



SUSTAINABILITY

A CHALLENGE ALL THE WAY FROM THE COFFEE BEAN TO THE COFFEE CUP



2012 FNC Sustainability Report

Content

Part 1 / DISCOVER THE WORLD BEHIND COLOMBIAN COFFEE

COFFEE, MORE THAN JUST AN AGRICULTURAL PRODUCT	6
CHOOSING A GOOD COFFEE	8
COLOMBIA, ORIGIN OF THE WORLD'S BEST COFFEE	10
QUALITY AND SUSTAINABILITY: PROPERTIES OF COLOMBIAN COFFEE	14
HOW TO IDENTIFY A 100% COLOMBIAN COFFEE	16

Part 2 / THE COLOMBIAN COFFEE GROWERS FEDERATION

MESSAGE FROM THE CEO	20
A NOTE ON THE COLOMBIAN COFFEE GROWERS FEDERATION	22
VALUES AND PRINCIPLES THAT IDENTIFY THE FEDERATION	24
A WORK MODEL AT THE SERVICE OF PRODUCERS	26
SUPPORT AND BUSINESS UNITS	31
BRANDS AND SEALS THAT POSITION COLOMBIAN COFFEE	34
THE FEDERATION AS ARTICULATOR OF PRIVATE AND PUBLIC PROGRAMS	36
A UNIQUE AND PARTICIPATIVE GOVERNANCE STRUCTURE	38
FEDERATED COFFEE GROWERS OR THOSE WITH SMART COFFEE GROWER IDS	39
BOARD OF DIRECTORS	41
WHAT IS THE COSO STANDARD?	44
STRATEGIC VALUE ADDED PLAN FOR THE COFFEE PRODUCERS	45

Part 3 / SUSTAINABLE MANAGEMENT OF THE FEDERATION

SUSTAINABILITY AT THE HEART OF OUR STRATEGY	52
RELATIONSHIP WITH STAKEHOLDERS	62
ECONOMIC AND FINANCIAL MANAGEMENT	68
COLOMBIAN COFFEE POSITIONING	70
ENVIRONMENTAL PERFORMANCE	85
THE CONTRIBUTION TO THE FEDERATION COLLABORATORS	90
RECOGNITION RECEIVED FOR SUCCESSFUL MANAGEMENT	97

Part 4 / **SUSTAINABILITY THAT MATTERS**

RENOVATION TO BE COMPETITIVE _____	101
CREDITS AND FINANCIAL SERVICES: MORE OPPORTUNITIES FOR THE PRODUCERS _____	102
ENVIRONMENTAL MANAGEMENT WITH THE PRODUCERS _____	109
STRENGTHENING COFFEE GROWING THROUGH SUSTAINABILITY PROTOCOLS _____	115
INTERNATIONAL SUSTAINABILITY PROTOCOLOS WITH WHICH THE FEDERATION WORKS _____	116
CONECTIVITY AND TECHNOLOGY AL THE SERVICE OF THE COFFEE PRODUCERS _____	120

Part 5 / **THE VALUE GEENRATED FOR THE COFFEE FAMILY AND FOR THE COUNTRY**

COLOMBIAN COFFEE INDUSTRY, A PILLAR FOR THE COUNTRY’S SOCIAL DEVELOPMENT _____	124
--	-----

Part 6 / **HOW THIS REPORT WAS ELABORATED AND GRI TABLE**

MAIN MATERIAL TOPICS _____	139
GLOBAL REPORTING INITIATIVE TABLE OF INDICATORS _____	140



COLOMBIAN COFFEE GROWERS FEDERATION | 2012 FNC SUSTAINABILITY REPORT

A CHALLENGE ALL THE WAY FROM THE COFFEE BEAN TO THE COFFEE CUP

PART 1



DISCOVER THE WORLD BEHIND COLOMBIAN COFFEE

Coffee, more than just an agricultural product

For centuries, coffee has been considered one of the most desirable and versatile agricultural products with a huge impact on millions of communities in hundreds of countries.

Its body, aroma and flavor offer the consumer an experience that goes beyond mere physical pleasure, producing effects that, in many cases, soothe the emotions and complement the social and working life of thousands of people around the globe.

Coffee attributes are derived from special characteristics that range from the type, the conditions and management of the crop, bean processing and monitoring of the harvest, right through to the final product.

More than just a drink, it is the source of income and economic growth for 125 million producers in developing countries. Coffee culture is not limited to a transactional activity, but encompasses the cultural and social aspects of the regions that enjoy the privilege of producing coffee for millions of consumers.

Coffee production is also viewed from an environmental perspective that challenges and proposes high standards linked to the efficient use of natural resources that are vital for the sustainable coffee culture and growth of the producing regions.

Coffee—an everyday use product in many societies—is one of the agricultural products with greatest and fastest penetration in dozens of markets whose consumption continues to expand. Since the XIX and XX

centuries, coffee has been a highly relevant good for international commerce and its exchange has forged links between the so-called “Northern countries”, mainly consumers, and the “Southern countries” in tropical areas that produce the good. In sum, the coffee industry has taken advantage of the increased commercial relations that globalization has brought with it.

It is also worth remembering that a large part of the millions of coffee producers all around the world—following the global agricultural production patterns—own small lots that are no bigger than 5 hectares, on which they produce relatively small quantities. It is not common for a consumer to be able to drink coffee from a particular farm. Thus, the small producers’ ability to connect with each other and develop common practices also differentiates them from coffee cultures around the world.

All of the above places coffee as a special agricultural product, whose quality is a result of the optimal combination of different variables including the seed, the plant, and the agroclimatic conditions where it grows, its harvest and post-harvest processes. For this reason, rigorously valuing the quality of a good coffee, it is impossible to forget the different actors involved throughout the coffee chain, the special conditions granted by its origin, and the dimensions of the environmental and social sustainability of its surroundings.





Choosing a good coffee

Increasingly more people in the world are beginning to understand that coffee is much more than just a drink, and they know about the direct link between its origin and quality. More and more coffee consumers seek to have a more meaningful experience of the drink that is not limited to its flavor and quality, but also carries information and understanding about the product they are consuming.

There are a number of indicators that all consumers can bear in mind and that can be useful when it comes to considering that a coffee is of premium quality:

- **Origin of the coffee:** by knowing where a certain coffee comes from, it is possible to easily identify other characteristics that affect the quality of a good coffee such as the species and the way in which it has been cultivated, the altitude, average temperature and the type of soil in which the plant has grown. The tradition and experience of the coffee growers, their trajectory and practices that guarantee the quality of their product also play an important role.
- **Body and acidity:** when tasting a coffee, the consumer can sense the key organoleptic characteristics such as body or acidity (a high degree of acidity is recommended for people who prefer milder coffees) as well as specific notes associated with painstaking selection and control processes.
- **Aroma:** this is part of the quality indicators that can be experienced when the drink is being prepared and which bring about highly stimulating sensorial connections for the consumers who are on the path to recognizing coffee as an experience that integrates elements additional to its flavor.
- **Taste memory:** related to the flavors that can be perceived in each sip of coffee. The consumer can experiment—depending on the origin, variety and type of coffee—flavors that are reminiscent of caramel, chocolate, nut or certain fruits.
- **Aftertaste:** this is the flavor that lingers on the taste buds once the coffee is finished, which, in the case of a good coffee, is exceptionally prolonged, and as such enriches the experience.

RECOMMENDATIONS FOR CHOOSING A GOOD COFFEE

Arabica coffees grow at higher altitudes and are subject to a careful process of selection and post harvest processing.

1

2

Not all Arabica coffees are mild, but all the mild Arabica coffees are “washed Arabicas”. This process consists in separating, by wet processing, the coffee bean from pulp and fruit residues before they are able to affect the bean’s flavor.

3

Washed Arabica coffees planted above 1.200 m.a.s.l. provide different sensations and are considered Mild coffees. The altitude grants them higher diversity in terms of flavor and acidity, which are, in turn, highly valued by specialists.

4

Behind a cup of coffee, there should be an environmental protection scheme including a concern for sustainability and social impact.

5

Recognize and ask about the origin so that you can reward the efforts of the producer and, through purchase, value the work and passion behind the production of a premium quality coffee.

Colombia, origin of the world's best coffee

The Colombian mountains offer the world an incomparable coffee, whose quality goes beyond any standard. This clean cup product with relatively high acidity, mild, balanced body and pronounced aroma has a historically recognized profile of unbeatable quality.

The quality of Colombian coffee can only be achieved as a result of planting species and varieties that respond to the characteristics of a high mountain environment, with a rich variety of soils and climatic conditions. Also important to the quality and characteristics is the special care that the Colombian producers put into the whole production process, from planting to gathering and through to the harvest.

The Colombian coffee zone encompasses approximately 3.5 million hectares and extends almost over the whole of the country's mountainous territory. Its altitude ranges from 1200 to 1900 m.a.s.l., where the crop can grow in highly favorable conditions.

Two other very relevant factors of the Colombian coffee zone that potentiate the excellent quality of the coffee are the climate and the soils.

The country's proximity to the equator means that solar radiation influences the temperatures in the mountainous regions resulting in microclimates that oscillate between optimal temperature ranges for the coffee plants. Also the vast contrasts between night and day temperatures lead to the production of sugars and elements that will later bring about the coffee's acidity and balanced body.

The soil in the Colombian coffee regions is naturally fertile. Most is made up of volcanic ashes, which contain trace elements such as zinc or boron. This reduces the need for fertilizers compared to many other producing countries.



It is these mountains and these soils that are home to 560 thousand coffee producing families in Colombia, whose average plantations are slightly bigger than 1.6 hectares. The producers are communities of indigenous peoples, the descendants of European immigrants, mestizos, and Afro-Colombians who make up around 600 rural communities distributed in the Colombian Andes. These producers have united around common practices to improve quality, and collective action mechanisms aimed at sustainability projects that—as we will see throughout this report—also contribute to making Colombian coffee exceptional.

Within the framework of this collective effort, the Colombian coffee industry has become a global reference point as a pioneer in the development of a quality control system that has transcended thousands of producers and that includes, among other things, the adoption of minimum standards applicable to export

quality coffee, the application of scientific knowledge in the selection of varieties and seeds, and supporting the producers with technical assistance through the FNC rural extension service.

Colombian coffee has to fulfill the minimum quality parameters verified in laboratories and ports before the coffee can be shipped to different continents that are part of its route.

These verifications corroborate the quality from when the bean leaves the farm through to the export point, and fulfill the guarantee of origin regulations for roasted coffee that is distributed by brands around the world.

All these processes, allow us to provide the world with an exceptional, serious and trustworthy product that captivates even the most demanding of palates.



ATTRIBUTES AND ELEMENTS THAT GIVE COLOMBIAN COFFEE ITS UNIQUENESS

Balanced body: which intensifies its particular flavor. This attribute is linked to the beans' oils and other substances produced during treatment.

Mildness: Colombia produces 100% washed Arabica coffee, which grows at altitudes that oscillate mainly between 1200 and 1900 m.a.s.l.

Less caffeine. The caffeine content of Arabica species—between 0.9% and 1.5%—is relatively low.

Variety selection: Colombian scientists have tested the Arabica varieties planted in Colombia from different angles. They are: Typica, Bourbon, Tabi, Caturra, Colombia, Castillo® and their regional varieties. Those recommended among them are those that are disease resistant (for example, rust-resistant) and those that are better prepared for climatic variability, such as the Castillo®.

High acidity: This attribute is associated to the dryness effect of coffee on the palate and the sensation the drink produces is a key differentiating element. The special characteristics of Colombian temperature and soil, complemented by the selection processes generate sugars and elements that directly affect its particular acidity and, in turn, its characteristic mildness.

Special taste: this is the consequence of the perfect union of optimal acidity, aroma and body giving way to caramel, chocolate, fruit or almond flavors, according to the particular case.





Optimal mountain environment: the Colombian coffee zone spreads over regions where the soil is predominantly made up of volcanic sedimentation, rich in elements, and where the average temperature mostly oscillates between 19 and 21.5 degrees centigrade. These exceptional conditions are reflected in the quality of the final product.

Care and selective harvesting, quality guarantee: over the generations, the Colombian coffee growers have developed an obsession for perfection. This is reflected in the painstaking execution of their, mainly manual, work, in each phase of the productive and post-harvest processes. For them, coffee is a culture and a legacy, much more than a mere commercial product.

Backing the Product: behind Colombian coffee is the science of Cenicafé, the work of the Extension Service and the quality control applied to guarantee origin and differentiation for clients around the world.

Contribution to social development and pacification: coffee occupies first place as the agricultural product that generates the most income and work at rural level in Colombia. Therefore, it has a huge impact on the country's agricultural growth and stability.

International coverage and recognition: In 2012, there were more than 588 brands of coffee marketed around the world that were part of the 100% Colombian Coffee Program. The United States is the biggest consumer of Colombian coffee, and for 50% of its consumers, Colombian coffee is recognized as the best in the world.

Quality and sustainability: properties of colombian coffee



The roasted coffee distributed in shops and supermarkets is usually elaborated based on a mixture of different origins. Unfortunately, the effort and meaning behind what goes into producing a cup of coffee is not frequently recognized when consumers are unaware of where their coffee comes from.

In Colombia, coffee is part of the national culture. To savor a unique cup of coffee whose quality goes beyond any standard, it is important to remember that it is the result of the passion and work of many people who contribute to guaranteeing the promise of quality, which is difficult to reproduce with any other coffee origin in the world.

First, research into and the development of the varieties grown in Colombia is undertaken by the National Coffee Research Center known as Cenicafé,

which is considered one of the most advanced of its kind in the world.

In order to apply these technologies and execute technical, social, financial, environmental programs, the Colombian producers can rely on first level technical assistance and accompaniment known as the FNC's Extension Service. The producers apply the practices recommended during planting and post-harvest (depulping, washing and drying the coffee cherries). All of these activities require meticulous care, which is personalized throughout the productive chain and lead to further differentiation.

It is not just quality that makes Colombian coffee unique, but also the permanent collective effort that goes into its sustainability efforts. The impact caused by the insertion of hundreds of thousands of coffee growers into the international markets with such a high

quality product has led to an important development in the country's rural communities. When the 560 thousand producers act under the umbrella of the Colombian Coffee Growers Federation (FNC) they have been able to contribute—together with their organization—to the promotion of a quality and sustainability culture in the Colombian rural areas. This report provides many examples of initiatives such as the 129 thousand producers who fulfill strict international sustainability protocols, **the over 13.820 thousand coffee producers trained in business management over the past year**, the renewal of 117 thousand hectares of coffee plantations that are better adapted to climate change and variability, and the rural roads and infrastructure built by this unique organization throughout its history.

In the social environment, coffee also plays a major role in the rural context in Colombia. In the midst of the violence that affects many of the country's rural communities, coffee has undoubtedly been a social and economic stabilizing factor that has significantly contributed to the pacification of the country's coffee region. The coffee growing areas present a stronger social fabric, greater presence of and access to support programs, and a greater capacity to develop fruitful relationships with different local, national and international actors. This ability to generate positive collective action speaks of the importance of the FNC and its Coffee Growers Committees around the country. It is through these institutions that the producers generate and take advantage of the tools they need to improve their economic conditions and their individual and community quality of life.



How to identify a 100% colombian coffee

A brand that portrays the 100% Café de Colombia logo is not blended with other origins and produced using only the best coffee in the world.

Behind Café de Colombia is the presence of the Colombian Coffee Growers Federation as a unique organization which groups together, represents and works to improve the quality of life of the country's coffee producing communities. The FNC focuses on guaranteeing the quality, authenticity and consistency of the product all the way from the coffee bean to the coffee cup. It is also dedicated to obtain more and better commercial opportunities for Colombian coffee in the global market, promising clients and consumers a guarantee of origin that is different to any other coffee growing region in the world.

To promote and communicate the special attributes of 100% Colombian coffee, the Colombian Coffee Growers Federation created the Guarantee of Origin Program through which it certifies that the product really originates in the Colombian coffee zone and, therefore, fulfills all the superior quality standards expected from Colombia.





The ingredient Brand logo—Café de Colombia—identifies the origin on packaging that contains 100% Colombian coffee, guaranteeing quality and pointing out that its distributor shares the values and the culture of the hard and passionate work of the country's coffee producers. A number of other seals also guarantee origin, such as the Colombian Coffee Denomination of Origin or the EU's Protected Geographical Indication, which also ensures the authenticity of 100% Colombian coffee.



PART 2

THE COLOMBIAN COFFEE GROWERS FEDERATION

Message from the CEO

We are pleased to present the 2012 Sustainability Report of Café de Colombia and the Colombian Coffee Growers Federation. Based on the suggestions and recommendations from our customers, various stakeholders and coffee producers from around the country, we changed the structure of the report in order to make it easier to read. We are issuing two formats: a long version and two shorter ones that address the most relevant issues to consumers and to Colombian coffee producers.

As far as Federation activities are concerned, we are pleased to report that in 2012 our organization, once again, increased the contributions of coffee producers **over 3.4 times**. Our reputation for professionalism and transparency has allowed us to partner with local and global entities in order to implement projects that generate additional funds.

Thanks to the Federation's ability to swiftly pass from a stage of assessment to one of implementation and of collective and effective action, the total value of the initiatives associated to our Sustainability that Matters programs—including producers' in kind and farm contributions—reached USD\$ 409 Million (COP **\$736** billion) in 2012.

2012 will undoubtedly be remembered as the year when the effects of La Niña phenomenon, which ravaged our country for almost three consecutive years, came to an end. The resulting rains significantly affected crop productivity, and consequently, the amount

of harvested coffee. Our institutional goal and main strategic objective during 2012 was maintaining our consistent and coherent efforts to adapt Colombian coffee growing to climate change and variability. We were able to maintain a coffee plantation renovation pace that reached over 117 thousand hectares, the majority of which were planted with rust resistant varieties. The so-called immunization of Colombian coffee trees against the fungus—which began to affect other mild Arabica coffee producing countries by the end of 2012—will undoubtedly constitute one of the main sustainability factors for Colombian coffee production in upcoming years.

This effort is crucial in terms of productivity. During the past few years we planted the coffee park of the upcoming decade with more resistant and productive varieties. They will be more productive during their young cycles and will strengthen the income of producers.

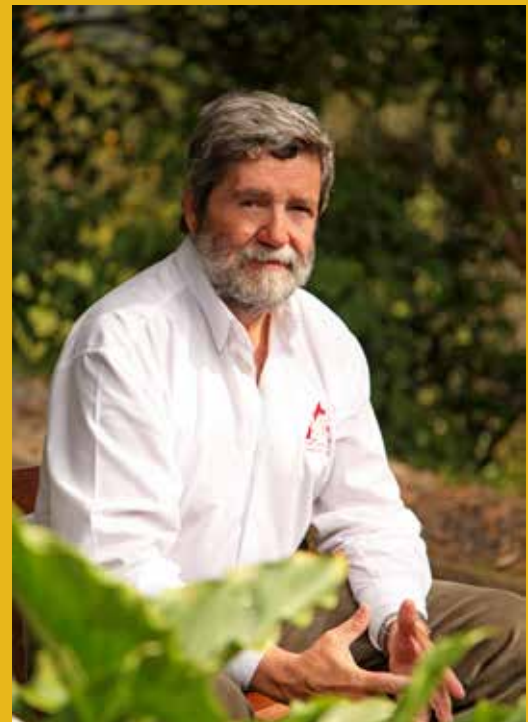
Despite the good news in terms of productive restructuring and adaptation to climate change, 2012 will also be remembered as the end of a cycle of high prices that was very favorable for producers. While coffee production recovery was on its way, the international prices began to drop. Combined with the appreciation of domestic currency against the US dollar, this led to a fall in domestic coffee purchase prices.

This had very negative effects on the profitability of coffee production. Coffee leaders soon expressed

their concern to various Colombian government bodies. The first subsidies to coffee grower incomes were distributed by the end of October and we hope this measure will be strengthened over the following months.

Thus, although there is uncertainty as to what 2013 will bring in terms of coffee prices, the fact that productivity is likely to return to its historical levels raises encouraging expectations. We hope that the expected increase in productivity will mitigate the impact of falling prices.

The upcoming cycle of low prices will surely generate tension and uncertainty. However, the work we have developed prepares us to face the situation with confidence, higher production and competitiveness. When it comes to an end, Café de Colombia and its producers will be stronger thanks to the strategic investments of the past few years.



A handwritten signature in black ink, reading "Luis Genaro Muñoz Ortega".

Luis Genaro Muñoz Ortega
CEO
Colombian Coffee Growers Federation

A note on the colombian coffee growers federation

Managed with passion in the interest of colombian coffee

Coffee is the one agricultural product that has historically been responsible for the most important social, economic and even cultural developments in Colombia. For years, it has also represented undeniable commercial opportunities.

From the beginning of the XX Century, Colombian coffee growers saw the need to create an organization to represent them national and internationally, and that would ensure their wellbeing and the improvement of their quality of life. This need gave birth to the Colombian Coffee Growers Federation (FNC) in 1927.

The FNC is a non-profit institution that combines a business approach, national and international fundraising, and grower representation aimed at wellbeing for the producers and their families through the provision of public goods. It is constituted by coffee producers all over the country and their leaders who are elected among the federated coffee growers. These federated coffee growers who carry their Coffee Grower Smart Cards (Cedula Cafetera) elect or are elected in the organization's different layers of representation such as the Departmental and Municipal Coffee Growers Committees. Coffee elections take place every four years through a democratic process in which the members of 15 Departmental Coffee Growers Committees and 366 Municipal Coffee Growers Committees are elected. The National Congress of Coffee Growers meets once a year and is made up of the members of the 15 Departmental Coffee Grow-

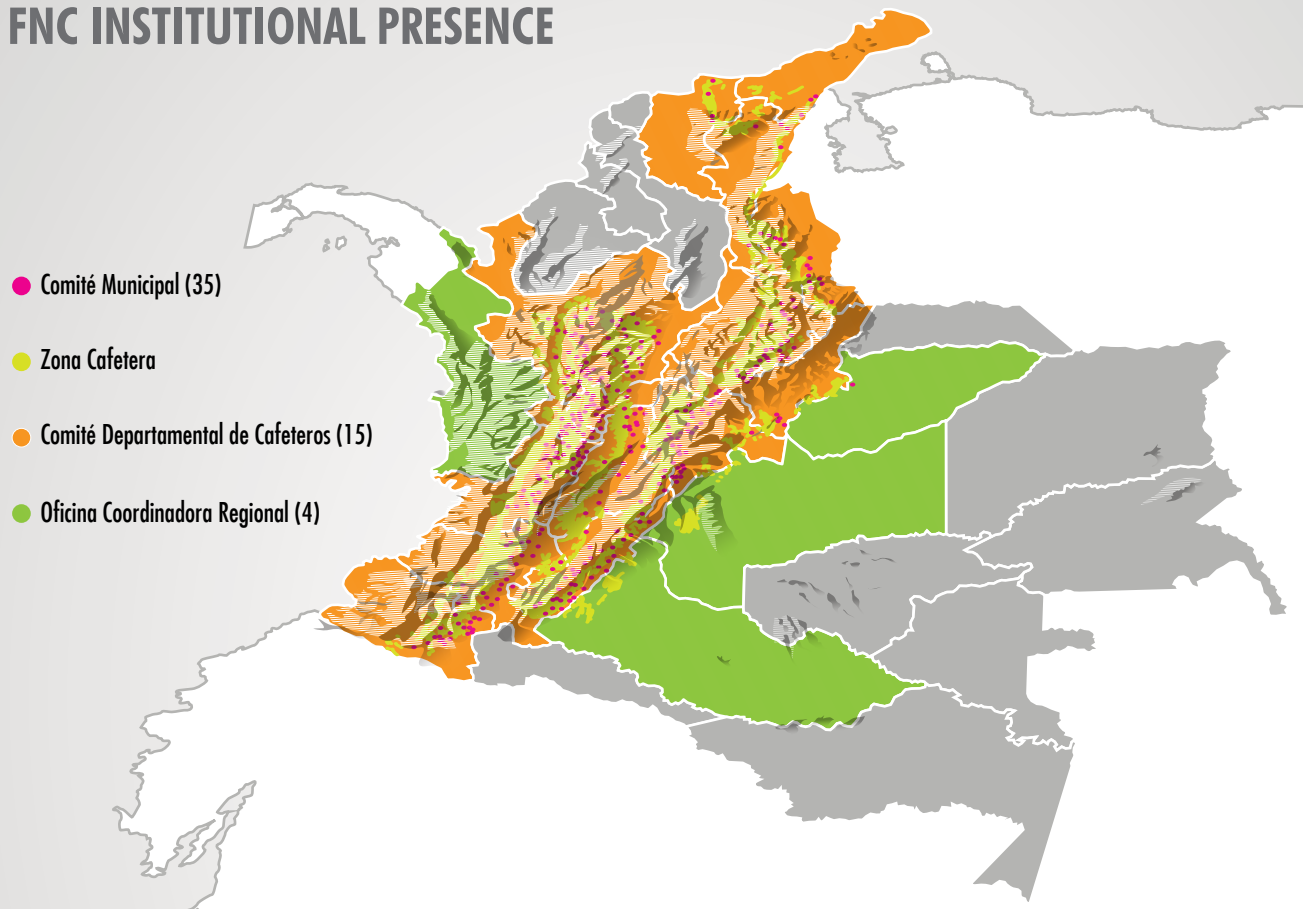
ers Committees, who, in turn, name the Federation's Board of Directors and its CEO.

The Federation's main aim is to guide, organize and promote the Colombian coffee industry assuring the wellbeing of the coffee growers through collaboration mechanisms, participation and the promotion of an economic, scientific, technological, industrial and commercial initiatives, seeking to maintain the strategic social capital of the country's coffee growing communities.

To successfully undertake these ambitious goals, the Federation is present in most communities in the coffee growing areas. Its headquarters are in Bogotá and its administrative branches—the Departmental Coffee Growers Committees—in the capital cities of 15 Departments. The Federation relies on more than 1.500 professional technicians that belong to its Extension Service and who provide technical assistance to the producers. These Extension Agents support and advice producers in topics related to their plantations and quality processes.

Another part of the FNC is its Cenicafé research center. It also manages and operates the Buencafé freeze-dried coffee plant and is also present in the exportation ports where Colombian coffee is shipped. Its initiatives and investments also include the Manuel Mejía Foundation, focused on the educating and training producers and collaborators; Almacafé, which is in charge of logistics and quality control at

FNC INSTITUTIONAL PRESENCE



the ports; the National Coffee Park that seeks to increase coffee tourism, and Procafecol which operates and generates value added around the [Juan Valdez®](#) Café shops.

As the legitimate representative of the interests of the producers—thanks to its democratic and inclusive mechanisms—the Federation manages the National Coffee Fund, which is an account in which the collective savings of the producers are deposited to then be used for the provision of public goods for their benefit, independently of whether they are federated or not. The public goods include research, the extension service, productive transformation, promotion and positioning, purchase guarantee, and connectivity. To provide them, the FNC seeks alliances with national and international entities for the development of programs and projects leveraging the contributions of producers.

Values and principles that identify the Federation

From the beginning, the Federation has maintained its commitment to the sustainability of coffee growers. Its mission has been the same for over 85 years: to guarantee the wellbeing of Colombian coffee growers through an effective organization, which is also democratic and representative.

Commitment, responsibility, leadership and honesty are the fundamental pillars that allow our collaborators to be an active part of the Federation.



BASIC PRINCIPLES

A FEDERATION COLLABORATOR IS DISTINGUISHED BY FULFILLING THE FOLLOWING CRITERIA:

Commitment

To ensure the wellbeing of the coffee growers in each decision to be made.

The common good

To be willing to give up an individual benefit for an option that benefits the greater good of the coffee growers.

Responsibility

To assume the consequences of his or her own actions.

Leadership

To have the ability to produce positive influences both internally and externally.

Discipline

To follow previously agreed norms and procedures and respect decisions even if he or she does not agree with them.



Creativity

To have a positive attitude in terms of changes and to seek out new alternatives (innovation).

Proactivity

To always have a positive and active attitude in terms of tasks and duties.

Honesty

To act correctly and to use resources for exactly what they have been destined.

Transparency

To act openly and make decisions with the open knowledge of all stakeholders.

A work model at the service of producers

The Federation's work model is aimed at maximizing and stabilizing the income of the producers and maintaining their competitiveness through the provision of public goods, available for the whole sector.

In terms of the production of coffee cherries, the coffee growers receive the benefits of the research undertaken through the technical assistance provided by the FNC's Extension Service, which includes access to productive transformation and increased productivity and competitiveness programs. Once the producers sell their coffee to the Cooperatives or to third parties, they benefit from the purchase guarantee policy allowing them to obtain the highest possible market price strengthening their negotiating capacity in local markets.

The FNC also develops a positioning strategy for Colombian coffee through its subsidiaries, offices abroad, brands and campaigns. The aim of this strategy is to build consumer loyalty all over the world and, through differentiation strategies, overcome the commodity trap that affects coffee as a commodity. Similar and more recently, the FNC has implemented digitalization and connectivity strategies to promote more and better services in the rural zones.

As illustrated in the following diagram, from the perspective of a coffee grower, the FGNC structure operates from the farm with direct support and extends through to the commercialization of the processed coffee. Even though the coffee acquired by the Cooperatives can be sold to third parties or follow in the institutional structure by being sold as green coffee to be exported or processed in the Buencafé freeze-dried coffee plant, the benefits transcend to all the producers given that they all benefit from the competition and innovation exercised by the FNC in hundreds of local markets. To undertake this complex task, a series of strategies and actions have been developed, which are backed by support and business units.

In this sense, investment in public goods is undertaken using the incomes derived from the coffee contribution (the producers' collective savings), the green and processed coffee retail margins, and the royalties from the Juan Valdez brand®. In addition, the Federation manages complementary funds through national and international cooperation programs in order to leverage and complement the resources provided by coffee growers.

FOLLOWING ARE THE MAIN FNC ACTIVITIES PROVIDED AS PUBLIC GOODS TO ALL COFFEE GROWERS:

- **Productive transformation:** actions focused on consolidating a productive and competitive coffee industry.
- **Technical assistance:** provided through the FNC's Extension Service made up of agronomist technicians that support the producers to ensure quality and the use of the best productive practices, as well as the implementation of business management, technology transfer, specialty coffee, competitiveness and credit programs.
- **Scientific research:** developing appropriate technologies and knowledge through Cenicafé that are competitive and sustainable, to increase productivity, competitiveness and profitability and, in turn, contribute to the wellbeing of Colombian coffee growers.
- **Purchase guarantee:** guaranteeing that the coffee growers can permanently sell their beans at transparent market prices, close to their farms, in limitless quantities, and be paid in cash. This reduces their transaction costs and induces competition in the local markets of the 588 municipalities where coffee is produced in Colombia.
- **Quality control for exports:** this activity contributes to the institutional policy of differentiation and backing of the product to ensure the reputation of Colombian coffee and the generation of premiums in favor of all the coffee producers. It is complemented and strengthened by the Colombian coffee origin protection legal systems and the product certification schemes developed by Almacafé, through CAFECERT.
- **Promotion and positioning:** includes the implementation of Brand and marketing strategies to create value added for the producers, and actions to defend the origin and positioning of Colombian coffee as the best in the world.
- **Investment in social fabric:** permanent programs and investments for the development of the producers and the rural communities in the coffee zones.
- **Connectivity:** Generate access and digital content aimed at the producers.

FUNDING OF PUBLIC GOODS

Coffee contribution / Profits from the sale of green and processed coffee / R

Social Investment	Productive management Scientific research Extension service	Purchase guarantee	Quality Commer
			
FNC Third party cooperation	Cenicafé Extension service Manuel Mejía Foundation	Coffee cooperatives Almacafé Sales management	Alma Sales man

BUSINESS UNIT

This work model is based on the coffee producers—who are the main beneficiaries—and, in turn, who are also making the decisions when it comes to setting out the priorities, the challenges and strategies of the Colombian coffee industry in the National Congress of Coffee Growers. This decision making processes are complemented with a transversal organizational structure that allows for a regional presence and local autonomy which leads to greater efficiency and transparency in its mission to ensure the wellbeing of the coffee producers and their families.

The FNC structure is therefore composed by a Directory, Departmental Committees and an administrative structure in each of the regions.

yalties

control
specialization

Positioning
Profits



Processed coffee and
final consumption

Exported green coffee



Processed coffee



café
management

Marketing (brands)
Offices abroad
Procafécol / Buencafé

TO FIND OUT MORE ABOUT THE FEDERATION'S
MANAGEMENT WITH THE PRODUCERS AND INVESTMENT
IN SOCIAL FABRIC, TURN TO CHAPTERS 3 Y 4

TO FIND OUT MORE ABOUT CORPORATIVE GOVERNMENT
AND THE STRUCTURE OF THE COLOMBIAN COFFEE
GROWERS FEDERATION PLEASE TURN TO PAGE 38

PROMOCIÓN DEL CAFÉ DE COLOMBIA

- Colombia es el origen de café más reconocido en el mundo.
- Las Tiendas Juan Valdez Café y los proyectos de valor agregado sirven como vitrina para dar a conocer los mejores cafés colombianos.



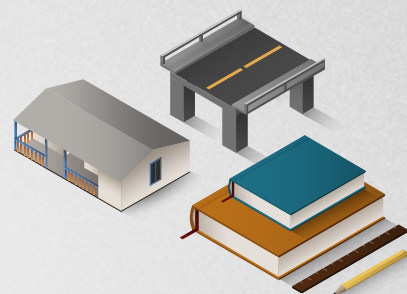
GARANTÍA DE COMPRA

Compra del café a un precio transparente de mercado, cerca de la finca, en efectivo y todos los días del año



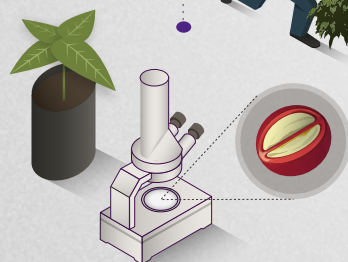
INVERSIÓN SOCIAL

Programas e inversiones permanentes para el desarrollo de comunidades rurales



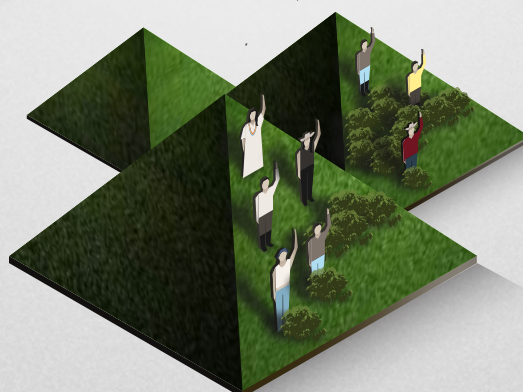
AHORRO COLECTIVO

PARA ACCEDER A BIENES PÚBLICOS



INVESTIGACIÓN Y ASISTENCIA TÉCNICA

- Innovación y desarrollo al servicio de los cafeteros
- Más de 1,500 técnicos y agrónomos transfieren el conocimiento científico a los cafeteros



FEDERACIÓN NACIONAL DE CAFETEROS DE COLOMBIA

Aporta al desarrollo de una Colombia productiva alrededor del café, siendo parte de la solución y trabajando por el progreso del país y de los cafeteros



Support and business units



SUPPORT UNITS



The Colombian Coffee Growers Federation has subsidiaries and support units that together provide services for the coffee growers to increase the participation of Colombian coffee in the market and promote the development and growth of the coffee community in general.

FONDO NACIONAL DEL CAFÉ (FoNC)

BUSINESS UNITS

ENTIDADES ADSCRITAS A LA INSTITUCIONALIDAD CAFETERA

PROCAFE



COOPERATIVAS DE CAFICULTORES

Buencafé
Liofilizado de Colombia



Almacafé S.A: Created by the Federation in 1965, to provide logistical services and promote the effective management of the internal coffee marketing chain.

Buencafé Colombian freeze-dried coffee: An industrial operation created using funds from the National Coffee Fund, in order to generate value added for the producers by taking advantage of the co-products generated in the dry milling process. The Buencafé facilities have the capacity to process around 11.500 tons of freeze-dried coffee every year, and are considered one of the biggest and most technified freeze-dried coffee plants in the world.

Cenicafé: the National Coffee Research Center, Cenicafé, was created by the FNC to develop scientific knowledge of the crop, and the conservation of the natural resources in the coffee zone.

Coffee growers cooperatives: promoted by the Federation, these are solidarity based financial organizations that belong to the coffee growers. Through them, the FNC exercise the [purchase guarantee policy](#). The cooperatives also provide other services to their members such as the sale of fertilizers, agricultural supplies, provisions and groceries, transport and credits, among others. In 2012, there were 34 Coffee growers cooperatives present in 536 purchase points.

FoNC: National Coffee Fund is a parafiscal account created in 1940 that is maintained by the coffee contribution financed by the producers. The contributions are received when coffee is to be exported and, according to Colombian legislation, they constitute parafiscal resources. By delegation of the Colombian government, these resources are managed by the

Colombian Coffee Growers Federation, and are used only for the benefit of the producers.

Manuel Mejía Foundation: provides education and training opportunities for the rural communities, mainly agricultural workers with low levels of education. As well as having vast experience of presential methods, the Foundation specializes in distance learning and virtual training for adults.

National Coffee Park: is a thematic park that seeks to strengthen tourism and value added around coffee. The park was founded by the Colombian Coffee Growers Federation and the Quindío Departmental Coffee Growers Committee and is destined to the preservation of the cultural and historic heritage of coffee in Colombia.

Procafecol S.A: is a private anonymous society in which the Colombian Coffee Growers Federation, the World Bank's IFC and 18.714 individual coffee producers participate as shareholders. Its main activity consists in marketing Colombian coffee (roasted, ground and whole bean coffee) and creating coffee shops for direct administration or through third parties, who use the portfolio of Juan Valdez signature brand® products. This portfolio is a display window of the different options of Colombian coffee for the clients and consumers around the world, easing the entrance of Colombian coffee into the higher value segments. As part of its offer of value as an inclusive business, Procafecol and its subsidiaries pay the National Coffee Fund royalties for the use of the [Juan Valdez brand®](#) to contribute to the funding of public goods for the coffee producers. Between 2002 and 2012, Procafecol transferred USD\$17 million (COP\$32 billion) to the FoNC for royalty payments.





Brands and Seals that Position Colombian Coffee

Colombia produces and exports a significant quantity of coffee to dozens of countries. The purpose of the FoNC marketing portfolio managed by the Federation, is to position Colombian coffee in the mind of clients and consumers as a superior quality coffee, associated to good environmental and social practices in its cultivation. Thus, industrial clients are encouraged to buy Colombian coffee and market brands elaborated based exclusively on 100% Colombian coffee, which guarantees, through differentiation and positioning, the best prices to the national producers and greater investments in public goods.

This portfolio is made up of 1983 trademark registrations distributed in over 140 countries around the world.

The main efforts in terms of positioning undertaken by the Federation are aimed at the following brands, licensed on different continents to industrial and specialized clients:

CAFÉ DE COLOMBIA

Global ingredient Brand with emphasis in North America and Western Europe



This Brand is implemented under an "Ingredient Brand" strategy and acts as a symbol that supports the quality and origin of 100% Colombian coffee brands around the world. **In December 2012, around 1.430 third-party coffee references in the world had the Café de Colombia Logo as their ingredient brand.**

In addition, Café de Colombia, as a protected origin product, has been awarded the following recognitions:

Certification marks: In the United States and Canada.

Protected Denomination of Origin –

PDO: Identifies and protects the green and processed coffee produced in the Colombian coffee zone. The PDO is recognized in Colombia and the CAN nations.

Protected Geographical Indication– PGI:

Identifies and protects all the excellent quality green and processed coffee produced in the Colombian coffee zone. The PGI was recognized by the European Union.

Regional Protected Denominations

of Origin: as a segmentation strategy complementary to the origin protection initiatives, the Federation promoted the recognition of Regional DOs. The DO Café de Nariño and DO Café de Cauca were recognized at the end of 2012.



JUAN VALDEZ

Global product Brand with emphasis in Colombia, North America and Latin America

This Brand is implemented under the “product Brand” strategy based on the endorsing signature of the Juan Valdez character, representative of the Colombian coffee producers. The Brand identifies the Juan Valdez Café products and establishments aimed at consumers, which make royalty payments to the FoNC for the use of the Brand name. These funds are used to help finance the public goods provided by the Federation for all coffee producers.

“The Juan Valdez brand is becoming one of the most recognized at national and international levels, thanks to the expansion and the management of the franchises. The brand has contributed to increasing coffee culture and strengthening awareness about Colombian coffee in the world.” *Café en Colombia - Euromonitor 2013.*



Juan Valdez Café



EMERALD MOUNTAIN®

Brand with emphasis in Asia, Japan and Korea mainly

This Brand is implemented under the “Ingredient Brand” strategy, and has an innovative quality and product concept in the ready-to-drink modality.



PAISAJE CULTURAL CAFETERO - PCC

Global ingredient Brand with emphasis in Colombia and Asia

This Brand is implemented under the “Ingredient Brand” strategy and identifies coffee from the 51 municipalities that make up the Coffee Cultural Landscape declared by Unesco as a World Heritage Site. Its use is regulated by the rules agreed upon with the Colombian Ministry of Culture and other actors in the region.

CAFÉ Buendía

Global product Brand with emphasis in Colombia and Ecuador

Buendía is a Brand leader in the category of freeze-dried coffee in Colombia and it is used to identify the freeze-dried coffee produced and marketed by Buencafé freeze-dried coffee in certain markets.



The federation as articulator of private and public programs

To achieve an optimal and impartial administrative management, a number of instances have been created—articulated by the Federation—that supervise the development of public-private programs to benefit the coffee producers and society in general.

National Coffee Fund – FoNC

Since the founding of the Federation, the Colombian coffee growers understood that their successful insertion in the international market depended on the use of their collective savings to the provision of services that would contribute to improving their ability to compete in international markets.

In 1940, with the backing of the Colombian Government, the National Coffee Fund (FoNC) was created. Subsequently, it became one of the main funding instruments for the execution of the Colombian coffee policy, and its resources were used to strengthen the sector, build public goods and community infrastructure and optimize the entry of the producers to the market.

The execution and administration of FoNC resources is subject to fiscal controls undertaken by the Office of the National Comptroller General, in charge of verifying the adequate fulfillment of the Fund's management contract and integrity in the management of the parafiscal resources that are part of the Fund.

Finally, through the Federation statutes, various resolutions and the National Coffee Fund's contract, the compliance and incompatibilities policy was established for the National Congress of Coffee Growers delegates and FNC employees, the members of the Board of Directors and those of the Departmental Committees in charge of contracting. This to guarantee transparency insofar as their actions and the avoidance of conflicts of interest in the contracting of personnel.

Government Collaboration through the National Coffee Growers Committee

The National Coffee Growers Committee is made up by the members of the Federation's Board of Directors and the Ministry of Finance, Agriculture and Commerce, and the Director of the National Planning Department. The Committee provides a space whereby the coffee industry and the Colombian Government can negotiate and reach agreements in terms of relevant coffee policies such as:

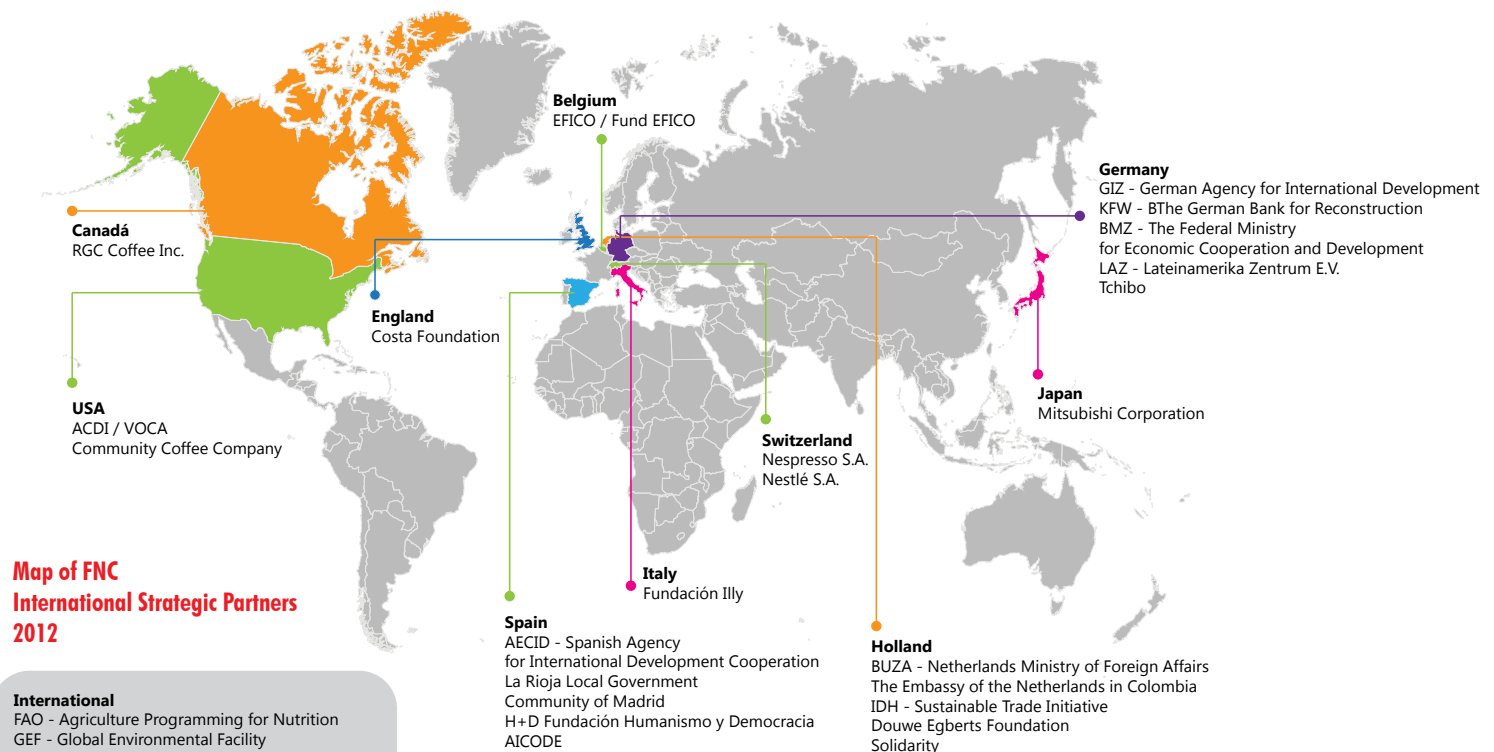
- Guiding the coffee policy in terms of international relations.
- Fulfilling the duties and exercising the attributions assigned through the Federation's contracts

with the Nation, in particular, those derived from the administration and management of the National Coffee Fund.

- Ensuring compliance with legal provisions that favor the producers and the coffee activity, understood as the production and marketing of the product and its supporting and complementary activities.
- Adopting and managing, before official and private entities, efficient means to ensure the development and defense of the wellbeing of the producers and of the coffee industry in general.

The International Financial Cooperation's management of funds

The consolidation of the Federation has brought with it the creation of strategic alliances with 30 international partners from 10 European, North American and Asian countries. By doing this, the FNC has been able to implement projects—in social investment that involve the most vulnerable sectors of the population—to the value of USD\$16 million (COP\$29 billion) in 2012.



International
FAO - Agriculture Programming for Nutrition
GEF - Global Environmental Facility

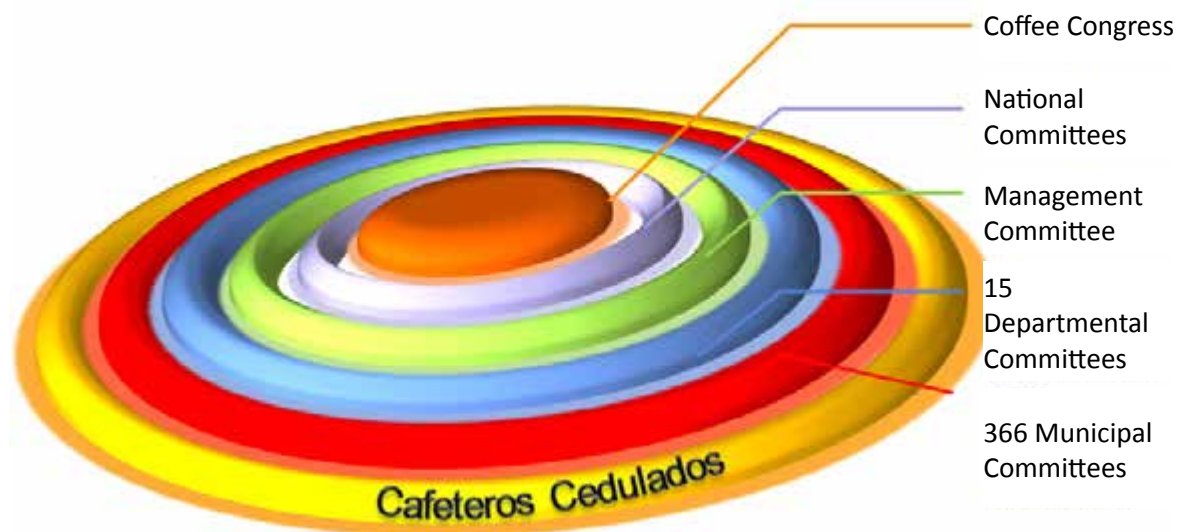
Sustainability initiatives
FLO - Fairtrade Labelling Organization International
Rainforest Alliance
UTZ Certified Good Inside
4c Association

A Unique and Participative Governance Structure

The Colombian Coffee Growers Federation is a legal entity with private rights; it is an apolitical, non-profit institution based in Bogotá, D.C. calle 73 N. 8–13.

To ensure its efficiency, legitimacy and democratic character, the institution has a participative structure, focused on the productive and social development of the coffee family. The Federation also works to guarantee the sustainability of Colombia's coffee industry and the positioning of Colombian coffee as the best in the world.

Reaching consensus and decision making in the Federation follows the below structure:

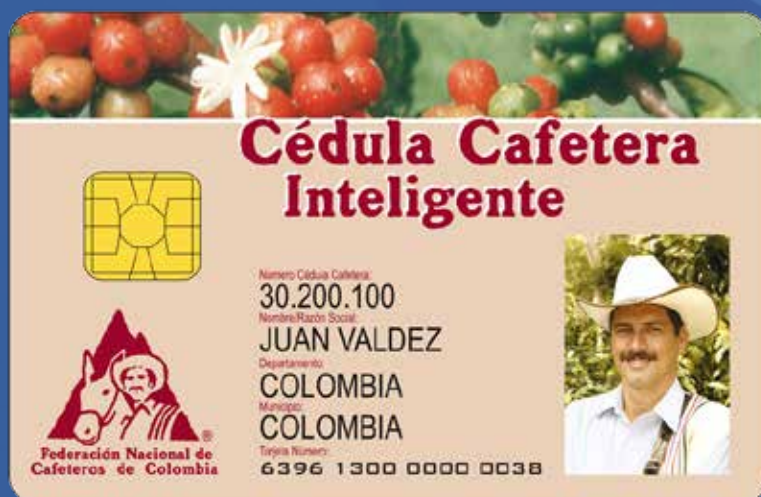


Federated coffee growers or those with Smart coffee grower IDs

Coffee growers receive this accreditation when they possess at least a half a hectare coffee plantation with at least 1500 trees. They carry their Smart Coffee growers' ID, which identifies them as federated coffee growers. These farmers have the right to vote for their representatives or be elected as members of the Departmental and Municipal Coffee Growers' Committees, which are the decision-making organisms within the FNC governance structure.

At the end of 2012, almost 410 thousand coffee producers were federated.

THE SMART COFFEE GROWER ID AS A TRANSACTIONAL INSTRUMENT



With the idea of having a transactional instrument to streamline the delivery of direct support managed by the institution through its different instances, the Federation changed its traditional coffee grower ID into the Smart Coffee Grower ID (CCI), which also has a magnetic band and chip. The CCI—in the same way as the Intelligent Coffee Card (TCI)—for non-Federated growers, serves as ID for federated and non-federated coffee producers. In addition, based on the alliance with Banco de Bogotá, these cards work similarly to debit cards allowing them to receive direct payments for their harvest, and monetary support and incentives managed by the Federation. It is worth pointing out that the CCI or TCI are not the only means of accessing Federation programs.

The only difference between the two cards is that producers with CCIs are allowed to vote or be elected as members of the Municipal and Departmental Coffee Committees in the coffee grower elections.

Municipal Coffee Growers Committees

Their members are the voice of the coffee growers in the different towns where coffee is grown. . There are six main representatives of each coffee district and their alternates. In 2012, there were 366 Municipal Committees, which held 3.724 meetings during the year.

Departmental Coffee Growers Committees

These Committees are in charge of promoting and supervising the agreed upon policies in every department and managing the corresponding social and productive development projects and programs. The FNC has 15 Departmental Committees established following the criteria stipulated in the Federation statutes. In 2012, the Departmental Coffee Growers Committees held 340 documented meetings.

MEETINGS HELD BY COFFEE GROWERS COMMITTEES IN 2012

	DEPARTMENTAL	MUNICIPALES
Valle del Cauca	27	362
Nariño	47	229
Huila	20	299
Otros territorios		7
Cundinamarca	49	395
Magdalena	13	18
Santander	22	310
Norte de Santander	13	157
Caldas	25	248
Risaralda	26	137
Antioquia	29	864
Cesar-Guajira	14	115
Boyaca	13	148
Tolima	28	212
Cauca	14	223
Total	340	3724

MEMBERS OF THE BOARD OF DIRECTORS 2012

The Board of Directors is made up of 15 members, of whom 80% is professionally trained; and has studied topics such as engineering (42%), social sciences (33%), natural sciences (17%) and business (8%). Ninety-three per cent of the members of the Board of Directors are coffee producers.

Board of Directors

It is in charge of supervising the Federation's governance and administrative issues, and is made up of one representative from each of the Departmental Committees, named and approved by the National Congress of Coffee Growers. Its chairman is rotated every trimester in alphabetical order between the 15 representatives of the Departmental Coffee Growers Committees, who cannot occupy an executive position in the Federation.

The members of the Board of Directors are paid to attend the planned fortnightly meetings; however, this sum is not linked to the Federation's performance.

GRI 4.1, 4.2, 4.5, 4.7, EC7, LA13

ANTIOQUIA

ALVARO PELÁEZ GÓMEZ
Business Manager / Coffee producer

BOYACÁ

JORGE CALA ROBAYO
Agronomic Engineer / Coffee producer

CALDAS

MARIO GÓMEZ ESTRADA
Lawyer / Coffee producer

CAUCA

FERNANDO CASTRILLÓN MUÑOZ
Civil Engineer / Coffee producer

CESÁR - GUAJIRA

CRISPIN VILLAZÓN DE ARMAS
Lawyer / Coffee producer

CUNDINAMARCA

JAVIER BOHÓRQUEZ BOHÓRQUEZ
Doctor / Coffee producer

HUILA

FERNANDO CASTRO POLANIA
Doctor / Coffee producer

MAGDALENA

IVÁN PALLARES GUTIÉRREZ
Agricultural Technician / Coffee producer

NARIÑO

CARLOS ALBERTO ERASO LÓPEZ
Lawyer / Coffee producer

NORTE DE SANTANDER

ALFREDO YÁÑEZ CARVAJAL
Chemical Engineer / Coffee producer

QUINDIO

CARLOS ALBERTO CARDONA CARDONA
Civil engineer / Coffee producer

RISARALDA

DARIO JAMES MAYA HOYOS
Civil engineer / Coffee producer

SANTANDER

JORGE JULIÁN SANTOS ORDUÑA
Technician / Coffee producer

TOLIMA

LUIS JAVIER TRUJILLO BUITRAGO
High school graduate / Coffee producer

VALLE

CARLOS ROBERTO RAMÍREZ MONTOYA
Lawyer

National Coffee Growers Congress

This is the Federation's highest body, which regularly meets in Bogotá towards the end of every year. It fixes the policies and priorities aimed at improving the performance of the FNC administration. It is also in charge of naming the CEO and approving the nominations for the members of the Board of Directors. The Congress approves the statutes, the Budget and the Federation's strategic priorities. It is made up of 90 delegates, who are also the lead members of the 15 Departmental Coffee Growers Committees.

To comply with the Internal Regulations of the National Coffee Growers Congress, a President and two Vice Presidents are elected among the delegates. Those elected for these positions cannot be Federation employees.

Meetings with the producers

Regular meetings are organized in coffee localities to serve as instruments of effective communication between the Federation and the producers. The purpose of these meetings is to gather and set out concerns and to make decisions insofar as local impact. The meetings are complemented by district meetings (understood as meeting in rural areas), field days and group [Extension Service](#) activities.



An administrative team at the service of the coffee industry

Parallel to the entities that make up the Corporative Government, the Federation has an interdisciplinary team at the service of the interests of the producers and of the coffee industry, achieving a balance between a rural grassroots organization and expert knowledge.

The performance of senior management, executives and employees is evaluated according to the key performance indicators derived from the FNC strategic plan approved by the National Congress of Coffee Growers. The assessment takes place every quarter and is based on the model for incentives tied to the Balanced Scorecard (BSC) management system for the fulfillment or advances in terms of achieving the strategic aims that include the organizations’ financial, social and environmental performance.

TOP MANAGEMENT
2012

Chief Executive Officer: Luis G. Muñoz

Chief Operations Officer: Luis F. Acero

Chief Sales Officer: Andrés Valencia

Chief Financial Officer: Julián Medina

Chief Communications and Marketing Officer: Luis F. Samper

Chief Technical Officer: Ricardo Villaveces

General Secretary: María Aparicio

Corporative Government Integrity

All of the activities undertaken by Federation departments are governed by principles of transparency and responsibility, backed by the Internal Control System based on the COSO report.

CONTROL ENVIRONMENT	RISK ASSESSMENT	CONTROL ACTIVITIES	INFORMATION AND COMMUNICATION	MONITORING
<ul style="list-style-type: none">- 2007 Statutes- FoNC management contract- Institutional training- Internal work regulation- Policies and procedures	<ul style="list-style-type: none">- Financial sustainability plan- Instruments that sustain the coffee growers’ income	<ul style="list-style-type: none">- Periodical reviews of the National, and Departmental Committees and Board of Directors- Integrated balanced scorecard- CEO Annual report sent to the Coffee Growers Congress	<ul style="list-style-type: none">- Use of technologies and data such as SICA, SAP, Lotus, SIDOC, NEON, Isolucion, Intranet	<ul style="list-style-type: none">- Internal auditing- External auditing- Auditing of partners- Public sector controls (Comptroller)

Transparency and integrity in the management of the funds derived from the coffee contribution have been decisive in terms of guaranteeing the continuity of the Colombian coffee model and have allowed the Federation to access resources from the National Government, international cooperation and the strategic Colombian coffee clients.



What is the COSO Standard?

It is an international initiative that developed a model of internal control applicable to companies. The model focuses on leading critical thought and procedures in terms of topics such as Corporate Governance, company ethics, internal control, fraud and financial reports.

Strategic value added plan for the coffee producers

The strategic plan approved by the National Congress of Coffee Growers establishes the priorities and main initiatives to be implemented by the Federation to fulfill its mission and vision. The current strategic plan is organized around eight value propositions to coffee growers, each one with specific challenges and clear goals:

- **Sustainable marketing and value added:** focused on the transfer of the best possible price to the producer, on continuing to work to increase perceived value along fore Colombian coffee, on offering the market an innovative portfolio, opening and consolidating new markets as well as promoting coffee consumption in Colombia.
- **Competitiveness and innovation:** focused on consolidating a young, productive and profitable coffee plantations; guaranteeing institutional presence through an innovative and efficient rural extension service; implementing initiatives that have a positive impact on the environment and continue generating opportune and pertinent scientific and technological developments.
- **Coffee industry that is integrated into the world of technology, information and communication:** its priorities are to take advantage of the technological instruments to generate value for coffee growers and the institution. It also focuses on using such platforms as tools to bring coffee growing closer to the clients or consumers. Finally, it focuses on creating virtual alternatives that make formal education and training possible.
- **Development of the coffee community and its environment:** concentrated on improving educational processes and health and retirement conditions for the coffee growers. Also works towards implementing projects that improve community infrastructure and the integrated development of coffee growing women.
- **Positioning Colombian coffee and its brand portfolio:** In this case, the priorities are strengthening the image of Juan Valdez® associated to the quality and values of Colombian coffee. It also focuses on consolidating customer loyalty together with its associated brands, increasing global coverage of the 100% Colombian coffee program strengthening the concept of differentiation associating its origin to a superior quality.
- **Coffee agenda for Colombia and for the world:** Concentrating work on the representation of the Colombian coffee growers in the main national and international scenarios, strengthening the Federation's capacity as an ally in social policy and investment in rural areas supporting the State in the construction of a model of equality, development and peace for the rural sector in Colombia.



- **Efficiency, legitimacy and democracy:** the main challenges here are the achievement of excellent leadership and communications, guaranteeing the quality of the Federation's human capital, and consolidating an innovative administration model aimed at the coffee grower client and the results.
- **Financial sustainability:** focuses its challenges bearing in mind the local and international economic context and its impact on the coffee business. It also works to financially strengthen the National Coffee Fund, the Federation and its entities. Finally, it implements the initiatives necessary to guarantee the best practices in financial management and resource sustainability.



2012 ADVANCES IN THE STRATEGIC PLAN

→ COFFEE AGENDA FOR COLOMBIA AND FOR THE WORLD USD 38 MILLION

(COP\$71 billion) for new programs with resources from the General Royalties System Sustainable marketing platform with Holland to strengthen the sustainable production, marketing and consumption of coffee in Europe.

USD 409 MILLION

(COP\$736 billion) invested in 2012 in social investment programs

→ EFFICIENCY, LEGITIMACY AND DEMOCRACY

100% Y 106% fulfillment of the goals to reduce energy and water consumption, respectively.

AWARD given for the National Coffee Park for promoting gender equality.

LOW CARBON ECONOMY

Within the framework of the UN Conference on sustainable development Rio+20, the Latin American Development Bank positioned the Federation in third place—among 150 participating companies—as a leader in productive transformation towards a low carbon economy.

→ POSITIONING COLOMBIAN COFFEE AND ITS MARKET PORTFOLIO

13 MILLION

cups of Juan Valdez® coffee were served each year on LAN flights as a result of the Alliance between LAN and Procafécol.

1.100 SHOPS all over Japan will offer a special edition Coffee Cultural Landscape coffee

119 BUSINESSES are linked as licensees of the 100% Colombian coffee program.

89 COFFEES were certified in the Café de Colombia PDO program



→ SUSTAINABLE MARKETING WITH ADDED VALUE

69% of the purchases by the National Coffee Fund corresponded to specialty coffees.

67% of the exports by the Federation corresponded to value added coffee.

USD 8.5 MILLION

(COP\$15.283 Billion) transferred in surcharges for the producers of specialty coffees.

→ COMPETITIVITY AND INNOVATION

54% (501 thousand hectares) of the coffee park is planted with resistant high yield coffee varieties.

USD 16 MILLION

(COP\$30 billion) obtained for phase II of the Winter Spell Emergency Plan. The winter spell took place from 2010 to 2012, with rainfall reaching above normal levels.

1.669 Extension Service professionals at the direct service of the coffee growers.

129.000 thousand coffee producers linked to the specialty coffees programs.

→ COFFEE CULTURE THAT IS INTEGRATED TO THE WORLD OF TECHNOLOGY, INFORMATION AND COMMUNICATION

434.000 thousand Intelligent Coffee IDs and Cards issued.

4.000 Coffee Information Tablets (TIC) delivered.

→ DEVELOPMENT OF THE COFFEE COMMUNITY AND ITS ENVIRONMENT

13.820 thousand coffee producers trained in business management

1.375 KM

of roads maintained by Road Builders - camineros - in the Roads to Prosperity program. The aim of the program is to re-establish road accessibility by clearing up landslides to facilitate circulation.

→ FINANCIAL SUSTAINABILITY

USD 210 MILLION

(COP\$378 billion) from third parties destined to social investment programs.

USD 826 MILLION

(COP\$1.48 billion) in short term credit lines to promote the social benefit of purchase guarantee for producers around the country.

9% debt reduction for the National Coffee Fund



PART 3



SUSTAINABLE MANAGEMENT OF THE FEDERATION

Sustainability at the heart of our strategy

For the Federation, sustainability is not a current trend and has never been a complementary issue. It has, in fact, always been its central goal. From its foundation, more than 85 years ago, and before sustainability became a household term, the Federation has always maintained a permanent commitment to its objective of improving the coffee growers' living standards through the organization's contribution to the generation of economic, social and environmental value for the coffee producers, their communities and the country.

In fact, sustainability is a transversal axis of the Federation's mission and a fundamental part of its strategic plan. Thus, its programs and actions seek to generate incomes that are dignified and stable for the Colombian coffee producers, to care for the environment and strengthen the social fabric of the coffee community.

The Federation groups together different sustainability programs in four axes of action: Coffee Farm, Community, Environment and Connectivity.



Sustainability that matters[®]

COMMUNITY

Programs implemented in 588 coffee municipalities in Colombia, aimed at the consolidation of social processes and community infrastructure, to the benefit of all the inhabitants of this region.

The Federation is one of the key actors involved in community impact. With its own resources and, more recently, through an alliance with the Government and other donors, it has developed: 12 thousand aqueducts, 19 thousand new classrooms, 15 thousand kilometers of road improvement and 500 hospitals.

Promoción del Café de Colombia alrededor del mundo



Through technology and connectivity, the Federation seeks to provide the producers with all the advantages of the modern world to receive more and better services, in turn, improving their quality of life.

4000 tablets were delivered in 2012, contributing to the producers' access to connectivity and rapid search for valuable information related to the crops and other coffee activities. In addition, there is the implementation of the Smart Coffee ID, which also provides financial services.

CONNECTIVITY

COFFEE FARM

These programs seek to improve the profitability of the producers and guarantee that their crop is sustainable. They are focused on the implementation of the Sustainability Code, The Good Agricultural Practices Quality System, access to credit for the renewal and maintenance of coffee plantations, and allowing small-scale producers access to attractive markets such as the specialty coffees with value added for the producer.

Innovación y asistencia técnica



Garantía de Compra



Significant efforts and investments are made in terms of research and knowledge, conservation and intelligent management of the environment. They include scientific research programs that favor environmental and biodiversity conservation in the coffee areas, and the adaptation to and mitigation of climate change, among other aspects.

Cenicafé, the Federation's scientific research center has developed different scientific research programs to favor environmental and biodiversity conservation in the coffee growing areas, as well as in programs focused on the adaptation to and mitigation of the effects of climate change. The center also develops knowledge and technologies to monitor soils and erosion, for saving water, and the efficient use of fertilizers that are then transferred to the producers through the FNC extension service.

ENVIRONMENT



COLOMBIAN COFFEE GROWERS FEDERATION | 2012 FNC SUSTAINABILITY REPORT

A CHALLENGE ALL THE WAY FROM THE COFFEE BEAN TO THE COFFEE CUP

Sustainability Risk Management

In 2012, the Federation continued its work mitigating the risks associated to the productive structure of the coffee plants affected by climatic variability, and those associated to productivity, such as the impacts on profitability and the deterioration of the sector's natural resources.

As a strategic direction of the National Coffee Growers Congress put forward by the drastic climatic changes and rainfall patterns that have affected the country over recent years, and the consequent reduction in productivity and the propagation of plagues and diseases directly related to the crops, the Federation adopted a strategy called Climate Smart Coffee Growing, aimed at mitigating and adapting Colombia's coffee industry to the variable climatic environment in the country's various regions. One of the components of the strategy is its Early Warning System for all coffee growing regions, designed to understand the behavior of the rust fungus and the coffee Berry borer in different areas in order to be able to recommend the most adequate management practices for each region at the most opportune times.

In the same vein, the Federation maintained its strategy of plantation renovation, which, complemented by the "Rust-Free Colombia, a National Objective" campaign implied a high number of renewals and new plantations with rust-resistant varieties. In this way, we sought to increase productivity and compet-

itivity on the plantations, helping producers renew their coffee plantations. In the case of producers with less than 5-hectare plots, we have continued to rely on the Permanence, Sustainability and Future program to accomplish this objective.

Despite the Federation efforts to prepare better for climate change, it is possible that certain occurrences affect its performance and goals. One example of this is the volatile international coffee prices, defined by the New York coffee exchange, which recorded a 31% reduction in 2011. This was brought about by the pressure exercised by speculating agents and the reduction in the perception of coffee scarcity in the market.

Coffee, as a commodity, is exposed to price volatility in the international market. Consequently, the internal price at which Colombian producers sell their coffee is affected by the continuous changes in the exchange rate of the Colombian Peso against the Dollar—used for the coffee trade around the world—and the change in the international price for mild Colombian coffee.

A detailed report of the main impacts and risks present for our coffee industry, which can potentially also affect the producers' sustainability follows. The Table also presents the Federation's mitigation actions for each of these risks.

POTENTIAL RISK	DETAILS	EFFECTS FOR THE PRODUCERS	ACTIONS UNDERTAKEN BY THE FEDERATION
Low productivity	A fall in productivity can be associated to low technification of the crops due to aging and low planting density, as well as negative effects associated to the variability of climatic patterns.	Greater unit production costs and lower productivity and incomes	In order to recuperate productivity, the Federation has implemented a transformation process of the productive structure of the Colombian coffee plantations based on technification: younger plantations that are disease resistant with higher planting densities and higher productivity. To comply with the above, our coffee industry has relied on the Permanence, Sustainability and Future Program to support this ambitious process with small-scale producers with less than 5 hectares. To find out more about this initiative turn to Pág. 101
Climate change	Climatic alterations such as changes in temperature, sunlight hours, rainfall levels, affect the development and productivity of the coffee plants.	Greater production costs and lower productivity and incomes	The Federation's Climate Smart Coffee Growing strategy aims to provide opportune information at regional level and thus reduce the effect of plagues and diseases through the Early Warning Systems created in 2012 in the whole of the coffee zone to allow the FNC Extension Service to have knowledge of the behavior of rust and the coffee Berry borer in each district. Thanks to this, it has been possible to recommend the best management practices at specific times in each region. To find out more about this initiative turn to Pág. 109

POTENTIAL RISK	DETAILS	EFFECTS FOR THE PRODUCERS	ACTIONS UNDERTAKEN BY THE FEDERATION
Variability of internal coffee prices	The volatility of international coffee prices in the New York coffee Exchange and of the exchange rate of the Peso against the Dollar, have a direct effect on the internal coffee price and, in turn, a negative impact on the incomes of the producers.	Reduction of income and profitability	Coffee, as commodity, is exposed to price volatility in the international market. Consequently, the internal price at which Colombian producers sell their coffee is affected by the continuous changes in the Exchange rate and the international price of Colombian coffee. To mitigate these impacts and guarantee the sustainability of coffee growers' income, the Federation has started different programs such as: <i>Value Added Strategy aimed at capturing—through the positioning of the Colombian product—a greater price for local producers.</i> Pg 115 <i>Support to Coffee Growers' Income –AIC.</i> <i>Price Protection Contract.</i> <i>Pay Now for Future Delivery vContract (CCCEF)</i> To find out more about this initiative turn to Pág. 103 The Federation's budget have also been affected by this risk and has therefore implemented the use of financial instruments aimed at covering the risk of changing coffee prices.
Water source pollution	Wastewater from productive activities or rural homes can pollute water sources affecting stability and putting the sustainability of the coffee industry at risk.	Reduction of the natural resources, greater production costs that affect incomes and risk of social destabilization.	Implementation of the Federation's Forest Program and the development and implementation of beneficial technology such as Ecomill® that reduces the use of water in the post-harvest processes. To find out more about this initiative turn to Pág.111



POTENTIAL RISK	DETAILS	EFFECTS FOR THE PRODUCERS	ACTIONS UNDERTAKEN BY THE FEDERATION
High transport costs	The lack of roads infrastructure raises transport costs, affecting competitiveness in the sector.	Higher prices of supplies and marketing	<p>Within the framework of Roads Infrastructure Programs, the Federation continued, in 2012, to support the National Government in the extension and maintenance of access and service roads to coffee farms.</p> <p>A number of additional actions undertaken against this risk are related to the creation of the Roads to Prosperity Program, which, in 2012, led to the construction of 675 km of roads in 68 municipalities.</p> <p>To find out more about this initiative turn to Pág. 125</p>
Social destabilization due to the internal conflict	The presence of armed actors in the coffee zone, could lead to the planting of illicit crops and generate violence or greater social vulnerability.	Abandonment of crops	<p>In this respect, the Federation has implemented two initiatives to mitigate the risks: the Huellas de Paz Program and the Sustainable Colombian Coffee Program.</p> <p>In addition to the above, the active presence of the FNC extension service in the marginal areas of the coffee zones contributes to maintaining the social capital of the regions.</p> <p>To find out more about this initiative turn to Pág. 126, 128</p>

POTENTIAL RISK	DETAILS	EFFECTS FOR THE PRODUCERS	ACTIONS UNDERTAKEN BY THE FEDERATION
Loss of participation in international markets	Increased production in coffee producing countries at lower costs, leads to clients substituting Colombian coffee to reduce their raw material costs.	Reduction of the international coffee price and the differentiating elements affecting the producers' incomes.	<p>The Federation has implemented Colombian coffee positioning and differentiation initiatives. Among them:</p> <p><i>Value added strategy</i>: which seeks to capture greater value for the beans through the promotion of the production of specialty coffees</p> <p><i>Defense of origin strategy</i>: the idea behind this instrument is to strengthen the loyalty between end users and the coffee producers. The strategies include Denomination of Origin, Protected Geographical Indication, and certifications marks.</p> <p><i>Industrialization and positioning</i>: this component is executed through Buencafé Colombian freeze-dried coffee.</p> <p>The industrial processes undertaken in the plant optimize the use of raw materials, add value to the coffee produced in Colombia and lead the way to accessing emerging markets.</p> <p>To find out more about this initiative turn to Pág. 70</p>
Wrong use of the image or falsification of the brand	Wrong use by third parties may put at risk the positioning, credibility and prestige of Colombian coffee.	Reduced bonuses for quality and recognition.	<p>Federation actions concentrate on the Denomination of Origin Strategy and the Brand Protection Portfolio.</p> <p>To find out more about this initiative turn to Pág. 80</p>
Fall in FoNC income due to the reduction of coffee contributions	A fall in production or exchange rates affects the contributions destined to the provision of public goods.	Reduced Extension Service coverage, less research, less social investment, reduced promotion of Colombian coffee and less productive support investments.	<p>Here, the <i>Productive Transformation Program</i>, led by the Federation is an answer to this potential risk. Exchange rate hedging is also used.</p>

Monitoring of the Federation's social, economic and environmental performance

Sustainability is central to the Federation's management vision, which is why advances and actions are exhaustively monitored and reports presented to the Board of Directors including different topics such as social and environmental management.

Similarly, through the CEO Report, the National Coffee Growers Congress is presented, annually, with information about the advances made on different fronts. The organization's performance in terms of the social, economic and environmental circumstances is also evaluated in its four study commissions attended by Congress delegates:

First Commission –Administrative and various issues	In charge of studying topics related to Quality, personnel, restructuring costs and processes, education, health and environment.
Second Commission -Production	In charge of everything related to different aspects of coffee production and productivity, Cenicafé and its current research, Extension Service, experimental farms, production expectations,, the credits and inputs, evaluation of services provided for the producer.
Third Commission -Marketing	In charge of all that is related to internal and external coffee purchasing and sales. Restructuring policies, cooperatives, Almacafé, specialty coffees, offices abroad , Buencafé freeze-dried coffee, the purchase guarantee, publicity and promotion, risk control are also covered.
Fourth Commission -Financial	In charge of all that is related to the Federation and National Coffee Fund budgets, National Coffee Fund finances, Departmental Coffee Growers Committees finances.

In addition, Accidental Commissions can be assembled to study issues that are beyond the competence of the study commissions or that, because of their nature, require it.



Relationship with stakeholders

The Federation, through its history, has identified the different stakeholders with which it has links. The Table below presents the structure of relations with the stakeholders, detailing the commitments and the interaction mechanisms in each case.

STAKEHOLDERS	COMMITMENT	INSTANCES OF INVOLVEMENT
Coffee growers	<p>Ensure the wellbeing of the Colombian coffee growers through an effective organization that is also democratic and representative.</p> <p>Provide public goods for the coffee producers that raise their quality of life. Promote research to maximize coffee productivity and quality.</p> <p>Provide technical accompaniment to the producers through the Extension Service, to facilitate their access to knowledge and the execution of programs to benefit the producer.</p>	<ul style="list-style-type: none">- National Coffee Growers Congress- Board of Directors- Departmental Committees- Municipal Committees- Internet pages: www.federaciondecafeteros.org www.cafedecolombia.com- Manager's weekly Letter to coffee producers- Satisfaction survey on the Extension Service- Virtual Newsletter PERGAMINO- Departmental Committees Web pages- Group and individual methodologies applied by the Extension Service- Gremial meetings for leadership- Coffee producers' radio programs- Regional coffee producer magazines- TV program: "The adventures of professor Yarumo"- Text messages through celucafé.

STAKEHOLDERS	COMMITMENT	INSTANCES OF INVOLVEMENT
Government and multilateral organisms	Develops high social, environmental and economic impact projects that benefit the Colombian coffee growers and the rural community in general.	<ul style="list-style-type: none"> - National Coffee Growers Committee - Intergremial Committee - Government Advisory Office for Coffee Producers of the Ministry of Finance and Public Credit. - Consulting committees and ad hoc commissions of different government entities. - President of the Republic, Ministries, Administrative Departments, Presidential Councils and decentralized institutes - Office of the National Comptroller General - Governors, Mayors and Members of Congress of the areas which undertake investment programs. - International Coffee Organization–ICO - IDB social council - International Financial Corporation
Cooperatives	Provides accompaniment to optimize commercial management and guarantee transparent internal prices in the domestic market.	<ul style="list-style-type: none"> - Central Office Cooperative Division - Cooperative meetings - Regional marketing committees
Clients and consumers	Satisfy the needs and expectations of the clients of Colombian coffee by providing a high quality differentiated product.	<ul style="list-style-type: none"> - Satisfaction survey applied to external clients by commercial management - Satisfaction survey applied to consumers by Procafecol - Surveys and focus groups with consumers - Internet pages: <ul style="list-style-type: none"> www.cafedecolombia.com www.federaciondecafeteros.org www.sostenibilidadenaccion.org www.buendia.com - Juan Valdez and Café de Colombia on the Web social networks, virtual newsletters. - Satisfaction survey applied to clients by Buencafé freeze-dried coffee - 100% Colombian coffee program - Federation offices in the US, Asia and Europe

STAKEHOLDERS	COMMITMENT	INSTANCES OF INVOLVEMENT
Trade Associations and institutions	Promoting sector consolidation and promoting its sustainability in the markets.	<ul style="list-style-type: none"> - Private Competitivity Council - National Association of Industrialists–ANDI - Colombian Agriculture Workers Society–SAC - National Coffee Exports Association–ASOEXPORT - Colombo-Japanese Chamber of Commerce - Network of Research Centers–CENIREC - Business Council for Sustainable Development – CECODES - National Coffee Association –NCA - Specialty Coffees Association Europe –SCAE - Specialty Coffees Association of America–SCAA - Coffee Quality Institute –CQI - European Coffee Federation –ECF - Japanese Coffee Association –AJCA - Private Sector Consultative Board of the ICO – PSBCB - Association of coffee producing countries–ICAPE, IHCAFE, among others. - International Coffee Organization–ICO
NGOs and certification entities	Promote the Exchange of knowledge and adoption of quality standards defined by legal and technical norms and regulations of the certification entities.	<ul style="list-style-type: none"> - Global Gap - Common Code for the Coffee Community Association Board -4C - UTZ Board - Fair-trade International–FLO - Interaction with other certifying entities and NGOs that have created standards of coffee certification and verification - Virtual newsletter: Al Grano

STAKEHOLDERS	COMMITMENT	INSTANCES OF INVOLVEMENT
Employees	Contribute to the employees' quality of life and build a workplace with trust relationships, transparency and productivity.	<ul style="list-style-type: none"> - Institutional intranet - Syndicalist dialogue - Suggestions for cohabitation in the workplace - Online bulletin boards - Letters from the CEO - Extension Agents' meetings - Administrative coordination meetings - Joint Committees on Occupational Health–COPASO - Corporative mails - Buen dato, Buencafé Colombian freeze-dried coffee institutional newsletter - Newsletter: Avances Técnicos de Cenicafé - Virtual newsletter Contacto
Public opinion	Provide trustworthy and transparent information on the situation of the sector and the results of the projects.	Internet pages: <ul style="list-style-type: none"> www.federaciondecafeteros.org www.cafedecolombia.com www.sostenibilidadenaccion.org - Press releases - Press conference Social networks

In the same vein, we present the means of communications and the audiences that the Federation has built in order to maintain a direct and open contact with its strategic publics.

STRATEGIC RELATIONSHIP MATRIX

	AUDIENCE															
PRODUCT AND/OR SERVICE	COFFEE GROWERS	CLIENTS	COMMERCIAL CLIENTS	COFFEE INDUSTRY	GOVERNMENT	PUBLIC OPINION	DONORS / ALLIES	GREMIO	CONSUMERS	INTERMEDIARIES	DEPARTMENTS	COLLABORATORS	COOPERATIVES	PROCAFECOL	ALMACAFÉ	OTHER INFLUENTIAL AGENTS
Communication campaigns																
Relationship model (document/format)																
Corporate communications guidelines																
Profesor Yarumo program (radio and TV)																
Sustainability Report																
Content (digital, printed, video, radio)																
Communication material (final art and multimedia)																
Media events (press conferences, fairs, summits, courses, tasting events...)																
Press bulletins																
Development of communication tools (presentations, manuals, academic documents, books)																
Communications consultancy																

In addition, the Federation knows that in the execution of its sustainability strategy, alliances are fundamental in facilitating its management in favor of the coffee growers. In this vein, relationships with local and international institutions allow and leverage opportunities connected to positioning and, in general, to the benefit of the Colombian coffee producers.

NATIONAL MEMBERSHIPS



BUSINESS COUNCIL FOR
SUSTAINABLE DEVELOPMENT
–CECODES



COLOMBIAN
AGRICULTURAL SOCIETY
–SAC



PRIVATE COMPETITIVITY COUNCIL



NATIONAL ASSOCIATION OF
INDUSTRIALISTS –ANDI



COLOMBO-JAPANESE
CHAMBER OF COMMERCE



NETWORK OF AGRICULTURAL RESEARCH CENTERS –CENIRED

INTERNATIONAL MEMBERSHIPS



NATIONAL COFFEE
ASSOCIATION–NCA



INTERNATIONAL COFFEE
ORGANIZATION–ICO



SPECIALTY COFFEES
ASSOCIATION OF
AMERICA –SCAA



COFFEE QUALITY
INSTITUTE –CQI



SPECIALTY COFFEES
ASSOCIATION OF
EUROPE –SCAE



EUROPEAN COFFEE
FEDERATION–ECF

JAPANESE COFFEE ASSOCIATION–AJCA

PRIVATE SECTOR CONSULTATIVE BOARD OF THE ICO –PSBCB

ASSOCIATIONS OF COFFEE PRODUCING COUNTRIES–ICAFC,
IHCAFC, AMONG OTHERS.

Economic and financial management

Coffee contribution

The coffee contribution is a contribution made by the producers to the National Coffee Fund in order to obtain collective benefits and goods such as the purchase guarantee, scientific research, technical assistance, quality control, the promotion of Colombian coffee, social programs, etc.

Currently, the coffee contribution is equivalent to 6 cents of a Dollar per pound of green coffee exported.

Fund raising by the National Coffee Fund and direct benefits to the coffee growers

In addition to the contribution that the producers make to the National Coffee Fund, the Federation potentiates these resources for the funding of programs that benefit the coffee growers directly. In 2012, the producers received—from their collective savings—direct benefits to the value of more than **3.4 times** their total contributions.

The benefits include support for programs that increase competitiveness, income sustainability and the improvement of the quality of life of the coffee growers, with programs such as the Emergency Winter Spell Plan, Permanence, Sustainability and Future program, Extension Service, educational and family cohabitation programs, etc.

Economic value generated by Federation initiatives

In broader terms, among the Federation's strategic alliances to obtain funds for social investment for the coffee growers and the rural community, ***thanks to the Federation initiatives in 2012, investments to the value of USD\$409 million*** (COP \$736 Billion) were generated, funded by resources derived from the national, departmental and municipal government; national and international cooperation organisms and clients, the FoNC and the benefitting communities.

Seventy one per cent of these funds were destined to coffee industry competitiveness initiatives, which allowed the promotion of the sustainability of coffee families' incomes. Similarly, projects were implemented for roads infrastructure maintenance and rural infrastructure improvements, in which 19% of the funds were invested. The rest of the funds were invested in projects for the construction of housing (7%), education and training (2%), environmental conservation, social protection and gremial consolidation (1%).

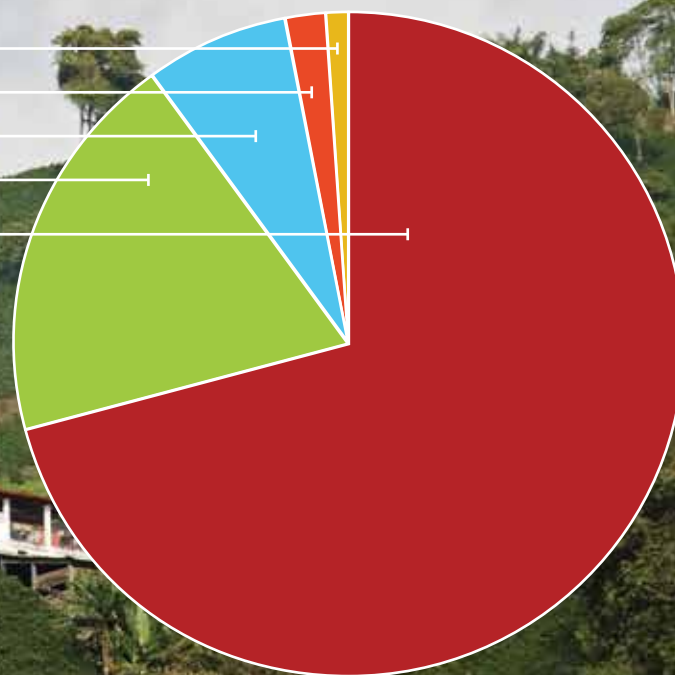
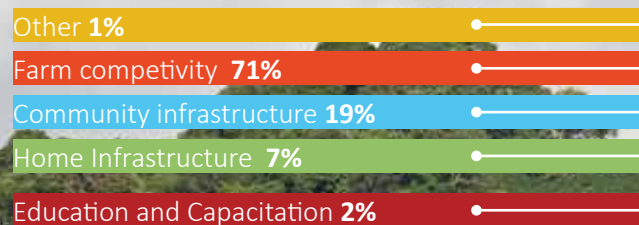
GRI EC1, EC4, EC6



VALUE CREATED PER CONTRIBUTOR

CONTRIBUTOR	USD \$ MILLION	COP\$ BILLIONS
FoNC	42.556	76.516
FNC	5.729	10.302
National Government	117.091	210.530
Departmental Government	41.126	73.945
Municipal Government	7.878	14.166
International cooperation	6.778	12.187
National cooperation	7.313	13.150
Community	20.392	36.665
Other contributors*	1.038	1.868
In Kind *	159.406	286.612
General Total	409.307	735.942

VALUE CREATED THROUGH SOCIAL INVESTMENT



Colombian coffee positioning

To generate and transfer greater value to producers, the Federation has implemented a commercial strategy that rewards and transfers incentives to growers and, at the same time, innovates with industrial products and brand experiences that also generate royalties to strengthen the coffee farmers' collective savings. In this way, value is added to the origin, also helping the long-term sustainability of the coffee industry.

THE POSITIONING AND VALUE GENERATION STRATEGY



Market segmentation

Certification of new groups of producers

Coffee industrialization and processing

Promotion and defense of the Colombian origin

The markets and clients we reach with our traditional coffee

The Federation is responsible for around 25% of the total Colombian coffee exports. In 2012, it exported coffee to clients in 39 countries, 4 more than in 2011, recording transactions to the value of 1.8 million bags in total, representing a 1.4% growth with respect to 2011. Nevertheless, the value of exports was reduced by 19% because of the fall in international prices in 2012, reaching USD\$563 million

The main destinations for our exports include Japan (18%), the US (17%), Belgium (13%) and the UK (12%), and, in terms of regions, the main markets are those of Western Europe and North America. Greater growth has been perceived in the exports to Germany and Canada.



TABLE: FEDERATION EXPORTS IN 60 KG BAGS.

Region	2010	2011	2012	Var %
Western Europe	986.699	993.150	848.347	-15%
North America	439.926	298.974	472.214	58%
Asia	469.716	397.843	381.481	-4%
Eastern Europe	86.933	82.710	85.763	4%
South and Central America	45.128	46.755	49.368	6%
Oceanía	7.215	4.638	11.490	148%
Africa and the Middle East	5.763	3.516	4.190	19%
Total	2.041.380	1.827.586	1.852.853	1%

Emerging Markets

As a result of the Federation actions to consolidate the presence of Colombian coffee in new markets, over the past year there has been a 35% increase in exports to emerging markets, mainly to countries such as Australia and China.

TABLE: FEDERATION EXPORTS IN 60 KG BAGS.				
País	2010	2011	2012	Var %
Australia	5.759	3.374	8.434	150%
China	2.405	1.384	7.538	445%
Corea del Sur	20.967	11.142	22.781	104%
Rusia	77.837	69.059	74.954	9%
Israel	5.763	3.516	2.245	-36%
Nueva Zelanda	1.456	1.264	3.056	142%
Sudáfrica			1.923	
Total general	114.187	89.739	120.931	35%



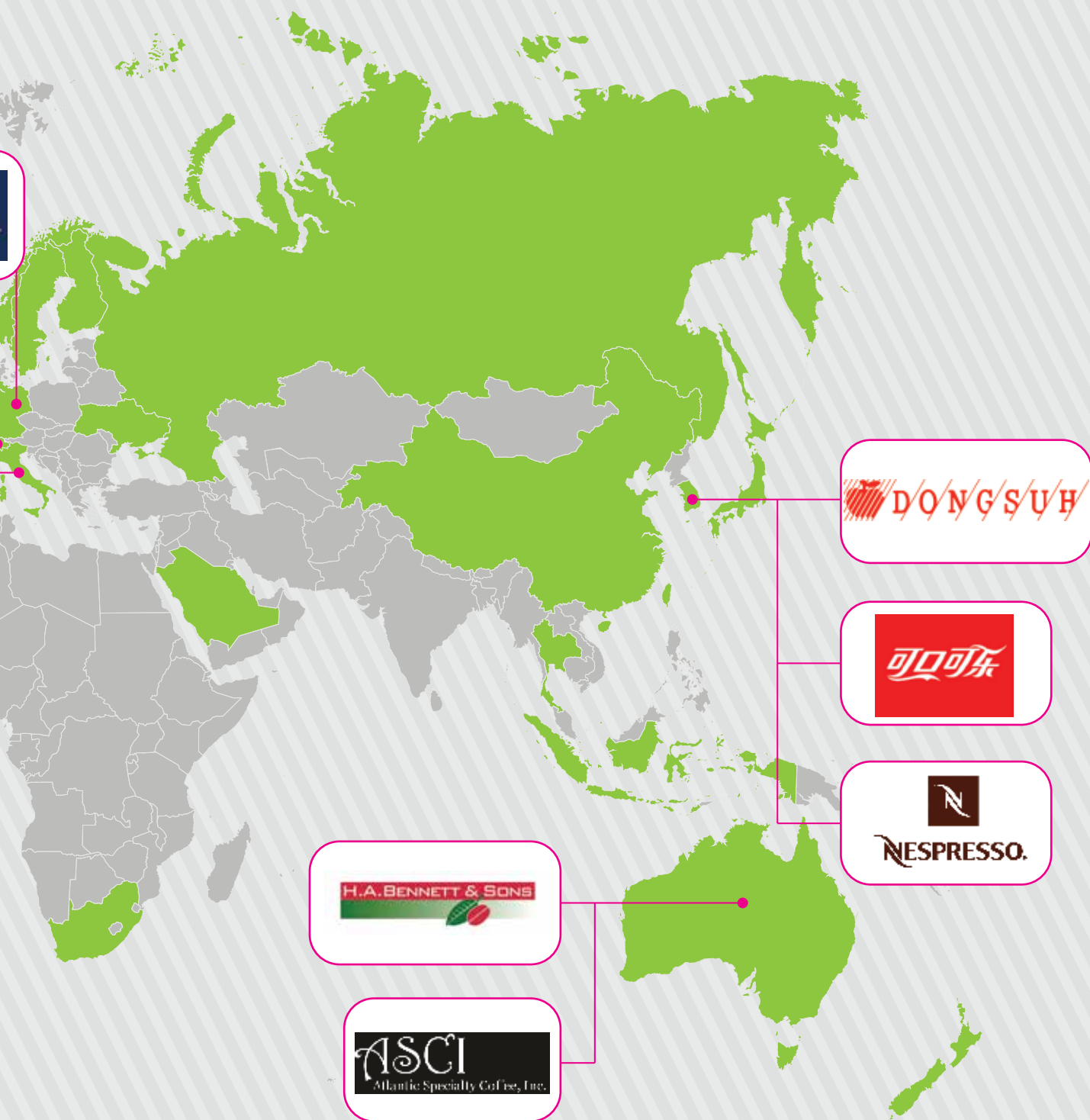
Main clients

For the Federation, establishing a link between Colombian coffee and its clients is vital if it is going to continue to bring the consumers closer to the producer and consolidate their loyalty to Colombian coffee, pleasing those demanding and specialized consumers all over the world.



MAP OF
COLOMBIAN
COFFEE
GROWERS
FEDERATION
MARKETS AND
SOME OF ITS
CLIENTS, 2012





Main markets for specialty coffees

In order to consolidate Colombian coffee in the highest segments that add value for the producers, the Federation has implemented the Specialty Colombian Coffee program to identify and select coffees with exceptional characteristics, from specific regions. According to the definition adopted by the FNC, a coffee is considered special if clients are willing to pay a greater value for the product based on the differentiating attribute. This greater value has to be transferred to producers. The FNC specialty coffees are classified as follows:

- **Local origin coffee:** from a specific region that is recognized for its coffee producing qualities.
- **Preparation coffee:** these are special in terms of size and shape, making them desirable on the international market.
- **Certified coffee:** these products fulfill a series of protocols or standards defined internationally by independent agencies.
- **Organic coffee:** cultivated without the use of chemical products such as fungicides, herbicides, insecticides and fertilizers.
- **Sustainable coffee:** cultivated by communities that are committed to protecting the environment, achieving a clean coffee culture and caring for the conservation of the area.

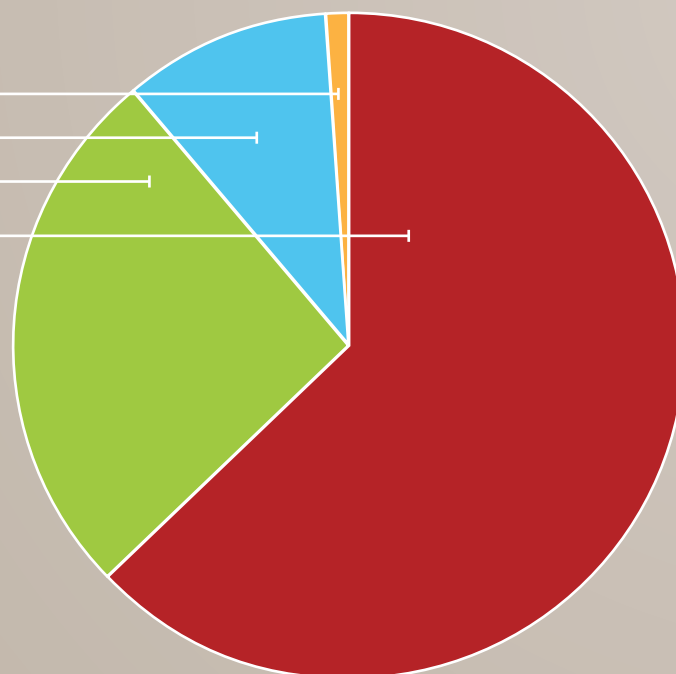
MAIN SPECIALTY COFFEE MARKETS:

Others 1%

North America 10%

Asia 26%

Europe 63%



FOLLOWING CLIENT OPINION AND PERCEPTION:

As part of its coffee positioning strategy, the Federation is interested in strengthening the relationship with its corporate clients.

Through the CRM (Client Relationship Management) tool, the Federation monitors client satisfaction obtaining a detailed description of their tastes, preferences and habits. Using this method, a close relationship is established with the clients allowing for greater precision in terms of the products and services that the clients desire.

In 2012, the Federation undertook—together with the Centro Nacional de Consultoría—a survey to measure client satisfaction. This led to the identification of the following strengths:

- The clients have a good impression of the logistics and payment services. In particular, they highlight the fact that the staff is qualified and the informatics services are robust.
- They consider that the Federation treats them in a friendly and professional manner and has a high level of technological knowledge.
- They recognize that the FNC's publicity and marketing provide an important value added to the product.
- They also recognize that Colombian coffee has superior or homogeneous quality characteristics. In particular, they highlight the quality control at ports as a guarantee of quality.
- The clients consider that the Federation is dynamic, listens to its clients and is always willing to talk about strategies. In particular, they highlight that their petitions are always responded to quickly.

Así mismo, la encuesta permitió identificar los siguientes puntos para mejorar:

- The clients ask for there to be staff present at the ports that can provide information on the coffee shipments. Given that information is managed from headquarters, their questions are not answered immediately.
- The clients ask for a system of price determination and more flexible negotiation.
- They ask for the creation of a post-sale service for each coffee shipment.



CERTIFICATION OF NEW GROUPS OF PRODUCERS

With the support of the FNC Extension Service, a growing number of producers are adopting different types of sustainability production protocols to become part of our specialty programs. For example, 46.315 farms participate in the following certification programs: Rainforest Alliance, UTZ Certified, FLO and Organic. Also, we highlight that 2.435 farms participate in the development of double certification programs such as Rainforest Alliance + Organic, FLO + Organic and UTZ + Organic. As part of the Sustainable Colombian Coffee project, funded by the Dutch Cooperation Agency and Douwe Egberts, 347 coffee farms were certified. In addition, an even higher number of producers have adopted—with the support of the Federation—verification protocols in programs such as 4C, AAA or Café Practices.

2012 CERTIFICATION RESULTS

In 2012, the Federation continued to promote and support the production of specialty coffees. Thanks to this effort, the number of farms dedicated to sustainable coffee production grew by 18%, while the area increased by 14%. By the end of 2012, in Colombia, there were 129.184 producers, 23% of them, with farms totaling 365.528 hectares, are certified or verified under an international standard or sustainable production protocol. By the end of 2012, Colombia exported more than 2 million bags of specialty coffees, of which FoNC participated with 927 thousand bags, equivalent to 46% of the total exports of this type of coffee. The fol-

lowing are the years' highlights in the specialty coffees segment:

AAA Nespresso: in 2012, as part of the strategic FNC-Nespresso alliance, the agreement allowing coffee growers in Cauca and Nariño (part of the Nespresso cluster) to receive technical assistance was renewed.

In May 2012, the Federation announced Nespresso's decision to continue to support sustainability programs in Colombia for the next 5 years through the destination of funds to the value of USD\$10 million (COP\$18 billion) a year. The agreement will be complemented by investments made by the Federation, the producers and other allies to the

value of USD\$35 million (COP\$62.930 billion). This gives a total of USD\$85 million (COP\$152.830 billion) to be executed over the next five years. This sum makes this project one of the highest impact projects in the international coffee world.

Nescafé Plan: in 2012, as a result of the FNC-Nestlé alliance, 1.652 families were trained to adopt Good Agricultural Practices; 4C verification was granted to 439 farms; 4.5 million resistant variety plantlets were produced and distributed, and the baseline to measure the financial and productive impact of the renewal activities undertaken through the Nescafé Plan was constructed.



COFFEE INDUSTRIALIZATION AND PROCESSING

Buencafé's industrial processes lead to the optimization of the use of raw materials, value added to the coffee produced in Colombia, and access to emerging markets for the consumption of Colombian coffee beans. Recently, with the development of a new portfolio of products and services, the plant has sought greater involvement with its clients, and to position itself at the cutting edge of new market requirements.



Promotion and defense of the Origin of Colombian Coffee

This instrument has been used to develop loyalty ties between end users and coffee producers. In doing this, the use of legal instruments such as the protected denomination of national and regional origins as well as protected geographical indications and certification marks has been especially important. These mechanisms ensure the quality and origin of Colombian coffee.

Currently, Colombian coffees such as Cauca and Nariño coffees are protected through the legal figure of denomination of origin. The year 2012 also saw the certification of the Huila denomination of origin before the Superintendencia de Industria y Comercio (SIC), the local authority on this subject area. The above is part of the initiative for origin promotion and defense through the figure of regional denominations of origin.

The Federation manages and protects these denominations through a delegation granted by the SIC. Colombian coffee is also protected in the US and Canadian markets through certification marks and was declared as Protected Geographical Indication (PGI) in the European Union. It was the first agricultural commodity produced outside the borders of the

EU to receive this protection figure under European Commission Norms. In parallel, also in 2012, Colombian coffee was being assessed to be recognized as PGI in Switzerland.

Brand Strategy

This tool includes the ingredient brand logo Café de Colombia, licensed within the parameters of the 100% Colombian Coffee Program, funded on the premises of quality and the value of the bean that is produced in the country. Through these two characteristics, client's profitability is reinforced thanks to the possibility to market their brands at higher prices. This, in turn, has allowed coffee producers' incomes to be maximized. In 2012, more than 588 brands of coffee marketed around the world were part of the 100% Colombian Coffee Program.

In addition, the FoNC owned Juan Valdez brand® has helped the positioning of Colombian coffee and generated income from royalties for the National Coffee Fund, which in 2012, increased to USD\$2.7 million (COP\$5 billion). This sum has been reinvested in the coffee zones through various FNC programs.

Defense of the brand equity

The Federation has adopted a number of measures to protect the brand equity of the Colombian coffee producers and the reputation of the origin of Colombian coffee. One of the main threats is when private individuals try to obtain brand rights associated to the Colombian origin, and thus acquire rights that are collective in nature and not individual. Other measures include the detection of origin infractions through the analysis of gathered samples from all continents, the review and monitoring of the cases of users of non-Colombian coffee, seeking extrajudicial solutions and the formulation of pertinent legal actions.

In addition, and considering the development of the Juan Valdez brand® and the notoriety gained by the shops that use it, incentives have been presented for third parties to use similar expressions as: Juan Café and Café Valdez, in businesses or franchises.

In 2012, 11 infractions were documented around the world, mainly of the Juan Valdez® brands and the Café de Colombia® Logo. Those who committed the infractions received letters of complaint, civil infraction charges requesting cautionary measures and, in some cases, processes were implemented to withdraw from the market the products that use the brand in question without due authorization.

In an effort to protect the origin of Colombian coffee, a number of roasters in the United States received letters of complaint for describing their products as “Colombian Blend”. In these cases, the non-authorized Certification Mark use was discontinued. In this sense, there were seven new brand requests and 38 oppositions to the recording of brand that made allusions to Colombian coffee.

DEFENSE OF THE HUILA ORIGIN

Among the most notorious legal actions in 2012, is the invalidation action against private individuals with their headquarters in Spain, for registering the Huila regional origin as a brand to identify a coffee before the Trademark Registration Office for the European Union (OAMI). The case was resolved in favor of the interests of the Colombian coffee growers, cancelling the registration with a great deal of national and international publicity.

Had the Federation not acted, the above individuals would have been able to block the use of the word Huila on coffees for clients and distributors from this regional origin or even sell coffee from other origins under their Huila trademark.

Origin defense and control

The Federation is aware that legally protecting the origin of Colombian coffee is not enough. It is also necessary, as part of traceability guarantee, to have the ability to verify the origin of the product and discover infractions.

In this sense, the Federation implemented an ambitious strategy to verify the origin of all Colombian green and roasted coffee exports through the implementation of the first Near Infra-Red Spectrum (NIRS) network in Latin America.

The network consists in six machines, three of which are located in Colombian maritime ports, and the other three are used for the development of scientific knowledge. The machines update databases and the existing spectrograph models in the central Cenicafé Office.

This new technology complements and strengthens Almacafé's quality control. The entity is responsible

for undertaking the annual physical and sensorial analysis of more than 30 thousand samples from export lots with standardized and reliable methodologies, as well as the analysis of more than a thousand samples of coffee described as Colombian purchased in supermarkets around the world.

These processes that help control the "Café de Colombia" Denomination of Origin were funded by the Inter-American Development Bank, through its Multilateral Investments Fund (IDB-FOMIN), allowing Colombia to be the first country to adopt these control technologies routinely for the protection of the origin of its coffee.



Commercial management results

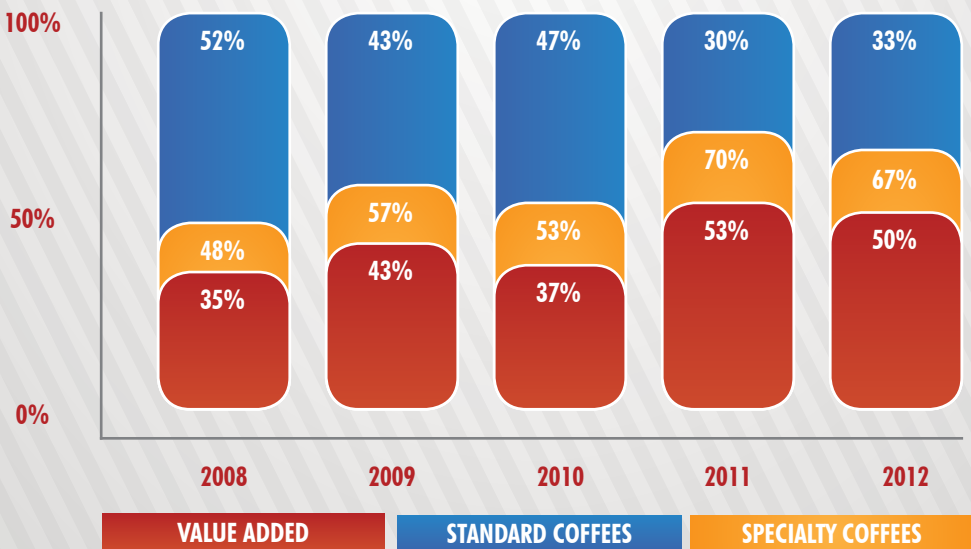
In 2012, total Federation exports reached an equivalent of 1.8 million 60Kg bags of green coffee. Of this total, 67% corresponded to value added coffee sales, providing incentives for other export market actors to adopt similar strategies.

The Federation’s effort in terms of positioning specialty coffees is reflected in the fact that half of its exports in 2012 were exclusively of this type of coffee, which made up 46% of the total exports of specialty coffees during that year.

COMPARISON BETWEEN FEDERATION SPECIALTY COFFEE EXPORTS AND THE TOTAL NATIONAL EXPORTS OF THE SAME TYPE IN 2012.

Total Federation specialty coffee exports (bags)	Total national specialty coffee exports (bags)
927.000	2.026.000

COFFEE GROWERS FEDERATION. EXPORTS PER COFFEE TYPE 2008-2012



The Federation's emphasis on marketing specialty and processed coffees has led to a growth of value added export products from Colombia, achieving, in 2012, the following benefits for the producers:

- Surcharges of USD\$8.5 million (COP\$15.283 billion) to those who market their coffee. This represents an average of 5.6 USD¢/pound, almost equivalent to the coffee contribution. It is worth highlighting that the volume bought is often greater than the volume exported due to logistic and procurement reasons.
- The bonuses paid to producers of specialty coffees grew by 21% more than their incomes in 2011 for those farmers that sold their coffees in specialty coffee schemes.
- An additional 22% was transferred to the international price paid to the producers of mild coffees in other countries.

In this sense, and despite the difficult challenges derived from the volatile and unstable dynamic of the world market and from the internal and external situation, there was a positive impact on the strategy to create competition and greater incentives for specialty coffees in the internal market, forcing other actors to also pay surcharges and incentives for producers with the same logic of the general policy of purchase guarantee.

In addition, positive results were obtained in the productive environment: the number of producers who work under the sustainability standard increased and greater provision of specialty coffees was recorded whereby the producers receive an additional bonus. By the end of 2012, 129 thousand verified or certified producers were registered, who are permanent suppliers and potential suppliers for the different sustainability specialty coffees programs led by the Federation. Also, commercial relations were consolidated with different clients strengthening traditional markets, opening new ones and gaining new consumers.



ENVIRONMENTAL PERFORMANCE

The Federation's environmental management implies working constantly to achieve an adequate balance between the conservation of the resources and the long-term viability of the coffee industry. This implies to assume challenges of steering towards the implementation of better production practices and the development of a sustainable coffee model.

To better explain the environmental impact that leads to increases in the value chain through the transformation and commercialization of coffee, in this section, we explain the actions undertaken by the Colombian Coffee Growers Federation through Buencafé and Almacafé.

The impacts include: the generation of steam in the boilers and their emissions of particulate material, environmental noise, ammonia leaks, bad smells produced in the treatment of wastewater, CO2 emissions by vehicles, among others. All of the above are duly managed through a series of measures and actions.

Summary of the main environmental initiatives developed by Buencafé and Almacafé in 2012

Following are the FNC led initiatives implemented to mitigate the environmental impacts produced by the coffee industry in the country.

BUENCAFÉ

- Use of natural gas as the main fuel
- Cleaning of exhaust gases
- Noise barriers (natural or cabins)
- Ammonia leaks detection and mitigation system
- Wastewater treatment plants
- Use of biomass or coffee grounds as fuel for the boilers
- Burning of biogas (generated by the wastewater treatment plants)
- Independent maintenance of early detection of leaks, breakdowns or faults in the system
- Planned maintenance to improve the mechanic, electric and automatic control of the equipment

ALMACAFÉ

- Water conservation and efficient use
- Efficient use of energy resources
- Integrated management of solid waste
- Integrated management of dangerous waste
- Wastewater spillage control
- Control and monitoring of atmospheric emissions

The coffee industry uses a great deal of water, making water conservation and efficient use one of the primary issues in the productive activities.

To find out more about the environmental actions developed by the Federation with the producers and the community, turn to Chapter 3 and Chapter 4 respectively.



GRI EN8, EN9, EN10, EN21, EN25

Water conservation and use

Insofar as industrial activities, the Federation through Buencafé, uses water mainly to cool the machines used in the industrial transformation process and for use in the administrative installations, the former being the use which generates the greatest impact.

By implementing the most advanced technology, Buencafé has reached 97% water reuse, significantly minimizing its consumption.

Of the remaining 3% that must be added on a daily basis to the production plant, 1.6% corresponds to loss through evaporation and purges, and the remaining 1.4% that cannot be reused in the process is used for washing and then enters the wastewater treatment plants before being poured into the sewers, with a reduced pollution load. This process means that the water sources are not affected by the industrial operation.

ANNUAL WATER CONSUMPTION FOR COOLING AND WASHING

Year	Water use	Water consumed	Water Reused	Disposed Water
2011	27.485.003	824.550	26.660.453	394.200
2012	27.372.400	821.172	26.551.228	392.585

*Cubic meters





GRI EN22, EN27

Recycling of materials and wastes

ESolid waste that is controllable by the Federation in its industrial operation mainly results from the industrial transformation process for which strategies have been developed aimed at minimizing their impact and their greater application.

In Buencafé, 95% of the waste is made up of coffee grounds, understood as liquid coffee waste produced during the extraction and concentration process. Since 1992, new processes have been developed that allowed—with the development of our technology—waste reprocessing to be used to create the steam required for plant functioning. The remaining waste is reused for other functions or is treated according to the current norms. For more information on the described productive process click [here](#).

WASTE DISCHARGE BY BUENCAFÉ IN 2012 (TON/YEAR)

Waste	2011	2012
Grounds	8.291	8.146
Recycling	245	209
Rubbish	130	147
Dangerous	11	11
Total	8.677	8.513

To minimize the impact of waste for the consumers, the jars used to pack freeze-dried coffee that represent 37% of the total purchase of materials, are made up of recycled materials. Similarly, the trays for the boxes and jars of freeze-dried coffee contain recycled fibers, equivalent to 2.3% of the packing material purchases.

Of the total services provided by Almacafé, 99% of the waste produced is used for fuel production, fertilizer or to prepare animal feed. Dangerous waste is treated according to the norms and is stored in different departments until enough has been accumulated to complete the minimum treatment amount.

ALMACAFÉ: WASTE MANAGEMENT ACTIONS IMPLEMENTED		
Waste type	Ton.	Description
Solid waste		
Useable	10.876	Husk, paper, cardboard, sludge, plastics, wood, packaging, among others.
Non-useable	70	Organics and inert substances
Total	10.947	
Dangerous waste		
Managed	2	Treated or disposed of in security landfills
Stored	3	Kept for subsequent treatment or final disposal
Total	5	

Sustainable energy use

The biggest energy consumer in the organization is Buencafé’s industrial operation. As well as using coffee waste (grounds and husk) to produce fuel, among the innovative activities implemented by the FNC through Buencafé are actions such as: changing fluorescent tube lights for LED technology, using 115 KV lines, changing ACPM to crude and installing solar water heaters for showers in the processing area. The above allowed us to make additional reductions in the 2011-2012 period.

As a result of these activities, the electricity required to produce 1kg of freeze-dried coffee was reduced by 13.6%.

The Colombian Coffee Growers Federation, through Almacafé, has implemented energy conservation and efficient use by optimizing energy consumption in lighting, electric equipment, compressed air, air conditioning, engines and electrical networks. Thus, comparing energy consumption between 2011 and 2012, there was a reduction of 5.15%.

Carbon footprint and emissions

The FNC has also made important advances in the measurement of coffee's carbon footprint in the coffee value chain, in order to identify the main sources of Greenhouse Gas emissions (GHG) and determine possible inefficiencies that may be corrected through implementing better practices or technologies.

Buencafé has participated in measuring its carbon footprint, in order to fulfill the agreement established between the Federation and the Colombian Institute for Technical Norms–Icontec. These pilot projects, made it possible to calculate a significant part of the footprint of freeze-dried coffee and establish that the emissions required to manufacture the product do not go over CO2 capture on the farm.

BUENCAFÉ GHG EMISSIONS

Green House Gas emissions	Ton CO2e/año		Change 2011-2012
	2011	2012	
Direct emissions	52.389	53.062	1,2%
Indirect and electric energy	6.711	5.263	-21,6%
Total emissions	59.100	58.325	-1,3%

CO2 emissions generated directly by Almacafé are related to energy consumption, estimated at 2.1 tons in 2012, 5% less than the previous year. Insofar as transport, the calculation of GHG emissions is not directly measurable, given that the service is subcontracted and the country's geographical conditions hamper adequate monitoring.

In this context, and as transport is another generator of CO2 emissions, the Federation, through Almacafé, has based its measurements mainly on fuel consumption.

In addition, Buencafé presents emissions of gases such as Nitrous Oxide (NO) and Sulfur Oxide (SO).

BUENCAFÉ NO AND SO EMISSIONS

Contaminant emissions	Kg contaminant /año				Kg contaminant /Ton CL				Change 2011-2012
	2009	2010	2011	2012	2009	2010	2011	2012	
Óxido nitrógeno Nox	18823	1434	9471	10208	2,27	0,17	1,16	1,25	7,6%
Bióxido nitrógeno Nox	7418	8470	9914	7032	0,92	0,98	1,21	0,86	-28,9
Particulate material	17470	45871	20038	23929	2,17	5,3	2,45	2,93	19,4
*CL: Freeze-dried coffee									

The contribution to the federation collaborators

Federation collaborators are a fundamental pillar for the development of the organization, demonstrating their daily commitment, professionalism, responsibility and leadership in the mission they are in charge of.

In 2012, the Federation ended the year with a total of 2.764 collaborators, of which 33% were women who are present in all the instances of the organization.

NUMBER OF COLLABORATORS 2012

Contract type	Total	%
Fixed term	1.394	50%
Indefinite	1.005	36%
Contract work	365	14%
Total	2.764	

COLLABORATORS PER GENDER 2012

Unit	Total	Women	Men
Central offices	278	56%	44%
Branches	2.486	30%	70%
Total	2.764	33%	67%



Growth and professional development

The Federation creates opportunities of professional consolidation and allows access to other challenges within the organization. The following figures show that 52% of the collaborators have been part of the Federation for six years or more:

COLLABORATORS PER PERIOD OF YEARS IN THE ORGANIZATION 2012

Number of years	Number of collaborators	Number of collaborators
Up to 5 years	1.322	48%
6 to 10 years	615	23%
11 to 20 years	371	13%
21 to 30 years	314	11%
Over 30 years	142	5%

Another of the Federation's concerns has been that of providing professional development opportunities for people with vast experience and to strengthen their positions within the institution. In 2012, 26% of the collaborators were concentrated in the 45 to 63 years age range.

COLLABORATORS PER AGE 2012

Age ranges	Total	%
45- 63 years	717	26%
33-43 years	940	34%
18-32 years	1.107	40%
Total	2.764	100%

Similarly, the rotation index at the end of 2012 reached 17%, reflecting the fact that the organization is concerned with retaining talented collaborators and providing them with a pleasant work environment. However, as usually happens in these types of organizations, the highest rotation index applied to people between 18 and 32 years, who are at a stage whereby they want to explore different fields.

ROTATION PER BRANCHES 2012

Process	Rotation rate %
Headquarters	10%
Branches	18%
Total	17%

ROTATION PER AGE 2012

Age ranges	Rotation rate %
45- 63 years	5%
33-43 years	13%
18-32 years	30%
Total	17%

Equal pay is applied for men and women and pay depends on the duties and responsibilities of each position.

PAY DIFFERENCES		
Level	Female	Male
High management	-8%	4%
Medium management	4%	-1%
Tactical	4%	-2%
Professionals	0%	0%
Operatives	-2%	1%

In order to contribute to their wellbeing and reward the commitment of the collaborators that benefits the organization and the coffee growers, only 5% of the people are contracted with a monthly wage that is equal to the legal minimum salary. At an operative level, the minimum salary was, on average, in 2012, USD\$457 (COP\$821.063), 39% above the legal minimum salary.



Benefitting the collaborators

In our efforts to create supportive work and family environments, the Federation has established alliances that directly benefit the collaborators:

- **Holiday resorts:** in Cartagena and Santa Marta, which 408 families visited in 2012.
- **Payroll deduction loan agreement with financial entities:** our collaborators have access to loans for housing, vehicles and free investment through Banco Davivienda and Banco de Bogotá. In 2012, more than 750 loans were granted to the value of USD\$ 5.8 million (COP\$ 10.483 million pesos).
- **Higher education programs:** In 2012, we continued to support 28 collaborators from different levels within the organization—linked to the Headquarters and Coffee Inspections—in the development of their academic training at Technical, Professional, Specialization, and MA levels. The courses contained material that can be applied in their work.
- **Corporate cell phone plans:** Through corporate agreements established with cell phone companies, all the collaborators have access to voice and text plans. At the end of 2012, 45% of the employees were benefitted.
- **Business agreements:** pricing benefits and discounts for products with coffee and other companies such as Buencafé, Procafecol, Suramericana, Medplus, Compensation funds, savings and credit services with employee's funds and cooperatives.
- **Health support:** a health week was undertaken in 2012, aimed at promoting: exercise, healthy diet and actions aimed at the early prevention of cardiovascular diseases.
- **Financing of medications:** this program helps the collaborators and retired people to fund the medications that they may require.
- **Health services:** In 2012, health services—at all levels of complexity—were covered, benefitting, on average, 3.640 collaborators and beneficiaries (relatives).

Growth and professional development

Contributing to the training and development of the Federation collaborators, is one of our relevant topics that lies within the framework of our collaborators' professional excellence.

The programs developed within the management of our professional training are aimed at promoting the employability of the workers, working on their skills, developing and strengthening technical skills and knowledge using practical-presential methodologies as well as e-learning.

The Table below presents the execution of training programs aimed at strengthening the application of better practices in coffee elaboration processes:

IN-PERSON TRAINING 2012

Training topics	Duration (Hours)	Participants	% women's participation	% Men's participation
Climate and coffee	16	279	15%	85%
Soil conservation	16	262	13%	87%
Management of agroforestry systems with coffee	16	268	14%	86%
Coffee phytosanitary management	16	230	17%	83%
Nutrition for coffee plants	16	199	19%	81%
Total	80	1.238		

VIRTUAL TRAINING 2012

Virtual technical courses	Duration (Hours)	Participants	% Women's participation	% Men's participation
Integrated management of coffee berry borer	48	840	19%	81%
Integrated management of plagues and diseases associated to climatic variability	48	985	18%	82%
Integrated management of coffee agroforestry systems	48	1.087	18%	82%
Challenges for the conservation of water and soil on the slopes	48	1.087	18%	82%

Performance assessment

In order to gather information regarding the fulfillment of the goals and skills developed, for the second year running, we applied a performance assessment.

In 2012, 87% of the collaborators participated, greatly exceeding the assessment in applied 2011, in which only 27% participated. To achieve such a high level of participation, we included processes pertaining to rural extension; social development; research; commercial, administrative, and financial processes; strategic management; cooperative and legal development, and internal auditing.

Participation in the processes of development and performance assessment focuses on continuing to secure the culture of measurement and improvement as one of the fundamental axes in creating competitive advantages based on people's commitment to their development, and personal and professional growth.

As a result of the measurement, 66% of the collaborators assessed obtained an outstanding level, 48% more than the previous year, demonstrating great advances in the commitment to, work and fulfillment of standards.

Collective agreements

In 2012, constant improvements in the Federation– Collaborators relationship were emphasized. These were covered by collective agreements, ensuring operational management and good relations.

This is why 20% of the collaborators are part of the collective agreement. In addition, 7% of the collaborators belong to the Colombian Coffee Growers Federation's Workers' Union (Sintrafec), and 3% belongs to the National Union of Coffee Industry Workers (Sintrainduscafe).

BENEFITS OF COLLECTIVE AGREEMENTS

In 1998, health and safety issues were included in the commitments contemplated in the last convention. The agreement includes benefits for glasses (lenses and frames).

38% of the national workers are part of the Occupational Health Committees, emergency brigades, safety inspections, safe behavior team, and occupational health coordinators.

Absenteeism

In order to create a safe and pleasant work environment, we developed a number of tools to minimize risks in all areas and processes undertaken on a daily basis. Thanks to our actions no fatal work accidents have been recorded for the past three consecutive years.

In 2012, the collaborators were integrally treated for work related accidents. The accidents led to a total of 681 days not worked, which did not produce a negative impact on the development of daily activities.

**NUMBER OF WORK ACCIDENTS PER YEAR AND
RESULTING ABSENT DAYS**

Year	No. of Work Accidents	Work Days missed
2008	89	652
2009	157	808
2010	147	1207
2011	197	809
2012	49	681

The biggest risks of accidents present themselves in field work undertaken by the Departmental Committees during farm visits, given that 87% of the population moves around the rural zones leaving them exposed to risks such as traffic accidents, tropical diseases, being attacked by animals, falls and blows or the consumption of foods that are off. Thus, the Federation within its occupational health program, has developed actions that contribute to minimizing risks. These programs include:

- Communicating to the exposed collaborators about occupational dangers
- Increasing the exposed collaborators' awareness of occupational risks
- Formulation of work safety standards
- Incident investigations (incidents and accidents)
- Hygiene and safety inspections
- Observation of safe behavior guidelines

In this vein, in 2011, Buencafé was OHSAS 18001 certified, through Icontec, in Occupational Health and Safety System. Other actions include training for brigade members and the inclusion of a device in the work uniform of the cold room workers in case of accidents, incident or undesired events.

Also, the workers in engineering processes undergo regular medical checks including special epidemiological tests and high-risk aptitude tests. The purpose of this is to identify health changes in the workers caused by work conditions, and to establish primary prevention models before health problems develop. As a result, in 2012, eight minor accidents were recorded, which is 3 less than the previous year.

Recognition received for successful management

The Federation and its related entities are a national and internationally recognized organization. Its different initiatives and its achievements have been granted a number of recognitions and awards that encourage the institution to continue to work for the benefit of the Colombian coffee growers. Following are some of the awards received in 2012 that complement a long list of prizes and mentions received through the history of the organization.

Productive transformation towards a low carbon economy: within the framework of the UN Conference on Sustainable Development -Rio+20, the Latin American Development Bank (CAF) placed the Federation as the third leading company in productive transformation towards a low carbon economy in Latin America.

Corporate Reputation Business Monitor (Merco) framework 2012: The Federation came 37th out of the 100 most prestigious companies in the country. The Merco 2012 study researched the corporative reputation of over 1.000 Colombian companies, assessing different aspects such as informative transparency and accessibility, the economic results, commitment to the community and social and environmental responsibility.

Information quality certification: this recognition was granted by the National Administrative Department of Statistics -DANE to the Federation in the A category (Excellent), thanks to the consistency, reliability, control and standardization of the information contained in monthly coffee exports volume records.

National Corazones Responsables (Responsible Hearts) Prize: the Colombian Cardiology and Cardiovascular Surgery Society and the Colombian Heart Foundation, granted the Federation and Almacafé second place for its “Prepare today for a healthier tomorrow” program. This award recognized our commitment to creating a culture of healthy habits as a way to ensure a healthy life-style and lower cardiovascular risks.

Award for gender equality: Senator Carlos Alberto Baena López granted the National Coffee Park the gender equality prize in recognition to its work promoting equal pay for men and women. Currently the National Coffee Park directly employs 125 men and 78 women, who receive their salaries according to the norms established by skills and performance rather than gender.

Effie Awards, Colombia, silver prize: every year the World Effie Organization awards the most efficient ideas in marketing communication around the world. In May 2012, The Colombian Coffee Growers Federation, through its Proximity agency, received an award in the Relationship Marketing category.



PART 4



SUSTAINABILITY THAT MATTERS: FEDERATION INITIATIVES AND PROGRAMS TO BENEFIT COFFEE PRODUCERS

GRI EC6, SO1



The role of the Federation insofar as defending the interests of the Colombian coffee growers is based on its interaction with them through multiple instances. The FNC achieves its goal through a participative structure and model that facilitates frequent communication between the producers and the different Federation instances. In this way, it seeks to efficiently respond to their needs and strengthen their opportunities in international markets, again, for the benefit of coffee growers.

The above can be translated into the ability to manage and implement concrete programs and projects, which, led by the Federation, cover different important issues on the sustainability front. It is about going from analysis to action within the framework of a Sustainability that Matters® model that is not limited to discussion and suggestion but that becomes an active part of the reality in coffee communities and farms. The most outstanding examples here are: productivity improvement, access to credit and financial services, the optimization of purchase prices, research, development and training, environmental initiatives that mitigate the risks to the crops, as well as alternatives insofar as connectivity and technological development that favor the interaction and growth of the different coffee regions all over the country.

This section of the Report gives a detailed account of the programs associated to each of the aforementioned sources, the figures and achievements relating to each of them and the management implemented by the Federation in all of this strategy.

Renovation to be competitive

The reduction of coffee productivity is undoubtedly one of the latent challenges that can most strongly affect long-term sustainability and the producers' conditions. It is important that the plants are kept at an optimal production age in order to increase their productivity even in the presence of climate change.

Considering the above, the Federation has implemented a series of initiatives to transform the productive structure of the coffee plantations. In other words, the Colombian coffee growers considered it imperative to renew their plantations with younger plants to bring about greater productivity, density and resistance to plagues and diseases and the Federation has been the key institutional actor to take on this challenge.

The renewal of the coffee plantations is fundamental when it comes to increasing the productivity of the crops and reducing the risk of the producers being affected by climatic problems. This, in turn, increases the income of producers and helps them reduce unitary costs and, therefore, assume the maintenance of their plantations and posterior renewals.

In 2012, new and renewed plantations reached a total of 117.236 hectares, 94% (110.184 hectares) of which was renewed using rust-resistant varieties. In this way, whereas in 2008 30% of the area planted with

coffee trees corresponded to technified resistant varieties, by the end of 2012, this figure had increased to 54%. **Thus, the area planted with young, technified, rust-resistant plants went from covering 187 thousand hectares in 2008, to 455 thousand hectares in 2012, which would necessarily imply increased productivity of the farms and production volumes in Colombia beginning in 2013. It is not easy to find a similar example of a perennial crop in the world that has undergone such productive transformation in such a short time.**

As part of this initiative, the Federation has been able to rely on special instruments that facilitate productive reconversion for small-scale producers. One of these instruments is the Permanence, Sustainability and Future Program (PSF) through which credits are granted in flexible conditions so that farmers with less than 5 hectares of coffee plantation can have access to funds for the renewal of their coffee farms.

The program focuses on small-scale coffee growers that represent 96% of the total in the country and is exercised through the Banco Agrario, Banco de Bogotá and Banco Davivienda. The procedure to apply for the loans is undertaken with the support of the Departmental and Municipal Coffee Growers Committees, and FNC Headquarters.

Credits and financial services: more opportunities for the producers

The Federation provides the Colombian coffee growers with the Extension Service to support them to access different agricultural lines of credit. Following is a description of some other examples—different from the Permanence, Sustainability and Future Program—that illustrate the accompaniment given to the producers in terms of access to credit.

- **Coffee Guarantee Fund (FOGACAFÉ):** its aim is to support the credits for small-scale coffee producers before the financial entities throughout their term. This leads to the reduction of processing costs for people who do not have the guarantees required by the financial system.
- **Coffee PRAN and Coffee Debt Relief Program:** the Federation processed, before the National Government, the issuing and amplification of Law 1504 of 2011, which grants benefits to debtors

of coffee credits whose payments are in arrears, through the National Program of Agricultural Re-activation PRAN. These alleviation programs allow debtors to be free of existing obligations and be able to obtain credit within the Colombian financial system.

- **Special credit line for ecological mills:** Approved with the support of the National Government to enable the Coffee Growers Cooperatives to implement community based ecological wet mills. Through this initiative, we seek to improve the productivity and competitiveness of the farms by processing resources so that the producer can save on milling and post-harvest processes, care for the environment, preserve the quality of Colombian coffee and improve their living conditions and those of their families.

In 2012, 90.060 loans for the coffee growers were processed through the financial intermediaries to the value of over USD\$320 million (COP\$592.229 million) and in the different specialized credit lines granted by FINAGRO.



Purchase guarantee, price management and its impact on local coffee culture

One of the most sensitive topics associated to the producers' quality of life has to do with their incomes not only in terms of the volumes they produce but also with respect to access to remunerative prices. Although it is evident that the FNC does not control international coffee prices or the Dollar and Peso exchange rates, it can exert some pressure through market mechanisms to generate competition among buyers in hundreds of local markets all over the country where producers sell their coffee.

To do this and to strengthen the producers' negotiating capacity, regardless of the volume of coffee traded, the Federation has developed an instrument that is, undoubtedly, the main public good for the coffee communities: the Purchase Guarantee system, which seeks to reduce the producers' transaction costs and includes the following elements: i) transfer the greatest proportion possible to the coffee producers; ii) ensure a daily base market price as a means to counteract the power of local buyers through a last instance buyer and iii) guarantee cash payments and the pres-

ence of a greater number of local markets where producers can sell their product as close as possible to their farms.

To achieve this aim, the Federation publishes a daily base purchase price, calculating the international market price, the base quality differential or bonus for Colombian coffee and the representative market exchange rate, discounting the transport and processing costs. For the system to be effective and transparent, this base price is published every day in the media and by the Coffee Growers Cooperatives, in the Departmental Coffee Growers Committees or the Federation Web page, among others.

To guarantee the presence and relevance in the greatest number of local markets, the FNC has 536 sales points associated to 34 Coffee Growers Cooperatives in the country. Thus, the producers can sell their coffee close to their farms, be paid in cash and without incurring major transport costs. In this way, the Federation can put pressure on other intermediaries to pay the same or more than the published price.

In its management of the purchase guarantee program, the Federation also has the [Almendra Sana](#) - Healthy Bean quality purchasing system, which rewards quality recognizing the effort of the producer.

2012 COFFEE PURCHASE MANAGEMENT INDICATORS:

93% of the international coffee price was transferred to the producers.
On average, the Federation paid between 9% and 11% more than the published base price.
2.1 million 60kg bags were bought, which is equivalent to 27% of the production.

COFFEE BOUGHT FROM PRODUCERS (MILLION 60KG BAGS)

2011	2012	Difference
1,86	2,13	15%

Management to reach the best prices

Coffee, like many other commodities, has a volatile price that depends directly on the fluctuations of the international market. To help mitigate these fluctuations, the Federation developed its Value Added Strategy to capture—via differentiation, positioning and quality of Colombian coffee—a higher price for the local producers.

Thus, coffee growers who, in 2012, sold their coffee in specialty coffees programs received surcharges of 5,6 USD¢/pound, equivalent to US\$ 8,5 million (COP \$15.283 billion).

Financial instruments that help to mitigate price oscillations

The Price Protection Contract CPP is a mechanism, which allows the producers to fix their future minimum income at the day's market price of the sales

contract or even at a price that is 10% higher or lower. In this way, the producers' incomes can be protected and they can take advantage of the favorable price situations for their future benefit.

Pay Now for Future Delivery Contract (CCCEF): this instrument offers, through the Coffee Growers Cooperatives, a price and volume fixing scheme for delivery and payment for up to 6 months in the future.

Support measures for Coffee Growers' Income

Support to Coffee Growers' Income—AIC: an additional initiative financed by the National Government, beginning in October 2012 as a measure to alleviate the losses in the incomes of the producers brought about by the reduction of the internal price for coffee affected by the lower international quotations and the appreciation of the Colombian currency. It is important to point out that this support was implemented only a week after it was approved by the National Committee.





To access the AIC, the producers registered in the Coffee Information System have to present a sales invoice or equivalent document to the Coffee Growers Cooperative or in their local Coffee Growers Committee. Normally after five working days, the AIC is deposited in the Smart Coffee Grower ID or Card or in the producer's bank account.

Initially, for its implementation, the National Government destined resources to the value of USD \$16 million (COP\$28.800 million) for assistance to the value of USD \$11 (COP \$20.000)/125 kilo load of dry parchment coffee (CARGA c.p.s.) if the internal price is below USD \$361 (COP \$650.000)/CARGA c.p.s. Subsequently, on the 25th of November 2012, an additional USD\$27 million (COP\$ 50.000 million) were assigned, which allowed for the AIC to be tripled to USD \$33 (COP \$60.000) per CARGA c.p.s.

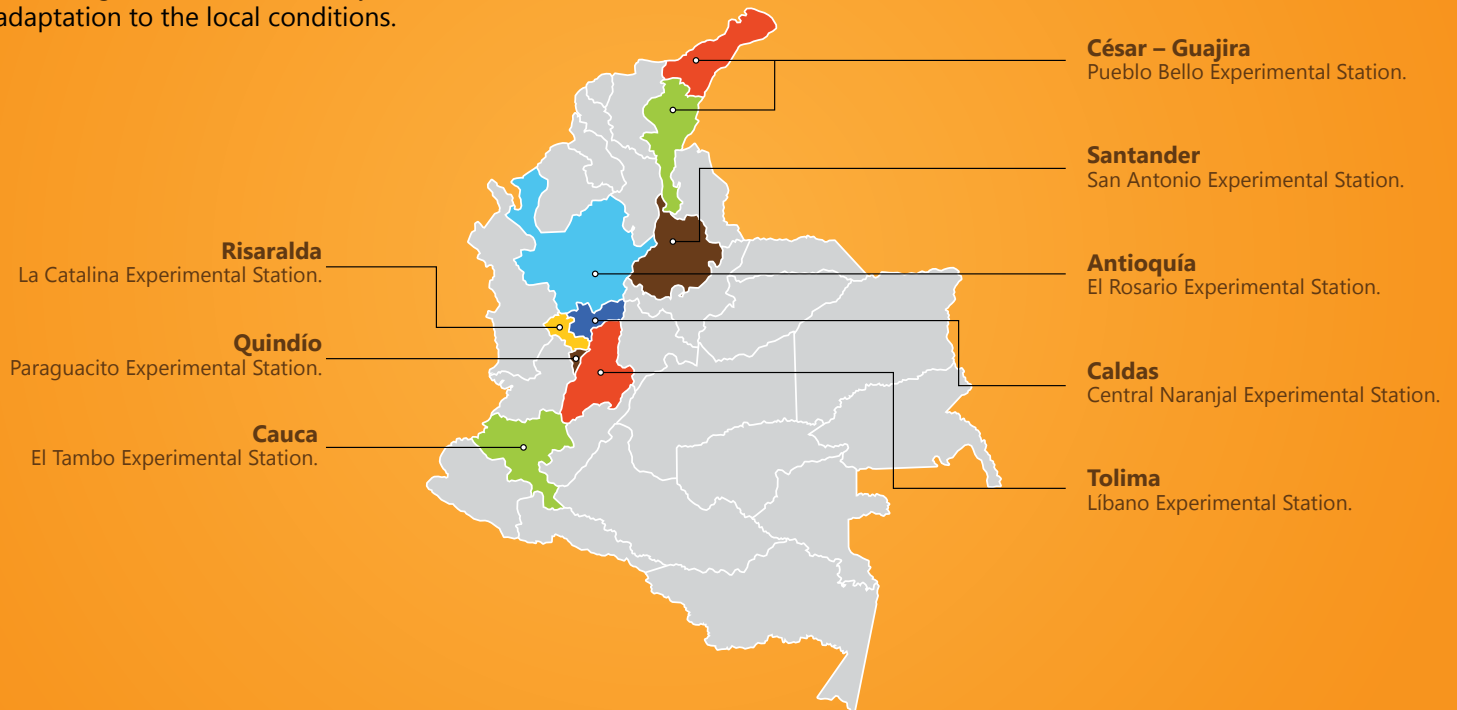
Thus, between the 24th of October, when the program began, and the 31st of December 2012, more than 121 thousand coffee producers were able to access AIC through the processing of 384 thousand invoices for the purchasing contracts of 918 thousand loads of dry parchment coffee with direct payments to the coffee producers to the value of USD\$31 million (COP \$56 billion).

CENICAFÉ AND THE EXTENSION SERVICE: RESEARCH AND TRAINING AS TOOLS FOR THE COFFEE PRODUCERS

In 1938, the Federation created the National Coffee Research Center, [Cenicafé](#). Its purpose was to study issues related to production on the farms, harvest, milling, bean quality and the management and use of coffee sub-products, as well as the conservation of the natural resources in the Colombian coffee zone.

Since its foundation, Cenicafé has received the support of the coffee growers and its challenge has been to develop technologies that are appropriate for coffee production in Colombia, in terms of economic, environmental and social sustainability. The Center relies on researchers trained in the disciplines and technology to attend to the most relevant current priorities in coffee culture in the country.

Cenicafé has 8 Experimental Stations that gather the representative environmental conditions of most of the coffee farms in the country, where technologies are tested to verify their adaptation to the local conditions.



Through the National Coffee Research Center, Cenicafé, the Extension Service and participative research with the producers, extensionists and researchers, the Federation activates the knowledge circuit in the rural zones. By doing this, it performs training and monitoring of the implementation of good production practices, with the most up-to-date technology and in harmony with the environment to achieve a sustainable coffee activity.

FNC Extension Service

The Federation's Extension Service, created in 1959, are aimed at developing and executing technical, social, economic and environmental programs with the producers in all of Colombia's coffee regions. It is key to the creation and maintenance of social capital in rural Colombia. This is why it is considered the coffee "peaceful army".

Its priority is to support the coffee producers in setting up their coffee business and transfer knowledge related to coffee growing.

The Extension Agents, known as Extensionists, who are currently more than **1.669 men and women who travel through the Colombian coffee growing areas, working with the country's producers and their families.**

Their most noteworthy work includes: Technology transfer to improve the quality of coffee, the productivity of the plantations and the economic output of the coffee plants. They also stimulate producers' participation in social and productive projects related to infrastructure and the environment.



To implement technology adoption and program implementation, the Federation combines different communication and contact tactics with the producers. In 2012, the Federation was able to maintain an active media strategy aimed at the producers to bring them up-to-date in terms of the best practices, news about the sector and in relation to its different initiatives. Thus, through 73 radio programs broadcast on 250 rural stations, the TV series “The Adventures of Professor Yarumo”, broadcast by national TV channel 6 days a week, and via 8 regional newspapers, the producers receive information that is relevant to their livelihood.

In the digital field, these activities are complemented through text messages sent to nearly 240 thousand producers to notify them about relevant news, the weekly letters from the CEO by email that reach 14.000 addresses, and the virtual newsletter “Pergamino” sent to the subscribed producers.

The personal contacts of the Federation’s Extension Service in the field complements these mass media and virtual campaigns led through the character symbolizing the Extension Agents, “el Profesor Yarumo®”.

Throughout 2012, the Federation’s extension agents led 36.967 group activities, in which an average of 15 producers producers participated. In addition, through individual farm visits or personal contacts with producers in the offices of the Coffee Committees 624.848 producer queries were resolved, which resulted in the updating of 238 thousand records in the Coffee Information System SICA.

Thus, the Federation, through the mass media and digital strategies and Municipal and Departmental Committees, realized nearly 1.2 million individual contacts with producers documented under **ISO 9001 standards.**



Environmental management with the producers

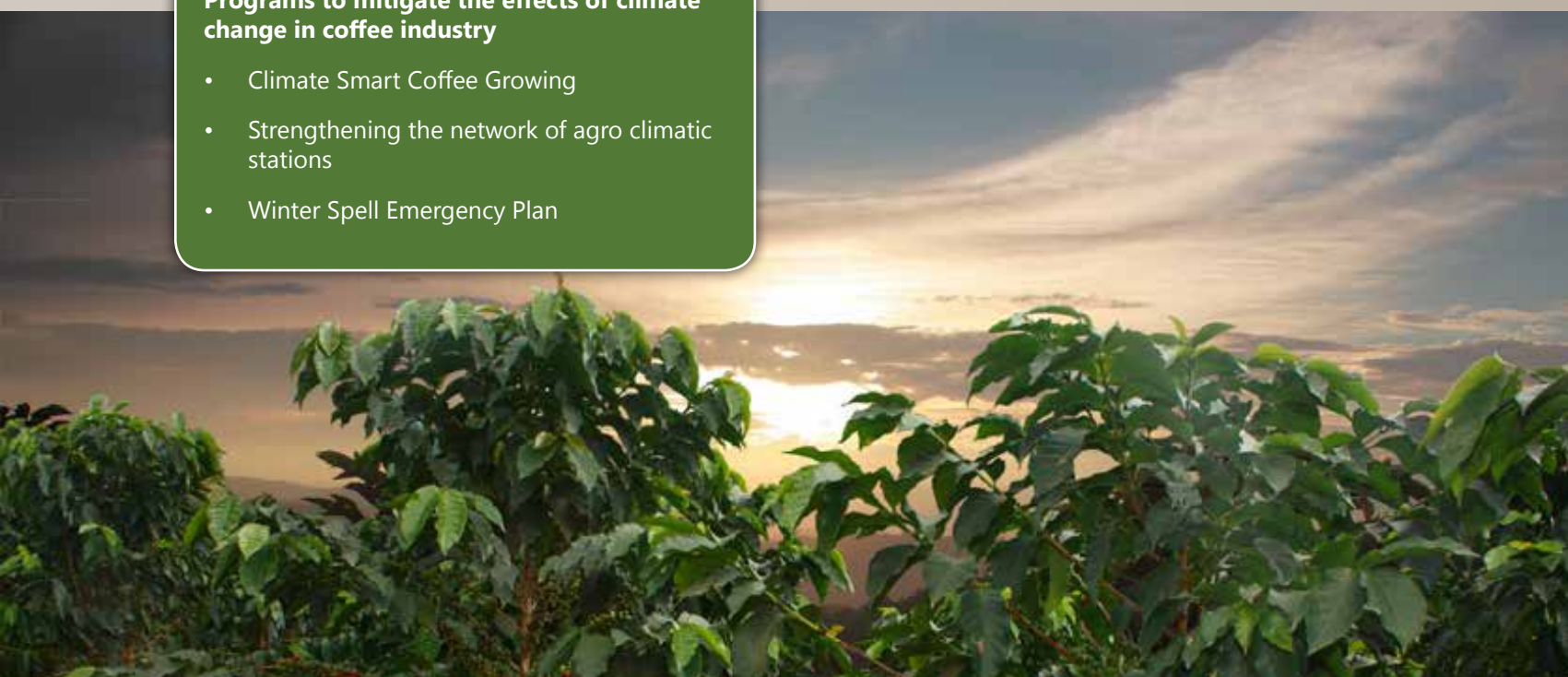
Coffee culture is conceived as an activity that is compatible with environmental conservation. In this respect, the Federation promotes and educates both the producers and the rural communities in topics related to the conservation of the natural resources and the implementation of good practices to conserve and protect the biodiversity of the coffee growing areas. Over the past years, and as a consequence of the so-called winter spell and the presence of intense and more frequent phenomena such as “La Niña”, one of the major challenges has been to face and quickly adapt to changing climatic phenomena.

Coffee culture and climate change

Climate change is a global phenomenon that has affected all agricultural activities around the world. To mitigate this, the Federation, through Cenicafé and together with the producers, has been working on different strategies to maintain the viability of the Colombian coffee industry in the midst of a climatically changing scenario.

Programs to mitigate the effects of climate change in coffee industry

- Climate Smart Coffee Growing
- Strengthening the network of agro climatic stations
- Winter Spell Emergency Plan



Climate Smart Coffee Growing

To deal with the difficulties of climate change, the productive transformation process implemented by the Federation over the past years was complemented by a strategy known as Climate Smart Coffee Growing, based on adaption, mitigation and the planting of resistant varieties which are developed based on the following strategies:

- Development of rust-resistant varieties such as the Castillo® Variety and its regional variations, characterized by 17% greater productivity than the Caturra and Colombia varieties.
- Renewal by planting with resistant varieties and pruning management to recover productivity. In 2012, 110 thousand hectares were renewed with resistant varieties, meaning that 54% of the area planted with coffee tress now corresponds to these varieties.
- Establishment of crop density and layout based on the variety, shade and climatic conditions in each area. By 2012, 94% of the crops were technified.
- Phytosanitary crop management based on vulnerability in each coffee growing zone, preventing the propagation of plagues and diseases such as rust, brown spot, the pink disease and American leaf spot.
- Extension of practices associated to precision agriculture, to improve crop nutrition through the application of optimal amounts of fertilizer, based on soil analysis.
- Shade management to increase productivity, without putting the crops at risk.
- Implementation of soil conservation practices, to prevent erosion, landslides and rock falls that are frequent in rainy seasons.
- Management of early climate warnings, to detect phytosanitary problems and the projection of the coffee harvest. By the end of 2012, a reduction of the levels of berry borer infestation was recorded, passing from 2% in 2011 to 1.9%, and rust infection from 10.8% in 2011 to 5.3% in 2012.

Network of Agroclimatic Stations

As part of the Climate Smart Coffee Growing strategy, we have sought to potentiate the primary source of information and analysis, and give continuity to developing processes aimed at the generation of online information that allows for the development of early warning systems. This new knowledge and technological offer will allow us to act sooner in climatic variability conditions and design future climate change scenarios.



THE MOST RELEVANT ADVANCES FOR THE MITIGATION OF THE EFFECTS OF CLIMATIC VARIABILITY FOCUS ON:



Selection of 105 sites for the installation of agro-climatic stations in the coffee geography.



Data mining and recapture of climate, soil, plague, disease and production research undertaken by Cenicafé, over different periods and coffee regions in Colombia.



Acquisition of automatic stations and the installation of 25 of them in the coffee geography of the Cauca, Caldas, Risaralda, Quindío, Santander, Norte de Santander, Antioquia and Cesar Departments.



Research into adaptation and efficiency in terms of the use of water, mineral nutrients and soil microbiology among other aspects.



Acquisition and implementation of a spatial and Alfa-numerical computational platform.



Acquisition and implementation based on the energy flow measurement system (carbon, water), in two coffee production systems.



Vegetable material and selected genotypes taken to the field for regional tests that allow the generation of Indicators for adaptation, as a basis for the development of future varieties.



Design of a platform to allow the incorporation of historic information pertaining to the Coffee Climate Network and incorporation of new real-time information generated by the automatic stations as articulated with the Coffee Information System - SICA.



Development of the new ECOMILL® system to be fabricated and distributed by licensed manufacturers.

In 2012, improvements were made to the Early Warning System to reduce plagues and diseases in the whole of the coffee zone. The Extension Service has in-depth knowledge, at district level, of rust and borer behavior. Thanks to this, it is possible for the extension agents to recommend more adequate management practices at every point in time and in each region. This is in line with the rest of the adaptation and mitigation actions pertaining to climatically sustainable coffee industry.

This phytosanitary surveillance allows us to periodically monitor and analyze the information taken from more than 4.500 lots where the plants were aged between 24 and 60 months, combined with the historic climatic information, crop phenology, harvest distribution, life cycle and rust and borer behavior.

The Early Warning System records show that the advances achieved in the reduction of the level of rust, which reduced by 33.4% in November 2010 to 5.3% in November 2012.

Winter Spell Emergency Plan

This plan was designed and implemented by the Federation to deal with the climatic emergency associated with the excess rains and humidity that affected the country between 2010 and 2012. Its main

purpose was to mitigate the coffee rust fungus infection in susceptible varieties and recuperate the plant health of the crops and production. The Federation, with funds from the National Government and delivered through Humanitarian Colombia, provided support corresponding to 1 liter of fungicide and 200 kg. of fertilizer per hectare to the producers who needed to respond to and efficiently prepare themselves against the aggressive consequences of the rust epidemic.

In 2012, the second phase of the program was developed consisting in support for the purchase of fertilizers. The beneficiaries of this second phase were 133 thousand coffee producers owners of 106 thousand hectares of technified coffee plantations planted with rust susceptible varieties aged between 2 and 8 years, and with farms no greater than 10 hectares, registered in the REUNIDOS database (managed by the DANE) and who received support for the purchase of fertilizers to the value of USD \$16.096 (COP \$28.942 million).

Forest Program environmental protection

This program is among the activities associated to the recuperation of natural resources in the coffee zone. In this area, we highlight the Federation's effort in

As a result of the Federation's initiatives, Early Warning System records showed a reduction in the level of rust infection, which diminished by 33.4% in November 2010 to 5.3% in November 2012.



promoting to achieve an increase in forest areas and the protection of natural forests and water sources.

In 2012, the Forest Program covered 37.593 hectares, which together with the Río Magdalena initiative—whose aim is the conservation of the ecosystem in the river basin—represent a total of 67.712 hectares of forest plantations.

In addition, with the support of the partnership between Cenicafe and the National Natural Parks, the Federation undertook an evaluation and definition of eight pilot micro basins where actions associated to strategic biological connectivity, the implementation of production systems, reduction of pollution and implementation of good agricultural practices and environmental training are developed.

The selection criteria for these micro basins, which cover an area of 20.000 hectares, are associated to conservation areas in the Andean region, and surroundings of the National Natural Parks or civil society reservation areas.

Caring for the biodiversity in the Coffee Cultural Landscape

One of the most important initiatives in this aspect, undertaken in 2012, was the project supported by the Global Environmental Facility GEF and implemented by the United Nations Development Program in Colombia –UNDP together with the Federation. The purpose of this initiative is to create a favorable environment for the conservation and sustainable use of the biodiversity in coffee areas that contribute to the subsistence of local populations and provide global environmental benefits.

We also highlight the certification/verification de 13.312 hectares of coffee, the establishment of 192 hectares of conservation corridors and the production of 152 thousand native species of plants in the same year.

In addition, the Federation, through Cenicafe, has developed activities related to conservation, education, research, recuperation, recreation and culture, aimed at the protection of the biodiversity, within the framework for the Planalto Forest Reserve (Manizales, Caldas) biodiversity characterization initiative. Some of the most relevant findings included the discovery of 108 new butterfly species as new records for the reserve.

The Federation promoted the implementation of conservation corridors and sustainable production systems in the buffer zones of the Forest Program KfW-FNC. The purpose here was to promote biodiversity conservation in the buffer zones of the Río Magdalena Forest Program.

Measuring the coffee carbon footprint

The Colombian Coffee Growers Federation, in its commitment to environmental sustainability, has identified the need to develop actions associated to the measurement and reduction of the carbon footprint throughout the Colombian coffee production, transformation and marketing cycle.

In 2012, it began a pilot project in the Nariño department, in southwestern Colombia. The initiative comprised in measuring the footprint in each of the stages of the value chain, of a simple volume of approximately 230 thousand kg that covered: farms (a thousand lots approximately), cooperative (La Unión), Almacafe (Pasto branch), Sea port (Buenaven-

tura), Buencafé Colombian freeze-dried coffee (Chinchiná), roasting (Bogotá), Distribution Center –CEDI and Juan Valdez Coffee shops (Bogotá).

Measuring the carbon footprint allowed us to identify the main sources of GHG emissions and to quantify and present them in terms of compensable CO₂eq. It also allowed us to determine where there are inefficiencies that can be corrected through better practices. Subsequently, compensation strategies can be defined so as to offer products with zero emissions or information that reduces the need for customer compensations.

One of the study's initial findings was that coffee production has different carbon footprints depending on the type of crop and its location. There isn't a single carbon footprint for coffee production and this information is very relevant to provide appropriate incentives to growers according to their specific situation. This information and these efforts in trying to alleviate global warming will bring about, in the consumers' eyes, greater value and differentiation for the 100% Colombian Coffee brands.

Other environmental programs

Based on identifying significant environmental aspects associated to the activities undertaken by Cenicafé, the Federation has implemented the following environmental programs, as a strategy to reduce the impacts identified that could affect the coffee ecosystem:

- Environmental management of wastewater program.
- Environmental management of the Planalto Forest Reserve program.
- Environmental management of environmental education program.
- Environmental management of chemical products program.
- Environmental management of dangerous waste program.
- Environmental management of solid waste program.
- Environmental management of efficient energy use program.
- Environmental management of efficient water use program.

Each of these programs has specific goals for each term, which are measured through specific indicators managed by Cenicafé accompanied by the Federation.

2012 RESULTS OF THE WASTE MANAGEMENT PROGRAMS

In 2012, the environmental management of dangerous waste led to the management and disposal of 2.547 kg of dangerous waste. The environmental management of solid waste, on the other hand, produced 4.700 kg of useable solid waste.

Strengthening coffee growing through sustainability protocols

When marketing a product like high quality coffee, the sustainability protocols associated to international certification and verification schemes become an important management tool that facilitates the producers' entry into higher value segments ([see more](#)). The Federation and its Extension Service have worked to help 129 thousand producers to access continuous improvement processes through these certification and verification systems. With this effort we seek to establish a dynamic production system that goes beyond the coffee bean and transversally considers sustainability issues and the impact of coffee growing on the social, economic and environmental arenas.

In line with the above, we highlight that the Federation does not hold commercial contracts that include clauses regarding human rights. However, it promotes the adoption of sustainable practices for coffee growers, through certification and verification activities and programs, whose norms require the fulfillment of human rights related issues.

Specialty coffee programs

To satisfy the demand for Colombian specialty coffees requires adequate production standards for thousands of producers. The Federation promotes specialty coffees programs, including sustainable certified and/or verified coffees, which are produced

using international standards of social, economic and environmental requirements.

In 2012, the Federation implemented 89 sustainable specialty coffee programs, which are audited on a yearly basis by external certification and verification organisms.

With respect to the human rights of the certified or verified farmers, good working conditions have to be guaranteed in accordance with the international norms determined by the United Nations / International Labor Organization. These contemplate the prohibition of forced labor and child labor and all forms of abuse and discrimination, as well as norms relating to dignified health and working conditions.

By 2012, more than 129 thousand verified or certified producers were working with the FNC (representing 23% of the country's coffee growers) under these protocols. These producers are the permanent and potential suppliers for the various sustainable specialty coffee programs led by the Federation. External auditing by the certifying or verifying agencies guarantee the fulfillment of the criteria required by the different protocols.

Similarly, 97% of the Coffee Growers Cooperatives that are part of the chain of sustainable specialty coffee programs are also audited and have to comply by these criteria.

International sustainability protocols with which the federation works



VERIFICATION: RAINFOREST ALLIANCE

Category of producers that can obtain it: From small cooperatives and family farms to the plantations of multinational corporations. The certification can be obtained individually or for groups.

Main focus: This Certification seeks to promote the rational use of natural resources, fair treatment of workers, wildlife conservation and good relationships between farms and their neighbors.

Principles it covers:

- Implementation of a social and environmental management system.
- Ecosystem conservation
- Wildlife protection
- Water conservation.
- Guarantee of good working conditions.
- Health and occupational safety measures.
- Maintaining good relations with the communities.
- Implementation of integrated crop management.
- Soil conservation measures.
- Integrated waste product management.



VERIFICATION: UTZ CERTIFIED

Category of producers that can obtain it: The UTZ Certified program is open to producers of all sizes, small or large, all around the world. The certification can be obtained individually or as groups.

Main focus: Establishes the standards for responsible coffee production and supply. With this UTZ certification, coffee producers can show that they use good agricultural practices, efficient agricultural management and responsible production.

Principles it covers:

- Product traceability, identification and separation.
- Management system, records and self-inspection archives.
- Varieties and patterns
- Soil management
- Fertilizer use
- Irrigation
- Phytosanitary products
- Harvest
- Post-harvest management of the product, worker health and safety.
- Natural resources and biodiversity.

VERIFICATION: FLO

Category of producers that can obtain it: The Fair-trade certification can be applied individually or for cooperatives, associations, or farms with organized employees.

Main focus: This certification works to improve access to markets and commercial conditions for small-scale producers and disadvantaged agricultural workers. It means that commercial relations are based on mutual respect and benefit of all parties involved, that the prices of the products value the work of the producers. The certification offers a Fair-trade bonus that the producer must invest in projects that improve their social, economic and environmental development.

Principles it covers:

1. Productive development
2. Social development:
 - Democracy, participation and transparency.
 - Against discrimination.
3. Economic development:
 - Fair trade award
4. Environmental development:
 - Export capacity
 - Economic strengthening of the organization.
 - Demonstrate the destination of incomes.
 - Environmental protection
 - Work and industrial security
 - Pesticide reduction.

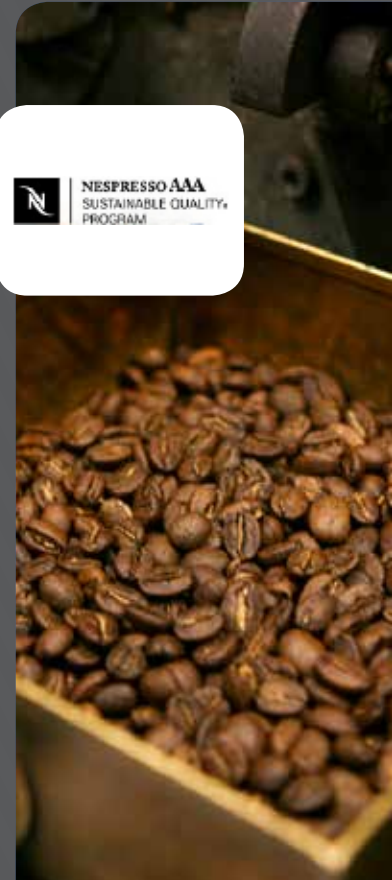
VERIFICATION: NESPRESSO AAA

Category of producers that can obtain it: The producers are identified by the plantation consultants and agronomists because they comply with the unique production characteristics of great coffees such as: aroma, mildness, cream quality and aftertaste. By fulfilling the right characteristics they can be linked to the AAA Sustainable Quality Program.

Main focus: The Nespresso Sustainable Quality Program innovatively combines the principles of sustainability (traceability, financial value, social justice and environmental management) with premium quality, in order to reach Nespresso perfection. It aims to build long-term commercial relations. To reach the adequate standards, a tool had been developed to value the sustainable quality known as TASQ™ (Tool for the Assessment of Sustainable Quality).

Principles it covers:

- Implementation of social and environmental management system.
- Ecosystem conservation
- Wildlife protection
- Conservation of water resources.
- Ensure good conditions for the workers.
- Health and occupational safety measures.
- Maintenance of good relations with the communities.
- Implementation of integrated crop management.
- Soil conservation measures.
- Integrated management of waste products.





VERIFICATION: 4C

Category of producers that can obtain it: *The 4C concept is applicable to the coffee regions and all production systems – small producers, production organizations, haciendas, etc.*

Main focus: To promote the sustainability of the best part of the green coffee or mainstream coffee chains and increase the amounts of coffee that correspond to basic sustainability criteria in its three dimensions.

To promote the sustainability of green coffee is a productive, competitive and efficient means of improving the financial conditions of individuals employed and dedicated to the crop, post harvest processes and green coffee marketing.

Principles it covers: The code is based on an integrated sustainability concept that covers the social, financial and environmental dimensions of the coffee sector. It consists of 30 principles for all the actors that intervene throughout the green coffee supply chain. As a base line for these principles, 4C excludes the worst social, economic and environmental practices in the production, processing and marketing of coffee. These practices are considered unacceptable and are defined mainly based on the Declaration of Human Rights, existing UN and national legislation conventions and norms.



VERIFICATION.: UTZ CERTIFIED

Category of producers that can obtain it: *The C.A.F.E. Practices general assessment guidelines focus on small-scale producers, cooperatives and producer associations. It is a link between the supply chains' producer associations, small-scale producers and service suppliers (suppliers and exporters).*

Main focus: Equality between the coffee and the producer. An initiative that seeks to drive coffee producers, processors and providers towards production methods that is more sustainable and supports them in this task.

Principles it covers:

Area 1. Social responsibility

- Contracting practices.
- Work conditions

Area 2. Environmental leadership coffee crop.

- Water resources
- Soil resources

- Biodiversity conservation

- Environmental management

Area 3. Environmental Leadership Wet milling.

- Saving water

- Management of waste products

- Saving energy

Area 4. Environmental Leadership Dry milling.



VERIFICATION: USDA ORGANIC

Category of producers that can obtain it: *Small, medium and large scale coffee growers with an environmental awareness who care for the natural resources and are willing to undertake the additional work necessary for three years, in order to adapt their crops to the process of transition from conventional to organic.*

Main focus: Organic agriculture (without the use of chemicals) is a sustainable production system that is environmentally friendly and that respects improves and protects the best part of the natural resources and ecosystems.

Principles it covers:

- Transition, 3 years without the use of agrochemicals
- Soil conservation, protection and improvement.
- Increase the life cycle of the soil.
- Restriction of the use of organic fertilizers from animal excretions (USA). Fresh excretions on the soil are allowed up to three months before harvest.
- Shade systems are recommended.
- Consumables allowed according to official regulations.
- Restrictions in the use of copper sulfate.
- Buffer zones
- Documentation of all processes: administrative, productive and commercial.
- Transport certificates and machining process.



Conectivity and technology al the service of the coffee producers

The Federation recognizes that new technology open the doors to new opportunities and aids access to collective management and knowledge. It also knows that connectivity facilitates cross sectional management, shortens distances and emphasizes the participative character of the country's coffee industry.

In line with the above, different initiatives have been processed including connectivity, education and virtual links between clients and consumers and the coffee producers. Following are a number of concrete examples of this management undertaken in 2012:

SICA WEB an information system that adds value to the country's coffee industry

SICA is a unique, dynamic and geo-referenced database that processes information about the coffee plantations around the country. It is permanently updated by the Extension Service, and has geo-referenced information of the farms belonging to more than 560 thousand agricultural workers and of 1.8 million coffee lots.

In 2012, the information available on this system allowed us to identify potential beneficiaries of Phase II of the Emergency Winter Spell Plan. The system also allowed us to plan and monitor the national renewal goals and their weekly monitoring.

In 2012, SICA was replaced by the 10.1 version of ArcGIS incorporating a tool that permits the creation of intelligent maps and dynamic reports, which, in turn, make the recording of information more efficient. The system was also used to renew the high definition satellite and aerophotographic images that serve as the cartographic base for the identification of lots and possible changes.





Smart Coffee Grower ID and Card, tools available for coffee producers to access benefits

Both the Coffee Growers ID and the Card are called “Smart” because they serve both as ID and as instruments through which the monetary incentives managed by the Federation can be channeled to coffee growers, giving them access to financial and technical opportunities and services.

By the end of 2012, more than 434 thousand Smart IDs and Cards were delivered, of which 284 thousand have been used at least once in the Intelligent Coffee

Network which consists of 484 sales points in the Coffee Growers Cooperatives, 579 commercial establishments, 403 agricultural supply stores, and ATM machines in more than 220 municipalities all over the country.

Also in 2012, the national platform Banca Móvil was launched, allowing coffee producers to make their transactions using their cell phones and, therefore, not having to leave their farms.

Virtual education programs at the service of the coffee producers

In 2012, the Federation implemented a number of courses taking advantage of the connection and coverage opportunities offered by virtual tools. One of these initiatives was managed by the Manuel Mejía Foundation for the Extension Service in order to update its work team through training in topics such as plague and disease management, coffee plant fertilization and integrated management of coffee berry borer.

The Federation, in Alliance with Almacafé and el SENA (National Learning Service), designed a program for the National Coffee School focusing on the coffee process from the bean to the cup, as well as coffee production and criteria such as social and environmental responsibility as the basis of coffee sustainability.



COLOMBIAN COFFEE GROWERS FEDERATION | 2012 FNC SUSTAINABILITY REPORT

A CHALLENGE ALL THE WAY FROM THE COFFEE BEAN TO THE COFFEE CUP

PART 5

THE VALUE GEENRATED FOR THE COFFEE FAMILY AND FOR THE COUNTRY

Colombian coffee industry, a pillar for the country's social development

One of the fundamental aspects of the history of Colombian coffee is that its contribution to the national economy is undeniable, as is the parallel building of socio cultural dynamics of growth and development in the coffee zones.

The Federation has been an active instrument of management that strengthens the efficiency of the investment associated with coffee production through projects that have an impact on education, health, infrastructure and, in general, assistance provided to the communities. Its transparency, efficiency, national and international reputation and willingness and ability to create local and international alliances, as well as its ability to implement different initiatives in rural Colombia has increased the reach of the projects that benefit and make Colombia's coffee growing

regions be characterized as with greater social development and growth compared to other rural areas in the country.

In this sense, the Federation's view of sustainability crosses all the axes of economic, environmental and social growth that are linked to Colombian coffee cultivation, making a fundamental contribution to the pacification and reconstruction of the country's social fabric whose agro industry has been severely affected by the armed conflict and other factors pertaining to local history.

Following, we present concrete initiatives that, with the Federation's leadership and the support of its allies, have been implemented to add public value to communities that inhabit the Colombian coffee region.

To find out more about the international alliances managed by the Federation, turn to Pages 37 y 74

ROADS INFRASTRUCTURE PROGRAM

One of the most relevant elements when it comes to connecting the production zones to the rest of the country is infrastructure, above all, bearing in mind the mountainous geography where coffee is grown. Given that the deficient infrastructure increases the producers' logistical costs, the Federation has implemented public – private alliances to improve the road infrastructure that facilitates connection between regions and, in turn, reduces transport costs.

This led to the development of the Roads to Prosperity Program, in alliance with the National Roads Institute –INVÍAS, whose particular focus is on investment in infrastructure to attend to the country's tertiary road system. In 2012, maintenance and improvements were carried out on 2.050 km. in 151 Colombian municipalities.

The initiative also promotes the generation of rural employment through the Camineros (Road Builders) program, whereby coffee producers are in charge of complementing the mechanized maintenance of approximately 5k of roads near their homes (routine manual maintenance). In 2012, through the figure of routine manual maintenance 1.375 km were improved in 115 municipalities, employing a workforce of 307 local camineros.

2.050 KM OF ROADS INTERVENED

2012 saw the maintenance and improvement of the road infrastructure.

307 ROAD BUILDERS

Participated in the program employing its workforce through the figure of routine manual maintenance as part of the Roads Infrastructure Improvement Program.

USD \$ 10 MILLION

COP \$18 billion invested in tertiary roads in 151 municipalities in Caldas, Cauca, Cundinamarca, Santander, Magdalena and Valle del Cauca.



HUELLAS DE PAZ (PEACE FOOTPRINT), IMPROVING COMMUNITY LIFE CONDITIONS

USD \$9.5 MILLION

Invested in the reconstruction of the social fabric of rural families that have been affected by the internal armed conflict.

6.667 PEOPLE

Trained in 2012 in skills that allow them to strengthen social and participative skills in the last phase of the Peace Culture Program.

This is one of the most important social management initiatives that the Federation has implemented thanks to international cooperation and the support of the local governments of the areas that benefit from the project. The project, also funded by AECID (Spain) and the Humanism and Democracy Foundation (H+D) (Spain), seeks to strengthen development policies, security and the reconstruction of the social fabric of 22 municipalities in Colombia.

Specifically, the initiative seeks to strengthen the social fabric to offer communities financial-productive tools that dismember the illegal networks that are a result of the country's historic armed conflict.

Investment in this project totaled USD\$9.5 million (COP\$17.200 million) to be spent between 2011 and 2014 with the implementation of an Integrated System of Rural Management (ISRM) to promote harmonious coexistence and the application of good social, environmental and economic practices, accompanied by a number of productive infrastructure works.



The project contributes to improving the social integration and stabilization of ethnic groups that have been affected by the armed conflict, by providing them with drinking water, income generation and environmental sustainability in the rural communities of 22 municipalities in Cauca, Nariño, Valle del Cauca and Antioquia, home to more than 18 thousand small-scale coffee growers.

In 2012, USD\$2.3 million (COP\$4.200 million) were invested in strengthening the Integrated System of Rural Management, based on the implementation of the last phase of the Culture of Peace Program which trained 6.667 people in skills that would allow them to strengthen their social and participative skills.

The program also improved the health conditions of 800 families, thanks to the construction of four district or rural aqueduct systems in four municipalities in Antioquia.

In Valle del Cauca, 280 families benefit from the construction of 147 individual wastewater treatment systems and 180 trenches for pulp storage and fertilizer production, which serve to improve their health conditions and minimize water pollution.

As a complement to these basic sanitation programs, 8000 people were trained in the appropriate use of water resources as part of the “Huellas de Paz” Training Scheme.

Also, as part of the activities related to increased efficiency and competitiveness, in seven municipalities of the Nariño Department, 304 coffee growers were provided with productive infrastructure such grease traps, sun dryers, tank tubs, trenches for pulp management and wastewater treatment systems.

“HUELLAS DE PAZ” TRAINING SCHEME

This scheme is the training component of the project developed by the Federation together with the Manuel Mejía Foundation funded by the Spanish Agency for International Development Cooperation. The training supports the technical actions of the Huellas de Paz Program, and falls within the framework of the following:

- Professional and technical level training program: aimed at designing coffee training programs in the technical professional and technological cycle using the New School methodology.
- Wellbeing for Families, better quality of life for coffee families: focused on supporting the actions undertaken by the Colombian Institute for Family Welfare which, in 2012, covered 13.328 coffee families in 16 of the country's regions.
- The Developing Entrepreneurs for the Countryside Program: trains the agricultural producers in management and administration tools that help them in their small businesses. In 2012, a total of 5.930 agricultural producers benefitted from this project.

COLOMBIAN SUSTAINABLE COFFEE PROJECT

2.371 COFFEE HECTARES

These activities, together with support to access credit for renovation, have contributed to the reactivation of more than 2,371 hectares of coffee.

BENEFITED FAMILIES

The intervention strategy was made up of ten activities aimed at skills building, the construction and installation of productive infrastructure and processes of technical updating.

This project is aimed at helping 600 families that have been displaced by the armed conflict in the Serranía del Perijá in the Cesar Department. Its purpose is to create the right conditions for the coffee growers to return to their lands, to achieve peaceful coexistence and human and sustainable development, the eradication of poverty and the exercise of the full rights of coffee growers—through actions aimed at the reconstruction of the social fabric—and the recuperation of income generating conditions through coffee production and other crops on the farms.

The project—undertaken in the 2009-2012 period—received a total investment of USD\$5 million (COP\$9 billion) within the framework of the public and private alliances strategy funded by the Embassy of the Netherlands in Colombia, for which the Federation, the Douwe Egberts Foundation, the Cesar Govern-



ment and five local Governments articulated actions that allowed the improvement of the living conditions of the affected coffee families.

The intervention strategy was made up of ten activities aimed at skills building, the construction and installation of productive infrastructure and technological updating. The project was implemented through five components: social, productive, food safety and nutrition. In addition, the UTZ environmental certification and a series of complementary activities were implemented.

As a result of the project, significant changes were achieved for the families in social and productive aspects. The projects achieved greater female participation in community organizations, and implementation by producers of good coffee cultivation practices, applying environmental practices and embracing the UTZ certification requirements.

Risks to sustainability—that need to be attended to by the participating entities—were also identified, such as the effects that climatic variability can have on production, which, in turn, affect the benefitting communities' income generating capacity and food for their homes.

As an integrated part of the process, 600 coffee homes were repaired and fitted with lavatory facilities and ecological cookers. The families were also trained in good agricultural practices within the UTZ certification framework in order to make the coffee

activity in the region environmentally, socially and economically sustainable.

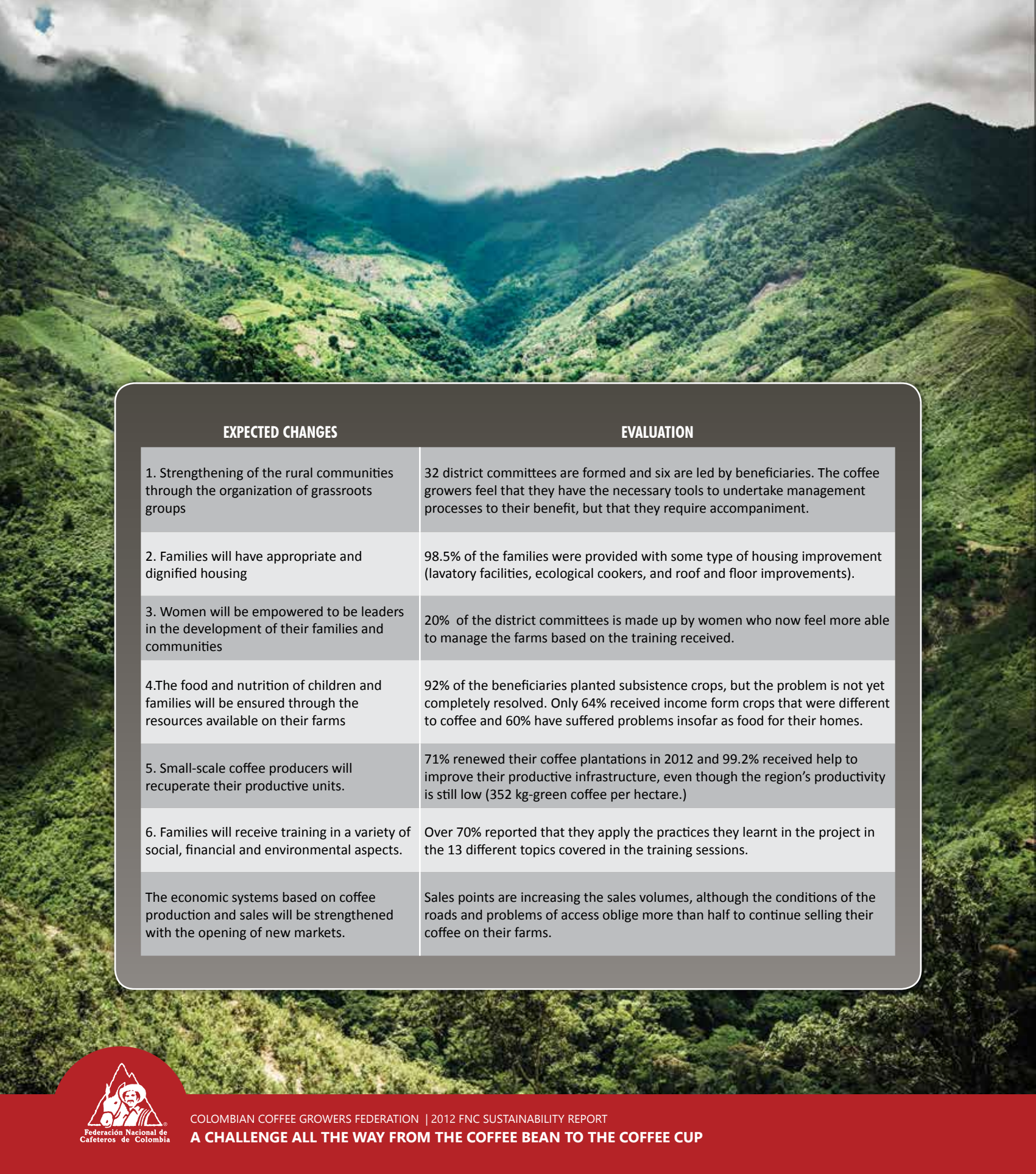
A total of 347 farms in the area received UTZ certification, which includes social and environmental norms for responsible coffee production and efficient farm management.

Similarly, each farm was fitted with wet mill and drying modules, accompanied by training in the recuperation and renovation of old coffee plants. These together with support in terms of access to renewal credits have contributed to the reactivation of more than 2.371 hectares of coffee.

Finally, in order to strengthen their domestic finances, a food safety plan has been implemented to guarantee families' access to quality food based on the use of the resources available on their plots. These resources can also be used to generate additional incomes by selling what they do not use for themselves. The benefitting families were also trained in nutrition and food safety and have a total of 994 hectares of subsistence crops on their farms.

As a result of these actions, a social strengthening was achieved in the area thanks to 34 Coexistence Managers in the Harmonious Coexistence Model, in charge of disseminating their knowledge in the communities inhabiting the project buffer zone. The model includes components in civic culture, constructive vision of the conflict, and socio-ethical leadership, among others.

To find out more about the UTZ certification see page 117



EXPECTED CHANGES	EVALUATION
1. Strengthening of the rural communities through the organization of grassroots groups	32 district committees are formed and six are led by beneficiaries. The coffee growers feel that they have the necessary tools to undertake management processes to their benefit, but that they require accompaniment.
2. Families will have appropriate and dignified housing	98.5% of the families were provided with some type of housing improvement (lavatory facilities, ecological cookers, and roof and floor improvements).
3. Women will be empowered to be leaders in the development of their families and communities	20% of the district committees is made up by women who now feel more able to manage the farms based on the training received.
4.The food and nutrition of children and families will be ensured through the resources available on their farms	92% of the beneficiaries planted subsistence crops, but the problem is not yet completely resolved. Only 64% received income from crops that were different to coffee and 60% have suffered problems insofar as food for their homes.
5. Small-scale coffee producers will recuperate their productive units.	71% renewed their coffee plantations in 2012 and 99.2% received help to improve their productive infrastructure, even though the region's productivity is still low (352 kg-green coffee per hectare.)
6. Families will receive training in a variety of social, financial and environmental aspects.	Over 70% reported that they apply the practices they learnt in the project in the 13 different topics covered in the training sessions.
The economic systems based on coffee production and sales will be strengthened with the opening of new markets.	Sales points are increasing the sales volumes, although the conditions of the roads and problems of access oblige more than half to continue selling their coffee on their farms.

COUNTRYSIDE UNIVERSITY PROGRAM

Through the Manuel Mejía Foundation, the Federation has managed cooperation agreements focused on improving the educational conditions of the communities located in the country's coffee region.

In 2012, it continued to develop the Countryside University Program, which allows students in rural schools to begin, in their last years of study, technical (two extra years) and technological (one extra year) university training courses.

Training is given in the rural districts and villages and is free. The content is associated to topics related to their environment, which contributes to the region's competitiveness and generational relief of the country's coffee culture.

928 STUDENTS

Have been supported to begin, in their last years of study, technical (two years) and technological (one extra year) university training courses.

By the end of 2012, 928 program beneficiaries were registered; 831 of them were studying the professional technician level and 97 were finishing the technological level. Also, in the same year, 15 rural schools joined the project as well as the Manizales and Católica Universities.



RECONSTRUCTION OF RURAL HOUSING IN GRAMALOTE

Thanks to the contributions made by FNC collaborators and those of its related entities, the resources obtained from the sales of a special edition coffee through the Juan Valdez shops, and the support of the Ministry of Agriculture, 40 coffee grower houses were rebuilt in the rural area of the Gramalote municipality, Norte de Santander. This municipality was the most affected by landslides that were a consequence of excess rainfall during the 2010-2011 winter spell.

The 200 people, belonging to coffee growing families that benefitted from their home reconstruction also received support to renew **511 hectares of coffee, complemented by 311 additional hectares in productive projects**. The logistic difficulties of the reconstruction due to the serious infrastructure damage implied that construction materials had to be taken to the chosen locations by mule.

Once the magnitude of natural disaster that affected the area was known, the Federation employees from all over the country, and those of Almacafé, the National Coffee Park, Procafécol (Juan Valdez shops) and the Manuel Mejía Foundation began a fundraising campaign to support the coffee families most seriously affected by the winter spell.

Also, Juan Valdez shops launched a special limited edition coffee called '**Gramalote – United for a Cause**'. A percentage of the funds raised through its sales were destined to the rebuilding of this important coffee town, located northwestern Colombia in the Norte de Santander Department.

The Ministry of Agriculture and Rural Development added to these funds raised through the Banco Agrario, which paid one peso for each peso obtained through collaborators and other contributions. The total sum raised reached USD\$556 thousand (a billion COP) destined to recuperating the affected rural area.

In addition, the Corona Foundation contributed valuable building materials.

Before beginning the works, the construction of two model houses was agreed upon with the communities, giving the inhabitants two options to choose from according to their needs and particular conditions. The houses measure approximately 50m², distributed over two bedrooms, a bathroom, independent kitchen, living/dining room and a water tank. Each house also has a sundryer area.

OTHER INITIATIVES FOR THE CONTRIBUTION TO THE COUNTRY'S SOCIAL FABRIC

This section highlights the results of a number of initiatives with transversal impacts on the different areas of the country's coffee region and which considered issues relevant to the reality of a number of local communities in 2012.

EDUCATIONAL PROJECTS

- Countryside University: Caldas IG page. 76
- Sustainability and ICT in rural schools to improve educational levels in Santander: IG pág.76
- Virtual school: IC Caldas p.22
- La Palma School: IC Cundinamarca p.46
- Adult education: IC Valle del Cauca p.119

HEALTH PROJECTS

- Healing the Children workshop: IC Huila p.53
- League against Cancer: IC Huila p.54

INFRASTRUCTURE PROJECTS

- Caminos de prosperidad: Roads Improvement. Caldas, Cauca, Cundinamarca, Santander, Magdalena and Valle IG. Pág.79
- Improve social stability and the integration of rural families affected by the armed conflict in the Bolívar municipality (Cauca) through access to drinking water and basic sanitation. IG page.80
- Rural electrification: IC Caldas p.23
- Rural aqueducts: IC Caldas p.24
- Community infrastructure: IC Nariño p.68
- Community development: IC Tolima p.111
- Rural electrification: IC Tolima p.111
- Basic environmental sanitation: IC Caldas p.24
- Social investment to equip two computer centers of the educational institutions Los Guayabos and Los Olivos in Ortega, Tolima: IG. 77





COLOMBIAN COFFEE GROWERS FEDERATION | 2012 FNC SUSTAINABILITY REPORT

A CHALLENGE ALL THE WAY FROM THE COFFEE BEAN TO THE COFFEE CUP

PART 6



HOW THIS REPORT WAS ELABORATED AND GRI TABLE

GRI 3.1, 3.2, 3.3, 3.6, 3.7, 3.8, 3.9

This Sustainability report corresponds to the period between the 1st of January and the 31st of December 2012, and accounts for the work of the Colombian Federation of Coffee Growers in different areas of sustainability.

The information is based on the GRI standard (Global Reporting Initiative), version 3.1 whose Indicators allow the monitoring of the performance of the organization in terms of its social, economic and environmental development, and to communicate these, through this document, to its collaborators and different stakeholders. Our self declared level of application is B.

The report used international system measuring methods and units so that the data could be comparable with previous reports. For currency conversion, we used the average representative market rate RMR for 2012, equivalent to COP\$1798 per Dollar.

With respect to its reach, the document covers the information corresponding to all the Federation's main operations including those of related but independent entities, including Almacafé, Buencafé, Cenicafe, the Manuel Mejía Foundation and Procafecol.

This is the second edition of the Report that the Federation presents on an annual basis; the 2011 version is available on the official Federation Website:

www.SostenibilidadEnAccion.org



Selection process for material topics

The material analysis for the elaboration of the 2012 Colombian Coffee Growers Federation (FNC) Sustainability report was made up in four phases, which, in parallel, allowed us to gather the greatest quantity of relevant information about the Federation and the industry to which it belongs. Suggestions and opinions from the main stakeholders were also received.

The four phases of analysis are identified as follows:

2012 PRESS REVIEW

BENCHMARK FOR SUSTAINABILITY
REPORTS OF THE FOOD AND OTHER
RELATED INDUSTRIES

STAKEHOLDERS VIRTUAL
ENGAGEMENT

INTERVIEWS WITH COLOMBIAN
COFFEE GROWERS FEDERATION
EXECUTIVES AND COLLABORATORS

2012 Press Review

The 2012 press review consisted in measuring the appearance/presence of the FNC in the digital and printed media, by monitoring of press notes, internal audio-visual material and academic studies found on the Web. One hundred and thirty six media appearances were found.

With the aim of recovering topics in which the FNC had the most presence in the media, the total number of appearances was grouped into 7 categories according to the content of each appearance.

These categories and the number of appearances can be displayed as follows:

APPEARANCE CATEGORY	N° OF APPEARANCES
Corporative Governance	26
International coffee promotion and positioning	26
Consolidation of the Juan Valdez brand	23
The coffee business in figures	20
Coffee industry sustainability	17
Protection of the coffee industry	15
Contests and awards	9

Referencing of sustainability reports of the food industry and other related industries

The referencing of the industry's sustainability reports consisted in an analysis of the sustainability reports of the main coffee producing entities and companies whose main activity is in the food and drink area.

The sample selected for this study considered 8 reports from multinationals that were sensitive to sustainable development and belonged to one of the following categories:

- Be part of the coffee or food production industries.
- Be a direct FNC client

By analyzing the content of each report, we were able to identify some of the most common practices that these companies use to communicate their sustainability-related issues.

Stakeholders contacted virtually

This process consisted in the involvement of the main FNC stakeholders in the development of the 2012 Sustainability report.

To do this, a questionnaire was put together—translated into English and Spanish—made up of 13 questions to measure the interviewees' perceptions of a number of topics related to the Sustainability report from the previous year, and the FNC's development of the sustainable management for 2012 .

In order to obtain a significant number of interviewees, the questionnaire was adjusted to produce an online version aimed at different Colombian and international stakeholders. Through a link sent via email, the interviewees were able to answer the questions and direct their answers and feedback.

The stakeholders were divided into eight categories: Producers, Clients, Collaborators, Suppliers, Contractors, Communities, NGOs, and others. Ninety-two per cent of the sample works in or has their headquarters in Colombia, whereas the remaining 8% does so abroad.

Answers from a total of 162 participants were received from the virtual format.

Interviews with Colombian Coffee Growers Federation executives and collaborators

The interviews undertaken with Federation executives and collaborators constituted a space of dialogue whereby those in charge of different areas gave their positions with respect to a number of topics relevant to sustainability.

Through a semi-structured interview—made up of 6 open questions—that lasted no longer than 90 minutes, the Federation agents presented the main challenges of the company's sustainable management.

Twelve interviews were set up with executives and collaborators, among which 5 were undertaken using videoconferencing. All interviews were undertaken in the Federation branches.



Main material topics

In an effort to classify the most important topics of the analysis, we resorted to the crossover of materials that were considered important by each interest group.

The result of this procedure was a matrix with the five most interesting topics for the stakeholders:

MATERIAL TOPIC	DETAIL	PAGE WHERE RELATED INFORMATION CAN BE FOUND
Producer conditions	Present the measures developed by the FNC in topics related to education, incomes and training to improve the quality of life and the work environment of the producers	106
Socioeconomic impact of the coffee	Information about the social projects and the impact they have on the community	124
Environmental impact	Initiatives to reduce the environmental impact and management of the carbon footprint	109
Coffee quality and food safety	Explain how the FNC processes a high quality coffee that fulfills all the food safety standards.	70
Coffee market context	Shed light on the reasons behind the weakening of coffee production and prices.	100
Coffee industry sustainability	Technology applied for the efficient use of resources and of the environment, and training workers in such fields.	120

Global reporting initiative table of indicators

GRI INDICATOR	DESCRIPTION	ESTADO
1.1	Declaration of the maximum authority	Reported
1.2	Description of sustainability risks and opportunities	Reported
2.1	Organization name	Reported
2.2	Main brands, products and/or services	Reported
2.3	Organizations operative structure	Reported
2.4	Headquarters location	Reported
2.5	Name and number of the countries in which the organization operates	Reported
2.6	Nature of the property	Reported
2.7	Market served	Reported
2.8	Organization size/large numbers	To be reported
2.9	Significant changes made in the organization.	No significant changes
2.10	Awards and distinctions	Reported
3.1	Period covered	Reported
3.2	Date of previous report	Reported
3.3	Report presentation cycle	Reported
3.4	Contact point	Reported
3.5	Content definition process	Reported
3.6	Coverage of the report	Reported
3.7	Indicate existing limitations of reach and coverage	Reported

GRI INDICATOR	DESCRIPTION	ESTADO
3.8	Base for including information in case of joint business	Reported
3.9	Measuring techniques	Reported
3.10	Re-expression of information from previous reports	No hubo
3.11	Significant changes in valuation reach, coverage or methods	No hubo
3.12	Table of contents	Reported
3.13	Verification	This report was not verified
4.1	Corporative Government Structure	Reported
4.2	President. Does he/she have an executive position?	Reported
4.3	Independent directors	Reported
4.4	Stakeholder and employee mechanisms for recommendations to the Directorship	Reported
4.5	Link between the Director's performance and retributions	Reported
4.6	Procedures to avoid conflicts of interest	Reported
4.7	Directorship composition, training and experience	Reported
4.8	Mission and values	Reported
4.9	Sustainability management at Directorship level	Reported
4.11	Risk precaution and management principle	Reported
4.12	SOC, AMB and ECO principles and/or programs	Reported
4.13	Main associations	Reported
4.14	Relationship with stakeholders	Reported
4.15	How the stakeholders identify themselves	Reported
4.16	Focus on the inclusion of stakeholders	Reported
4.17	Stakeholders' concerns and aspects of interest	Partially Reported
EC1	Direct and indirect economic value	Reported
EC2	Financial consequences of climate change	Reported
EC3	Coverage of programs to benefit the retired coffee population	Not Reported

GRI INDICATOR	DESCRIPTION	ESTADO
EC4	Significant financial aids received from Governments	Reported
EC5	Difference between the company's base and minimum salaries	Reported
EC6	Percentage of local suppliers	Reported
EC7	Local contracts and % of executives from the communities	Reported
EC8	Impact of investment in infrastructure	Reported
EC9	Indirect economic impact	Reported
EN1	Materials used per weight and volume	
EN2	Percentage of materials valued	Reported
EN3	Direct energy consumption	Reported
EN4	Indirect energy consumption	Reported
EN5	Saving water as a result of conservation and improvements made to efficiency	Reported
EN6	Initiatives in products and services that are efficient in their energy use	No Aplica
EN7	Initiatives to reduce indirect energy consumption	Reported
EN8	Total water abstraction	Reported
EN9	Affected water sources	No sources have been affected
EN10	Percentage of recycled water	Reported
EN11	Adjacent areas to natural protected spaces	Does not apply
EN12	Description of the impact on biodiversity	Reported
EN13	Protected or restored habitats	Reported
EN14	Actions to mitigate the impact on biodiversity	Reported
EN15	Species in extinction	Reported
EN16	Total GHG emissions	Reported
EN17	Other indirect GHG emissions	Reported
EN18	Reductions initiatives and actual reductions	Reported
EN19	Ozone destroying emissions	Reported

GRI INDICATOR	DESCRIPTION	ESTADO
EN20	NO, SO and other emissions	Reported
EN21	Waste water discharges	Reported
EN22	Weight of waste managed	Reported
EN23	Spillage	Not Reported
EN24	Weight of transported waste	Not Reported
EN25	Care of water resources	Reported
EN26	Environmental impact mitigation Initiatives	Reported
EN27	Percentage of products sold and packaging materials	
EN28	Fines for environmental incompliance	No fines for incompliance
EN29	Environmental impact due to transport	Not Reported
EN30	Environmental Investment	Not Reported
HR1	Percentage Investments or purchases with Human Rights clauses	Does not apply
HR2	Percentage suppliers assessed for Human Rights	Not Reported
HR3	Percentage of hours of training in Human Rights	Not Reported
HR4	Incidents of discrimination and measures adopted	No Reported
HR5	Operations and suppliers where the right to association is at risk	Not Reported
HR6	Risk of child labor in operations and suppliers	Reported
HR7	Risk of forced labor in operations and suppliers	Reported
HR8	Percentage of security staff trained in Human Rights	No Reported
HR9	Indigenous rights incidents	Not Reported
HR10	Human Rights related issues reviewed	Reported
HR11	Human Rights complaints	Not Reported
LA1	Worker itemization	Reported in p. 90
LA2	Nº of employees, contracting and rotation	Reported in p. 90
LA3	Benefits for full time employees	Reported in p. 93

GRI INDICATOR	DESCRIPTION	ESTADO
LA4	Percentage of employees in collective agreement	Reported in p. 95
LA5	Notice time for organizational changes	No Aplica
LA6	Percentage represented in the health and safety committee	Reported in p. 95
LA7	Rate of absenteeism and others	Reported in p. 96
LA8	Disease prevention training programs to internal and external public	Parcialmente Reported p. 93
LA9	Health and safety issues according to unions	Reported in p. 95
LA10	Training hours per employee	Reported in p. 94
LA11	Skills management programs to promote employability	Reported in p. 94
LA12	Percentage of employees with performance assessment	Reported in p. 95
LA13	Corporate Government Breakdown per sex and other diversity indicator	Reported in p. 41 y 43
LA14	Male-female salary ratio	Reported in p. 91
LA15	Levels of post maternity leave incorporation	Not Reported
PR1	Evaluation of the life cycle phases of the products	Reported in p. 80
PR2	Number of incidents derived from legal incompliance insofar as the products	Not Reported
PR3	Type of information on the products and services required by the norms	The Federation complies with 100% of the norm
PR4	Number of lack of compliance incidents related to product information and labels	Reported in p. 80 y 83
PR5	Client satisfaction practices	Reported in p. 77
PR6	Compliance with regulations related to marketing communications	Reported in p. 80 y 83
PR7	Number of incidents of lack of compliance with marketing regulations	Not Reported
PR8	Total number of complaints in relation to client privacy	Not Reported

GRI INDICATOR	DESCRIPTION	ESTADO
PR9	Cost of fines for incompliance with norms regarding product use	Not Reported
SO1	Percentage of operations where community programs have been implemented	Reported in p. 100
SO2	Percentage of businesses studied for corruption	Reported in p. 43
SO3	Percentage of anticorruption training	Not Reported
SO4	Measures taken against corruption	Not Reported
SO5	Participation in public policy and lobbying	Reported in p. 36 y 37
SO6	Financing of political parties	Not Reported
SO7	Legal causes of monopoly	Not Reported
SO8	Fines for legal incompliance	No significant fines
SO9	Operations that negatively impact the community	Reported in p. 109 y 114
SO10	Prevention and mitigation of impacts on the community	Reported in p. 109 y 114

GRI 3.4

Contacts for topics related to the 2012 Sustainability Report

Luis Fernando Samper

Communications and Marketing Manager

luisfernando.samper@cafedecolombia.com

Elaboration of the 2012 Sustainability Report

General Management: Communications and Marketing Management, Colombian Coffee Growers Federation–
Economic Consultancy General Management

Content Development and use of the GRI Standard: Newlink Sustainability

Design and printing: Inti Alonso, Escala S.A.

Fotografía:



2012 FNC SUSTAINABILITY REPORT®