

Racafé

MANAGEMENT REPORT on sustainability related issues



2020



We contribute to sustainable development in our country creating value in all our relations.

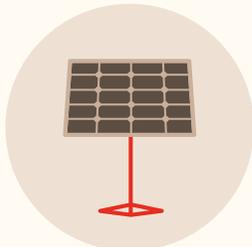
www.racafe.com

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Our history

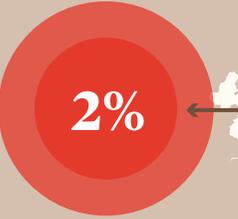
Our experience in the **COFFEE INDUSTRY** goes back to 1953. We are one of the main coffee traders in Colombia, focused on the purchase, milling, trading and product development of green coffee. We support the responsible consumption of coffee by integrating sustainability principles into our management, which guide our decisions and contribute to the best performance of our organization.

 <p>1929</p> <p>The Espinosa brothers develop their first entrepreneurial initiative, with the ECO journal.</p>	 <p>1940</p> <p>First encounters with the world of coffee.</p>	 <p>1953</p> <p>Racafé is founded as a green coffee export company.</p>	 <p>2001</p> <p>Racafé receives its BASC café certification.</p>	 <p>2008</p> <p>Racafé wins the coffee of the year award at the SCAA event.</p>	 <p>2014</p> <p>First sustainability report under the GRI standards.</p>
 <p>2015</p> <p>Nutresa award: Exemplary Provider in the Big Business Category 2015.</p>	 <p>2017</p> <p>Opening of the Product Creation and Development Center.</p>	 <p>2018</p> <p>ECOCERT 26000 three star certification.</p>	 <p>2018</p> <p>We mill the first coffee in Colombia with solar energy.</p>	 <p>2019</p> <p>Xpensible recognition.</p>	 <p>2020</p> <p>Implementation of CRECER, our internal sustainability standard.</p>

Our reach



Where we operate



DESTINATION	2020
United States	23%
Europe	16%
Japan	6%
Australia	3%
Canada	2%

DESTINATION	2020
South Korea	2%
Israel	1%
Others	4%
International sales	58%
National sales	42%

2020 Results

Evaluated and certified by ECOCERT 26000 under the international guide of CSR

ECONOMIC DIMENSION

SOCIAL DIMENSION

ENVIRONMENTAL DIMENSION

67
years of
EXPERIENCE
in the market

7 
Milling plants
1 preparation
plant

99 
international
clients
37 countries

In 2020
we reached
105 
PORTS

Our participation in the
global market
of arabic coffee
in 2020:
1.48%

More than
2,610 
containers
exported
in 2020

Q certified in 2020
6 
RECERTIFIED
14 ^{IN} _{TOTAL}
Q
coffee
GRADERS

 **Coffee bags (60 kg)**
sold in 2020
1,508,922
bags

National SALES	International SALES
42%	58%

 **Coffee bags (60 kg)**
sold in 2020
389,916
bags

From regional,
direct relationship,
certified and
verified programs

175
clients in
Colombia
in 2020

Participation in the
colombian market
in 2020
10.9%
*Colombian production

We held our
5th **Logistics**
symposium
[Local market
and co-product
logistics]

27 
new
regional and
direct relationship
PROGRAMS

We implemented the
traceability module for
14 special coffees
within the system
CAFESYS

PRODUCERS
in the direct trade
network in 2020
962

Certified and verified
PRODUCERS
in 2020
5,055

We purchased in
244  **41**
Municipalities of
Colombia
Local associations and/
or intermediate groups

In 2020
we trained 
1,552 **PRODUCERS**
19 **WAREHOUSES**

Employees
in 2020
 **44%** |  **56%**

Investments in the
COMMUNITY
2020
1,727  million COP

Premiums paid
over differentiated coffee
In 2020:
11,665 
million COP

Collection
of coffee contribu-
tion In 2020:
24,765 
million COP

380 properties
5 warehouses
joined our
CRECER 
program in
Santander

Annual
TURNOVER
2020
10% 

COVID-19 response:
We delivered
10,139
biosafety
kits

1,048 
beneficiaries
\$51 million COP
in donation
campaigns

Coffee
DONATIONS:
1,500 ^{HALF} _{POUNDS}
to healthcare
professionals

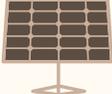
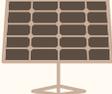
In partnership 
with a client
WE DELIVERED
1,044 pounds of coffee
to hospitals as a
recognition of their labor
and commitment

REDUCTION
of energy
consumption per
coffee bag
13% 
compared to 2019

Reduction of
GHG  **EMISSIONS**
5.2% 
compared to 2019

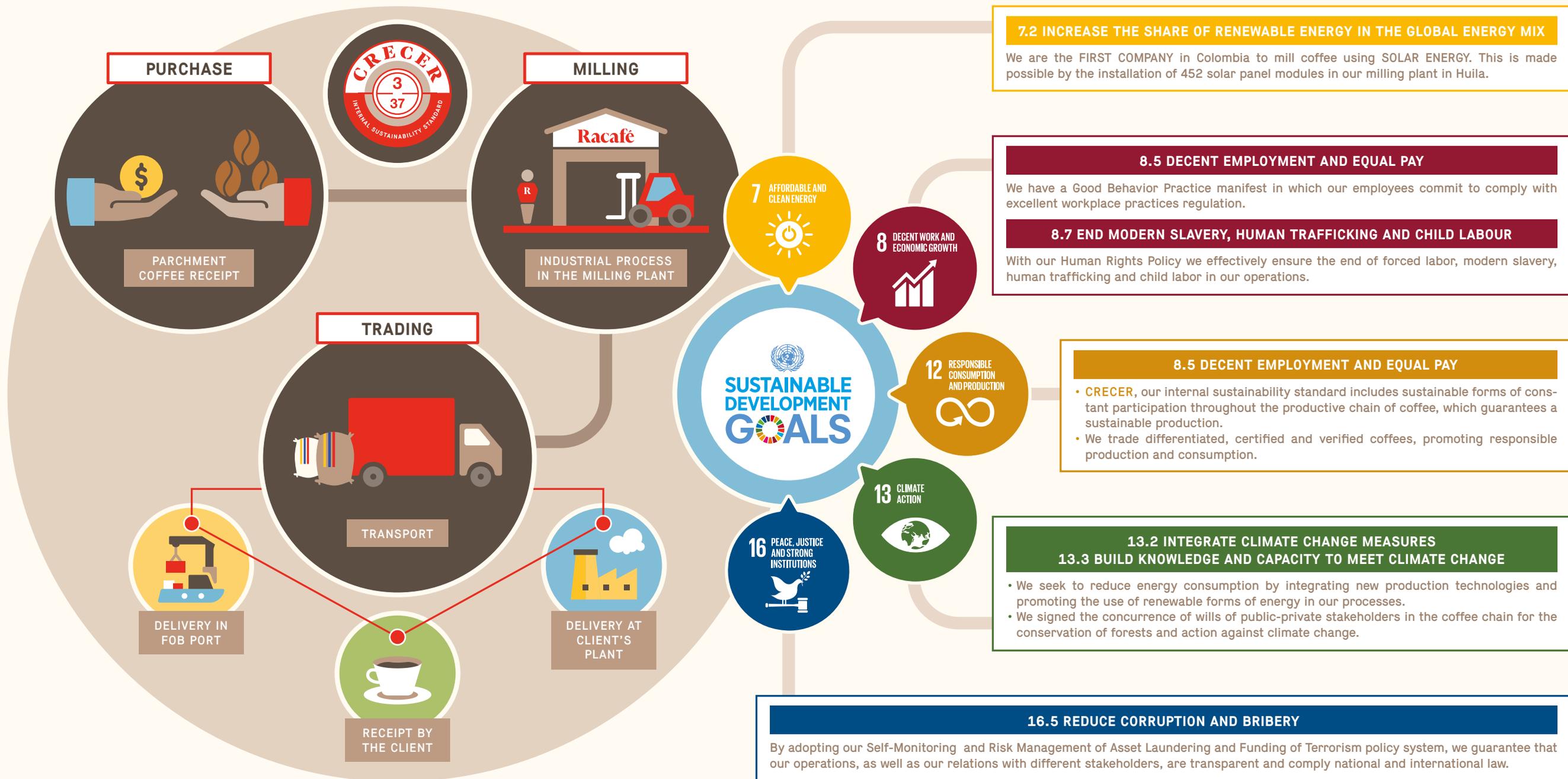
In 2020 we generated
128,659 kWh 
of solar
ENERGY 

We delivered
8 water treatment
PLANTS


We milled
41,008 
bags
using renewable
ENERGY 

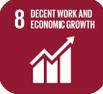
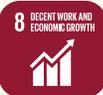
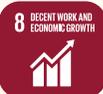
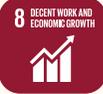
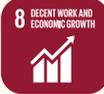
ENVIRONMENTAL
investment
in 2020
864  
million COP

Actions contributing to the SUSTAINABLE DEVELOPMENT GOALS



Actions contributing to the SUSTAINABLE DEVELOPMENT GOALS

Contribution actions in SDG in accordance with organizational objectives and goals

OBJECTIVE	2020 GOAL	ACTUAL 2020 RESULTS	2021 GOAL	SDG
Reduce the storage cost per bag	 Decrease 7%	 3% decrease	 Decrease 9%	
Reduce the cost of freight to port per bag	Maintain same cost	Maintained	Maintain same cost	
Obtain the Authorized Economic Operator (AEO) and BASC Certifications	Obtain AEO	Fase 1 audits completed	Obtain AEO	
Develop new coffee programs	 37%	 20%	 10%	
Reduce handling cost per bag	Maintain same cost	 17% decrease	Maintain same cost	
Contribute to the continuity of the business	Maintain successor pool at 100%	Maintained at 100%	Maintain successor pool at 100%	
Reduce the kW cost per milled bag of coffee	 Decrease 8%	 13% decrease	Maintain same cost	 
Reduce carbon footprint	 Decrease 5%	 5.2% decrease	 Decrease 5%	 
Reduce extra hours in milling plants	 Decrease 60%	 52% decrease	 Decrease 60%	
Implement CRECER (our internal sustainability standard)	20% of the producers	9%	23%	 

We promote differentiated coffee trading

PRODUCTS TRADED IN 2020		
 <p>CERTIFIED AND VERIFIED COFFEES</p>	 <p>COFFEES FROM REGIONAL AND DIRECT RELATIONSHIP PROGRAMS</p>	 <p>CONVENTIONAL COFFEES</p>
4C	Regional coffees (per province and municipality)	Pasilla
C.A.F.E. Practices	Coffees from producers' association or group	Consumo
Rainforest Alliance Certified™	Single-estate coffees	Product of Colombia
UTZ Certified	Special cup score	Excelso
Fairtrade		Supremo
Organic (Colombia, EOS-EC, JAS, NOP-USDA)		
CERTIFICATIONS WITH PRODUCT SEALS AND VERIFICATIONS OF SUPPLY CHAIN		SOCIAL RESPONSIBILITY AND GOOD BUSINESS PRACTICES
		
		
		
		

Working hand in hand with coffee growers

Our green coffee purchase operations are based on a close relationship with producers, which allows us to develop and support sustainable agricultural practices.

WORKING HAND IN HAND WITH COFFEE GROWERS			
<p>WE TRAINED 1,554 producers</p> <p>19 warehouses</p> <p>in programs of verification, development, and support in the production of differentiated coffee and sustainable coffee.</p> 	<p>Joined our CRECER standard:</p>  <p>380 PRODUCERS</p> <p>5 WAREHOUSES</p>	<p>800 FARMS</p> <p>supported in C.A.F.E. Practices recertification.</p> 	<p>4 harvest FORECAST TOURS</p> <p>16 MONTHS IN ADVANCE.</p> 
<p>Regions reached by our work group in the country.</p> 	<p>414 shade KITS</p> <p>delivered to producers.</p>  	<p>275 SOLIDARY grocery packs</p> <p>delivered to producers in partnership with clients.</p> 	<p>We delivered 8 water treatment PLANTS</p> 
<p>414</p> <p>Producers trained in GOOD AGRICULTURAL PRACTICES.</p> 	<p>8 milling plants</p> <p>TRAINED IN: chain of custody, traceability, verification and certification programs and safety and health in the workplace.</p> 	<p>WE DONATED 500 presents</p> <p>to children from the village of Monserrate, Huila.</p> 	<p>We held a TECNOLOGY meeting</p> <p>with producers from Santander de Quilichao.</p> 
<p>5,500 kg of fertilizers</p> <p>delivered for coffee growth and production.</p> 	<p>100 coffee plantation renovation KITS.</p> 	<p>100 producers</p> <p>trained in coffee benefits and quality.</p> 	<p>Through partnerships with CLIENTS</p> <p>10,139 BIOSAFETY KITS.</p> 

Concurrence of wills



We signed the concurrence of wills of public-private stakeholders in the coffee chain for the conservation of forests and action against climate change, which seeks to:

Promote sustainable production and livelihoods for coffee growers.	 
Define and implement a sustainable production aimed at resiliency, adaptation and mitigation of climate change in coffee growing communities.	
Integrate planting trees in the productive systems of coffee.	

Partnerships for sustainability

NATURAL WEALTH

In the framework of the **USAID's Natural Wealth program**, we are commercial partners of Asoprokan and Asoprocin.

Location: Sierra Nevada, Santa Marta.

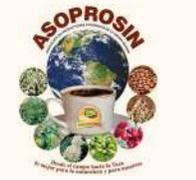
Objective: the conservation of the dry tropical forest ecosystem and biodiversity, through the implementation of good practices and the application of sustainability standards by coffee growers in the Sierra Nevada de Santa Marta, so they can access differentiated markets with higher aggregated value thus bringing sustainability to the dry forest's connectivity.

Program strategies:

- To promote economic and financial tools in order to encourage green businesses.
- To monitor biodiversity with low cost, high impact technology.
- To incorporate preservation in planning, policy and program tools.
- To promote partnerships between government, unions, the productive sector and local communities in order to strengthen a productive environmental governance.

Actors:

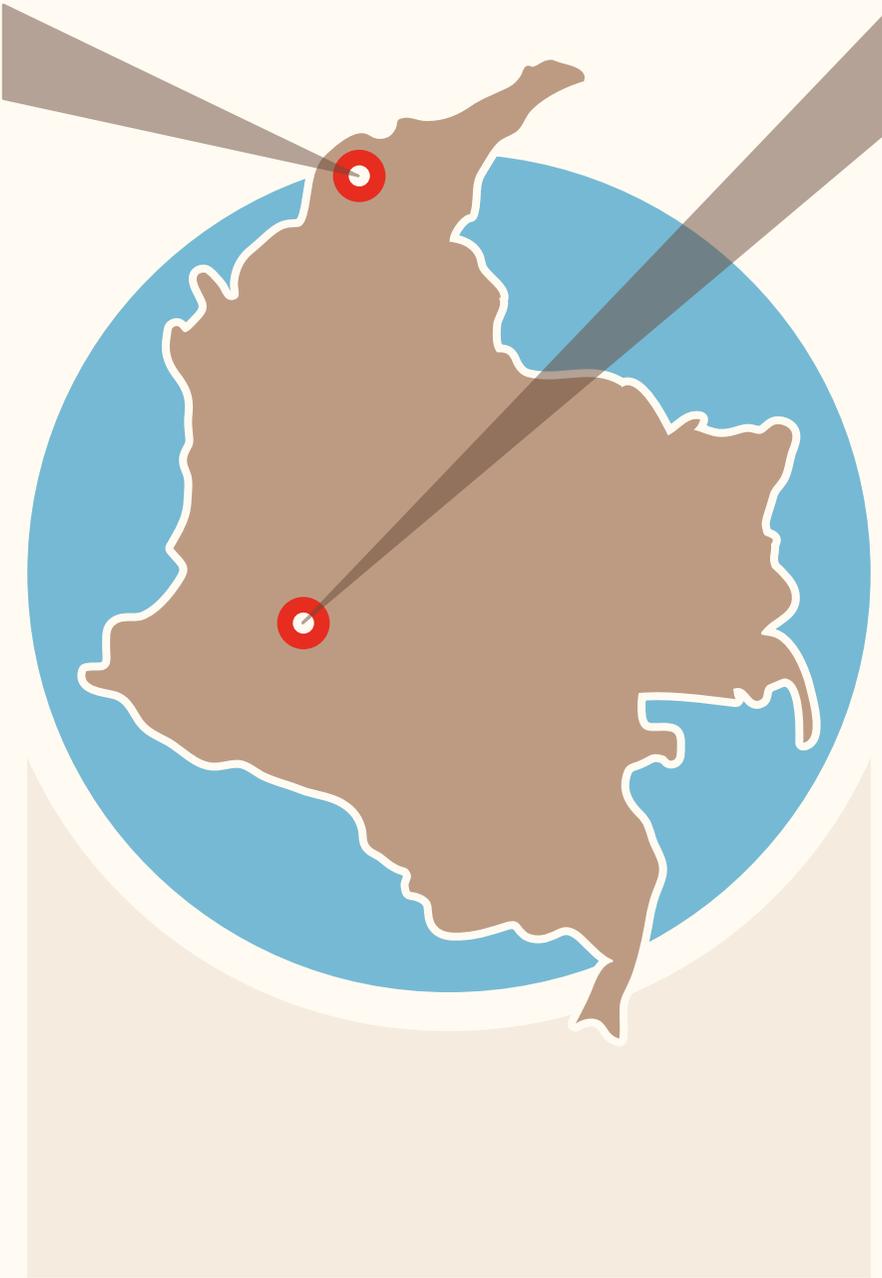
Racafé



Value:

ASOPROCIN:
851 million COP

ASOPROKAN:
1.879 million COP



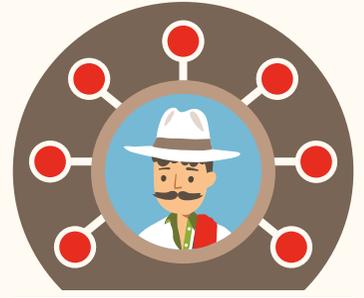
STRENGTHENING COMMUNITY GROUPS

We are part of a cooperation agreement for the development of a project aimed at contributing to the improvement of the socio organizational, entrepreneurial and productive conditions of organizations that produce passiflora and coffee in Huila.

Location: Huila, Tolima.



220 families



7 associations

Actors:



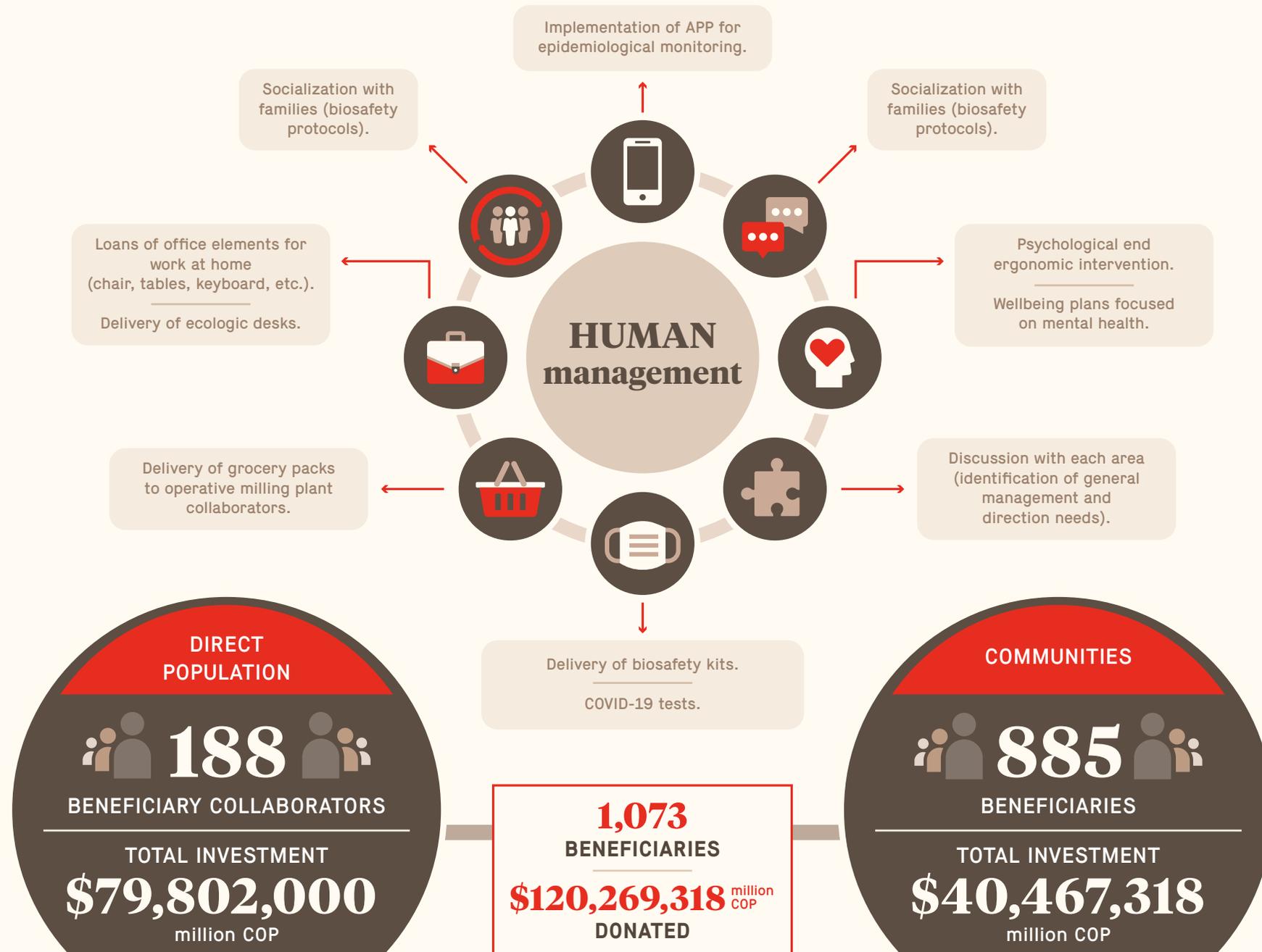
Racafé

Fundación Bolívar Davivienda

Value:

510 million COP

Action to face the impact of COVID-19



Donations



	UNITS	BENEFICIARIES
Groceries	163	Direct and temporary collaborators
Hygiene kits	135	Drivers
Groceries	250	Comuna 7
Hygiene kits	500	Different associates
Coffee	1,500 half pounds	Healthcare professionals
Coffee in partnership with our clients	1,044 pounds	Hospitals in service

Generated economic value

The growth of our business is supported by Risk Management, Internal Control, and the implementation of International Financial Reporting Standards, IFRS, which guide our financial operations.

GENERATED, DISTRIBUTED AND RETAINED ECONOMIC VALUE				
ECONOMIC VALUE*	2019		2020	
Generated	100%	\$855,041	100%	\$1,025
Distributed	99.3%	\$849,239	99.1%	\$1,016
Retained	0.7%	\$5,802	0.9%	\$9,158

DISTRIBUTED ECONOMIC VALUE*		
	2019	2020
 Operational costs	\$812,025	\$ 979,036
 Employee's salaries and benefits	\$16,512	\$16,999
 Payments to creditors	\$9,084	\$6,876
 Government taxes	\$9,603	\$11,740
 Investments in the community	\$2,015	\$1,727

2020 Generated and Distributed economic value in COP billions, other numbers are given in COP millions.

We generate economic value in a **SUSTAINABLE** way for the benefit of our collaborators, clients, shareholders, providers, the community and our country.

Our commitments 2021

RISK AND INTERNAL CONTROL MANAGEMENT

CHALLENGES 2021

- Obtain the Authorized Economic Operator (AEO) recognition from the DIAN and maintain the BASC V5 certification.
- Strengthen risk management with the Racafé's Risk Management System, SIGRACAFE.
- Implement a control system for costs of maintenance and transportation of coffee bags in milling machines.

QUALITY MANAGEMENT

CHALLENGES 2021

- Have all our cuppers become Q GRADERS.
- Hold a quality symposium.
- Support different areas in training programs.
- Monitor for residues of pesticides and glyphosate in every milling plant, in at least 6 parchment coffee entries.
- Implement the quality insurance system in our tasting labs and integrate it with the company's different management systems.

SAFETY AND HEALTH AT WORK MANAGEMENT

CHALLENGES 2021

- Launch and implement the "We are all safety guardians 2.0" program.
- Design the Zero Accidents program.
- Design and implement the Mechanic Risk Control program.
- Implement the Leadership Management program for occupational health and safety.

HUMAN RESOURCES MANAGEMENT

CHALLENGES 2021

- Map out key positions and possible successors.
- Measure work environment.
- Implement necessary activities for employees to work from home, as well as activities which allow hybrid working.
- Implement the Milling plant Manager version of the "Better Leaders" program.
- Launch Escuela Racafé with 100% of the Racafé population.

FINANCIAL AND ECONOMIC MANAGEMENT

CHALLENGES 2021

- Maintain financial solidity and competitive resources.
- Strengthen profit growth via higher differentiation.
- Increase use of raw material for the production and trade of superior qualities.
- Keep up to date our management strategy to minimize financial risk and guarantee financial sustainability in the long term.

MANAGEMENT OF PRODUCERS IN THE SUPPLY CHAIN

CHALLENGES 2021

- Maintain the verified supply chains.
- Increase to 5,000 bags our offer of certified coffees from our own certifications.
- Increase to 1,000 the the amount of producers members of our internal sustainability standard, **CRECER**.
- Maintain chain of custody corporate certifications.

SUSTAINABLE DEVELOPMENT MANAGEMENT

CHALLENGES 2021

- Keep up the strategic partnership to create value in the value chain.
- Implement our Internal Sustainability Standard **CRECER** among 23% of producers.
- Carry out analysis of the product's life cycle.

TRADE LOGISTICS MANAGEMENT

CHALLENGES 2021

- Increase freight efficiency to 95%.
- Measure itinerary compliance and shipping company management.
- Systematize processes so that we can be more efficient.

PRODUCT DEVELOPMENT MANAGEMENT

CHALLENGES 2021

- Achieve a better positioning of our Product Development Center as a source of knowledge and experience for internal and external clients.
- Strengthen the development of new products.

