

COUNTER CULTURE
TRANSPARENCY
REPORT 2022



Who We Are & How to Read this Report

Counter Culture Coffee stands as one of the largest independent specialty coffee roasters in the United States. Founded by Brett Smith and Fred Houk in Durham, North Carolina in 1995, Counter Culture remains true to its foundational values of quality, sustainability, and education. With two roasting facilities and 12 Training Centers, we operate wholesale, grocery, and direct-to-consumer sales and support channels.

We take great care to supply excellent coffee that is sustainably sourced, quality-focused, B Corp certified, and transparently traded. Our annual Transparency Report explains the effort behind this promise.

Counter Culture created the first coffee transparency report in 2009 and continues to publish a report each year. We're committed to the practice of transparency as a means to improve our company and its impact.

This Transparency Report delivers metrics and highlights from January 1 to December 31, 2022. The coffee purchase cycle covered in the Coffee section spans the northern and southern hemisphere's coffee harvest schedule—between October 1, 2021 and September 30, 2022.

This report was created by a team of transparency-driven individuals at Counter Culture. We strive for balance and impartiality, while acknowledging the internal preparation lends an inherent bias to the information.



04 PEOPLE

17 PLANET

22 COFFEE

30 EDUCATION

34 TECH

38 FINANCE

41 CONCLUSION





PEOPLE



People

We aim to publish data that reflects our culture and workplace diversity while respecting each employee's choice to self-identify. The information below displays information collected under federal law for Equal Employment Opportunity reporting.

In 2022, we conducted a voluntary inclusion survey that yielded a participation rate of 50.9%, which left us with incomplete data for reporting additional metrics in a way that genuinely reflects our staff. As a result, we've decided not to include these additional self-identification fields.



Work in Progress | Our Human Resources department will be redesigning and reimplementing a demographic survey with the goal of increasing participation.

106 Total Staff

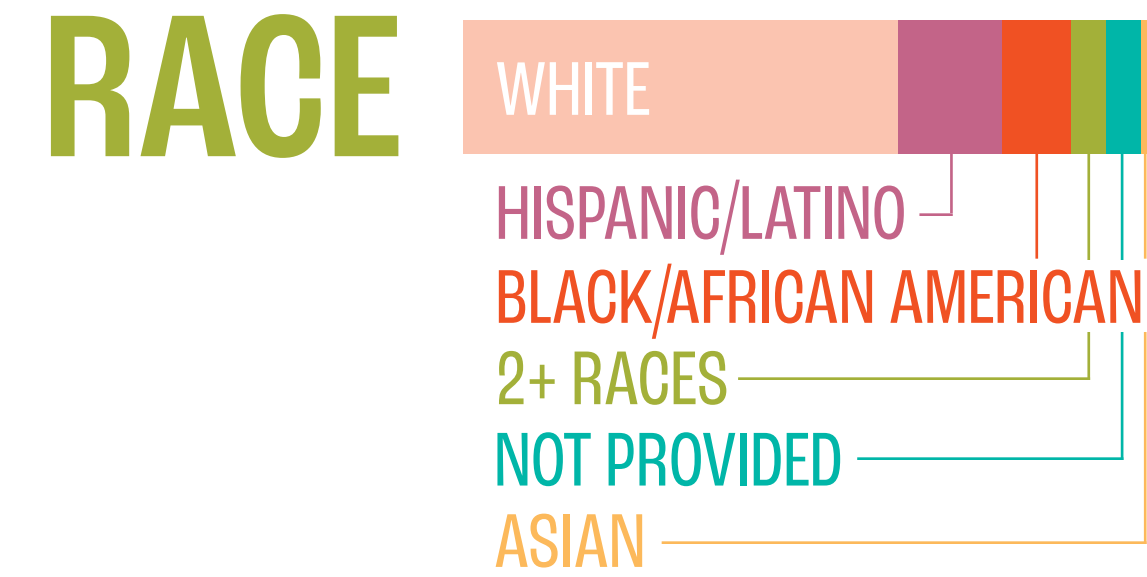
SENIOR MANAGEMENT



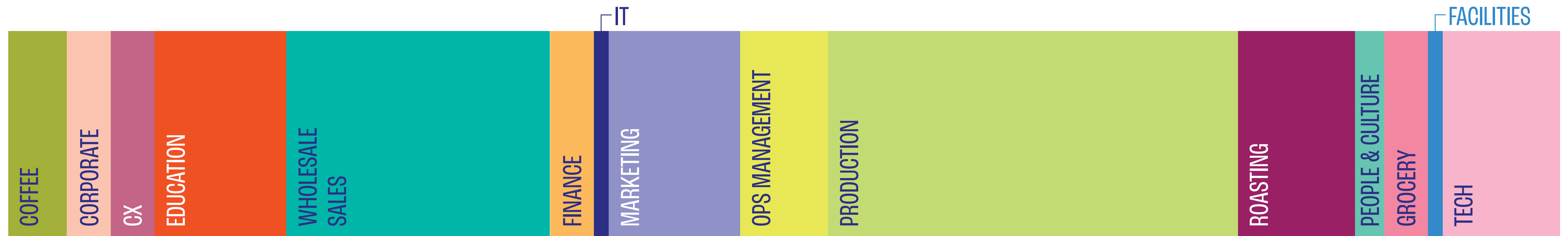
MID-LEVEL MANAGEMENT



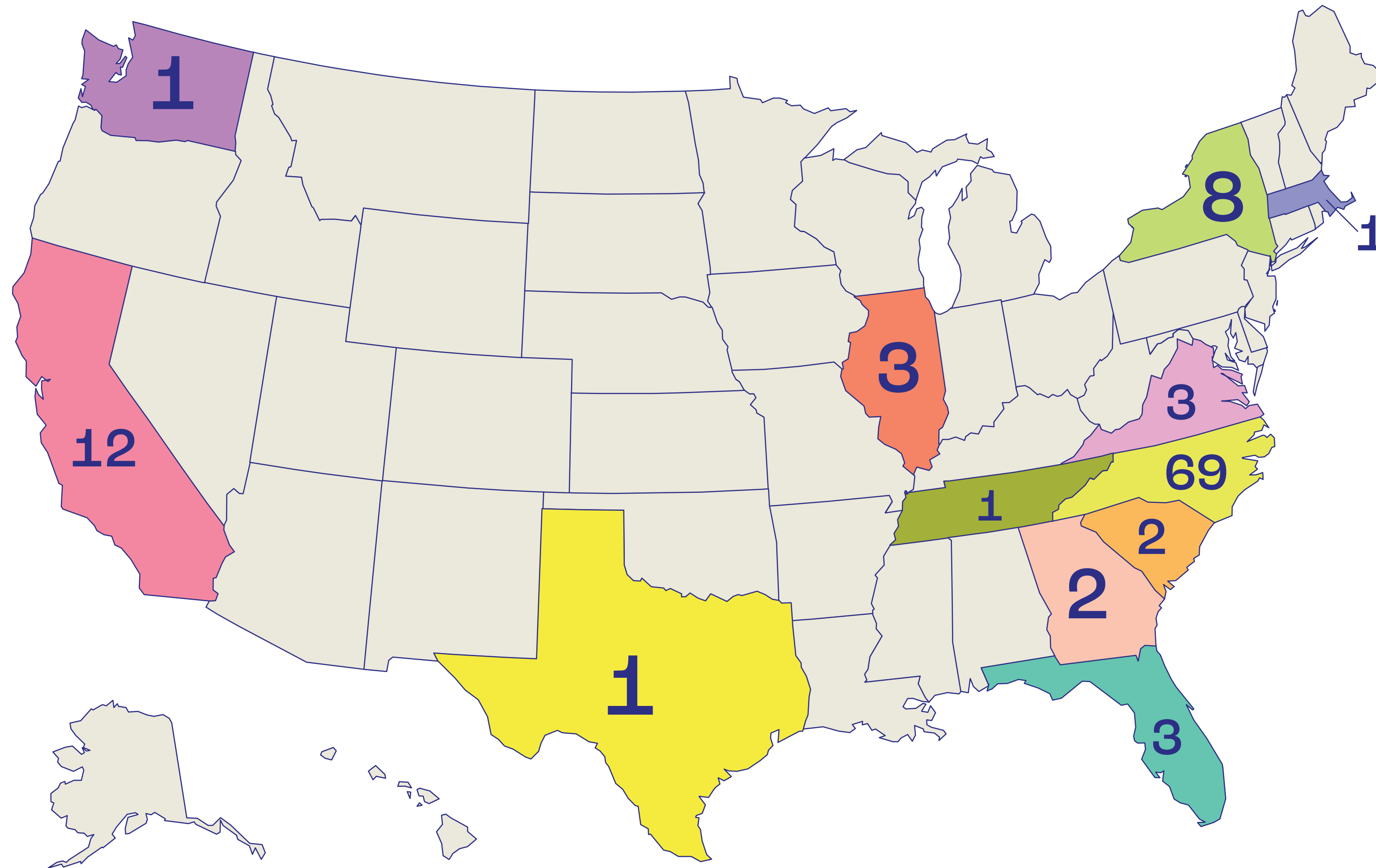
NON-MANAGEMENT



Staff by Department



Staff by Region



- Asheville 4
- Atlanta 2
- Bay Area 3
- Boston 1
- Charleston 2
- Chicago 3
- Dallas 1
- Durham 63
- Emeryville 6
- Los Angeles 3
- Miami 2
- NYC 8
- Seattle 1
- DC 3

- Other**
- Collierville, TN
- Franklin, NC
- Remote**
- Asheville, NC
- Haines City, FL

Board of Directors

Counter Culture's organizational structure includes a Board of Directors. These individuals are subject matter experts in fields beyond coffee, appointed to guide and improve business strategy.

Kwan Graham

Kwan Graham is an accomplished professional with extensive experience in education policy and advocacy. As the Director of Community Engagement at Parents for Educational Freedom in North Carolina (PEFNC), Kwan is responsible for developing and implementing strategies to build strong relationships with community leaders and families.

Jessica Yinka-Thomas

Jessica Yinka-Thomas is a writer and educator with a passion for social justice and sustainability. She is a professor and director of the Business Sustainability Collaborative in the Poole College of Management at North Carolina State University and serves as executive director of B Academics, a global network of educators and researchers studying B Corps and business as a force for good.

Joe Prewett

Joe Prewett is a seasoned executive with extensive experience in the food and beverage industry. As the newly appointed Chief Executive Officer of Oregon Fruit, he brings a wealth of knowledge and expertise to the company. With a strong background in operations, marketing, and sales, Joe has a proven track record of driving growth and profitability.

Crawford Crenshaw

With a background in finance, Crawford brings a wealth of expertise to the board, particularly in areas such as budgeting, investment, and financial management. His dedication to social justice and economic empowerment has made him a respected leader in the nonprofit sector.

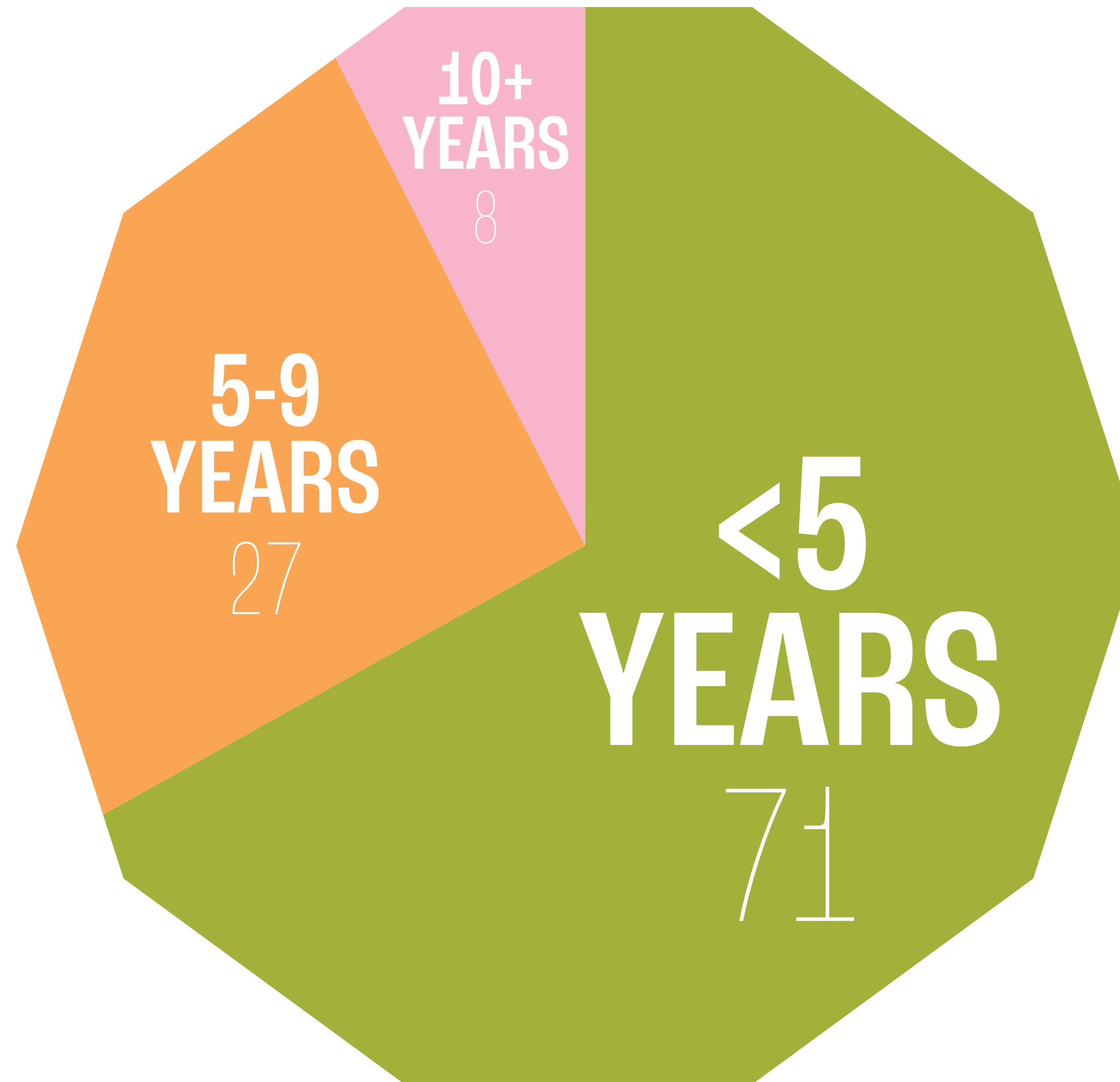
55.6%
RETENTION

43.05%
TURNOVER

31
FULL TIME
NEW HIRES

44
POSITION
CHANGES

Tenure



Work in Progress | Counter Culture experienced an increased turnover rate in 2022. We strive to improve staff retention in 2023 by implementing initiatives that foster the well-being of our employees. This includes the launch of a compensation management project, a People and Culture Alignment Roundtable, and the introduction of additional mental health benefits. For those eligible we will continue to offer remote opportunities, flexible scheduling, and seek to balance the flexibility of working from home with the tangible benefits of working in-person as a team.

Retention measured by the percentage of employees who remained at Counter Culture from January 1–December 31, 2022. Turnover measured by calculating the departing employees as a percentage of average staff levels.

Benefits

New in 2022

SUSTAINABLE LIVING

Counter Culture provides employees with benefits that support personal growth and well-being. In 2022, we rolled out a preventative care allowance of \$100 for physicals and flu shots.

MENTAL HEALTH

Counter Culture introduced mental health support to all employees and their dependents in 2022, with a 50% utilization rate. Spring Health provides comprehensive mental health services like therapy, self-guided wellness exercises, coaching, medication management, and additional work-life support resources.

STOCK OPTIONS

In 2021, Counter Culture Coffee rolled out free, incentivized stock options to all full-time employees. Ownership of shares is granted over the course of three years and, in 2022, all participating employees entered their vesting period.

Benefit Breakdown

\$52,697.07

GREEN FUND

Flexible spending for employees to make their lives more sustainable

ALLOWANCE PER EMPLOYEE: \$500

\$33,913.37

PUSHING POTENTIAL

Flexible spending for continuing education and personal development

ALLOWANCE PER EMPLOYEE: \$500

\$5,598.85

CSA

Employee allowance to support local agriculture

ALLOWANCE PER EMPLOYEE: \$200

\$9,631.22

PREVENTATIVE CARE

Support for employees' physical and mental well-being

ALLOWANCE PER EMPLOYEE: \$100

\$101,840.51

TOTAL FUNDS DISTRIBUTED

Health & Safety

In 2022, Counter Culture received two safety visits at the Durham facility from Senior Safety & Loss Control Consultant for Encova Insurance. Based on their recommendations, we installed additional fall protection on the receiving dock, updated our coffee storage, added various safety updates in our rear production area, and monitored renovations in the facility to ensure compliance with the NFPA.



INCIDENT RATE

17

LOST TIME ACCIDENTS

1

In addition, we completed the following:

Creation of a path of egress for the production floor

Ensurance of access to door exits

Creation of an Environmental Health & Safety Manager position

Placement of “Watch Your Step” mats and signage at doors

Ensurance of access to fire extinguishers and electrical panels at the Durham production facility



Counter Culture is audited annually by Eagle Certification Group. In 2022, our company-wide food safety score increased from 94.12% to 96.03%. Counter Culture attributes this heightened score to the following upgrades:

Formation of a Food Safety Team to review hazard analysis critical control points

Schedule of parking lot repairs for the Durham facility to avoid introduction of pathogens to the production floor

Creation of a keyholder policy for both roasting facilities to control access to product

Collection of supplies to begin in-house, environmental testing of in-bound boxes, bags, and green coffee

Design of a Quality Control Plan to manage the quality of roasted goods

Updates to our Durham pest control log that includes a validation plan that ensures thorough inspection of the facility

Production

Counter Culture reorganized its Durham warehouse in 2022. The move required tremendous effort and investment, taking a necessary step to sustainably handle the company's growth. A radical reimagination of the floorplan, the facility reversed its production flow with a 180-degree reorientation of the space. In addition, we completed the following:

Work in Progress | In 2023, we plan to invest in the production team with continued learning opportunities and new systems like the Cablevey product conveyance system and indoor silo storage.

Installation of a rotary bag filling-and-sealing machine that reduces packaging time by more than 40%

Implementation of direct printing for blend recipes on 12 oz Year-Round bags. Counter Culture believes in the importance of traceable sourcing. By printing directly on bags, Counter Culture can share information about the coffee in each bag while eliminating the application of a sticker

Modification of 5lb wholesale film supplies by increasing our roll material unit size for greater machine efficiency and less roll changes throughout the production day

Utilization of larger bag pallets that improve storage capacity and reduces the need for smaller pallets. These larger pallets are returned to suppliers, where they may be reused

GGOB

Counter Culture continued operating with an open-book management system: the Great Game of Business (GGOB). An internal GGOB Design Team leads the company through weekly financial forecasts. Transparency in the business's finances gives employees an opportunity to work together and build a better, more financially sustainable company.

50 COMPANY WIDE MEETINGS

Justice, Equity, Diversity, & Inclusion

Counter Culture remains committed to fostering a diverse, equitable, and inclusive workplace. Here are some ways Counter Culture contributed to this effort in 2022:

Creation of a three-year strategic plan to improve outreach, recruitment, upward mobility, training and development, and retention of employees

Addition of Martin Luther King Jr. Day as a recognized and paid holiday

Reformation of the company JEDI policy


Ensurance of diverse and inclusive interview panels

Work in Progress | We strive to make a more welcoming & progressive workplace and acknowledge the ongoing nature of this work. In 2023, we will focus on updates to the new employee orientation program, updates to the employee handbook, and roll out a 3-day supervisor training program. These initiatives emphasize the development of all employees in order to create a work experience that fosters civility, collaboration, confidence, competence, and communication.

B Teams

Being a B Corp company requires balancing purpose and profit. Counter Culture has always had a strong commitment to sustainability, and in 2021's report, we outlined our intention to work on the following issues. Here's how we did:

-  Completed
-  Completed & Ongoing
-  Carried Over in 2023
-  Not Completed

 Use renewable energy sources where possible

 Create a better trash management system at all company facilities

 Use our baler to increase the amount of LDPE plastic recycled in the Durham coffee community

 Implement a Customer Code of Conduct

 Create a process to audit customer feedback and satisfaction

 Increase our staff Volunteer Time Off participation


 Audit our local purchasing and hiring policies

 Review our overtime policy

 Review and audit our compliance with paying Family Livable Wage

 Expand our current healthcare plan to include more inclusive coverage options

 Continue the Great Game Of Business rollout within the company

 Formalize a Teams Charter to guide company-wide participation in sustainability efforts



Additionally, in 2022, Counter Culture achieved the following goals:

Creation of a green policy for work travel

Completion of trash audits in eight of 12 facilities, laying the groundwork for a more mindful waste management strategy

Identification of a new vendor for hard-to-recycle Grain Pro and Ecotact bags in Durham (after a previous vendor closed)

Implementation of a recycling plan for Grain Pro and Ecotact bags in the Emeryville facility

Work in Progress | As we reapply for B Corp certification in 2023, our business commits to framing improvement targets through the lens provided by B Corp.

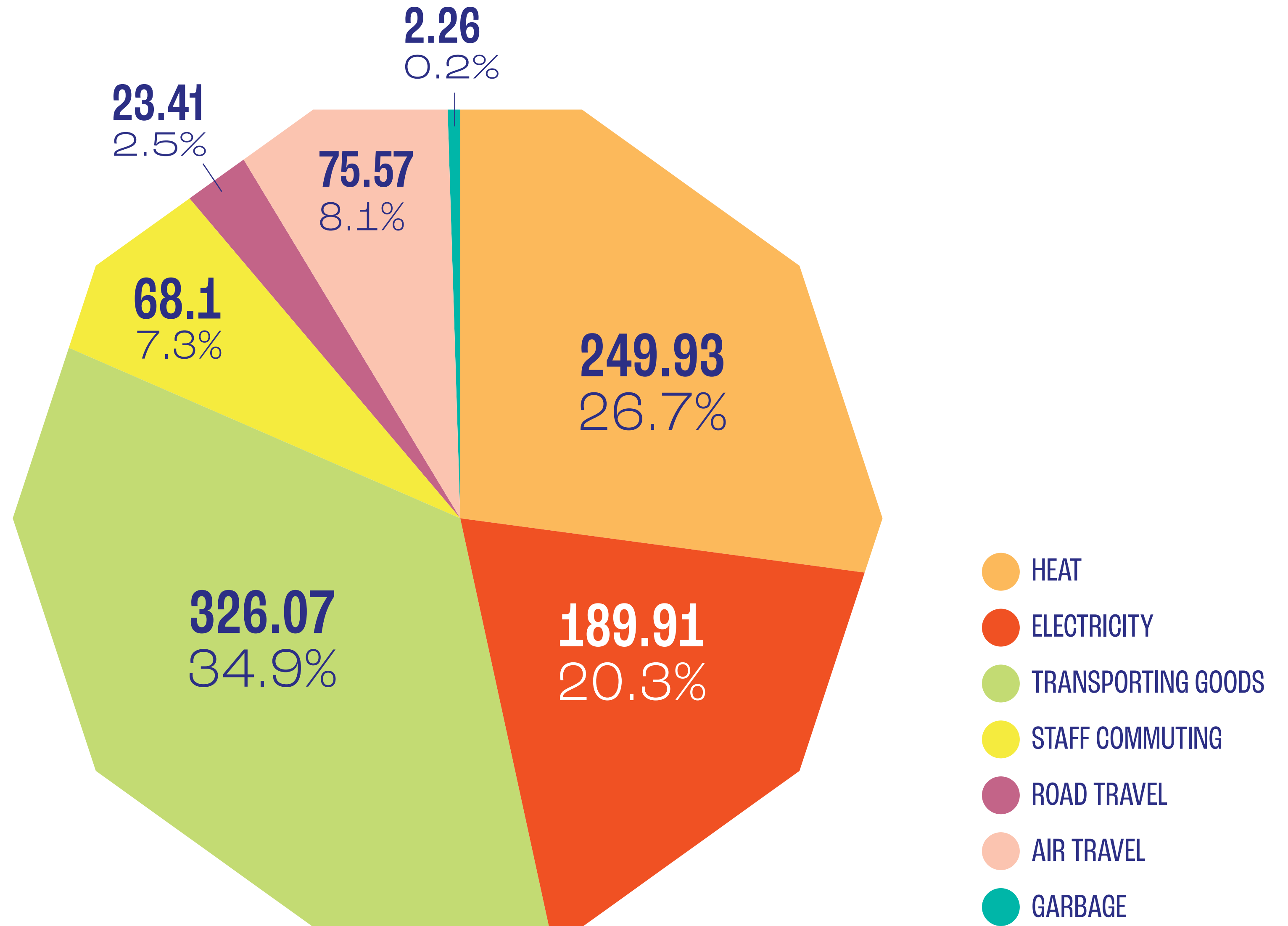
PLANET

Carbon Footprint

Our climate strategy is purpose-driven, not goal-driven. We recognize the need to make progress while remaining humble about limitations. Our business aims to reduce our impact on the environment, support the coffee-growing communities that bear the brunt of a changing climate, and offset what environmental impact we cannot mitigate.

Our footprint grew in 2022 in step with the growth of our business. The biggest increase was in transporting goods and was primarily driven by expedited shipments and heavier volume. Notably, our electricity and trash footprints decreased overall, which we attribute to the conservation efforts of our teams across 12 facilities.

935.25
TONNES CO₂e



Climate Change

Arabica coffee trees are particularly sensitive to changes in their environment. As perennial plants that take three years to fully mature, one bad season can have drastic ramifications on a farm—and the livelihoods of farmers—for years to come.

To understand how climate change affects coffee producers, read more about their experiences.

“Some seasons, coffee that we think we’re going to have a high yield on, we don’t, because the sun just doesn’t stop shining. Sometimes the rain doesn’t stop raining. There’s a lot of inconsistency at the farm level, which affects the later part of the coffee season”

Gilbert Gatali Intango | Karongi, Rwanda

“We have seen a lot of change since we’ve started planting coffee. We have seen how the sun is stronger every year. We have to plant more shade, and the water, we have to take care of the water because every year we will have less than before. We’ve seen more disease. We’ve seen how the coffee is ripe sooner than before. Yes, and much of this change has not just impacted the life of the trees, but has impacted the quality of the coffee.”
[condensed version of our conversation]

Marysabel Caballero & Moisés Herrera

Finca El Puente | Marcala, Honduras

~20,000 lbs

LDPE PLASTIC DIVERTED FROM
LANDFILLS IN DURHAM

170 lbs

LDPE PLASTIC DIVERTED FROM
LANDFILLS IN EMERYVILLE

2,212 lbs

SORTED COFFEE DONATED



Trees, Water & People

One of the initiatives Counter Culture is most proud of is our partnership with Trees, Water & People (TWP). During 2021 and 2022, Counter Culture invested in the construction of 589 clean cookstoves in rural Honduran households. The cookstoves are built by local craftspeople and reduce the amount of firewood necessary to cook. Beyond offsetting Counter Culture's environmental impact, the project generates local jobs, reduces pollution, and positively impacts the health of 525 families, ~2,625 people, in these communities.

393 CLEAN COOKSTOVES
INSTALLED

Work in Progress | In 2022, we worked to consolidate shipments for our e-commerce channel. Our team audited all of our in-stock, small parcel shipping materials and measured them based on quality, sustainability, costs, labor, and scalability. We considered how the materials impact customer experience & coffee quality and weighed cost against the lowest carbon footprint options on the market. Our next step will be upgrading materials in 2023.

After years of pandemic-related delays and supply-chain issues, we restarted our search for the perfect packaging. As a company dedicated to sustainability and quality, finding a packaging solution that excels in both fields is difficult. We are committed to looking at the big picture of impact—from the extraction of the materials used, to its journey to our facilities, to the waste disposal options. We're considering how this change could impact the production team from an ergonomic and safety standpoint while focusing on coffee quality and the overall material's look and feel. We look forward to making a decision in 2023 as we run through our stock.

In 2023, we are focusing on achieving a source reduction of our green coffee packaging. 2022's major upgrades to the Durham roasting facility has laid the groundwork for our ability to handle larger shipments that minimize the volume of materials used to transport and store green coffee.





COFFEE

Price

We believe in paying high prices for green coffee and being transparent about what we pay. Since 2009, our Transparency Reports have disclosed that value in real terms by showing and contextualizing the FOB prices we pay for our coffee.

FOB stand for Free on Board. It refers to the contracted price of a coffee at the time of export from a country or area of origin.

[2022 PURCHASING DATA SPREADSHEET →](#)



Price Stats

For a decade, global coffee prices remained chronically low, at levels that threatened the long-term viability of coffee and the communities that grew it. During the 2022 harvest season, the C market (commodity price) for coffee reached its highest point in a decade. Trading prices rose in every coffee-producing country, at times surpassing prior specialty references. At the same time, the cost of inputs, fuel, and labor increased at the farm level, eating into and, at times, offsetting the higher prices farmers were receiving. We paid higher prices in order to cover increased costs of production and offer a competitive price for high-quality coffee.

In addition to the higher FOB cost of coffee, our freight and import costs rose 22% between the 2021 and 2022 harvest season. Container shortages, fuel surcharges, and general supply chain inefficiencies drove this increase.

\$10.79
AVERAGE COUNTER CULTURE SALE PRICE

1,135
SAMPLES PROCESSED

5,600,137
POUNDS OF GREEN COFFEE PURCHASED

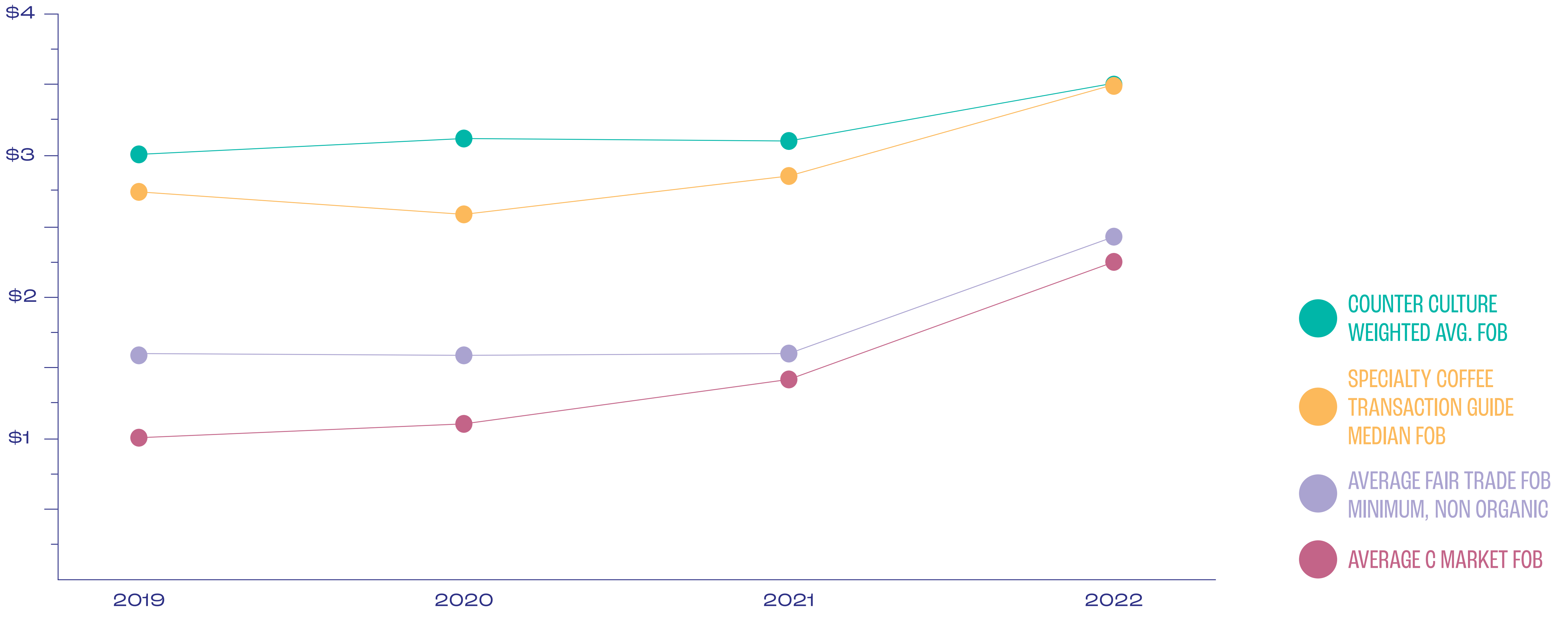
Counter Culture Weighted Average FOB



Market Prices FOB



Prices Over Time



Partnerships

Many roasters buy from different vendors annually, depending on price and quality. Counter Culture takes a different approach: we build long-term relationships with producers and producer groups, a practice that affords producers the stability to invest in the sustainability of their operations and the quality of their product. As our business grows, we purchase more coffee from our existing network so that our partners can grow alongside us.

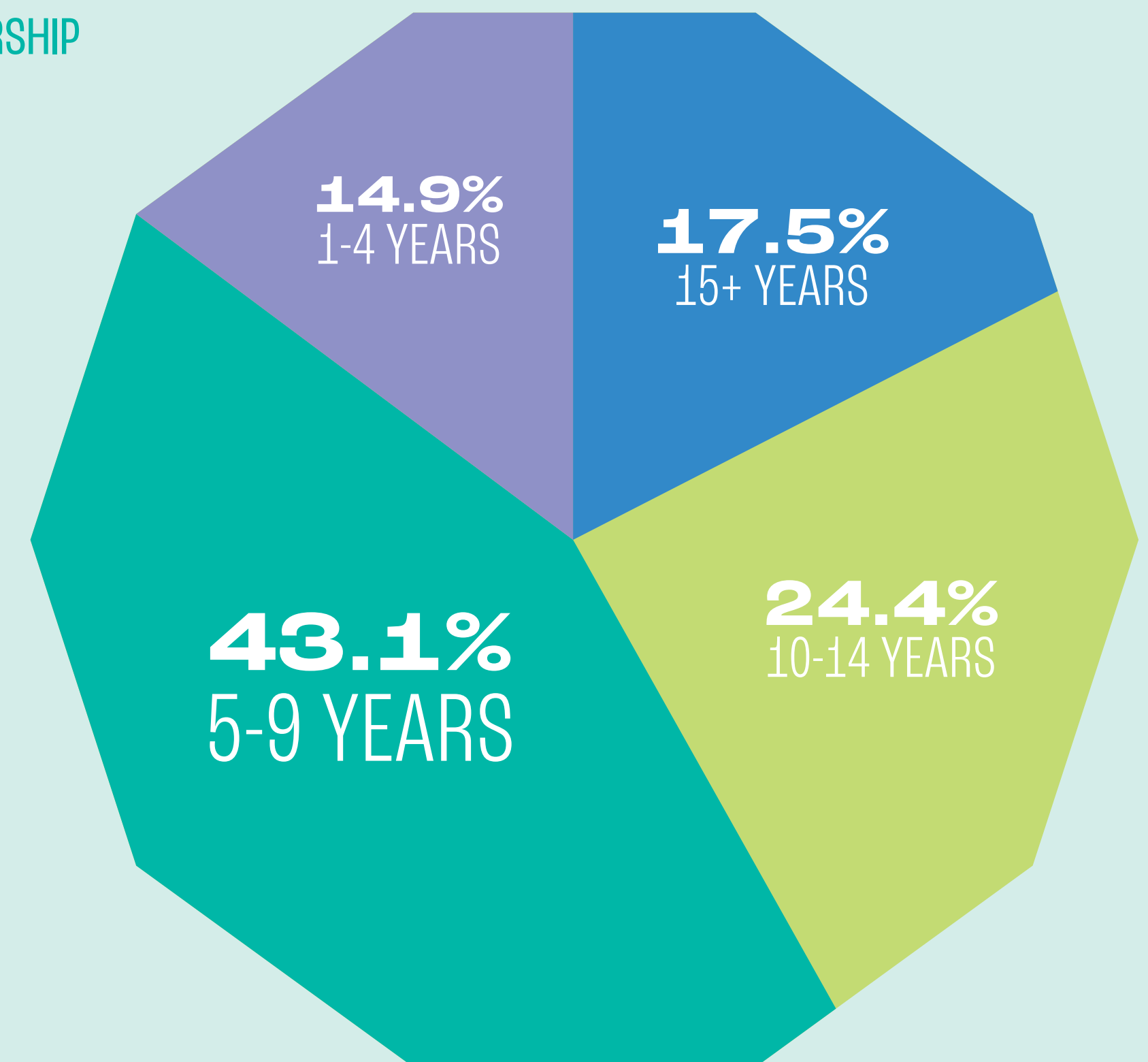
Of the 5.6 million pounds of coffee we purchased during this season, 85% came from suppliers we've worked with for more than five years.

61
PARTNERS

94.73%
FORWARD CONTRACTED

20,068.31
AVERAGE POUNDS PER CONTRACT

LENGTH OF PARTNERSHIP BY VOLUME



Quality

Quality stems from exemplary practices at every point in a supply chain. “Specialty coffees” are those which score 80 points or higher on a 100-point scale and contain minimal defects. Our quality assessment team scored the coffees we purchased at a weighted average of 86.3 points, similar to the average score in prior reports. We are proud to have maintained this level of quality through changing market conditions, supply chain issues, and a challenging coffee production environment. Such a feat is also a testament to the excellence of our suppliers.

86.3

AVERAGE
COFFEE SCORE

89.18%

SALES OF
BLENDS

10.92%

SALES OF
SINGLE-ORIGINS

Producer Support

Our Seeds program supports sustainability projects proposed by our producer partners. All year long, we set aside one penny for every pound of coffee we sell into this fund, and during the holiday season, we dedicate a dollar for each pound of our limited-release blend, Iridescent.

\$74,000

AWARDED THROUGH SEEDS

21.31%

OF PARTNERS RECEIVED
A SEEDS GRANT

2022 Seeds Fund Allocations

YEMEN, MOKHA Construction of a water well

BURUNDI, MPEMBA Crop seedlings for income diversification & food security

COLOMBIA/MEXICO, AZAHAR COFFEE Sustainable Coffee Buyers Guide research

COLOMBIA, NUEVO AMANEGER An eco-friendly washed coffee processing system

COLOMBIA, CUEVA DE LOS LLANOS Vermicompost system

COLOMBIA, URCUNINA Apiaries

COLOMBIA, ORGANICA Compost infrastructure

COLOMBIA, K'UYCHI Revolving fertilizer fund

DEMOCRATIC REPUBLIC OF CONGO, BUCHIRO Tailoring training and equipment

ETHIOPIA, YCFU Safety training

HONDURAS, FINCA PASHAPA Primary school resources

KENYA, KAMAVINDI ESTATE Kamavindi Coffee Lab

KENYA, KUSHIKAMANA Bunk house and community health center at Kanelite Estate

MEXICO, CAFECO Vermicompost system and drying infrastructure

NICARAGUA, BRIDAZUL Compost infrastructure

PERU, VALLE DEL SANTUARIO Compost and water treatment infrastructure



World Coffee Research

We support World Coffee Research, an organization working globally to increase the climate resistance of the coffee plant and the profitability of the people who grow it. Beyond our annual financial contribution, an employee served on the Board of Directors, bolstering their important work to strengthen the coffee sector.

\$15,000

WCR CONTRIBUTION

Work in Progress | The Coffee team is tasked with responsibly sourcing an ever-growing amount of coffee (~40% more in 2022 over 2021!). We are focused on evolving their data management and utilizing business intelligence software to sustainably scale the work.

Origin Visits

After a two-year hiatus, we resumed international travel to partners around the globe. Our team visited suppliers in eight countries across Latin America and East Africa.

L | Kyle Tush, Coffee Buyer, shares a bag of Mpemba Natural Sundried with Sylvia, representing Kazoza N'Ikawa's board, in Burundi.

R | Alex Stoffregen, Coffee Buyer, visits Peter Mbatire and his family at Kamavindi estate, in Kenya.





EDUCATION

Education

The more people know about the beverage we consume every day, the more invested they become in the sustainability of coffee. Investing in education to create cutting-edge coffee people ensures that a coffee producer's commitment to quality can be tasted in the cup.

“One of the best things about working with Counter Culture Coffee as a wholesale partner is their barista education. They offer classes for every level of barista experience, and we have used their classes to supplement our own training with great effect. Counter Culture Coffee's barista education also has a focus on the ethics and sustainability in coffee, which is in line with Camino Bakery's core values. One final thing, there is something really rewarding in having a reason to go to the CCC HQ and spend time with the educators. We love the personal friendships we've formed with the staff.”

Ian Butera Camino Bakery



Training



4,128 HOURS
SPENT TRAINING STUDENTS

3,411
WHOLESALE STUDENTS TAUGHT

839 HOURS
SPENT TEACHING THE SPECIALTY COFFEE
ASSOCIATION (SCA) SKILLS PROGRAM

224
COFFEE AT HOME
STUDENTS TAUGHT

3,070 HOURS
SPENT ON CUSTOM TRAINING

5 EMPLOYEES
BECAME AUTHORIZED SCA TRAINERS

Shift Drink

In 2022, we re-opened our Training Centers and welcomed our fellow coffee lovers for meaningful coffee experiences. We achieved this through Shift Drink, a monthly event designed to raise awareness for local non-profit organizations, while featuring a unique signature beverage developed by our education team.

“Shift Drink allows us to open the doors of our spaces to foster our communities, but also to foster change and create an impact in communities that have welcomed so many of us.”

Sandra Walimaki Regional Manager & Educator

\$18,338.98

TOTAL RAISED BY SHIFT DRINK EVENTS



Work in Progress | At the beginning of 2023, we concluded Shift Drink and reprised our Tasting at Ten event. After two years of limited programming in our Training Centers, we're thrilled to share and enjoy coffee with our communities on a weekly basis.

In 2023, our educational curriculum will shift away from SCA education. While our foray into SCA education offered an opportunity for Regional Educators to calibrate with each other alongside a global coffee education standard, our return to an in-house education structure will allow us to tailor training to our customers' specific needs.

In 2023, we will be launching our Bloom fund to support sustainability at the cafe level. Similar to our Seeds program, a penny per lb of every coffee we sell will go toward this fund.



TECH

Tech

Counter Culture provides technical services to wholesale partners, which helps to keep delicious coffee brewing without interruption. By proactively servicing equipment and making emergency repairs as needed, the Tech team preserves the longevity of coffee-brewing equipment and reduces the need for equipment replacement—a financially burdensome task for many cafes and restaurants.

In 2022, Counter Culture hired a National Service Manager to develop and implement a new internal support structure for our Tech department. As a team, techs significantly cut back on expediting parts orders. The business started transferring parts internally within our regional locations. A new service help desk rolled out to facilitate incoming tech service requests and assist with third-party billing.

“Scheduled preventative maintenance [has] probably the biggest impact. Not having to reach [out] and knowing that Alanna has us on her calendar to catch most problems before they happen is incredibly helpful. Also, the speed of service is great. If we can’t make coffee, y’all are on it.” **Madi Bolton** Little Tart Bakeshop

1,527

SERVICE CALLS COMPLETED

821

PREVENTATIVE
MAINTENANCE VISITS

127

EQUIPMENT INSTALLATIONS

2,180

HOURS SPENT DRIVING

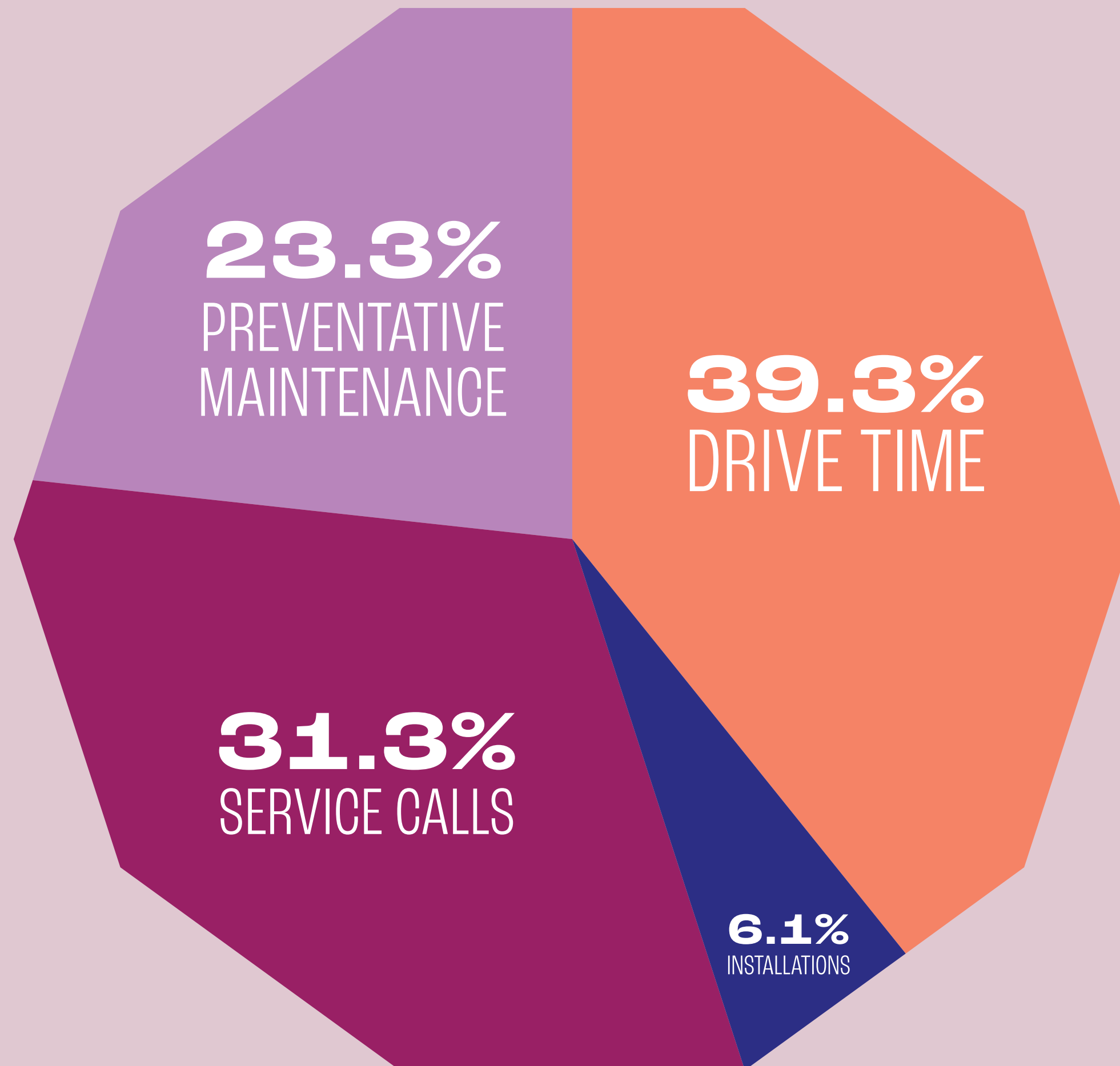
234

NEW LOCATIONS
ONBOARDED

3,365

TOTAL SERVICE HOURS

Tech's Time by Percentage



338 HRS
INSTALLATIONS

1,734 HRS
SERVICE CALLS

1,293 HRS
PREVENTATIVE MAINTENANCE

470 CALLS
THIRD-PARTY WORK UTILIZED
[39 CALLS/MONTH]

Our team provides troubleshooting support throughout the country prior to dispatching third-party services. Utilization of third-party tech services allows us to assist accounts in hard-to-reach areas or to supplement tech services when we have insufficient staffing, allowing us to facilitate and ensure care of our wholesale customers. In addition, we provide service guidelines and occasionally supply tech parts for those vendors.

Highlights

“We’ve been able to cut down on expedited shipping fees by placing timely orders and maintaining appropriate par levels for tech parts. Maintaining par levels for tech parts means our partners don’t have to wait as long for parts to arrive from vendors and that we can get their machines repaired sooner.” **Helen Flowers** Tech Specialist

Work in Progress | We will continue to create a centralized hub for parts inventory management in 2023 and provide a tiered structure for how tech support is offered in all of our regions. We are striving to create safe boundaries within the tech role to promote a better work/life balance and overall sustainability within this position.

31

EXPEDITED PARTS
ORDERS PLACED

[THIS METRIC BEGAN
IN MAY OF 2022]

478

TOTAL PARTS
ORDERS PLACED

214

INTERNAL REGIONAL
PARTS TRANSFERS

[COMPARED TO 74 IN 2021
AND 26 IN 2020]



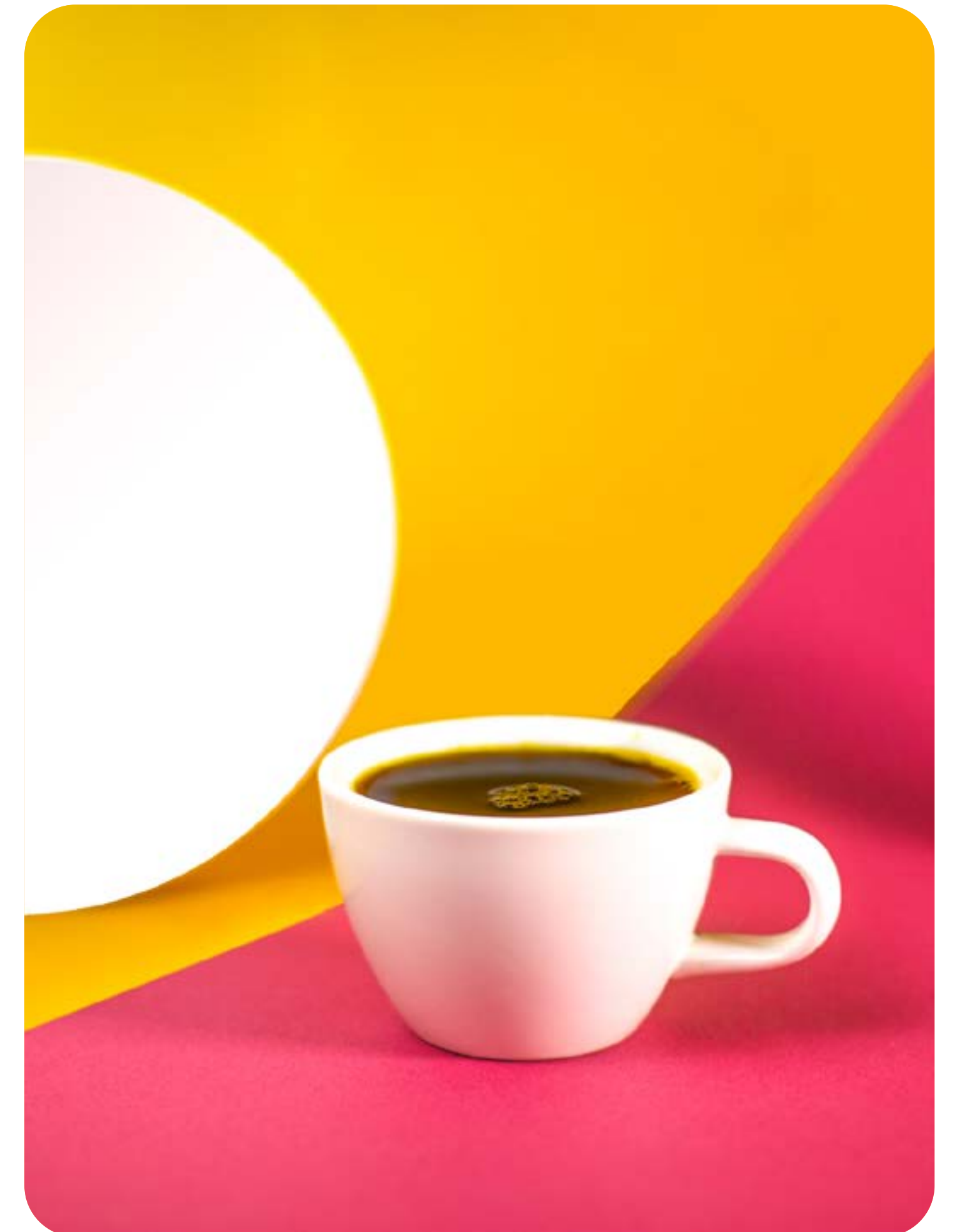


FINANCE

Finance

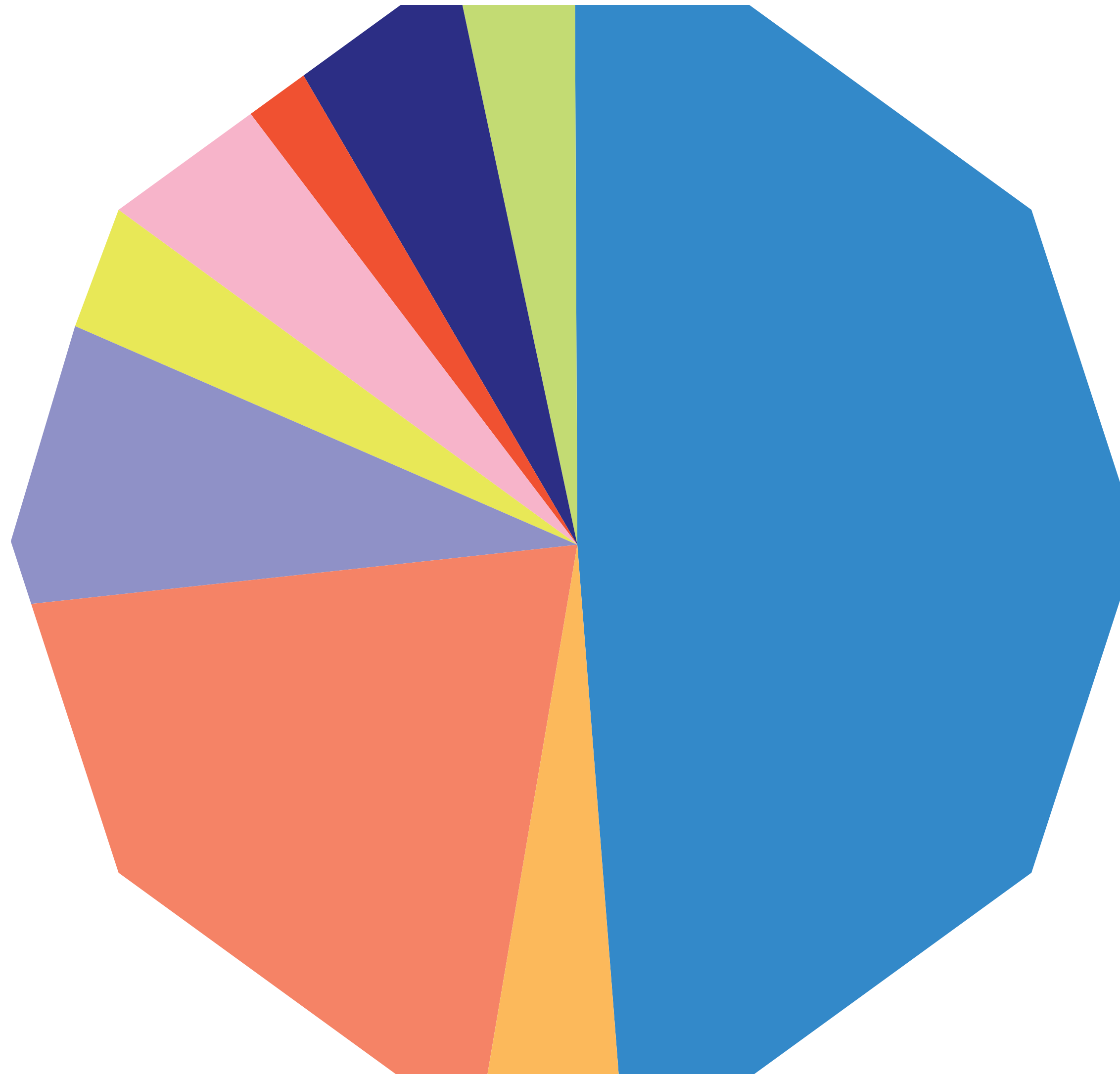
In 2022, we sold over four million pounds of coffee, representing a 22.5% increase over the previous year. This growth is a testament to our ability to provide exceptional coffee products and the loyalty of our customers. Due to market conditions across the supply chain, we increased prices in the first quarter of 2022. However, this did not fully offset the increased cost of serving our customers throughout the year. These factors resulted in a net operating loss of approximately \$1.5 million in 2022.

The miss on our profit targets were driven primarily by inflationary pressure on product and shipping costs as well as startup costs associated with our national distribution expansion. We remain optimistic about the future and are determined to deliver high-quality coffee to our customers, while keeping fiscal, social, and environmental sustainability at the forefront of our operations.



Breakdown of 2022 Costs

- **48.9%** COFFEE PRODUCT
- **20.6%** PEOPLE
- **8.3%** SHIPPING
- **5.1%** ADMINISTRATION
- **4.7%** FACILITIES & OPERATIONS
- **3.8%** NON-COFFEE PRODUCT
- **3.4%** MARKETING & TRAVEL
- **3.3%** DEPRECIATION & INTEREST
- **1.9%** TECHNOLOGY



**Coffee Product: The cost of sales for coffee, packaging, transportation of green coffee to our roasteries, and inventory adjustments for coffee.*

People: Employee salaries and benefits, and cost of coffee labor.

Shipping: UPS and USPS shipping to send product to customers.

Administration: Educational and lab materials, tech supplies, office supplies, professional fees, Seeds Fund, World Coffee Research contributions, general and administration expenses, and bad debt expenses.

Facilities & Operations: Rent, utilities, and maintenance expenses at 12 Training Centers and two roasting facilities, warehouse supplies, equipment maintenance and rentals.

Non-Coffee Product: The cost of sales for equipment, parts and merchandise.

Marketing & Travel: Marketing contractors and consultants, commissions and royalties, advertising, trade shows and events, marketing materials and fees, and traveling.

Depreciation & Interest: Interest on any debt we owe and depreciation of assets.

Technology: IT Services.



CONCLUSION

Our Report Card on 2021 Priorities for Improvement:

- ✓ Completed
- + Ongoing
- ↻ Carried Over in 2023
- ✗ Not Completed

- ✗ Increasing participation in surveys to gather employee feedback and inform our diversity, equity, and inclusion strategy
- + Working to improve our B Corp Impact Assessment score
- ↻ Being more thoughtful about managing the waste at our 12 facilities
- + Reducing our carbon footprint
- ✓ Offsetting our carbon footprint
- ↻ Mindfully managing the rising cost of green coffee
- ✓ Increasing participation in the Specialty Coffee Association's Coffee Skills Program in each of our regions
- + Gathering with and positively impacting our communities through in-person events at our Training Centers
- + Promoting career sustainability by continuing to improve our technical services program
- ✗ Achieving 2% profit before tax

Things We're Most Proud of from 2022:

Introduction of mental health benefits through Spring Health

Leverage of GGOB to strengthen internal transparency and financial literacy

Rearrangement of our Durham warehouse and investing in new production equipment

Increased our company-wide food safety score from 94.12% to 96.03%

Addition of Martin Luther King Jr. Day as a recognized and paid holiday

Increase in our dependence on renewable energy sources

Maintenance of an average coffee quality score of 86.3 points, despite changing market conditions, supply chain issues, and a challenging coffee production environment

Purchase of 85% of our coffee from suppliers we've worked with for 5+ years

Return of visits to producer partners

Launch of Shift Drink, which raised \$18,338.98 for local non-profit organizations

Decrease of expedited parts orders within our tech program



2023 Priorities for Improvement

Report on our company demographics in a holistic and inclusive way

Update our new employee orientation program and employee handbook

Roll out a supervisor training program

Improve our Durham production capabilities with a Cablevey conveyance system and indoor silo storage

Raise our retention rate

Obtain B Corp recertification and increase our score

Find packaging that excels in quality and sustainability

Return to a Counter Culture-created coffee curriculum

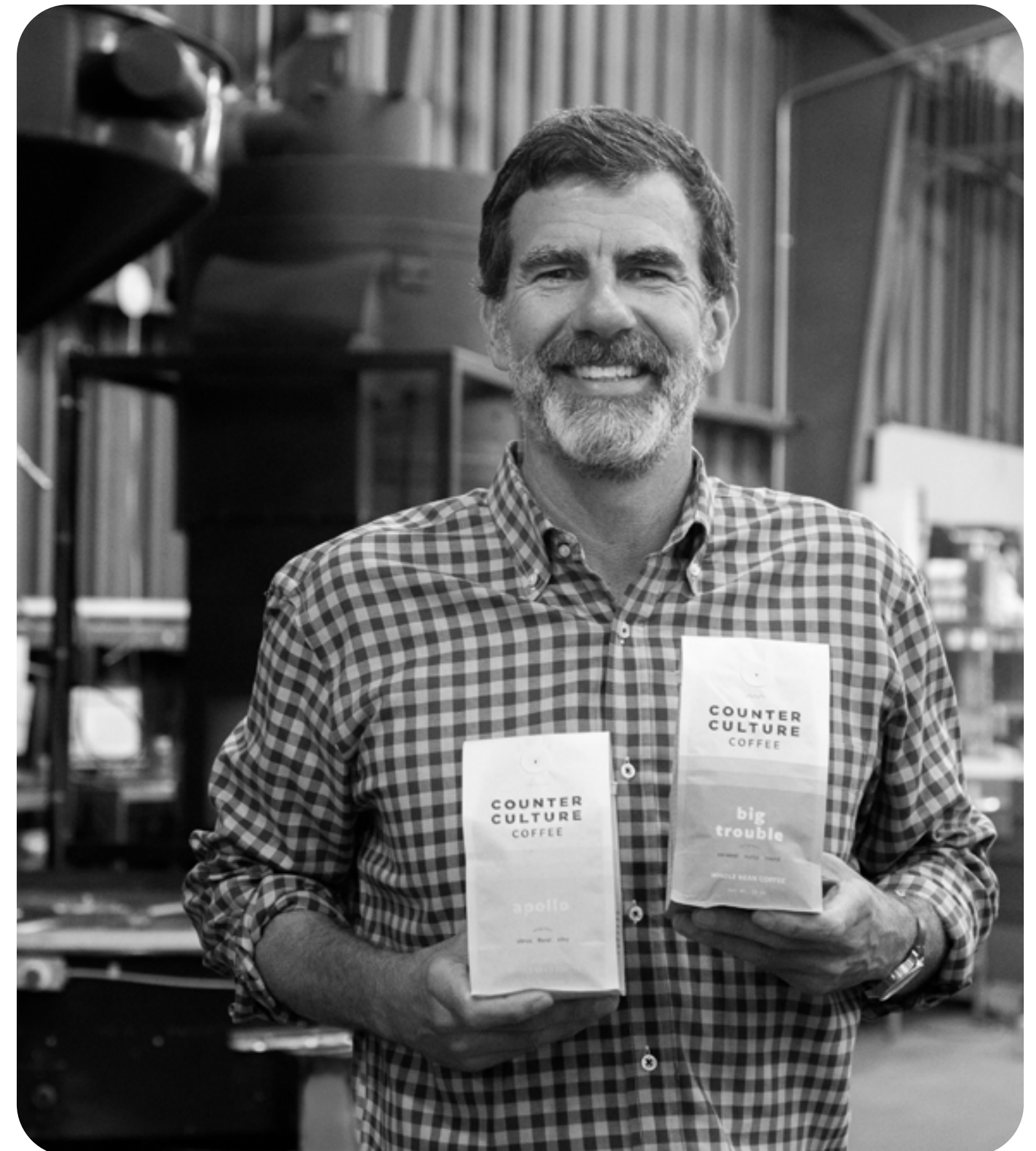
Implement a plan to achieve 2%+ profit before tax

Launch our Bloom fund to support sustainability at the cafe level

Letter from Brett Smith

For those of you who have made it to this section of our report, I thank you for your interest in Counter Culture. I am proud of our latest Transparency Report, our 14th, and want to acknowledge the hard work of many individuals at Counter Culture who compiled and produced this report. I am also very proud of the commitment of each member of the Counter Culture team to produce great coffee, support wonderful customers, and build a better company.

Our goal in producing this Transparency Report is to hold ourselves accountable and remain committed to our mission. Our staff is driven by a continual effort to improve, set and work toward new goals, accept the areas where we fall short, and create a sustainable future for coffee. By creating transparency and identifying areas for improvement, this report helps us to continue pursuing our goal of being a better company each year.





I'm proud of the progress we made in 2022. We identified new systems and processes to help us grow sustainably, and our team gained a better understanding of the business and worked more cohesively through increased financial transparency. We also maintained our commitment to long-term partnerships with coffee suppliers and continued our Seeds program to support environmental efforts at origin. We have identified areas for improvement and taken steps to get better.

I am more excited about Counter Culture's future than I have been in many years. We have emerged from the challenges of COVID and the opportunity to bring extraordinary coffee to a large audience is greater than ever. I am inspired by the Counter Culture team, the amazing farmers we work with, and the coffee-driven customers we serve.

For nearly thirty years, we have been committed to building a sustainable business, and we know it's not always easy. But it's worth the effort. Once again, thank you for your interest in Counter Culture's Transparency Report.

Brett Smith Founder & CEO

