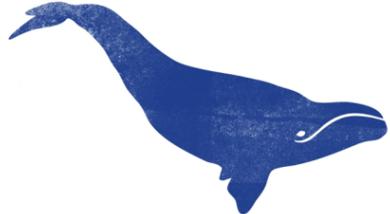




2020

TRANSPARENCY REPORT



COLLABORATIVE
COFFEE SOURCE

OUR VISION

Radically transform trade to create quality, community and prosperity for everyone in coffee.

OUR MISSION

Source the right coffee the right way.

OUR VALUES

1 WE SEEK THE RIGHT QUALITY

We collaborate with carefully chosen partners at origin to source and develop distinguished coffees for our roasters.

2 WE WORK WITH THE RIGHT PEOPLE

We invest in relationships with coffee professionals we respect and cherish. We create community by connecting, learning and sharing.

3 WE DO BUSINESS THE RIGHT WAY

We commit to long term business relationships. We recognise and reward value. We strive to achieve transparency in the coffee supply chain.

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WHO WE ARE

BY ROBERT WILLIAM THORESEN

Collaborative Coffee Source (CCS) is a sourcing company. Sourcing specialty coffee has been the focus since our very beginning. At the same time, CCS connects people by facilitating sustainable and long-term commercial relationships with coffee. In our humble opinion, sourcing and trading specialty coffee requires a particular experience, in-sight and overview, and it comes with responsibility. CCS' ambition is as simple as it is challenging: transparency and equity for everyone in our trade.

Fortunately for us, many share our ambition; however, succeeding with this approach is another matter. This year we offer yet another honest presentation of where we stand as a company, the way we see the specialty coffee trade today, and where we see ourselves in it now -- and going forward. Inevitably, we are intermediaries, and as such we are emphasizing "the origin side of things." We seek out farmers and partners to work with in each country, assessing the lots offered, while at the same time seeking homes for them with similarly ambitious craftspeople, namely the coffee roasters. That is our business.

This is a necessary service for farmers in order to get their coffee presented in the marketplace at all. We believe that CCS also adds value for coffee roasters by making curated lists of farms and their best products accessible, through

research, network, traveling, screening, assessing and advising on quality – ultimately connecting all the dots. As with any business model, in any value chain, we always ask ourselves; what our place is, how do we add value, and to whom is that important.

Since we started out in the specialty coffee trade, many have joined in sharing the gospel of building relationships. Anyone who has tried knows how difficult it can be to make the right fit, and to make it last. What is a sensible definition of a (true) commitment, what does (long term) relationship mean, how is risk (vs. cost) distributed, what is consistent (sharing of) information, what is (the format of) good communication like?

CCS has always and will always have the following stance: as a principle, the maker of a product, the coffee farmer, should set the price. This is something we have insisted upon, and it has maintained our reputation in ten producing countries. Everyone after that point in the chain must explain the value and defend the charges added, including CCS and our origin partners.

Currently, specialty coffee pricing seems to be "fixed" at consumer level. From there, one is making the calculation backwards to get to a suggested "value" at farmgate. In that scenario

everyone is squeezed, not only the middle, but specifically those at the very origin of the value chain. It is a disappointingly old school way of thinking in an industry that prides itself on progressive ideals. This way of thinking is widespread and systematic, grounded in the belief that this is the only way. We are grateful for those who have chosen to work with us, who have chosen to build their businesses differently because we share the same commitment to both theory and practice. That working differently is not only possible, but both profitable and necessary. We're inviting everyone, including roasters, to help establish a market pricing model for specialty coffee that can work for all.

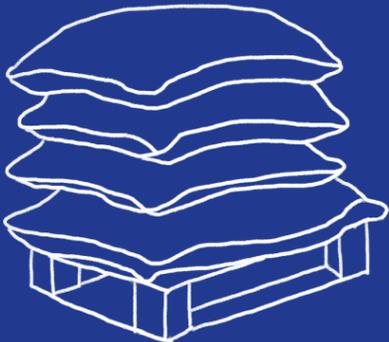
We are not only cognizant of these matters; we want to do something about them. Since long before the pandemic hit, we have been determined to improve our way of working. Now that is needed more than ever, we are therefore developing new technology to help us become better organized, more efficient and transparent in handling data and information from farm level and onwards, helping it flow freely between all participants throughout the entire value chain, and back. At this point in our shared history, it should be evident that we need to change a few things, again, for the sake of transparency and an equitable trade – for us all.

2020 OVERVIEW



ORIGINS

7



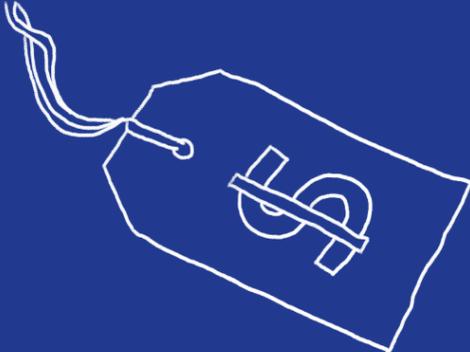
EXPORTERS

8



IMPORTED

317,592KG



AVERAGE FARMGATE PRICE

\$2.57/LB USD

WHY TRANSPARENCY? AND HOW?

BY ROBERT WILLIAM THORESEN

In 1974, when the Norwegian-American coffee trader Erna Knudsen coined the phrase “Specialty Coffee”, she was describing coffee beans of the best flavor being produced in favorable conditions such as a particular microclimate, botanical circumstances, processing etc. In other words, specialty coffee is specialty coffee when there is something special to say about it.

And consequently, a coffee may be delicious, but it hardly merits a specialty premium if there is nothing else to note. And ultimately, the more there is to say, the more valuable it will be perceived as. Thus, we need to know what to say.

This is one reason for spending so much time at origin, visiting coffee places, getting to know people and learning about everything. There, we meet with a series of “informants”, including the farmers themselves that contribute with bits and pieces of data to complete the picture. Yes, we take pictures too. All this is not only for us to have, it is meant to be passed along. Later in the process, and over time there are many more data points to add, particularly when assessing the coffee quality, its physical attributes and so on. There is so much data that it can easily get out of hand if one does not have good routines and systems to handle it, knowing how to filter it, and putting it into a meaningful context.

CCS’ ultimate goal is an empowered coffee farmer, and true transparency throughout the value chain. If we can make a living working that out, we’re in. Everyone working with and

for CCS knows how important this topic is to our mission, still, it is at times causing frustration for suppliers, roasters, and ourselves.

It’s an interesting time. In the name of Direct Trade, many of CCS’ origin partners are offering their products in the same marketplace where we already live and work, and where we have built a market for many of these suppliers and farms over time. In the name of full traceability, why should a roaster let that kind of offer down? We aim to attest to our value in this report and in our actions at each step of the chain. If CCS’ contribution to the trade is or becomes redundant, we will change our scope. But eliminating one contributor without actually improving the value chain as a whole is lacking vision and looking like opportunism, and frankly a missed opportunity for us all. We see challenges and opportunities. Actually, more of the latter. In a time of global travel restrictions, it is a legitimate concern that farmers and their communities are becoming disempowered and alienated from communication with the lack of buyers’ presence and personal interaction – because so far that has been the best way of communication.

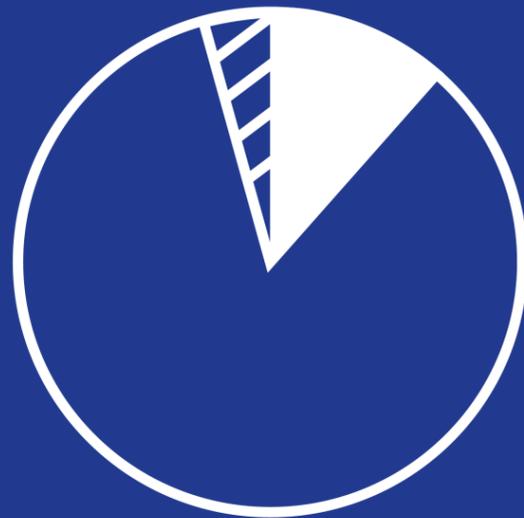
On the bright side, now more than ever are we in need to make tools and processes to help farmers and all stakeholders be connected in a more organized, consistent, efficient and dare we say... transparent way. These are some of CCS’ short term goals:

- Receiving information directly from farmers about their place, farming practices and livelihood.
- Receiving information from origin partners about the farm lots presented and their own collected information about them, QC data and so on.
- Receiving back roasters’ assessment and notes about the lots presented to them.
- Sharing all information from all stakeholders with each other, creating a feedback loop.

We obviously depend on everyone involved to achieve this goal. Technology alone cannot solve the matters of transparency nor can it be exchanged with a personal connection. We want it all. The fact that the specialty coffee trade is still very little digitalized might be a sign that we are resting on legacies from the commodity world and mindset. 46 years later, it’s time to break away.

HIDDEN VALUE 2020

SELECTIONS AND REJECTIONS



MICROLOTS PURCHASED

■ **198**

COMMUNITY BLENDS PURCHASED

▨ **22**

TOTAL OFFER COFFEES CUPPED

□ **1,575**



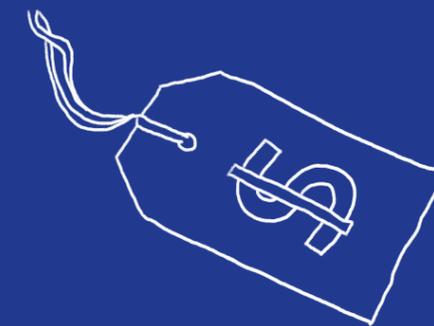
COFFEES CUPPED FOR QUALITY CONTROL

880



SAMPLES PULLED FOR QUALITY CONTROL

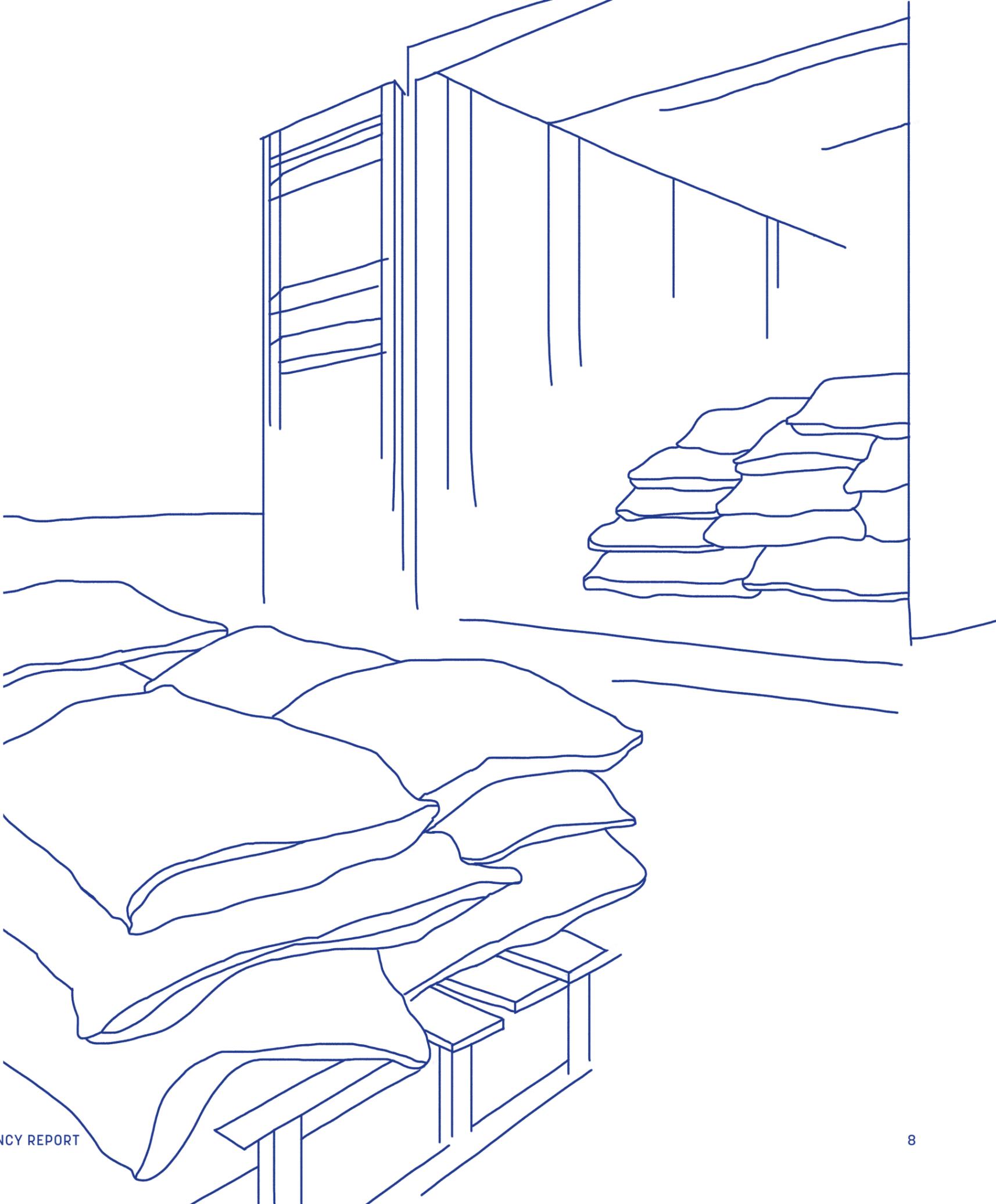
376.2KG



WAREHOUSE FEES & TRANSPORT OF SAMPLES PULLED FOR QUALITY CONTROL

\$14,365.81

DATA BY ORIGIN 2020

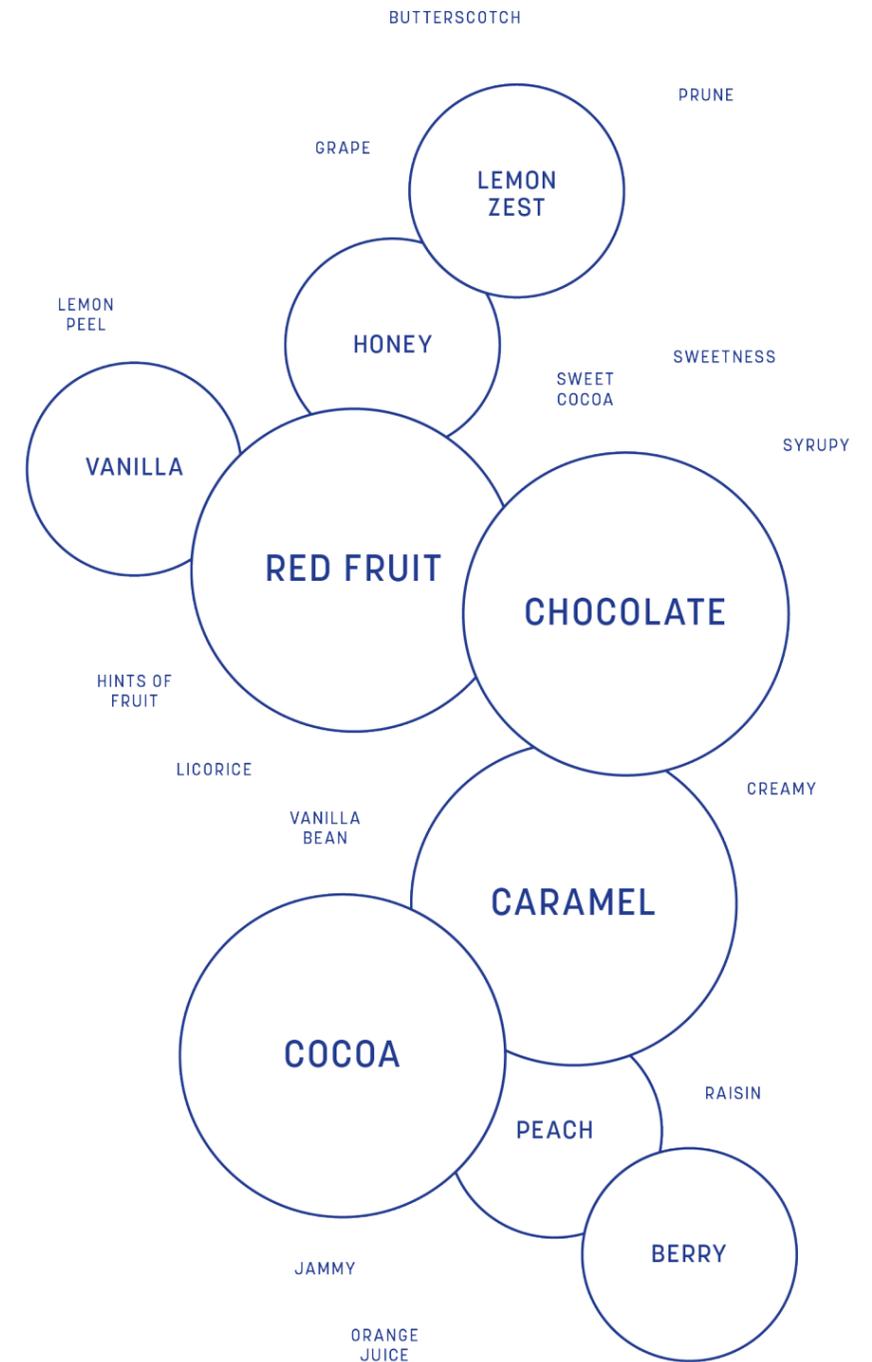


BRAZIL



RINALDO DE CASTRO JUNQUEIRA – CARMO DE MINAS, BRAZIL

Exporter	Transport, Insurance, Finance Costs
CARMO	.35/LB USD
Average Farmgate	Relationship Since
\$1.86/LB USD	2006 14 YEARS



BURUNDI



KIBINGO CWS - KAYANZA, BURUNDI

Exporter

GREEN CO

Average Farmgate

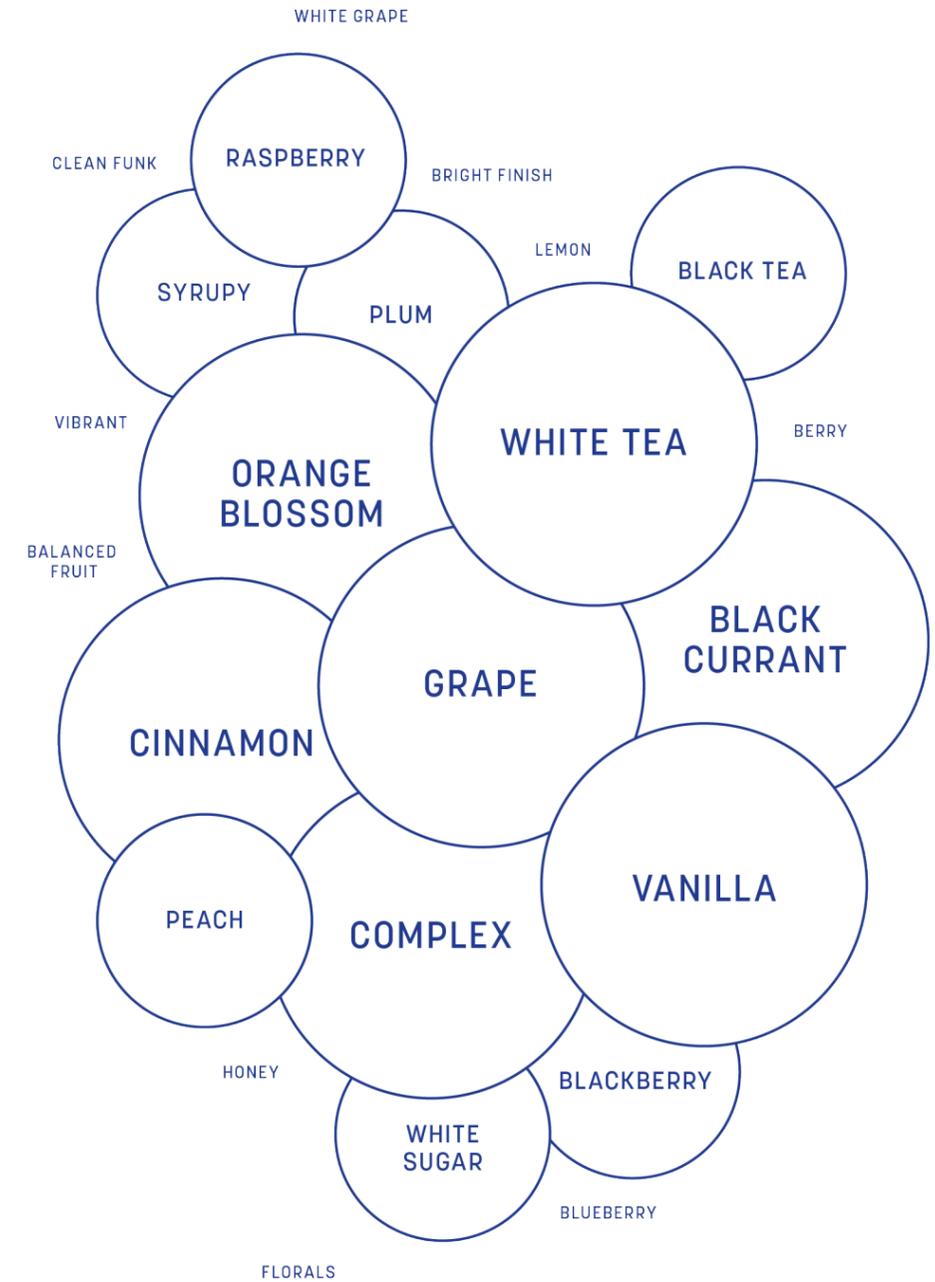
\$1.99/LB USD FOR CHERRY

Transport, Insurance, Finance Costs

.30/LB USD

Relationship Since

2012 | 8 YEARS



COLOMBIA



ASTRID MEDINA - TOLIMA, COLOMBIA

Exporter

FAIRFIELD TRADING

Average Farmgate

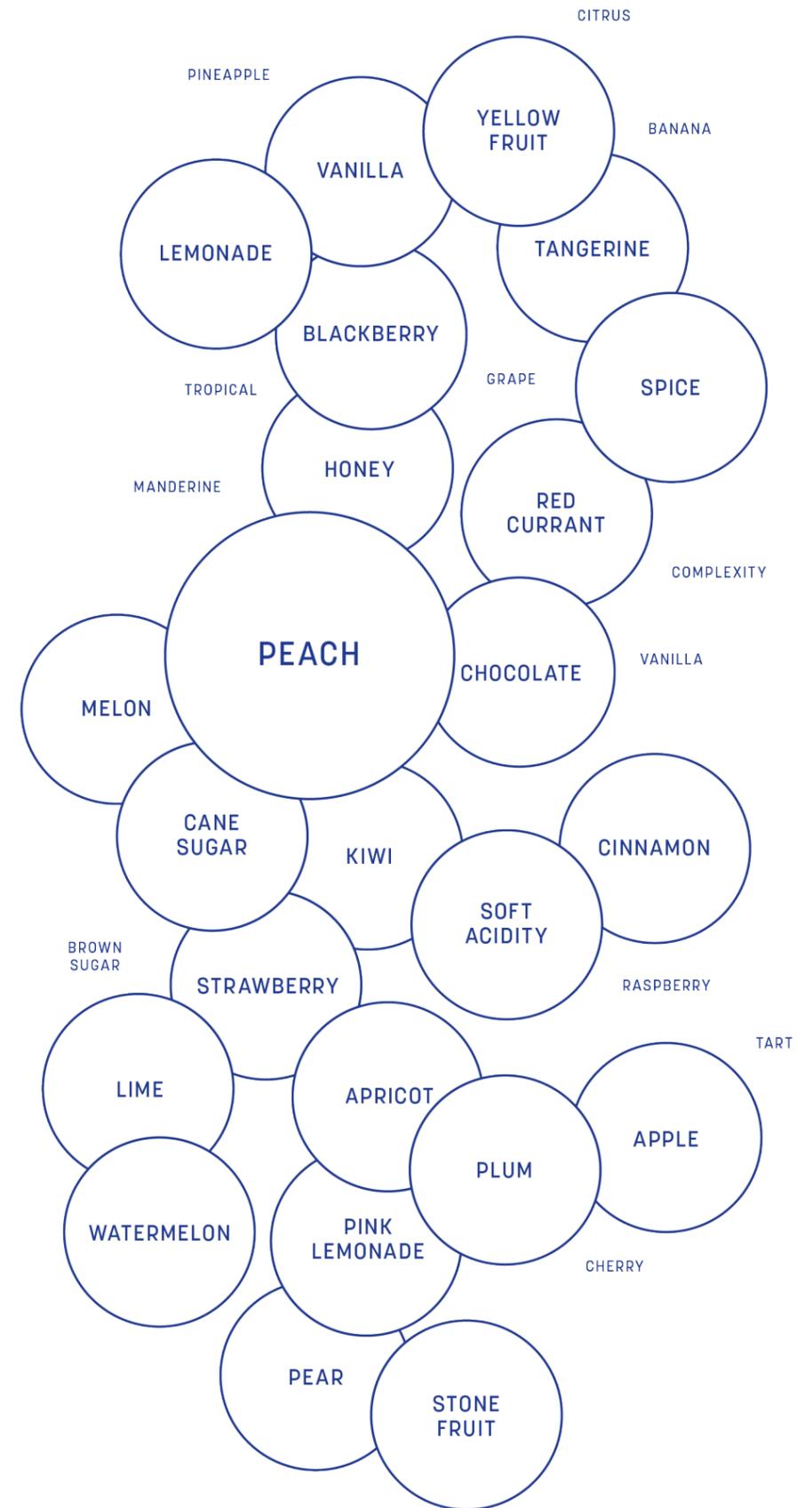
\$2.57/LB USD

Transport, Insurance, Finance Costs

.35/LB USD

Relationship Since

2014 | 6 YEARS



GUATEMALA

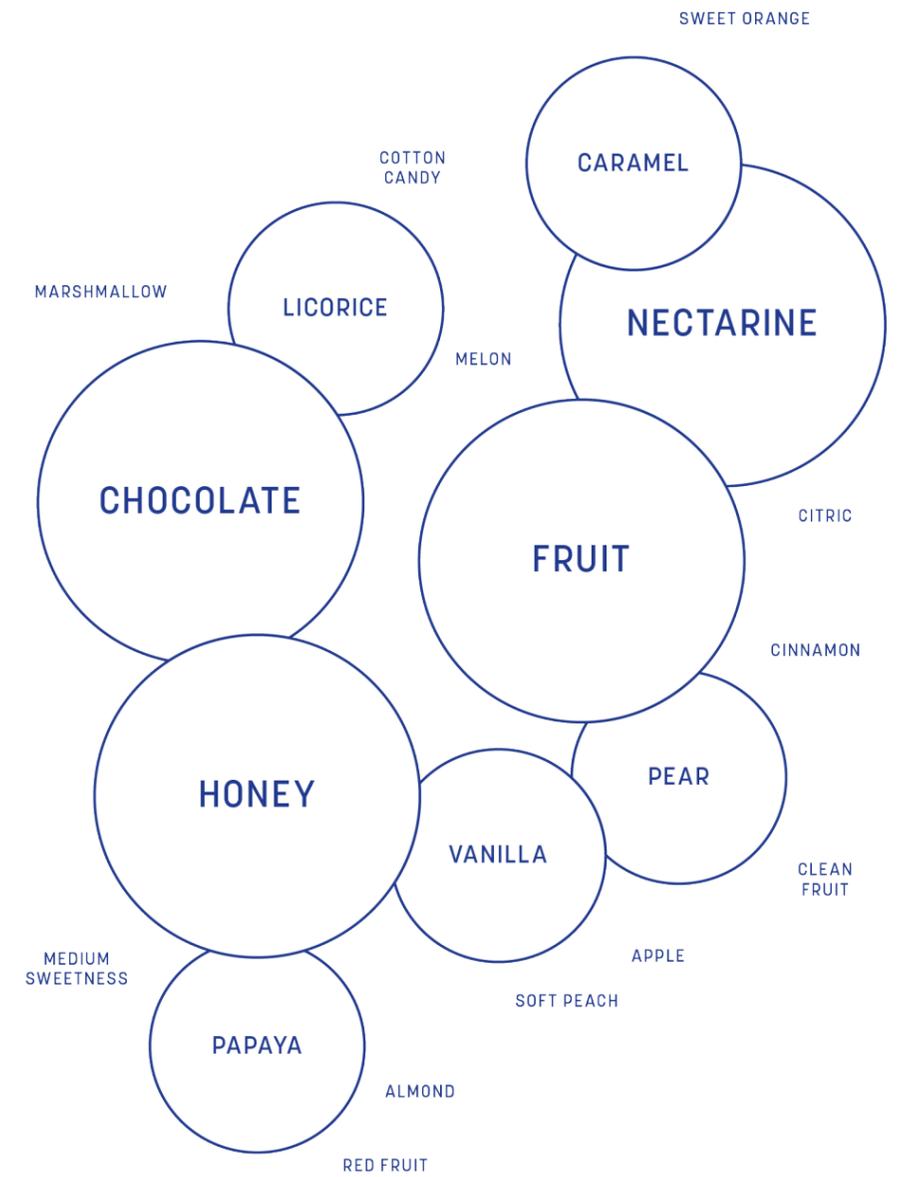


BYRON AND MELANIE HERRERA - ANTIGUA, GUATEMALA

Exporter: **ZELCAFE** Transport, Insurance, Finance Costs

Average Farmgate: **\$2.77/LB USD** Relationship Since: **2009 | 11 YEARS**

Price: **\$2.77/LB USD**

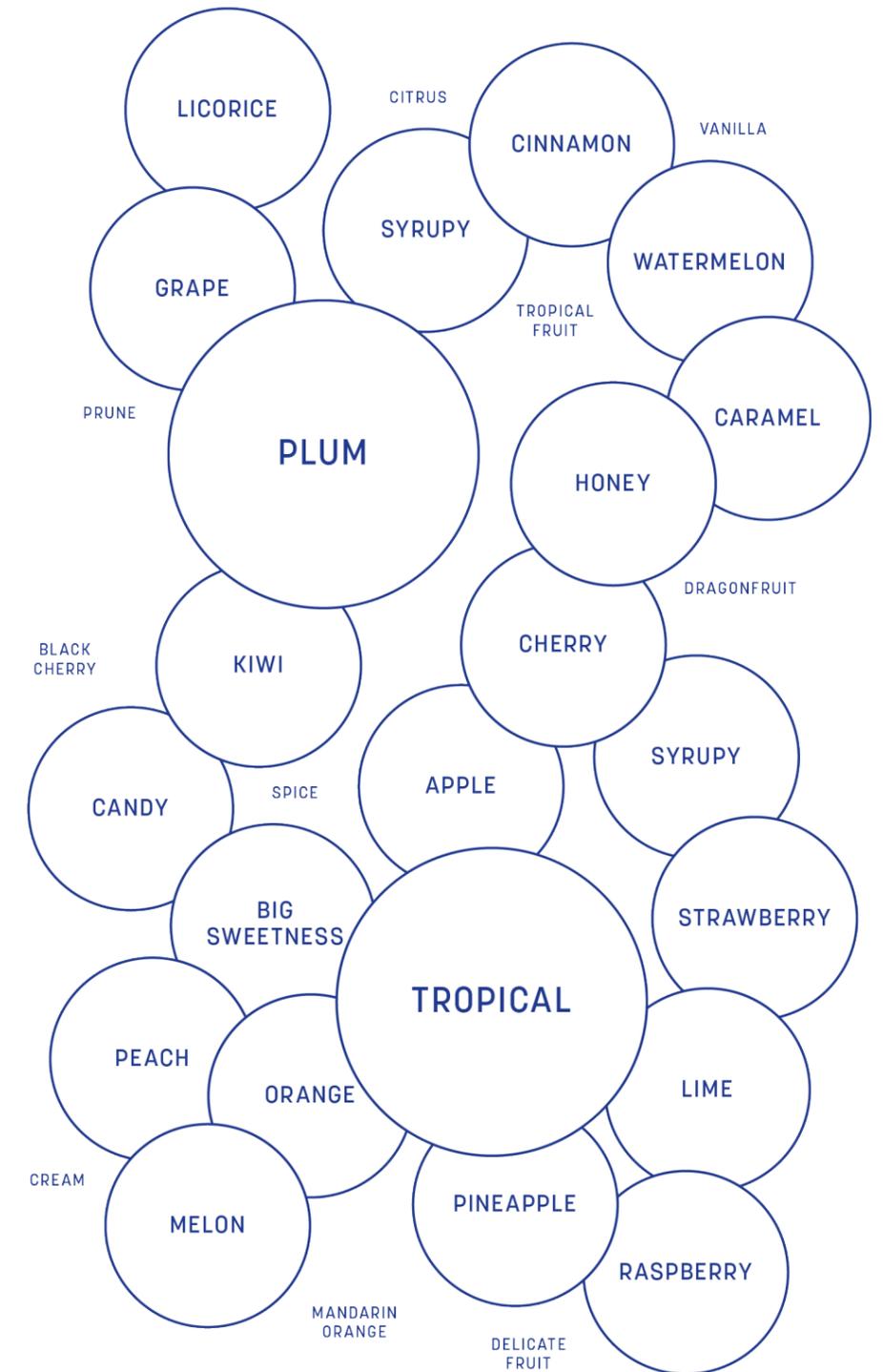


HONDURAS



DANNY MORENO - SANTA BARBARA, HONDURAS

Exporter	Transport, Insurance, Finance Costs
SAN VICENTE	.35/LB USD
Average Farmgate	Relationship Since
\$2.89/LB USD	2004 16 YEARS



PANAMA



WILFORD LAMASTUS - BOQUETE, LOS NARANJOS, PANAMA

Exporter

ELIDA

Average Farmgate

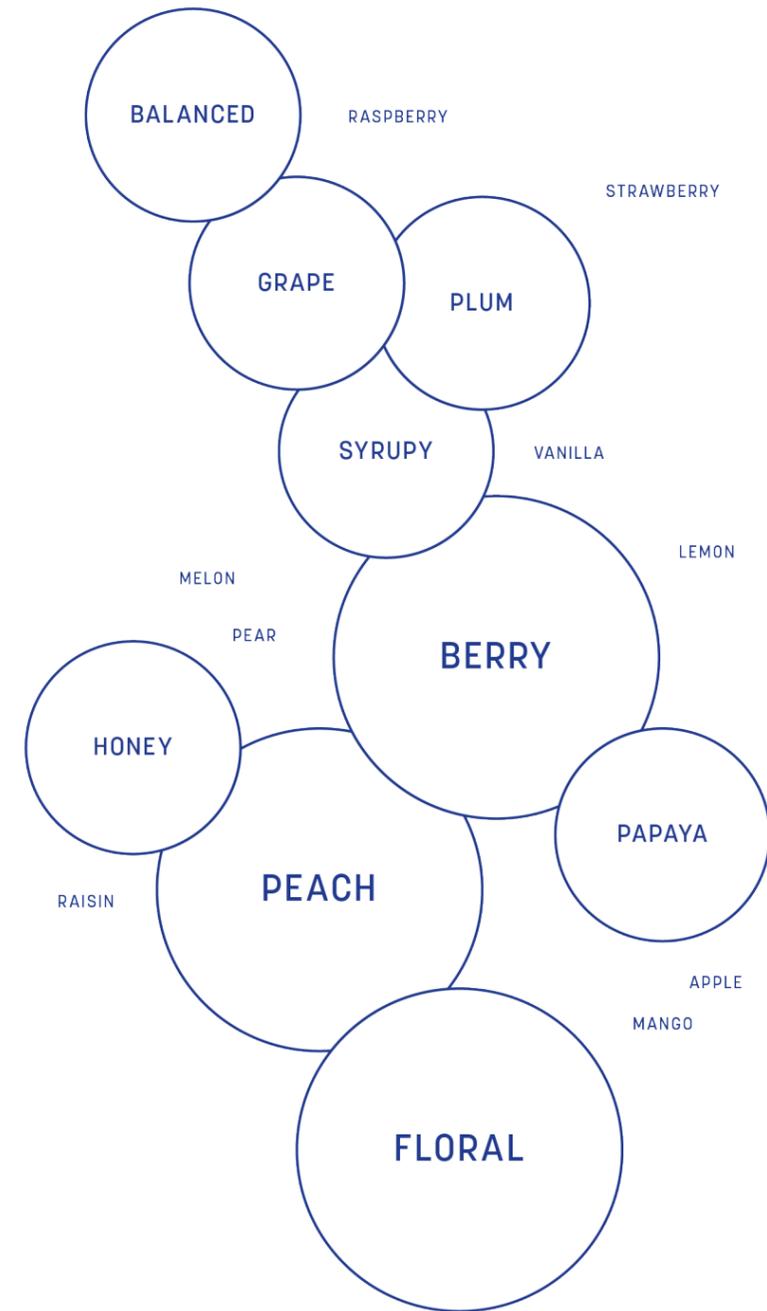
\$6.50/LB USD

Transport, Insurance, Finance Costs

.31/LB USD

Relationship Since

2007 | 13 YEARS



2020 CAUSES AND DONATIONS BY COLLEEN KING

2020 has demonstrated that now, more than ever, it is crucial that the coffee industry comes together to face the current challenges and prepare for the next ones. Coming together in partnership is the only way we'll all be able to thrive in the future. We chose three organizations to support with donations based on the most pressing issues of this year.

\$500

THE CHAIN COLLABORATIVE

We are proud to announce our donation to The Chain Collaborative's 2020 Annual Campaign for a Rapid Response Fund for local leaders in coffee communities. The Chain Collaborative is a non-profit that invests in Change Leaders in coffee-growing regions to drive grassroots, sustainable development in their own communities.

While the coffee industry - and agriculture in general - has always been subject to the ups and downs of the global market and the impact of climate change, the challenges sparked by the recent pandemic for coffee businesses and non-profits alike have been unprecedented. Coffee farmers around the globe have also felt the impact of the pandemic, as they face decreasing food security and unpredictable demand patterns. We recognize that now is the time to act and prepare for the future. Our contribution to the Rapid Response Fund will prepare their Change Leader partners to provide unrestricted, emergency funding during the ongoing and upcoming crises.

\$2,700

NATIONAL BLACK FARMERS ASSOCIATION

Transparency is at the core of our company. We choose transparency in the name of trust, accountability and equity in a value chain that so often marginalizes the very people who make specialty coffee possible. Our work is rooted in advocacy, and much of that advocacy is listening and amplifying voices that do not have a platform. We stand with BLM and demand justice for the countless victims of police brutality in the United States.

In our commitment to supporting BIPOC and the BLM movement, we donated a portion of our sales in June to The National Black Farmers Association (NBFA). NBFA is a non-profit organization representing tens of thousands of African American farmers and their families in the United States. Their education and advocacy efforts have been focused on civil rights, land retention, access to public and private loans, education and agricultural training, and rural economic development for Black and other small farmers.

NBFA's mission is to encourage the participation of small and disadvantaged farmers in gaining access to resources of state and federal programs administered by the United States Department of Agriculture. Since its inception, NBFA has been a national voice on the issue of farm subsidies, arguing that Black farmers are left out of the massive system of subsidies provided by the government. A 2007 report by Environmental Working Group found a widening gap between subsidies provided to white farmers and those provided to Black farmers.

2020 CAUSES AND DONATIONS BY COLLEEN KING

\$2,500 SAN VICENTE RELIEF FUND

The people and coffees of Honduras are near and dear to us. CCS has been working in Honduras longer than any other origin - 16 years. It was with heavy hearts that we learned of the devastation from two powerful hurricanes, landing within two weeks of each other.

Our partner Benjamin Paz, of San Vicente, created a GoFundMe to help raise money for families impacted. Fortunately, the majority of the farmers we work with every year have been mostly spared. However, severe mudslides, houses washed away, and farm damage are major issues throughout the region with other producer families.

The most severely impacted community of San Jose de Oriente, with more than 4,500 residents, are without water and power, with their main road severely damaged. 1,500 people have been directly affected with nearly 100 homes damaged. The mountain the community of Las Quebradas has been entirely displaced by current and threatening landslides, leaving 25 families houseless as they are seeking shelter with their neighbors in the community of Las Flores.

Local support, basic resources, and the restoration of dangerous roads were prioritized by general aid funds. The fund Benjamin put together specifically supports efforts for long term housing and relocation solutions. The Paz family is working tirelessly to provide leadership and support in relocating families and rebuilding lives.

San Vicente partnered with a local non-profit, based in Siguatepeque, called Serve HOPE International. The organization is known for its efficient model for building new homes. The current estimated cost for relocation and building is \$3,000 USD per family. The goal of the fund is to raise \$75,000 for the relocation and rebuilding of homes for 25 families in the Santa Barbara region.

CCS is proud to have donated to this cause, and we wish everyone the region a safe and speedy recovery. We look forward to updates from Benjamin and the San Vicente team soon.



THE PAST AND PRESENT

BY ROBERT WILLIAM THORESEN

Collaborative Coffee Source (CCS) learns from our history of success and failures in equal measures. From an entrepreneurial perspective that is not an unusual legacy. But for a venturesome, visionary and purpose driven coffee company - like we set out to be - any uprise or downfall is felt very real. And it is personal.

We are fortunate to be living and working at a time in history when coffee is showing such beautiful impact and importance in many people's lives, professionally, even fashionably, and offering great opportunities for all of us, like never before. But is that really so?

Call it romanticism or sheer naïveté; the ambition of developing a new business model with a groundbreaking approach, of combining truly transparent sourcing practices and equitable trading principles, making stakeholders commit to each other on a relationship basis - on the shoulders of an old school and commodity driven trading tradition -- has been our challenge, still, our #1 ambition.

When CCS started out with its first exchanges, almost a decade back, we had not envisioned working on a global scale as rapidly as it actually happened. We had built great sourcing partnerships in many origins. Within a few years' time we were working with supportive customer

bases in Europe, North America, Asia (and later in the Middle East), all handled by a small team in Oslo. Later, CCS North America was established to service that market specifically and is operated by a fantastic team that is doing very well, which is benefiting CCS' farming partners in many origins and supporting a great community of roasters in the USA and Canada.

Being a small, independent, privately owned company, with the ambition of changing the specialty coffee trade as we knew it, CCS would never even want to compete with the large international players. Taking over the ownership of green coffee at origin, which is what they do, to later re-sell it requires deep pockets and hedging, by default making it very risky to pay high prices for coffee.

Because CCS wants to reward quality with as high premiums to farmers as possible, a premise for our model is that the coffee is committed to a buyer before its departure from the origin. A few years ago, we built a great team of coffee professionals at CCS HQ in Oslo to execute on this model, but a couple of years later we realized that it was not working out. Not at all.

Engaging roasters in the sourcing process, while trying to build mutually trusting relationships between all the people involved is a time-

consuming endeavor. We did indeed succeed in building many roasters' trust in the quality, and great volumes and prices for our origin partners, but after all the time spent and massive work done, the gross margin that was made in the process did not cover the actual costs. Not even close.

Boom! We had to scale back, which was a tough realization to get to, and painful for everyone involved; colleagues, suppliers, and customers. We sincerely apologize to those who we let down, and we do not take the responsibility or impact of rebuilding, restructuring and repositioning lightly. The necessary and unfortunate situation led us to rethink how we do business in Europe, Asia and the Middle East.

Who knows? When will we be able to travel again and if and when we do, will it be to the same extreme extent, or will we be more discerning in how we spend our time and resources? Shouldn't the term "sustainability" also apply to how we operate our businesses?

Writing this at the end of 2020, a year that has held its own serious challenges, we are going forward with new energy, new ideas and a new approach.

The next chapter is quite promising.



C C S