

## Investigation of the public sector's purchase of coffee

9<sup>th</sup> October 2015

Dear Danwatch,

Following your request to complete a survey regarding our business, we are pleased to provide you with the below responses.

### PLEASE NOTE:

- On July 2<sup>nd</sup> 2015 we completed an integration of the former D.E. Master Blenders 1753 and Mondelez coffee business resulting in the launch of our new company JACOBS DOUWE EGBERTS. You can read more about this integration on our [website](#).
- For the purposes of this 2014 survey the Merrild business (parts of which have since been sold to Lavazza in September 2015) was included.
- To ensure you have the most accurate and relevant information for you 2014 report, we have where applicable indicated that the response has been filled out based on either the legacy D.E MASTER BLENDERS 1753 (*Merrild, Café Noir, Douwe Egberts*) or Mondelez (*Gevalia*) businesses.

### Purchasing coffee

#### **1. What countries supply the coffee you supply to the public institutions (not the country in which the coffee is roasted, but the country in which the coffee beans are grown)?**

*Brazil, Peru, Honduras, Ethiopia, El Salvador and Peru.*

#### **2. How big a share of the coffee, you supply to the public institutions, originates from Brazil?**

*With respect to the combined legacy DEMB and MDLZ businesses in Denmark, approximately 30% of the total coffee volumes originated from Brazil in 2014.*

#### **3. Which areas of Brazil does the coffee, you supply to the public institutions, originate from?**

*Our coffee from Brazil is a blend from a wide variety of the producing regions. As we buy coffee through exporters and trading houses, we cannot provide the exact breakdown per farm/ location.*

#### **4. Does part of the coffee you supply to the public institutions originate from the Minas Gerais area?**

*Based on the answer provided in #3 we cannot accurately answer this question.*

### **If coffee from Brazil forms part of the coffee you sell to the public institutions:**

#### **1. Is the Brazilian coffee for the public institutions purchased directly from the plantations?**

No

*JDE buys coffee from exporters and trading houses on the global commodity market. As a result we do not have direct relationships with local cooperatives. The only current*

exception to this is Cooperativa Guaxupe which is both a local and global exporter based in Brazil.

**Whether or not you purchase directly from the plantations: Do you know the names of the plantations from which the coffee you supply to public institutions originates?**

No, we do not know the names of the plantations from which the coffee originates, as we deal directly with exporters and trading houses.

**2. Do you purchase the Brazilian coffee for the public institutions from middlemen?**

Yes

**2a. If yes, from which middlemen does the coffee you supply to the public institutions originate?**

*JDE buys coffee from a variety of exporters and trading houses on the global commodity market. Due to the variety, we cannot list the specific parties in this questionnaire. Some of these are listed below.*

**2b. Do you or have you previously purchased coffee for the public institutions from one of below middlemen?**

- a. **Outspan Brazil Importação e Exportação**  Yes
- b. **Tristão Companhia de Comércio Exterior**  Yes
- c. **Cooperativa Regional de Cafeicultores em Guaxupé (Cooxupé)**  Yes

**2c. Do you purchase coffee for other purposes from one of the above mentioned middlemen?**  Yes.

**From which middleman do you purchase coffee?**

*JDE buys coffee from a variety of exporters and trading houses on the global commodity market. Due to the variety, we cannot list the specific parties in this questionnaire.*

## **CSR**

**1. Have you devised a CSR policy and/or a Code of Conduct?**

Yes. The supplier code of conduct is listed on our [website](#)

**2. What challenges in terms of observing your CSR policy/Code of Conduct do you pay specific attention to when purchasing coffee from Brazil?**

*We do not address specific challenges through our CoC as we believe these are better handled directly through pre-competitive initiatives including the IDH Sustainable Coffee Program of which JDE is an active partner. Recently this public private initiative assigned an in-depth business case study for sustainable coffee in Brazil. Brazil is the country (together with Colombia) with the highest % of sustainable coffee (when compare to total volumes). These volume come mainly from large, professionally-run farms and aggregated cooperatives who were able to manage the adverse effects of rapidly rising costs of production for Brazilian coffee over the past years caused by various factors including: Increasing labor costs and appreciation of the local currency. Many small and medium sized coffee farmers were not been able to manage these increases and therefore became unprofitable. The involvement of the Brazilian government is essential in the continued management of this issue.*

*Through our partnership with IDH SCP, great progress has been made in this area, including the introduction of a national sustainability curriculum, better geared towards local needs. The program has also created clarity on ways to better leverage public funding for the coffee sector, necessary to increase and better target future extensions to small farmers.*

*Another a good example of pre-competitive cooperation can be seen in Brazil where our efforts have led to the exclusion of the use of banned pesticides. With the Sustainable Coffee Program and the 4C we developed the initiative 'Growing Coffee without Endosulfan'. This included research to alternative methods, training materials including videos to help communicate alternative pest control techniques and more detailed guidance through documentation. The prohibition of Endosulfan had presented great challenges to many farmers, who had previously used it to control the coffee berry borer - a vehement coffee pest - but are now able to fight this pest in alternative ways thanks largely to the research and training materials. The interventions helped to increase productivity at farm level as well as promote compliance with international and national laws and regulations.*

**3. How do you ensure that your Code of Conduct/CSR policy is observed throughout the entire supply chain?**

*JDE has a Supplier Code of Conduct that articulates standards of corporate behaviour expected from all suppliers and/ or contractors. We expect that all suppliers from whom we purchase goods or services will ensure their business practices and policies are in line with our Code. You can [Download a copy of this Policy](#) on our website.*

**4. Do you conduct visits of inspection at the coffee plantations? Yes**

*JDE Santos (JDE's local office in Brazil) has been carrying out regular field trips (about every three months) for many years. The purpose of these trips is to do a crop survey which includes visits to coffee farms to check the status of coffee plantations. Occasionally these trips are extended to include inspections of the farms infrastructure (patios, drying machines, storage silos, etc.) and discuss any issues if they occur.*

**5. What do you do if you discover violation of your Code of Conduct/CSR policy?**

*This will always be addressed and discussed with the supplier if discovered. For the brands, Merrild and Carte Noir we work with third parties 4C and UTZ Certified to assure ethical sourcing of our coffees. Both parties have a Code of Conduct and a system of control. In case of a non-conformity with the Code of Conduct, the verifying/certifying partner communicates this to the final buyer and in parallel the production unit in question is required to take corrective action to address the non-conformity. Once sufficient objective evidence is provided that the non-conformity has been addressed the status of the production unit is reinstated and the final buyer is informed of the same. During the course of this program we have had issues that resulted in suspension which is proof that both the verification and the certification systems works. In such cases we have discontinued sourcing from that particular supplier – and together with our assurance partner have identified an alternative supply - until the supplier in question had taken the necessary corrective actions.*

**5a. What kind of violation does it take for you to terminate the cooperation with a supplier?**

*A decision to discontinue sourcing would result when any of the 10 sector wide agreed unacceptable practices in coffee production would occur. Further information on this can be obtained from the 4C website where a public list of unacceptable practices is maintained.*