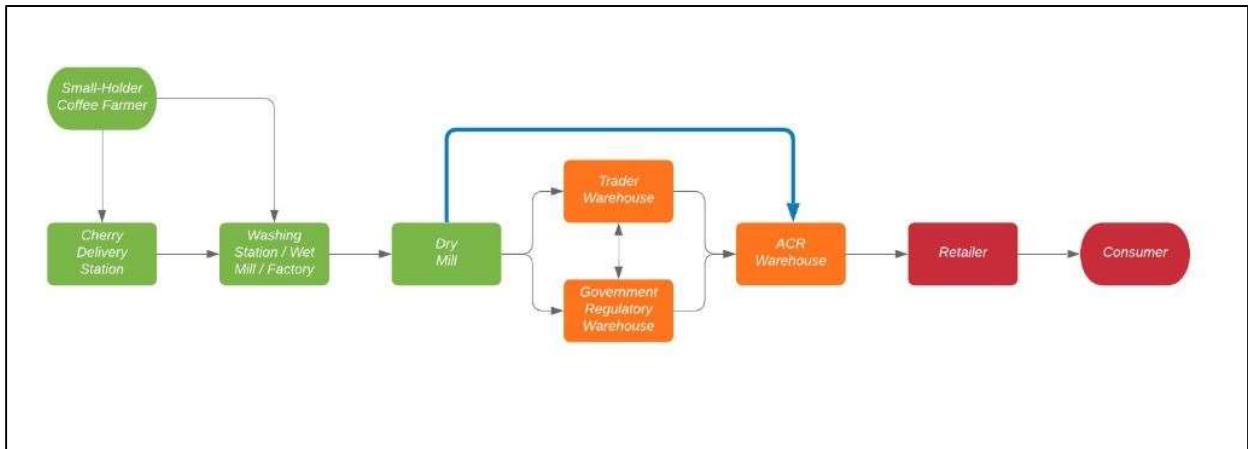


Figure 2: African Coffee Roasters value chain

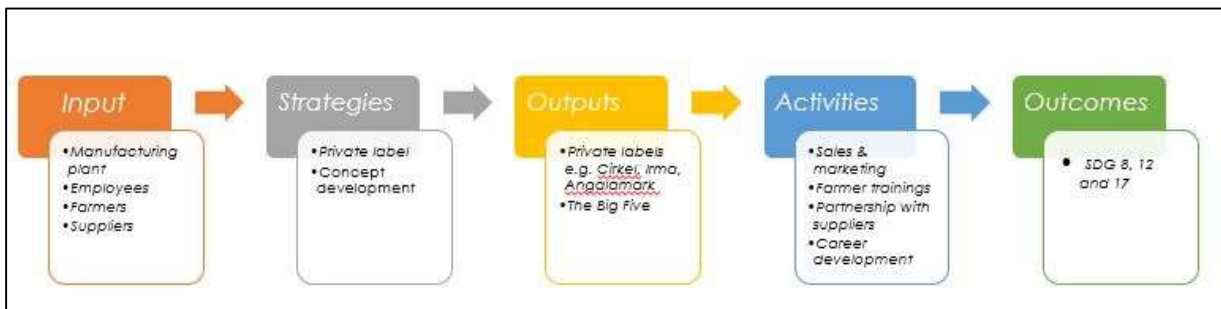


5.2 Our Business Model

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.

Our green bean suppliers have voluntary certification schemes including Rainforest Alliance, EU Organic, Fairtrade & UTZ. To maintain operational excellence we have embraced a number of auditing schemes including FSC 22000, SMETA Ethical Trade Audits,

Figure 3: Our business model



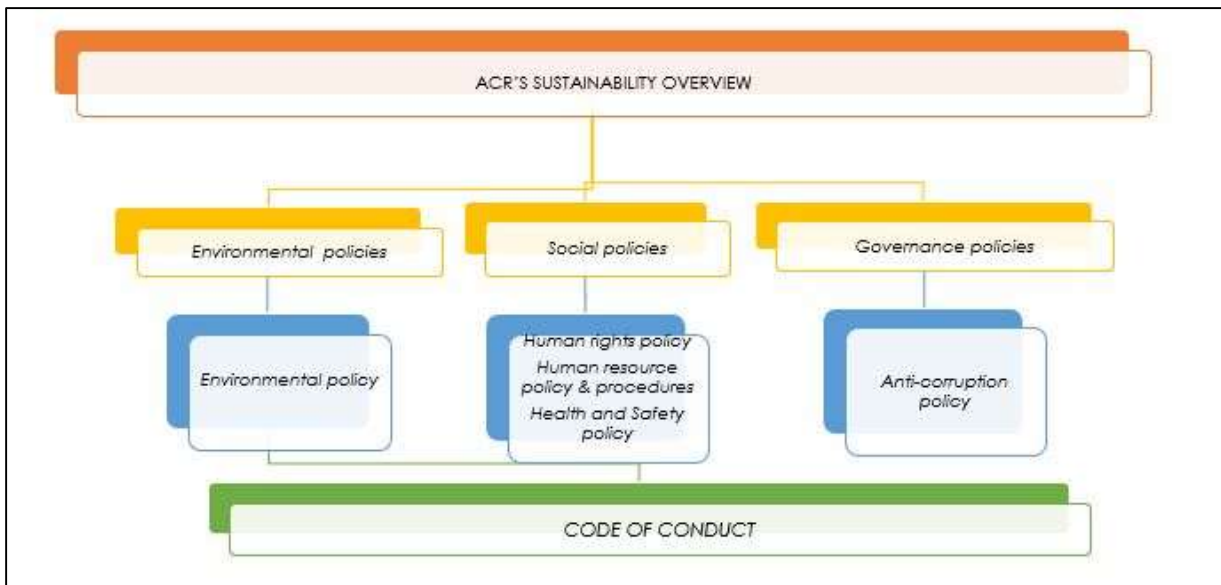
6 OUR SUSTAINABILITY STRATEGY

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.

Figure 4: Our sustainability strategy



6.1 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.

We therefore have developed working tools within our operations to communicate and extend our values within our scope of influence and especially our suppliers. Our suppliers are required to agree to our business code of conduct as part of their onboarding process using the Supplier Application Form. This code of conduct details what is acceptable in relation to supplier working conditions including minimum wage, freedom of association, non-discrimination of workers, health and safety, working hours and forbids any form of child labour.

As part of our supplier evaluation / verification process we initiated annual supplier visits in the year 2020.

In pursuit of operational excellence, we implemented a supplier sourcing procedure detailing the internal procurement process as well as prerequisite steps to evaluate a supplier.

We became a member of SEDEX to improve our management of our supply chain. We were able to undertake a SMETA 4 pillar audit in November 2020 and identify a number of improvement areas.



In the coming year we will keep working to improve our communication and follow-up on the suppliers' code-of-conduct. Specifically:

- We will initiate an annual supplier information session to discuss the requirements of our code of conduct to all suppliers.
- Have a structured annual supplier audit plan.
- Communicate our responsibility to the environment and our zero-tolerance policy on corruption to all suppliers.

6.2 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

At African Coffee Roasters we are aware that the success of our business is dependent on our people.

In the year 2020, we conducted our very first employee satisfaction survey and are pleased that 95% of the employees are happy to work with African Coffee Roasters.

Because our employees are high on our agenda, we initiated a people review conversation with each staff member focusing on employee growth. It is on the backdrop of this review process that the decision to initiate a leadership training program was made.

Through the eyes of their peers outstanding staff were recognized at the staff end of year gathering.



We are excited that our talented team of young upcoming leaders signed up for Young SDG Innovators accelerator programme and will participate in the 10-month programme starting in 2021. This team has been tasked to develop and drive an innovation solution that will advance our sustainability DNA as well as maintain a sustainable balanced business

In the year 2021, we will be implementing the leadership training program to develop our staff to their next level of leadership. We will also initiate an internship program to contribute to skills development for the students in tertiary institutions in alignment with the job market. We will continue working to increase our efficiencies in labour planning as well as continuous training of all staff to sharpen their skills and build their competencies. Lastly, because we are committed to developing the “whole person” that forms each of our employees’ we will be offering mental, physical and financial wellness programmes to our staff in pursuit of their personal growth.

6.3 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 happy to have launched our first compostible coffee capsule in the year 2020.

In the last quarter of 2020, we entered into partnership with Sanergy to recycle our organic waste. Our organic waste is fed to black soldier flies whose residue is used to make organic fertilizer, https://www.youtube.com/watch?v=1UTJjxtPHUg&feature=emb_logo. We recycled 1.2 tonnes of organic waste in the last quarter of 2020.

Through the Young SDG Innovator programme we are working towards recycling 95% of our waste in the coming year.

We have increased our share of Rainforest Alliance and Organic certified green beans to 95% in 2020 in comparison to 54% in the year 2019.

As a first step towards understanding our carbon footprint and subsequent reduction of green house gas emissions, we conducted our first energy audit of our coffee roasting facility in Athi River, Kenya. We will be implementing recommended energy saving initiatives in the year 2021.

In September 2020, the Traceable Organic Coffee from Kenya project was launched in Nandi, Bungoma and Kericho counties of Kenya. Due to the government instituted COVID-19 controls, project activities were postponed embarking in the year 2021 including training of farmers will be trained on the principles of organic farming & organic farming practices pursuant to certification. The project will also establish demonstration plots and clonal gardens to produce scions for top working existing coffee with resistant coffee varieties. We shall also undertake soil testing to understand and verify composition of the soil as well as testing of the coffee leaf.

We are still pursuing our partnership with World Coffee Research to develop climate resistance coffee varieties.



6.4 ANTI-CORRUPTION

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

We developed a policy on anti-corruption and instituted a gift sharing system where all gifts received by any staff on account of their duties at the company are pooled and raffled by all staff.

In the coming we purpose to continuously communicate the documented anti-corruption policy to all workers within the company. Secondly, we will be training all high risk departments/designations on measures to prevent/guard against corruption.

7 MOVING FORWARD



As we get into the year 2021, we are excited by the prospects that lie ahead of us. We are determined more than ever to continue working together with the farmers in East Africa and prove that it is possible to refine the amazing raw materials found in Africa and create products that are ready and attractive in all ways for supermarket shelves all over the world.

Thank you for taking the time to read this report. We are on a journey of continuous improvement and we therefore value your feedback and suggestions regarding this report. You may reach out to us at info@acr.co.ke.