TRANSPARENCY REPORT

version 2.0

WHY TRANSPARENCY

It's one thing to have principles, but it's a different thing to live up to them. At Counter Culture, our company-level ideals are reflected in 1) our mission to always be "pushing potential," and 2) our vision statement:

Counter Culture is a relentless pursuit of coffee perfection, a dedication to real environmental, social, and fiscal sustainability, and a commitment to creating cutting-edge coffee people.

PURPOSE OF REPORT

The purpose of this report is to show you how well we're living up to these ideals company-wide, especially as it relates to how we're buying coffee.

We think this level of transparency helps us to become a better company and that's why we continue to update this report. Hopefully, and somewhat counter-intuitively, we'll never reach a point where we say all of the potential has been pushed or all of the coffee we sell is perfect, because that means we've set the bar too low.

We created this consumer-centered report with our customers in mind and we hope it helps you learn a little bit more about us.

ABOUT US

2016 was a year of growth for Counter Culture. We moved our Durham HQ and Roastery closer to downtown to give ourselves some much needed space, as well as welcome more visitors to our training center. We grew tremendously on the West Coast, opening our first training center in Los Angeles. Throughout this growth, we continued to invest in our employees, customers, and communities—the backbone of our operations.

EDUCATION

Counter Culture employees spent 3,562 hours educating baristas and home enthusiasts about coffee in 2016. Through the 593 labs we hosted at our training centers, we sent many people out into the world with new knowledge about coffee.

CERTIFIED PROFESSIONAL

We revised our educational program in 2016, moving away from our separate barista and coffee steward certifications toward a single 3-tiered Coffee Driven Barista certification program about halfway through the year. Before retiring our former program, we certified 41 students in 2016. Under the new program, we had 25 students achieve their Level 1 certification in 2016.

BARISTA TRAINING

In 2016, we opened a new training center in Los Angeles to better serve our West Coast customers. We also added support staff in Seattle who are working to train and support accounts in the area while our new training center there is under construction.

COMPETITIONS

Counter Culture supplied coffee for 35 barista and brewers cup competitions across the 2016 and 2017 seasons. In both years, the U.S. barista champions won using the Gallardo Family's Finca Nuguo, roasted at our Durham location.

GREEN SPENDING

In an effort to support the sustainability efforts of our staff, Counter Culture provides up to $500 per-employee annually for individual projects that contribute to environmental or personal well-being. In 2016, $21,146.54 was distributed through the Green Fund—an increase of 20 percent from 2015.

POUNDAGE

We roasted 2,464,316 pounds in 2016! Our West Coast roasting operations grew significantly, from 65,220 pounds in 2015 to 243,649 last year.

LOCAL SUPPORT

We donated $4,713.22 to our local communities last year in support of organizations like SEEDS Community Garden and Shepherd's Table and events like the Water for People 5K. We also dedicated 285 hours of our time to volunteering at local non-profits.

TECHNICAL SUPPORT

Our talented team of customer support technicians performed 1,163 preventative maintenance services and responded to 2,456 service calls in 2016.

TEAM BUILDING

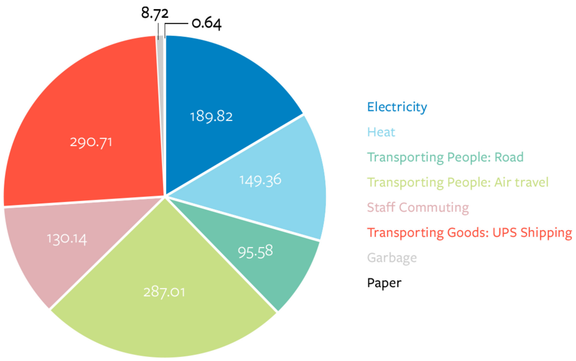
Counter Culture Coffee is built by passionate and driven coffee enthusiasts, and they are the company's number one asset. At the end of 2016, we had 100 coffee-driven team members across the country, including 23 new hires in 2016.

OUR CARBON FOOTPRINT

Climate change is starting to have a big impact on global coffee production and generally not in a positive way. As the industry comes together to focus on helping coffee farmers adapt, it's important to remember that most of the emissions contributing to climate change are coming from countries where coffee is *consumed*, not produced.

Our role as a company is to make sure we're mitigating our impact—lowering our emissions—as much as possible while contributing to the adaptation work happening at origin. While we still have plenty more progress we can make, we continue to reduce our carbon footprint even as we grow each year. Here's a snapshot of our 2016 footprint:

2016 TOTAL EMISSIONS BY TYPE (TONNES CO2E)



BIGGEST SOURCE

Despite our gains in efficiency, our single biggest source of emissions in 2016 remained the transportation of our staff, specifically emissions generated by air travel.

SHIPPING EMISSIONS

The opening of our West Coast roastery in Emeryville in June 2015 continues to contribute greatly to the reduction of our shipping footprint. Although our road shipping increased, we shipped a lot less via air and were able to achieve fewer shipping emissions overall in 2016 compared to 2015.

WASTE DIVERSION

We face a lot of challenges in waste diversion with 100+ employees spread across 11 locations. In order to better track our diversion of waste into recycling and compost, we've started weighing each waste stream at all of our locations every week. We're hoping that this level of data will help us make bigger strides in reducing our waste next year.

WIND ENERGY

We offset the electricity portion of our carbon footprint in real-time by purchasing renewable energy credits to support the domestic wind energy market. We offset 257 tons of CO2e this way in 2016, and plan to offset the remaining emissions through support of forestry projects in coffee-growing regions.

GAINING EFFICIENCY

We reduced our total carbon footprint by almost 300 tons in 2016 compared to 2015. Our largest reductions were in the transportation of goods and people—reductions resulting from behavior changes that speak to our staff's commitment to sustainability.

CARBON OFFSETS

We continue to source our carbon offsets from within the coffee supply chain. This year, we purchased another round of credits to offset 1062.31 tons of emissions. Our offset purchase will go towards planting trees and sustainably managing existing forests on coffee farms in Oaxaca and Chiapas, Mexico, a purchase which both protects the environment and provides farmers with an additional source of income.

MEASURING OURSELVES AGAINST OUR PRINCIPLES

WHY FOCUS ON HOW WE BUY COFFEE

Buying and selling coffee is the core of what we do. While we take pride in our internal successes and take note of where we fall short, we also think this is just how all responsible companies should operate. We focus a lot of energy and effort on how we buy coffee, because we know this is where we can make a unique impact. The coffee supply chain is always international and can be long as coffee moves from small farms to our roasteries, but this isn't necessarily a bad thing. It means that there are millions of people worldwide who make their livelihoods from coffee and that means we have an opportunity to make a meaningful impact. This doesn't mean we see buying coffee as a charitable act—quite the opposite. We see our supply chain partners—farmers, cooperatives, importers, etc—as business partners, all working toward the same goal: a sustained supply of high quality coffee.

Over the past few months, we've been working towards capturing our purchasing model in a concise statement. This Sourcing Philosophy functions like a subset of our company mission and vision. Much like that vision and mission, our Sourcing Philosophy sets the standards to which we aim to adhere.

SOURCING PHILOSOPHY

Philosophy (What we believe)
We believe that consistently high-quality coffee comes from long-term purchasing partnerships based in resilient coffee-growing communities.

Scope (What are we addressing here)
Buying coffee is not just cupping to select lots and signing contracts. Buying coffee is about developing partnerships and the mechanisms for pushing the potential for sustained coffee quality within those partnerships.

Vision (What do we aspire to)
Supply chain partners choose to work with us because of the value we add to their operations within the specialty coffee industry.

Values

Transparency
We share information about our goals, lab practices, and quality assessments to create clarity around our purchasing decisions.

Respect
We treat our partners as equals in business. We seek to understand the cultures, governments, places we work in so that we create respectful, feasible solutions.

Commitment
We think commitments—to people, places, and coffees—create trust, foster experimentation, and mitigate risk across the supply chain

Continuous Improvement
We're always pushing ourselves to sell better coffees and we choose supply chain partners who share this value.

Financial Dealings

Principles (How values are reflected)

We enter into partnerships with the intent to create long-term relationships where parties work together to identify and solve issues

We work to develop and purchase multiple quality tiers within each partnership because we believe this allows for a greater purchasing volume and also fosters long-term stability

We put effort into developing partnerships and also allow time for them to develop

Growth

When seeking out new partnerships, we look for coffee that has quality potential and people who share our drive for continuous improvement

We strive to create financial incentives that reward good quality practices, not just the outcomes, in order to encourage experimentation and promote quality improvement by sharing financial risks

We share quality feedback with partners to promote continuous improvement

We initiate projects only when they create shared value

We commit to purchasing coffees so that partners can secure financing

We support sustainability projects at origin with partners because we think environmental, social, and economic resiliency supports the maintenance of coffee quality and supply over time

Communication

We prioritize visits, emails, messages, and phone calls with supply chain partners in order to better understand issues and foster trust

– KEY TAKEAWAYS: APRIL–SEPTEMBER 2016 HARVEST –

For a more tangible example of how this philosophy translates to practices in reality, check out our Kenya microsite to learn more about how we're working with a dedicated group of farmers in Embu.

Remember that part in the beginning about living up to our principles? That's where the boxes and the map below come in. At the moment, we add coffee data twice a year, based upon our purchasing cycles in the Northern and Southern hemispheres. The information you see in the boxes below is from coffee we contracted between April and September 2016. The numbers below aren't a perfect reflection of our philosophy—we need more cycles of data to analyze long-term trends—but they do provide a great snapshot of how our purchasing intentions shake out in the real world.

OUR MODEL

We want to buy as much coffee as possible in accordance with our Sourcing Philosophy. In this harvest cycle, we bought 62 percent of our coffee by volume under our model. We also classified an additional 37.2 percent of our volume as beginning coffees we intend to continue buying with plans to transition them into our model—leaving only 0.8 percent as spot purchases.

QUALITY SCORES

Our cup quality score scores ranged from 82.5 to 89.5, with the weighted average for all of our coffees at 85.37, and the weighted average for our coffees sold as single-origin selections at 86.42.

PARTNERSHIPS

This harvest cycle marks our 12th year buying coffee from the CENAPROC cooperative in Bolivia—coffee you may know as Nueva Llusta. As we grow, we're always looking to add new partners. We purchased coffee from 56 new partners in the most-recent harvest cycle, including farmers whose high-quality coffee lots were separated out from existing organizational partnerships for the first time.

FOB PRICE

Our average weighted FOB this harvest was $3.16/lb for all of our coffees and $3.52/lb for the coffees we sold as single origin. The average Arabica market price during this time was $1.66/lb.

COMMUNITY SUPPORT

We awarded $18,500 in 2016 through our Seeds program to support projects undertaken by the farmers and co-ops we work with, for example, a food security project with the CENAPROC cooperative in Bolivia. Recognizing the importance of a resilient global coffee market as well, we also gave $13,258 to support World Coffee Research and $5,000 to support the Coalition for Coffee Communities.

DEPTH OF PARTNERSHIPS

In order to better reflect on our adherence to our Sourcing Philosophy, we've added a new calculation to analyze the "depth" of our partnerships. For this harvest cycle, 67 percent of the coffee we bought (by volume) came from partnerships that are doing lot separations specifically for Counter Culture. This means that we're not just buying the main lot or just buying high-quality but low-volume lots from these partners, we're buying multiple types of lots. This practice allows us to increase our purchasing volume since these different lots give us more flexibility for where coffee from a given partnership can be used in our products.

OUR SUSTAINABILITY GOALS

Last year, we developed our first-ever strategic plan for sustainability. The top section outlines where we want to be by 2024, and the bottom includes the metrics we're using to measure our progress. Here's an update on our progress

EMPLOYEE SUSTAINABILITY

We will give $30,000 to employees through our Green Fund to support personal sustainability projects

2016 result: $21,146.54 granted

LONG-TERM PARTNERSHIPS

80 percent of the coffee we purchase will come from multi-year partnerships

Apr-Sept 2016 result: 78 percent

PACKAGING

100 percent of our coffee packaging will be either recyclable or compostable

Packaging audit in progress

CARBON FOOTPRINT

We will reduce our carbon footprint by 30 percent per-roasted-pound over 2014 levels

2016 result: 15 percent reduction

CLIMATE CHANGE

75 percent of our producer partners will have a climate change adaptation plan in place

2017 result: 2 adaptation workshops completed

SEEDS

All projects that receive Seeds grants will include performance metrics

2016 result: 4 new projects with measurable indicators

WHAT'S NEXT

As Counter Culture continues to grow, both our responsibility and our ability to be impactfulwill continue to grow, as well. We'll continue our focus on improving how we buy coffee, working to strengthen our existing partnerships and find new ones that fit our Sourcing Philosophy.

Our goal is to be the best that we can within our own operations and to be transparent about our work so that others can learn from our successes and failures.

Even if we get everything right internally, joining forces with other coffee industry peers and creating common goals are necessary to make large-scale sustainability impacts. No single company or buying relationship or certification is ever going to make coffee a sustainable industry, but we are hopeful that, if we put our minds and dollars together, we can start moving along the spectrum toward increased sustainability more deliberately and at an increasing pace.

FAQS

- **Our Supply Chain**
- **More on Cupping**
- **Why FOB**
- **Coffee Seasonality**
- **Farm Visits**
- **Duplicate Coffees**
- **Names of Coffees**

Our Supply Chain

Why do we talk so much about the coffee supply chain? For consumer-ready coffee to be sustainable, all of the practices along the supply chain should be taken into account—from how a coffee is grown to how it's consumed. As a roaster whose primary business is wholesale, we're in a unique position in the coffee supply chain. We rely on other people to grow coffee and on other people to brew and serve our coffee, as well—which means that we can only achieve our quality and sustainability goals by working with our partners. Our position in the supply chain allows us to be an agent of change, but only if we establish strong communication and information-sharing among all of our supply chain partners so that we're all working toward shared objectives. Transparency helps us build the trust that makes this information-sharing possible.