

Kōkako
Organic
Coffee

Released
November 2018

Sustainability
Report

kōkako

Neknasi Coffee Growers Cooperative,
Morobe Province, Papua New Guinea.
Location for Fairtrade Coffee Farmer
Empowerment Training, May 2017.

Contents

01	About This Report	4	21	Case Study 2 - Fairtrade Premiums at Unen Choit, PNG	31
02	Our Manifesto	5	22	Regenerative Farming & Biodiversity	32
03	About Kōkako	6	23	Supporting Habitats in New Zealand	34
04	From The Beginning	8	24	Materials, Packaging & Waste	35
05	Since We Last Reported	9	25	Our People	37
06	Stakeholder Engagement & Materiality	11	26	Economic Impact at Home & at Origin	38
07	The Sustainable Development Goals	13	27	Employee Mental Health & Risk Management	40
08	Coffee Globally	14	28	Our Team - Working on How We're Working	41
09	Primary Coffee Producing Origins	16	29	Respecting Tangata Whenua	42
10	Product Origins	17	30	Kind Business	43
11	Back Home in New Zealand	18	31	Influencing Those Around Us	44
12	Our World	19	32	Information & Labelling	45
13	Impact of Climate Change on Coffee Growers & Our Industry	20	33	Financial Sustainability	46
14	Continuing Our Climate Neutral Journey	22	34	Honesty & Transparency	48
15	Our Emissions in Perspective	24	35	External Initiatives	49
16	Our Carbon Emissions Reduction Action Points	25	36	Memberships	50
17	Procurement	27	37	Principles & Standards	51
18	Environmental Protection at Origin	28	38	Governance Structure	52
19	Fairtrade Licence Fees & Premiums	29	39	GRI Reporting Initiative	53
20	Case Study 1 - Fairtrade Premiums at HOAC, PNG	30			

01

About this Report

Trading Name: Kōkako Organic Coffee Roasters
 Limited Liability Name: Trellick Retail Innovation Limited
 Privately owned Limited Liability Company registered in New Zealand as Trellick Retail Innovation Limited.
 This report covers the period from 1st November 2016 to October 31st 2018, unless otherwise stated.

Kōkako’s commitment to sustainability means we hold ourselves responsible across three main pillars - environmental, social and economic. Honesty and transparency around these is important to us too. We recognise that it’s near impossible to run a completely flawless business and that we need to continuously analyse our values, systems, processes and procurement strategies to enable us to set benchmarks to improve in the future. What better way to reach those benchmarks than to share them with others who will help hold us accountable. This is why we report.

So kia ora, and welcome to Kōkako’s second, bi-annual Sustainability Report. This report covers all Kōkako operations in New Zealand, and internationally.

When embarking on this journey once again we took time to reflect on our first report, released in October 2016 - the one where we didn’t follow a rulebook. Upon reflection, and with the help of **Go Well Consulting**, we saw an opportunity to set a new benchmark for our future reports by following the international GRI Sustainability Reporting Standards. As such this report has been prepared in accordance with the GRI Standards: Core Option. The GRI framework helps businesses, governments and other organisations understand and communicate the impact of their operations on critical sustainability issues. They were designed to guide sustainability reporting for any organisation, in any industry, allowing us (and you) to compare our performance with other organisations and sectors across the world. To follow the GRI framework

there are a number of disclosures we are required to make; these are listed on pages 54 to 56. Further to this we have reported on the topics most material to us and our stakeholders, of which you can learn more about on page 11. The boundaries for our material topics are disclosed throughout the report. Following this framework was quite a departure from the way we usually do business so don’t worry, we are not going all corporate on you, we are just trying to set higher standards for how we report!

Reporting Principles for Defining Report Content	Reporting Principles for Defining Report Quality
<ul style="list-style-type: none"> Stakeholder Inclusiveness Sustainability Context Materiality Completeness 	<ul style="list-style-type: none"> Accuracy Balance Clarity Comparability Reliability Timeliness

As we said in our 2016 report, if you’re reading this as another coffee company owner or senior manager feel free to hit us up for information if you’d like to incorporate something we’re doing into your business. Or if our pain points are yours too, we’d love to collaborate with you on a project to do better in the years ahead. Let’s try to fix the challenges to our industry together - not on our own. If you think we’ve missed something we’d like to know too — we will do our best to incorporate more into our



2020 Report. Fire an email through to beancounter@kokako.co.nz or call us on +64 9 379 2868. This report is intended to be read online — there is no need to print it out as it includes hyperlinked case studies that work best on your screen.

Although we are happy for the information provided in this report to be widely read and circulated, we ask that you respect our copyright, and if you’d like to use any excerpt of this report for your own means that you seek permission from us prior. As such no part of this report may be reproduced or transmitted in any form or by any means, electronic or otherwise, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the publisher.

02

Our Manifesto

The overall vision for sustainability at Kōkako is one of embodiment and inclusion. We have always viewed sustainability as an essential component of our brand and business DNA, and have worked within our financial and operational capacity to make business decisions that focus on the long term well-being of people, the environment & economic sustainability. We plan to continue our engagement with others in the coffee

sector - if we can influence our peers to run a more sustainable business we all win.

For those of you who have followed our 17.5 year journey you'll know we try not to follow others; we'd rather be an outlier and innovator whilst incorporating our core values. This approach is by no means perfect; we've tried stuff that has impacted our financial sustainability and have learnt from our mistakes. As our business matures we have been able to refine our commitments and values which includes a steadfast

commitment to third party accreditation through Biogro Organic Certification & Fairtrade certification. We truly

believe that healthy food grown in healthy soil creates healthy people.

We cannot be a bystander when it comes to Climate Change - it's no secret that our industry contributes to this so our aim is to see it as a challenge to overcome, not a threat. In 2016 we were the first New Zealand roaster to sign up to the Fairtrade accredited Fair Climate Fund to offset the carbon from every kilogram of coffee we roast against an Ethiopian project. We aim to ensure our whole company (not just our coffee) is carbon neutral and we are taking steps to achieve this by 2019.

We want to make a meaningful impact at origin (we refer to 'origin' as the various cooperatives we source green coffee from) and we have invested in sending members of our team to various coffee origins so we can understand and advocate for the rights of coffee farmers - there have been 5 trips in the last 5 years (two in the last reporting period). We want to ensure that coffee consumers understand the journey of their coffee and its provenance, and that coffee farmers & cooperatives understand what happens to their coffee once it leaves their farm. Long term we want to see more coffee farmers and cooperatives controlling their own destiny and be part of this empowerment and education. As a business that is entrenched in the coffee industry it's easy to become deflated by the narrative we read about our sector. Apart from environmental considerations there has been an increase in coffee company mergers and acquisitions across the world;



from what we have ascertained this is not helping to unify a sector-wide commitment to sustainability; it may well be working against it.

Our aim is to run a transparent enterprise where quality, guardianship and humility are valued. We wish to promote a strong culture and career advancement for our team, and show leadership in the communities we serve. This includes driving an understanding of quality coffee, promoting design and innovation, understanding the life-cycle of our products and delivering an exceptional coffee experience wherever we go.

I am thankful that the values I have for the business are shared by my team, our customers and our shareholders, and this gives us the confidence to showcase our commitments to a wider audience; I hope you enjoy this report and get something out of it.

Mike Murphy
Managing Director

03

About Kōkako

During the reporting period we ceased sourcing and roasting our Honduras La Casita Single Origin (Sep 2018), Colombia Cauca Single Origin (Jan 2018), Honduras Marcala Single Origin (Nov 2017) and our Rangatira Blend (May 2018).

From our home at 9 Charles St in Mt Eden, Auckland we roast certified Fairtrade Organic coffee and distribute Fairtrade Organic Drinking Chocolate to the hospitality, retail, corporate sectors and direct to consumers via our website and our coffee subscriptions. Our Nitro Cold Brew, also produced onsite at our roastery, is distributed to cafes and retailers across New Zealand.

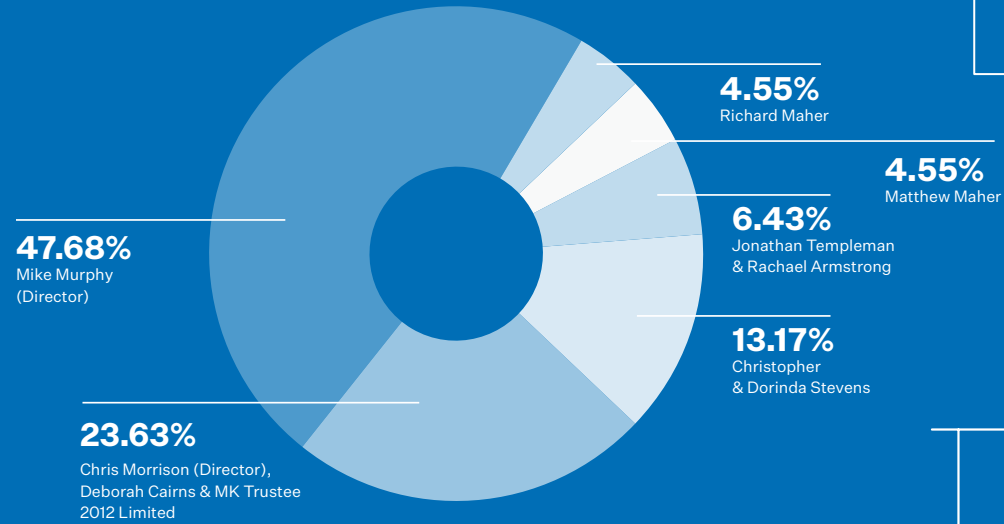
We primarily sell our coffee in 200g retail packs, 500g or 1kg wholesale bags and our current coffee offerings can be seen here. Our Drinking Chocolate is sold in 250g retail or 2kg hospitality packs which are distributed in Singapore.



Total Number of Employees: 11

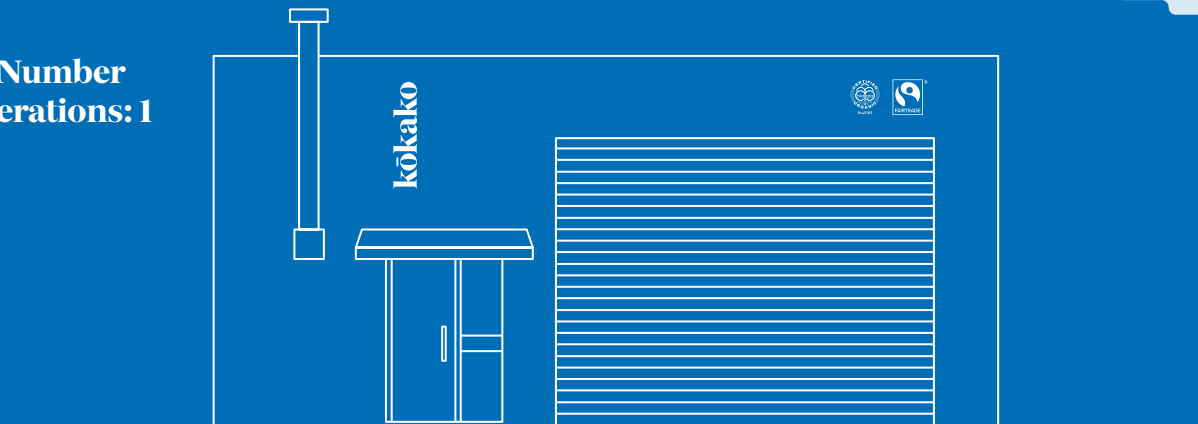


Shareholders & Directors:



Approximately 68 tonnes of coffee sold per annum

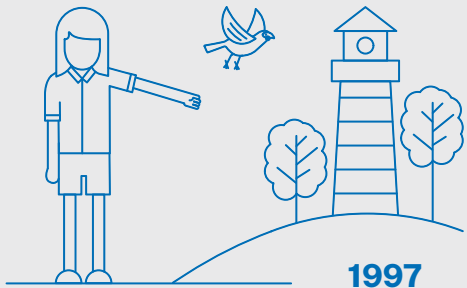
Total Number of Operations: 1



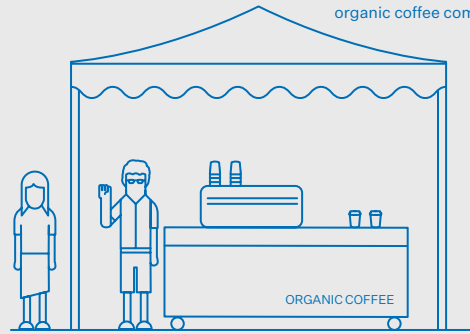
Approximately 8 tonnes of Drinking Chocolate sold per annum.

04

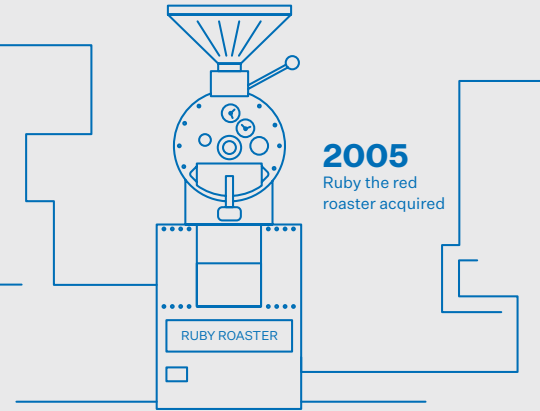
From the Beginning



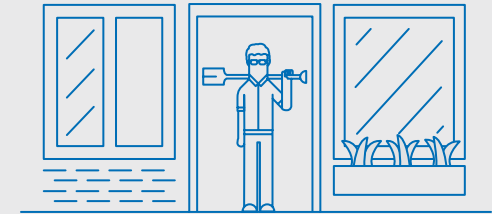
1997
Release of kōkako birds on Tiritiri Matangi which inspire the name for the business.



2001
Helen Ollivier and Christian Lamdin establish Kōkako as Auckland's first organic coffee company



2005
Ruby the red roaster acquired



2007
Mike Murphy purchases the business, based out of the Parnell Cafe



2009
Biogro and Fairtrade Certifications for coffee in use

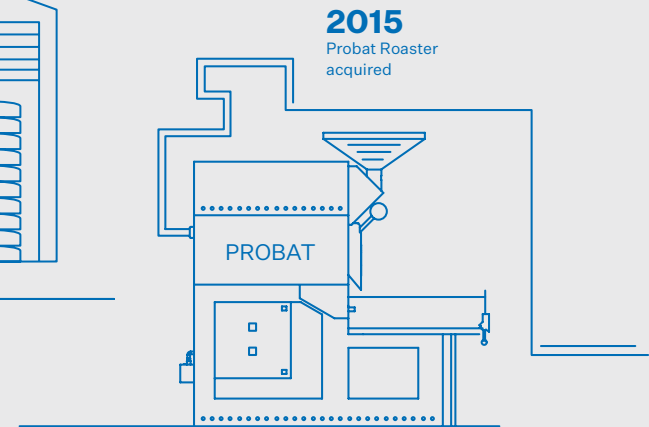
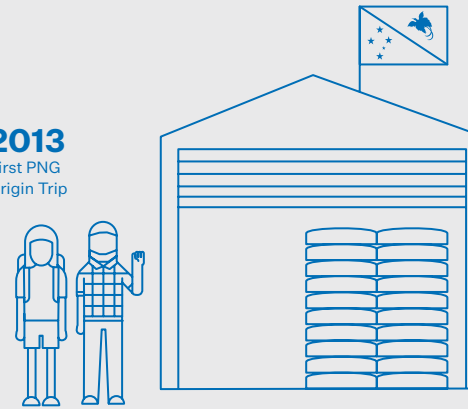


2012
Grey Lynn Cafe opens



2012
Cold Brew Coffee

2013
First PNG Origin Trip

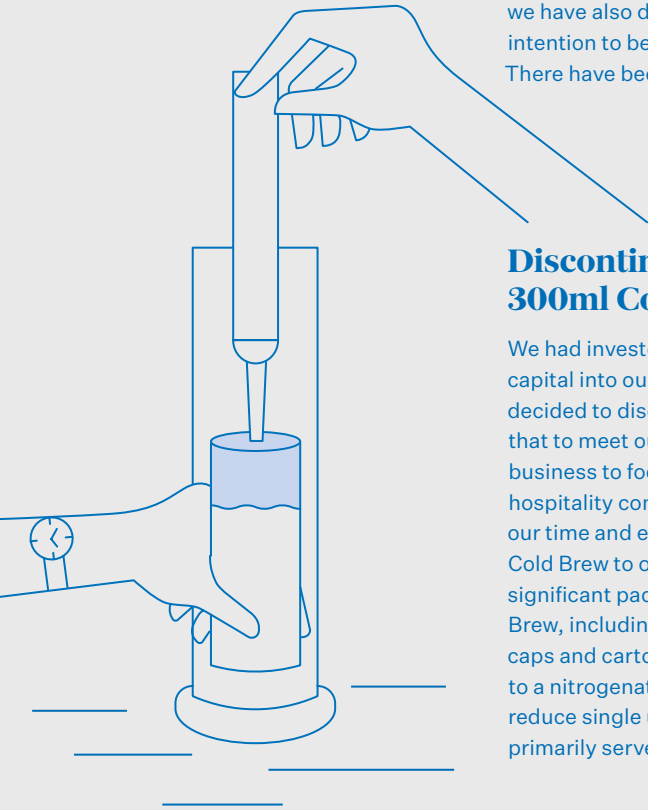


2015
Probat Roaster acquired

05

Since We Last Reported

Since our 2016 report we have made some significant changes to the physical structure of our business and we have also discontinued some product lines with the intention to better streamline our business operations. There have been no material changes in our supply chain.



Discontinuation of Kōkako 300ml Cold Brew

We had invested a considerable amount of time and capital into our beloved bottled Cold Brew but ultimately decided to discontinue it in March 2017. We determined that to meet our volume targets it would require the business to focus on the FMCG sector, and as we are a hospitality company we decided it was better to focus our time and energy on supplying our Nitrogenated Cold Brew to our hospitality customers. There were also significant packaging requirements for bottled Cold Brew, including the bottles themselves, labels, plastic caps and cartons for delivery. By moving the cold brew to a nitrogenated keg we have been able to significantly reduce single use packaging as the Nitro Cold Brew is primarily served on premise.



The sale of Kōkako Café

We made a strategic decision to sell our flagship café in the Auckland suburb of Grey Lynn in June 2017. We opened the cafe in January 2012 with the intention of connecting our coffee and brand directly with our customers, and to create a space where our potential wholesale customers could come see what we do. The decision to divest this part of the business allowed us to pay off a significant related party term loan to an existing shareholder, repay our shareholder current accounts, and improve our balance sheet. We sold to a highly skilled café operator who is on the floor of the cafe day to day – this is preferable to our previous model where it was run under management and allows a higher level of customer engagement and experience. We have a licence agreement with the new operator to continue to use the Kōkako trading name which is linked to a supply agreement for coffee and additional marketing and operational support.

Opening of new Kōkako Roastery in Mount Eden

In 2016 the landlord of our Grey Lynn roastery site sold their land and buildings to a new owner who wanted the site for development. Through extensive negotiations we agreed to surrender our lease (which had seven years remaining) in return for an early termination settlement with the new landlord. By August 2017 we used these funds to build a new mezzanine office and ground floor training room, meeting room, lab and staff facilities inside a 437m2 1970's warehouse at 9 Charles St, Mount Eden. Our roastery team moved into the building immediately and once the office was complete our full team moved in (Oct 2017). Our new site was designed by Chris Stevens of **CTRL Space** and incorporated the Circular Economy Model pertaining to fitout and procurement. You can read more about it in this Idealog article [here](#) and this Circular Economy Model [here](#). We have taken a 12 year lease which allows the business to grow without us having to consider any future moves.

Working with New Cooperatives



Bukonzo Joint Cooperative Union

Kyarumba
Rwenzori Mountains
Western Uganda



Café Orgánico Marcala Sociedad Anónima

Marcala
La Paz
Honduras



Cooperativa del Sur del Cauca

Timbio, Cauca, Colombia



Unen Choit Cooperative Society

Wasu, Morobe Province, Papua
New Guinea

06

Stakeholder Engagement & Materiality

As part of our company values we make a concerted effort to engage regularly with our stakeholders - we see this as “business as usual”. This includes regular visits or correspondence to our wholesale customers & suppliers, regular contact with our retail customers through social media and newsletters, regular contact with the various groups we are members of (see page 50) weekly staff meetings, and quarterly board meetings. Upon moving to Mt Eden we also made an effort to engage with our neighbours, inviting them over for complimentary coffee in our first month in our new premises as well as a few events we held over the summer.

For this years report we made an effort to inform our stakeholders that we were undertaking another Sustainability Report and asked them for their input. We held an internal discussion to identify who they are and how we would engage with them. We interviewed 14 individuals, held a staff materiality focus group, made a questionnaire available to our customers via our social media channels to which we got 14 replies (thank you), and directly contacted all our wholesale customers with the same questionnaire of which 5 gave us their responses. We also spoke to a key competitor, the team at the Sustainable Business Network, two commercial real estate brokers, Rotoehu Ecological Trust and our commercial cleaners. The stakeholders we spoke to and the issues they wanted us to address are listed here.

Suppliers

- Corruption
- Fair Trade/Fair Pay
- Compliance
- Climate change & environmental impact
- Community engagement
- Health & Safety

Customers

- Fair pay
- Procurement
- Corruption
- Climate change & environmental impact
- Packaging
- Gender equality

Wholesale Customers

- Fairtrade
- Transparency
- Community Engagement
- Climate change & environmental impact
- Packaging/waste

Iwi

- Climate change & environmental impact
- Fair pay
- Stakeholder Engagement
- Waste
- Compliance

Employees

- Professional development
- Work health/wellbeing
- Climate change & environmental impact
- Influencing industry

Shareholders

- Climate change & environmental impact
- Fair Trade
- Packaging
- Regenerative agriculture

Competitors

- Longevity of supply chain relationships
- Leadership & Innovation
- Financial Sustainability

Industry Groups/Memberships /Certification Bodies

- Fairtrade
- Climate change & environmental impact
- Circular Economy
- Waste Mitigation Strategies

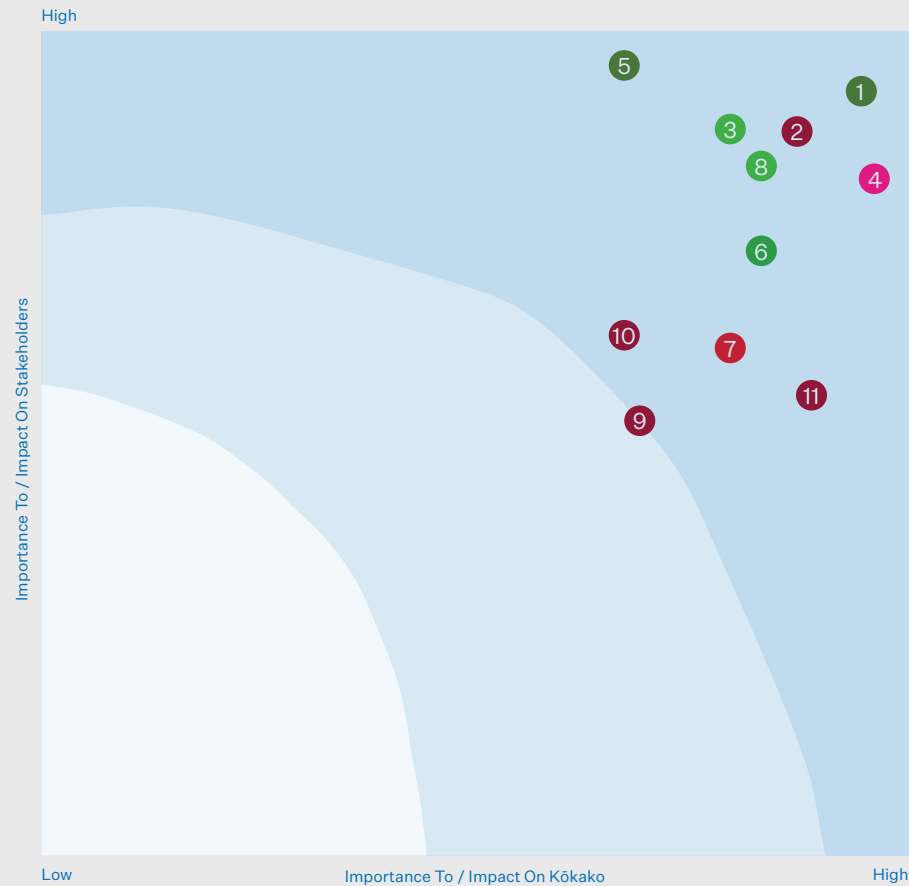
Charities and Not For Profits /Community Groups

- Equitable business partnerships
- Community engagement
- Fair pay/living wage
- Reduce environmental impacts
- Waste
- Fair price models
- Compliance

Coffee Cooperatives

- Fair pay
- Climate change
- Transport & Logistics
- Opening up the Fairtrade coffee market

Stakeholder Engagement & Materiality



Based on our stakeholder engagement and the materiality principle we have divided this report into 3 distinct parts.

Our World - the impacts of our business on the world around us and the rebound effects that has.

Our People - the people we impact and who impacts us.

And, Kind Business - on being responsible, open-minded, empathetic, curious, open and transparent about what we do, how we do it, and why we do it.

This diagram is a way to show the results of the materiality research undertaken for this Report and from Kōkako's business as usual. The focus placed on these issues in the Report reflects the importance of them as indicated by this graph.

Our Material Topics

Our World

- 1 GHG Emissions - Our Commitment to Carbon Neutral
- 2 Procurement
- 3 Regenerative Farming and Biodiversity
- 4 Impact of CC on Coffee Growers/Industry
- 5 Packaging, Product Stewardship and Waste Elimination

Our People

- 6 Safety, Health and Well Being
- 7 Learning & Development
- 8 Local Communities & Social Investment/Fair Pay & Economic Impact at Origin

Kind Business

- 9 Influencing those Around Us
- 10 Financial Management
- 11 Honesty & Transparency

07

The Sustainable Development Goals

As part of our new approach to sustainability reporting and to help guide future decision making, we have aligned Kōkako with the United Nations Sustainable Development Goals - SDGs.

Based on the feedback from our stakeholders and the corresponding materiality process we have chosen eight goals where we believe we can have the biggest impact. These are:

- 1 No Poverty
- 3 Good Health
- 4 Quality Education
- 8 Good Jobs and Economic Growth
- 10 Reduced Inequalities
- 13 Climate Action
- 15 Life on Land
- 17 Partnership for the Goals

Although all of the SDG's are important to the World and the way we do business, we believe the ones we have focused on here will have the biggest material impact to our stakeholders, and are most appropriate for Kōkako. You can find them throughout this report by looking for these graphic icons to the right hand side of each page.

To learn more about the SDGs follow this [link](#).



08

Coffee Globally

World coffee production in the coffee year 2017/18 is estimated at 9.84 million tonnes of green beans. For the same period world consumption is estimated at 9.73 million tonnes.

International Coffee Organisation: Coffee Market Report – September 2018

At the current pace of growth, the coffee sector will need 18 million tonnes of coffee by 2050

Coffee Barometer 2018

Only 10% of the aggregate wealth of coffee stays in the producing countries.

Coffee Barometer 2018

Three companies control around 50 per cent of the green bean global coffee trade, and 10 roasters process almost 40 per cent of the coffee consumed worldwide.

www.fairtrade.org.uk/Farmers-and-Workers/Coffee/About-Coffee

Around the world 2.25 billion cups of coffee are consumed daily

A Brewing Storm: The climate change risks to coffee. The Climate Institute

The earliest credible records of coffee drinking date back to the middle of the 15th century.

Weinberg, Bennett Alan; Bealer, Bonnie K. (2001). The World of Caffeine: The Science and Culture of the World's Most Popular Drug

In 2017 NZ imported NZD\$97.4 million of coffee (green bean and roasted).

figure.nz

Climate change is projected to cut the global area suitable for coffee production by as much as 50% by 2050.

A Brewing Storm: The climate change risks to coffee. The Climate Institute

Around 125 million people worldwide depend on coffee for their livelihoods.

www.fairtrade.org.uk/Farmers-and-Workers/Coffee

Coffee is the second most valuable commodity exported by developing countries, worth around US\$19 billion in 2015.

A Brewing Storm: The climate change risks to coffee. The Climate Institute

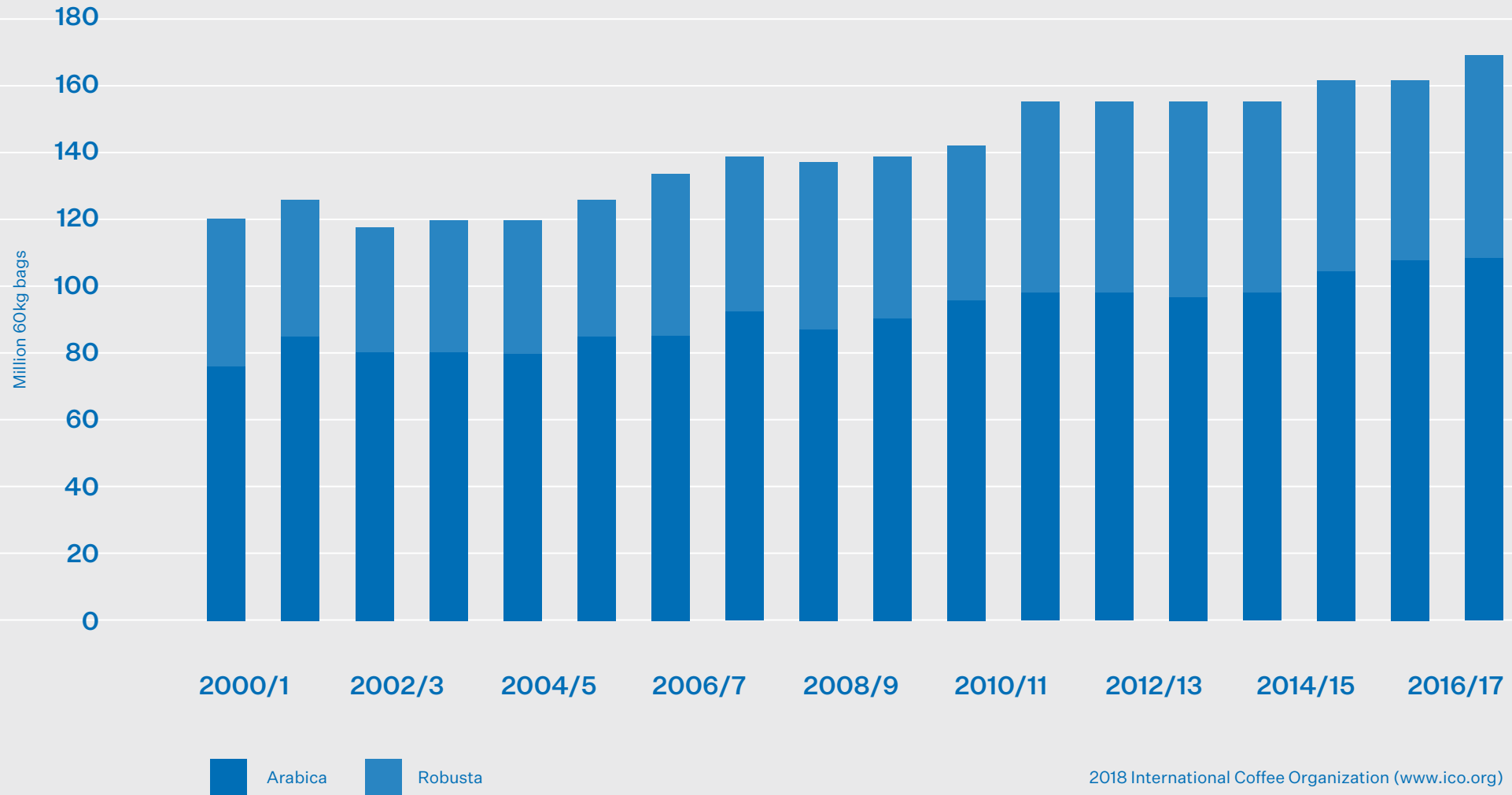
Coffee is grown in more than 70 countries but over 60 per cent of the world's coffee is produced by just four of them – Brazil, Vietnam, Colombia and Indonesia.

www.fairtrade.org.uk/Farmers-and-Workers/Coffee/About-Coffee

World coffee production has more than trebled since the 1960s

A Brewing Storm: The climate change risks to coffee. The Climate Institute

Global Coffee Production



09

Primary Coffee Producing Origins



10

Product Origins

Canada

Cascadia Decaf processing from various coffee origins

Dominican Republic

Conacado Cocoa Cooperative (Drinking Chocolate Cocoa)

Honduras

Café Organico Marcala (Single Origin)
Capucas Limited Coffee Cooperative (Aotea)

Ethiopia

Oromia Coffee Farmers Union (Single Origin, 70/30 Filter Blend & Mahana Blend)

Uganda

Bukonzo Joint Cooperative (Single Origin)

Paraguay

Manduvirá Cooperative (Drinking Chocolate Sugar)

Our supply chain is primarily made up of cooperative suppliers who provide inputs such as green (unroasted) coffee for roasting, or sugar and cocoa for our Drinking Chocolate. These cooperatives are all located outside of New Zealand and their products are procured via coffee brokers and traders in New Zealand. Based on our commitment to Fairtrade and organics, administered by Biogro NZ, 100% of them are screened for their commitment to strict social and environmental standards. Though we try our best to connect with all of the cooperatives directly, we maintain close relationships with only a few of them. The cooperatives we are in regular contact with are either close by geographical location to New Zealand or have access to the internet.

If you'd like to read more comprehensive Producer Profiles please visit our [website](#) or see our [2016 report](#).



Sumatra

Kokowagayo Cooperative (Aotea)

India

Pure Life Organics (Drinking Chocolate Sugar)

Papua New Guinea

Highlands Organic Agriculture Cooperative (Aotea Blend)
Unen Choit Cooperative Society (70/30 Blend)

11

Back Home in NZ

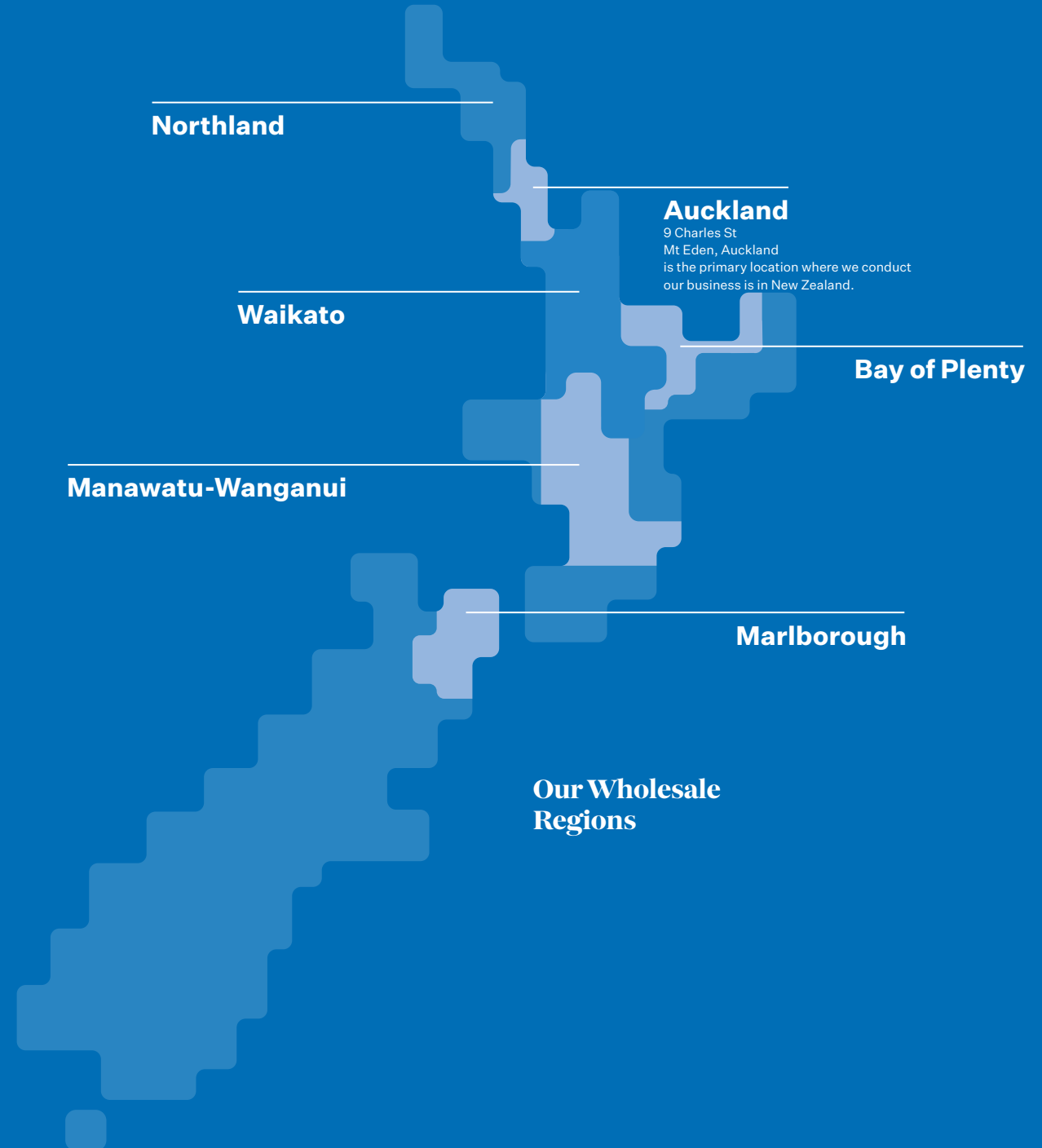
Our coffee, Drinking Chocolate, selection of brew gear, and Kōkako branded merchandise are available to all regions of New Zealand via our website. Our coffee (including our Nitro Cold Brew), Drinking Chocolate, and services are currently distributed to 6 New Zealand regions. These include cafes, restaurants, hospitality venues, retailers, farmers markets, corporate & office customers, non-profit entities, artisan small format supermarkets (Farro, Commonsense Organics, Huckleberry & New World Remuera), and major supermarkets (Drinking Chocolate only). Our Drinking Chocolate is also available in Singapore via a distributor.

The following locations and businesses are related to topics relevant to this report:

Kōkako Café – 537 Great North Road in Grey Lynn, Auckland, trades under the Kōkako brand via a license agreement.

Ceres Organics: 82 Carbine Rd, Mount Wellington, Auckland 1060: Distributors of our 250g Drinking Chocolate in NZ.

Destination Beverage: City Industrial Building, 71 Tannery Lane, #08-01, Singapore 347807. Distributors of our 2kg Drinking Chocolate in Singapore.





Our World

13

The Impact of Climate Change on Coffee Growers & Our Industry

Since our inaugural Sustainability Report in 2016, climate change and the impact this is having on coffee growers has intensified. As a coffee roaster we are acutely aware that our business contributes to our earth's rising temperatures across various stages of our supply chain - from coffee farm to coffee roaster to coffee table. This is why in 2016 we became one of the first roasters in New Zealand to offset our carbon via a project in Ethiopia, part of the Fair Climate Fund programme. You can read more on this in our previous report [here](#) and continue reading, or click [here](#), to see our 2017/2018 calculations in this report.

Since then we have witnessed a greater awareness of global sustainability issues with climate change front and centre, both in media reports and in our trips to Origin. The [IPCC Report](#) (Intergovernmental Panel on Climate Change) released in Oct 2018 reinforced what we all know already; "unprecedented changes are needed to stave off dire impacts if the world warms 1.5C beyond the pre-industrial period." The report relates to global greenhouse gas (GHG) emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty. In relation to coffee production, the IPCC predicts a 10-20% decrease in crop yields by 2050, due to a warming climate worldwide.

This news didn't surprise us; over the last five years we have seen first hand the impact climate change is having on coffee growers in Papua New Guinea. We commenced an informal study in April 2013 at a meeting with the Coffee Industry Corporation (CIC) in PNG and have continued to ask coffee farmers, cooperative executive members & exporters about the impact of climate change on visits in August 2015, May 2017, and August 2018. Find more on climate change in PNG in our blog posts from our latest trip [here](#).



Below are the costs to date to offset carbon we currently cannot mitigate. Carbon offset payments in this reporting period have gone to the Fair Climate Fund in the Netherlands.

- 1450.00 Euros for the August 2016 to July 2017 period
- 2000.00 Euros for the offset washup for the previous period and forecast for the August 2017 to July 2018 period.
- As at the date of publication of this report we had not been invoiced for the August 2018 to July 2019 period.





The Impact of Climate Change on Coffee Growers & Our Industry

Coffee and Climate, set up in 2010 by Hanns R. Neumann Stiftung (an independent non-profit), is an open online platform created to equip coffee farmers with information about climate resilient farming techniques and practises. Their **online toolbox**

includes tutorials on shade management and many case studies ranging from rainwater harvesting to on-farm climate monitoring. Where appropriate, and with guidance from Fairtrade, we plan to share this resource with the cooperatives we work with so they can have access to the research they need to safeguard their futures.

Alongside our carbon mitigation and offset efforts we continue to keep up to date with

industry publications covering this issue and have found that both *Perfect Daily Grind* and *Daily Coffee News* provide robust reporting on the current climate. Both publications also report on possible mitigation opportunities — primarily ones that will help coffee farmers achieve some resilience to its impacts.



If you'd like to know more we recommend reading **'The Price of Climate Change on Ethiopia - Extinction of Wild Arabica by 2080', 'Climate Change Will Be Disastrous to the Ethiopian Coffee Sector Without Intervention'** and this **report**, part of a study from the **Center for International Forestry Research (CIFOR)**.

Excerpts from the CIFOR report provides further advice and mitigation strategies for farmers.

“At a time when agricultural production is threatened by climate change, the ecosystem services provided by forests, in this case, pollination, can help farmers cope and adapt,”

Says Bruno Locatelli, an expert on ecosystem services and climate change adaptation at the CIFOR.

It states that “Some farmers may have to shift crops to higher ground, while others may need to change to other products that are more suitable to their new growing conditions.”

The risk of not addressing climate change to our industry is wide-ranging and is well documented in the articles referenced above. We may see greater price volatility, farmers may become despondent and seek other ways of sustaining themselves outside of coffee,

and coffee growing regions that were once fertile coffee lands may become inefficient as future coffee farms.

This is all likely to impact on the consistency or quality of supply of green coffee we are able to obtain. At a local level we must commit to reducing and offsetting our CO2 emissions to not exacerbate this, and encourage all stakeholders in our supply chain (from cafe owners to consumers) to respect and value not only the coffee they prepare but also the ‘waste’ generated in preparing it. We encourage our wholesale customers to follow the Circular Economy model by utilising waste coffee grinds as a regenerative resource such as a compost input (rather than sending it to landfill), either by opting into a compost collection or making their used grinds available to their customers. This **article** reaffirms how coffee waste can fuel the circular economy.

As mentioned above we are currently addressing this as best we can with the resources available to us. We'd encourage other roasters to join us in taking similar steps so that we can reduce CO2 emissions collaboratively, as an entire category.

We are motivated to discuss carbon reduction strategies with our peers in the industry and industry association the **NZSCA**.

14

Continuing on Our Climate Neutral Journey

The methodology and calculation tools we use for our Climate Neutral and carbon calculations are administered and overseen by Fair Climate Fund via Fairtrade New Zealand. To see how the tool works please refer to our [2016](#) report.

Please note that this report covers Nov 2016 - Oct 2018 however our Climate Neutral reporting covers periods below. These periods were set based on when we first commenced our Climate Neutral accreditation and therefore don't align with a typical calendar or financial year:

- August 2016 to July 2017
- August 2017 to July 2018

The Fair Climate Fund requires us to forecast our data one year in advance. We are then provided with an invoice for Carbon Credits from the Fair Climate Fund and a washup is done at the completion of the period. If our carbon emissions are higher than forecast we are required to top up the offset payment to Fair Climate Fund.

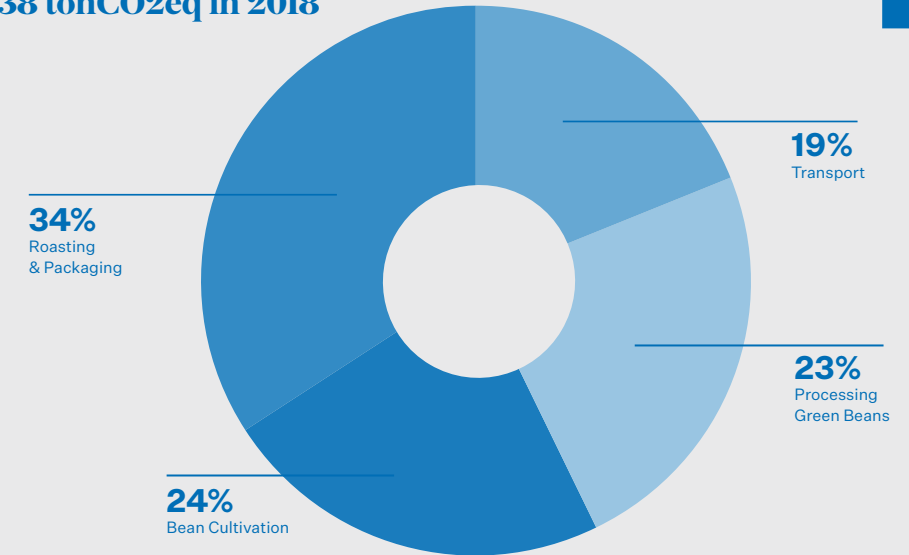
To the right of this page is a summary of carbon emissions for the reporting years 2016 - 2017 and 2017 - 2018. These are shown in the pie charts relative to the carbon produced in each part of the supply chain.

Summary of changes in Kōkako's carbon production from 2017 to 2018

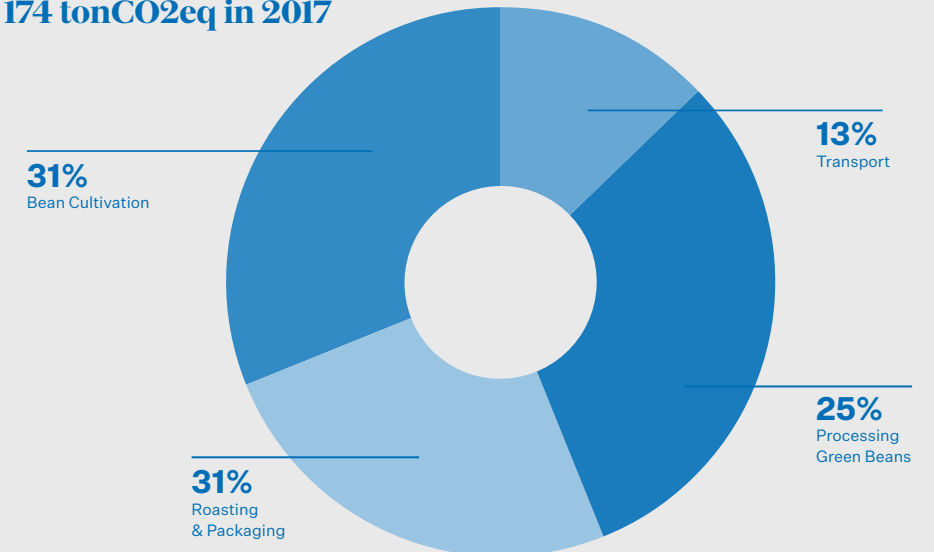
We increased our roasting output by 29% (from 52.5 tonnes at the end of the 2017 period) to 67.7 tonnes at the end of the 2018 period. As such our total emissions increased from 174 metric tons to 238 metric tons.

*In the 2017 reporting year each 1kg of packed coffee created 3.3kg of carbon. In the 2018 reporting year this has increased by 279 grams to 3.6kg of carbon per per kilo of packed coffee.

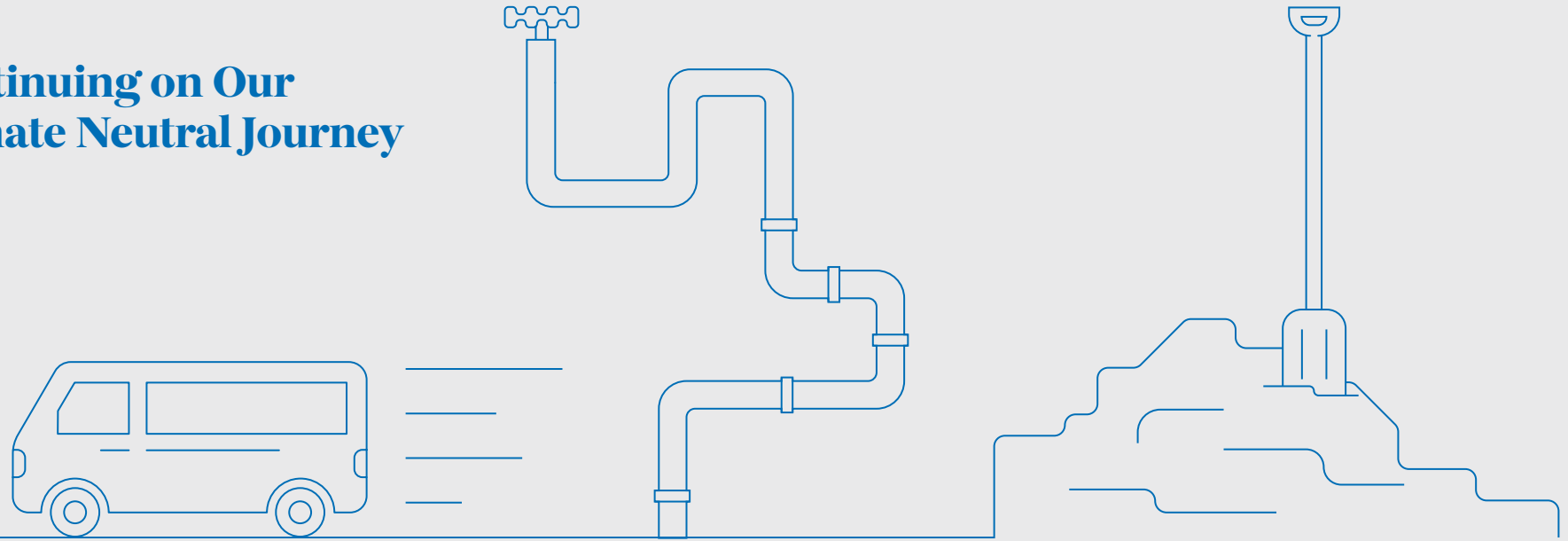
Total emissions 238 tonCO₂eq in 2018



Total emissions 174 tonCO₂eq in 2017



Continuing on Our Climate Neutral Journey



75% of the increase per kilo of packed coffee is due to the increase in roasting volumes — the rest of the increase is a result of the following:

1 - More robust transport data that has allowed us to better model the distances travelled from our roastery to our customers across New Zealand. This means our calculations for the average distances travelled have been refined in the reporting period ending July 2018, and as our sales have grown there has been an increase in courier movements to deliver our coffee. The result is a 7% increase in carbon produced from transport. We do note however that our primary outgoing courier company Courierpost had **CEMARS certification** since 2013. The CEMARS certification doesn't offset carbon — it captures carbon data with the aim to reduce it over a period of time. We understand that NZ Post (who owns Courierpost) aims to be Carbon Neutral by 2030.

2 - Increased natural gas consumption. This has gone up 50% on the previous reporting period due to the installation of a new afterburner in August 2017. The new afterburner was required to meet Auckland Council's guidelines for the coffee roasting industry and is designed to burn off the majority of smoke during the coffee roasting process, thus reducing the amount of smoke and particulates emitted from our premises. The irony of this is that it requires us to use more natural gas to power it, therefore emitting more carbon dioxide. We are looking into a possible solution to this, find it outlined below under 'action points'. Our supplier Nova Energy are part of the NZETS (NZ Emissions Trading Scheme) and under legislation they have been required to "surrender" 83% of their carbon emissions via the scheme as of 1 Jan 18. This is due to increase to 100% from 1 Jan 19. Nova have chosen to pass this cost onto their customers so in this respect we will ultimately offset our gas carbon emissions twice - through our Nova invoices and through Fair Climate Fund.

3 - The carbon calculator tool we use includes a provision for any carbon created from fertilisers on all coffee farms we source from. We noticed that the fertiliser calculation for each origin supplied by Fairtrade came in higher in 2018 than for the 2017 year results (particularly in relation to PNG and Honduras), and as such we have queried their method of calculation. Since all green beans Kōkako purchases come from certified organic farms, we are also querying whether fertiliser is indeed used. Our observations on our trips to PNG show that many farms only use the coffee cherry pulp as a natural fertiliser input. Keep an eye on our blog for more information on this as it comes to hand.



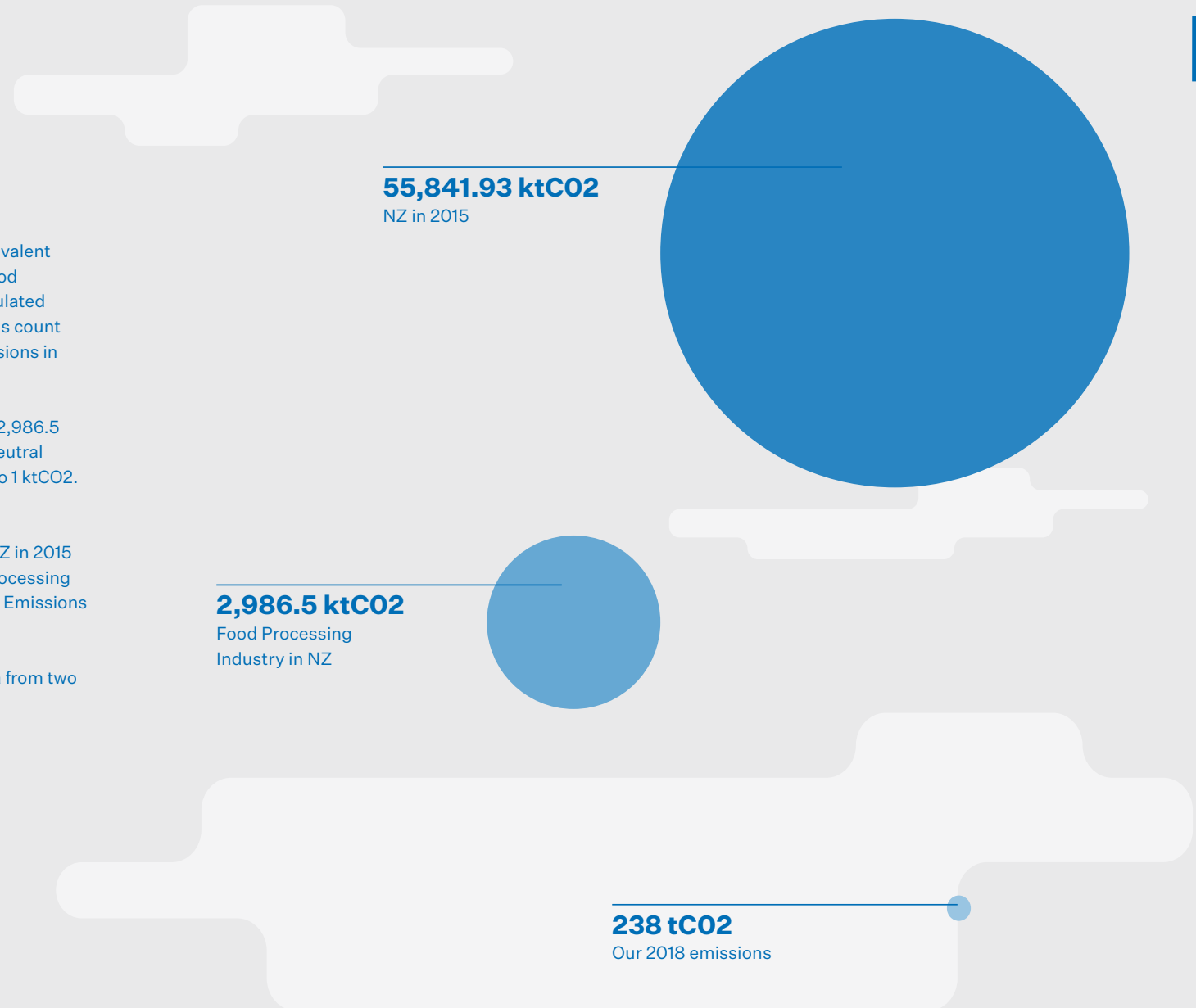
15

Our Emissions in perspective

Our 2018 emissions of 238 ton CO₂ is the equivalent of 0.008% of overall CO₂ emissions for the Food Processing industry in New Zealand. We calculated this using the latest food processing emissions count available which was 5.3% of NZ's overall emissions in 2015.

- CO₂ emissions for Food Processing was 2,986.5 ktCO₂. To compare this to our Climate Neutral calculation the conversion rate is 1000t to 1 ktCO₂. $0.238 / 2986.5 = 0.008$
- Total Net CO₂ equivalent emissions for NZ in 2015 was 55,841.93 ktCO₂. Therefore Food Processing (our category) is 5.3% of NZ's overall Net Emissions in 2015. $2986.5 / 55841.93 = 0.053$

For these comparisons we have obtained data from two MFE sources, [here](#) and [here](#).



16

Our Carbon Emissions Reduction Action Points

As a business that aims to have a positive impact on the livelihoods of smallholder coffee farmers in Fairtrade coffee cooperatives from a variety of origins we are proud to have been able to increase our sales in the last year. Doing so grows the awareness of specialty Fairtrade Organic Coffee and proves that consumers and business owners care about not only the quality of their coffee, but also the ethics behind it too.

We are not so proud of the resultant increase in our carbon emissions across our supply chain over the past year. Even though we are part of a credible carbon offset programme through Fair Climate Fund we would much rather be reducing the carbon produced per kilogram of coffee roasted than offsetting it.

Over the past two years we have offset our company air travel emissions with Air New Zealand on an ad-hoc basis. This will become mandatory for all air travel as part of our carbon reduction policy from 2019 onwards. This is also required for any new Carbon Offsetting programme we enter into.

Roasting technology is changing. When the time came for us to upgrade our coffee roaster in 2015 we did not have sufficient working capital to purchase a **Loring Coffee Roaster**. Loring roasters are known to be more efficient than many other roasters as they do not require a separate afterburner; their design enables the smoke from the initial roasting process to be reticulated and the energy re-used without the need for an afterburner. We invested in an exceptional German-manufactured

Probat Coffee roaster at the time, but underestimated the long-term cost of having to match this with a bespoke afterburner. As such we are reviewing our capital expenditure for the 2020 financial year to determine if and when we may be able to replace our existing roaster with a Loring - we would need to be able to raise over NZD \$200K to fund this but it would allow us to reduce our gas usage and subsequent carbon emissions. This is a consideration and will be tabled for discussion at our first Board meeting in 2019.

We also recognise that the Climate Neutral accreditation only captures carbon from our coffee production process - from the farm to the end user. It does not at this stage cover any of our other products, from Drinking Chocolate to equipment, or any other carbon producing considerations such as our staff travel. We are currently addressing this and have taken the following actions:

- In 2017 we requested that Fairtrade ANZ investigate aligning the Climate Neutral system with a New Zealand based Carbon Offset programme.
- As at October 2018 we have submitted preliminary carbon production information for our business to a New Zealand based accreditation agency; this is an expansion on that required for our coffee production and would allow us to be able to offset all carbon emissions related to our full organisational activities and products from August 2019 onwards.



Our Carbon Emissions Reduction Action Points



This table outlines risks, stakeholder impacts and mitigation techniques pertaining to Climate Change over the past two years and our plans beyond 2018.

Risks	Stakeholder Impacts	Opportunities & Mitigation	Governance, Planning & Prioritisation
Increased greenhouse gas (GHG) emissions from local & global coffee supply chain which is contributing to Climate Change	<p>Impact on coffee farmers = Irregular harvests & reduced yields</p> <p>Impact on supply chain (exporters/importers) = Uncertainty of supply</p> <p>Impact on Kōkako = Uncertainty of supply & variation in quality</p> <p>Impact on consumers = Uncertainty of supply and unease in purchasing a product contributing to Climate Change.</p>	<ul style="list-style-type: none"> Regenerative farming Farm diversification Quality training programmes to increase yields/prices Processing diversification - natural & honey process coffees Plant husbandry & resilient coffee plant varieties Ensure exporters are working closely with cooperatives to plan harvests and processing Ensure importer has robust communication with exporter regarding availability Maintain Climate Neutral Accreditation for all coffee Add rest of business to carbon offset programme Diversify origin supply chain to mitigate supply constraints with existing green coffee Review all sources of carbon creation in Kōkako supply chain and determine steps for removal or mitigation Continue to educate consumers on the stages of carbon creation through supply chain Showcase and educate Kōkako commitment to Carbon Neutrality and producer support 	<ul style="list-style-type: none"> PNG Farmer Training Programme in conjunction with Fairtrade ANZ (May 2017) Follow up Training & Farm visits Unen Choit, PNG (Aug 2018) Planned 2019 PNG trip to provide guidance and review progress Continue in-country retail programme with PNG cooperatives to diversify their income; ensure this is implemented by Q3 2019. Review annual harvests from cooperatives with importers. Determine impacts of Climate Change (if any) on each cooperative and check if exporter is providing assistance or if in-country govt is supporting (eg. CIC in PNG) Climate Neutral Kōkako coffee 2016/2017/2018 and forecast for 2019 Implementation of full business carbon offsetting by August 2019 Identify alternative FTO cooperatives and supply chains through either direct or co-importing by Q4 2018 We have identified our coffee roaster and after-burner as a primary source of emission creation. As at October 2018 we are reviewing roasting technology and our options for replacement to reduce emissions Annual Audit by Fairtrade ANZ of Kōkako Carbon Calculations Work with NZSCA and other stakeholders to determine steps to reduce carbon emissions across coffee category. Communicate this to the wider public

We take a holistic approach to procurement when selecting suppliers, packaging or introducing new products. Where possible this includes decisions not only based on cost or price, but rather based on quality, end of life use, impact on the environment and impact on people. A few examples include:

Reviewing the sustainability credentials of the supplier and choosing a solution that is best for the health of our staff and the supplier.

In 2018 we chose to work with Clean Planet for the commercial cleaning of our roastery premises based on their reputation and assurance relating to cleaning products.

Limiting inwards goods.

In September 2018 we reduced the amount of inwards goods deliveries from our main green bean supplier, John Burton Limited, by placing larger monthly orders. This reduced the number of monthly truck deliveries from their warehouse in Ellerslie to our roastery in Mt Eden from four to one.

Coffee packaging.

We undertook a rebrand in June 2018 which included new retail coffee packaging for our coffee. We continued our work with a local packaging manufacturer, Convex, and their compostable packaging line, Econic. After

researching the market we chose to work with Soar Printing to provide us with compostable packaging labels, and who are located less than 1 kilometre from our premises. Design Dairy also helped us reduce the size of the packaging labels ensuring they decompose a bit faster.

New product development & Kōkako branded goods.

When creating new products we do our best to do a full Life Cycle Assessment (LCA) which identifies, quantifies and evaluates the environmental impacts of the product from 'cradle to grave'. Where possible the impacts of all of the product's life cycle are assessed through the stages of inception, manufacture, transportation, storage, use, recovery, reuse, and disposal. We choose to work with local clothing company Little Yellow Bird, part of the New Zealand Sustainable Business Network and an accredited B-Corp, who work with organic cottons and provide sustainable employment & education opportunities for workers in developing countries. You can learn more about their work [here](#).

If we don't understand our supply chain, we don't know how it's impact on the environment and the people producing it. This could impact quality, safety or reliability of the finished product and cause us reputational damage. These are the current strategies we plan to implement before our next report:

- Formalise our procurement methodology to further enhance our understanding of all goods & services supplied to Kōkako. A draft procurement plan that will be put before our Board in November 2018 and rolled out to existing suppliers and new suppliers from January 2019. Any long-term existing supplier who does not meet our standards for supply chain transparency, product integrity or environmental sustainability will first be given the opportunity to improve, before we move to investigate alternative options.
- Assist existing suppliers to make supply chain improvements and efficiencies and continue to influence others to move to sustainable options.



18

Environmental Protection at Origin

Since our last report we have had several new cooperatives come on board as suppliers — you can find them [here](#). In order to meet the requirements of our certification bodies (Fairtrade and Biogro) our suppliers must meet their strictly monitored environmental and social standards.

The standards set out in the Fairtrade Producer Standard documentation includes (but is not limited to) the social and environmental criteria below:

Environmental Management	Labour and Social
Pest Management	Freedom from discrimination
Soil & Water quality	Freedom from forced or compulsory labour
Waste	Child labour and child protection
GMO's	Freedom of Association & Collective Bargaining
Biodiversity	Occupational Health & Safety
Energy and GHG Emissions	

A full description of the Fairtrade Producer Standards can be found [here](#).

As well as adhering to all Fairtrade Producer Standards all Kōkako 'inputs' (green coffee, sugar and cocoa) must also meet the [Biogro Organic Certification Standards](#).

New primary suppliers are generally introduced when we are looking to improve the quality of an existing coffee blend, release a new blend or similarly a new single origin coffee. It can also be the case when existing supply is no longer available and an alternative product/ingredient is required, though our preference is to maintain and grow existing supplier/cooperative relationships where possible. As such we are likely to only change 10% to 15% of our primary suppliers in the course of one year.

The screening of our secondary suppliers (whether existing or new in this reporting period) is not controlled by Fairtrade or Biogro and as such is overseen by Kōkako Management. We have always taken an exploratory approach to supplier sourcing. Examples of our commitment to sustainable procurement can be found [here](#) where we outline our current management approach to sourcing new suppliers for all items other than green coffee, cocoa and sugar.

In order to be a Fairtrade Licensee and use the Fairtrade mark we, like our suppliers, must also meet their strict reporting and auditing standards. These include (but are not limited to) a quarterly "Flow of Goods Report" which we produce and submit to Fairtrade New Zealand four times a year. It covers all Fairtrade certified product sales across all our categories (coffee, Nitro Cold Brew and Drinking Chocolate). All other non-core sales revenue and items such as packaging, consumables, merchandise, and equipment are excluded from this report. From this Kōkako pays an annual licence fee of \$500 + GST and a licence fee of 1.5% on all wholesale Fairtrade product sales. Because all of Kōkako's core products are Fairtrade certified our business meets "Commitment to Fairtrade Policy" licence criteria which means we receive a 25% discount on fees. Other licensees who sell both Fairtrade and conventional products will typically pay 2%.



19

Fairtrade Licence Fees & Premiums



The Fairtrade license fees are an important material contribution to the financial sustainability of Fairtrade Australia/New Zealand (Fairtrade ANZ) and primarily help fund the Producer Support team who provide assistance to Fairtrade producer groups across the Pacific, including Papua New Guinea. It's important to note that the Fairtrade Premium, a fee allocated to the coffee cooperatives who democratically decide on it's spending within their community, is completely separate to these Fairtrade licence fees - although in the long term both support and empower Fairtrade producer groups.

Within the reporting period, Nov 2016 - Oct 2018, we have paid license fees to Fairtrade as follows:

Oct 2016 to Sep 2017: NZD \$30,069.33 + GST

Oct 2018 to Sep 2018: NZD \$33,515.96 + GST*

*As the quarterly report to September 2018 was not due and had not been completed at the time of writing an assumption has been made that the payable amount for the final quarter would be equal to or higher than the previous quarter. We are confident that the amount stated will be within +/- \$500.00 of the final amount payable for this period.

Fairtrade Premiums

Fairtrade Premiums are democratically invested by producers communities in business or social projects; pertaining to coffee. These may include:

- Coffee Dry mill rehabilitation
- Construction of elementary schools
- Vehicles to transport coffee
- Communal coffee pulpers
- Water supply projects

The best way to see how the Fairtrade Premium supports coffee farmers is to view this [short video](#). Kōkako buys coffee from both of the Papua New Guinea based cooperatives featured.

The Fairtrade Coffee Premiums are paid to the cooperatives via the green bean brokers (the in-country exporter or importer). In addition, since Kōkako sources 100% organic coffee, the cooperatives receive an additional organic premium on top of their Fairtrade premium. In order to report the numbers below we have used our actual green bean purchase data from our Climate Neutral reporting programme and broken down the total Fairtrade Premium and Organic Price differential from August 2016 to July 2018.

All amounts have been converted from US Dollars to NZ Dollars	Fairtrade Premium	Organic Premium	Combined Fairtrade and Organic (FTO) Premiums paid to all coffee cooperatives Kōkako buys from
Full year to July 2017	\$38,074.40	\$16,752.74	\$54,827.14
Full year to July 2018	\$49,460.21	\$21,762.49	\$71,222.70



20

Case Study 1 – Fairtrade Premiums at HOAC, PNG

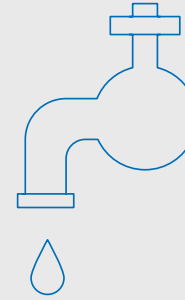
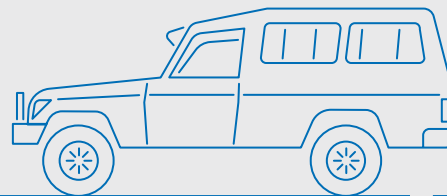
Kōkako is one of a number of roasters around the world who purchase from these cooperatives so the total value of financial premiums available to each respective co-op is significantly higher than ours alone. The elected governing bodies for each coffee cooperative determine what the Fairtrade premiums are spent on and follow guidelines for investment that are mandated via their license with Fairtrade.

Highlands Organic Agriculture Cooperative (HOAC)

We have been working with HOAC for over 10 years, having visited them in person three times and hosted their Chairman Daniel Kinne in New Zealand. For a producer profile on HOAC please refer to our 2016 Sustainability Report [here](#).

To the right are the projects that HOAC has decided to invest their Fairtrade Premiums into with this reporting period up until February 2018, the last Fairtrade Premium update.

- Undertaking a livelihood initiative program to assist members in building homes with iron roofs. HOAC purchased 2400 iron sheets and assisted farmers who were active in the cooperative by building them new homes. There are two main reasons why they wanted this supply of iron roofing material. Firstly, the kunai grass (which is the traditional roofing material) is becoming quite rare due to introduced weeds, brought in for grazing purposes. Secondly, the grass roofing only lasts five years before the homeowner has to go out and collect more. By providing iron roofing they are able to prolong the lifespan of their homes. The iron roofing is also used on storage houses.



- Water supply project alongside a small conservation initiative. This includes tree planting to ensure that the water supply project does not result in soil erosion.



- The HOAC Fairtrade Premium continues to be used for road maintenance. We have reported previously on the poor conditions of the roads that are a vital link in getting coffee from the HOAC cooperative down to Goroka for processing, and help the community move from place to place too. The inferior nature of the roads continues to impact on the timing and availability of parchment or hulled coffee to the exporter in Goroka, and also causes ongoing damage to their vehicles (which constantly break down).

21

Case Study 2 – Fairtrade Premiums at Unen Choit, PNG



Unen Choit Coffee Cooperative Society (UC)

Unen Choit is a coffee cooperative based in the Morobe province of Papua New Guinea. The area is only accessible by air or sea and the community's closest major city is Lae. For a full profile on this cooperative, including the number of members and a geographical profile, please refer to our August 2018 trip report [here](#). In addition to our visit to this cooperative in August 2018 we hosted their Manager, Molock Terry, in New Zealand in 2017.

Unen Choit's current primary focus is to assist farmers in diversifying their income. Compared to the more established HOAC coffee cooperative they are still setting up vital infrastructure and as such much of their premium has been channeled towards buildings and logistics projects including:

- The construction of a number of agents and shops to provide easy access to staple food products in their remote geographical region. This included providing the shops with initial stock and goods.
- Investment in two vehicles to assist with coffee transport.
- Construction of parchment storage warehouses in each of their six zones. At the time of writing four have been built with two remaining to be completed.
- Construction of a new permanent classroom - this is located at Wasu, meters from where we stayed on our August 2018 visit.
- Initiation of a Poultry Project which will provide greater access to food for a wider group of cooperative members.

Voluntary Sustainability Schemes (VSS)

Our commitment to Fairtrade, Biogro Organic and Climate Neutral accreditations are known as Voluntary Sustainability Schemes (VSS). We chose to opt in 2007 (Fairtrade and Biogro) and 2016 (Climate Neutral) because it was what felt right for us, and we knew that third party certification meant our customers could rest assured that we weren't just saying 'We're doing our best to do good' - these bodies are making sure we are. This report by Kimberly Ann Elliott from the Center for Global Development titled [What Are We Getting from Voluntary Sustainability Standards for Coffee?](#) is worth reading.

We don't believe we have a perfect business model (if you find one, please give us the details) and we know that there will be commentators who may argue that our accreditations have flaws - the coffee industry is particularly complex and encompasses a variety of supply chains that span across multiple different producing and roasting nations. We are always open to considering additional schemes or new ways of conducting business that may create better outcomes for coffee producers and the environment so if you are reading this and know of other initiatives worth investigating please do get in touch. Or if you are a fellow coffee roaster who might like to explore new territory with us - don't hesitate to pick up the phone.

“Last year (2017) saw the conclusion of a five year partnership between Fairtrade Australia & New Zealand and New Zealand’s Ministry of Foreign Affairs and Trade (MFAT). The highly successful partnership had a shared goal of creating sustainable economic growth and improved livelihoods among rural communities in the Pacific. The initial NZ\$4.65 million invested by MFAT enabled a return on investment of NZ\$20.5 million in Fairtrade Premium to fund business and community development projects, and NZ\$143 million net returns to Fairtrade Producer Organisations in the Pacific. So for every dollar MFAT invested in Fairtrade ANZ, our farmers received NZ\$35. That is a remarkable achievement for the team!”

Extract from Fairtrade ANZ newsletter February 2018

22

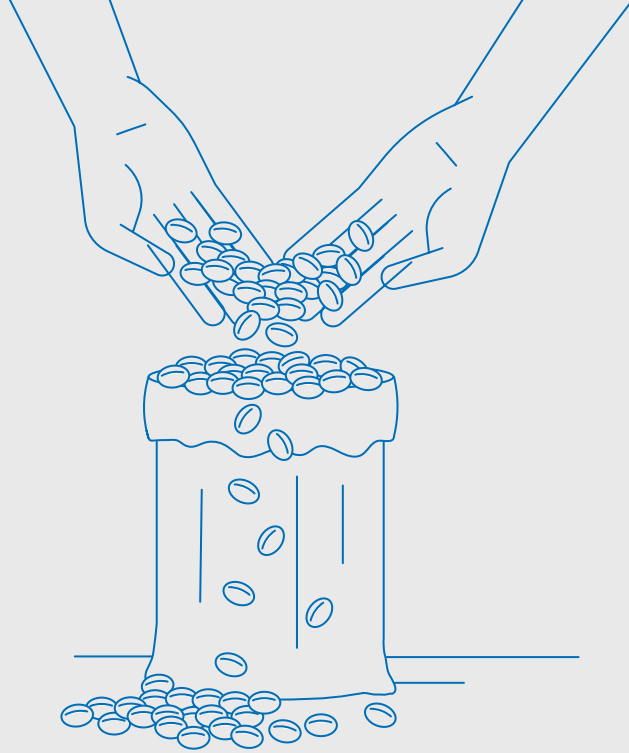
Regenerative Farming & Biodiversity

When possible we travel to origin every 12 to 18 months to assess and understand how coffee production and cultivation is impacting the natural biodiversity of the coffee growing regions. Our visits are primarily to Papua New Guinea where coffee grows well amongst the existing natural habitat in the mountain regions. Shade cover in the form of large trees provides a natural canopy on the majority of coffee farms but still lets in enough natural light to promote flowering and allow coffee cherries to develop and ripen. Most importantly shade cover is known to provide greater protection for coffee farms relative to the increasing impacts of Climate Change.

Kōkako does not oversee or administer the protection and restoration of any natural habitats directly and therefore we don't have the information to report on the exact size of the habitat areas protected and/or restored. We primarily rely on the strict Fairtrade Producer Standards that the coffee cooperatives must abide by; find them outlined earlier in this report. The Environmental Management & Farm Diversity standard requires cooperatives to uphold agricultural and environmental practices that are sustainable, minimise risks, and protect/enhance biodiversity. Each cooperative must give one of their members the responsibility to lead the operational steps required for them to comply with this. It must be someone who can influence decision making at the organisational level and who has practical or theoretical knowledge in the area. To reach this standard all farmers, assisted by their chosen representative, must contribute to farm

practices that protect soil from erosion, only collect water from a sustainable source, stay informed about any foreseen water shortages and support buffer zones around all water sources; reduce, reuse or safely dispose of any waste and reuse organic waste to fertilise crops; keep genetically modified crops out of their farms etc. We also rely on any in-person coffee farm/cooperative visits we are able to make ourselves - you learn pretty quickly on the ground about how much an organisation cares for its environment.

At both a social and environmental level, the biggest impact opportunity we have is to continue to support the work that Fairtrade is undertaking in Papua New Guinea pertaining to farmer education and training. We joined the Fairtrade team in May 2017 for a dedicated farmer training session in Lae, PNG, where the primary objective was to educate and empower coffee farmers in best-practice farming and processing techniques. We have written comprehensively on the training undertaken and the value we believe we added to this, both on-farm and in the classroom. You can read our reports on this trip here, [part one](#), and here, [part two](#).



“Forests and forest trees ...stabilise ecosystems by storing water, protecting soil, circulating soil nutrients, reducing temperature, balancing micro-climates, purifying air, housing countless animal and plant species and enriching biodiversity. Furthermore, they are important carbon sinks and thus contribute to limiting greenhouse gas emissions and counteracting climate change.”

*Coffee and Deforestation: Addressing Coffee's Footprint.
Michael Opitz.*



Regenerative Farming & Biodiversity

Through our own industry research, farm visits and readings we have identified the following recommendations for coffee farmers to consider adopting, both from a climate resilience perspective and to promote environmental sustainability for the long term. When considering how best these suggestions are adopted, we recommend a case by case approach as every cooperative is different and faces different challenges. Many established cooperatives are already undertaking these initiatives:

- Implementation of borders or buffer zones to protect natural habitats close to coffee plantations
- Ensure there is crop diversification close to or within the coffee farm, encouraging biodiversity
- Plant trees in areas of unstable soil to mitigate erosion, especially in steep areas - also ensure taller trees are planted within the coffee farm to create shade protection
- Work with agronomists, sector leaders (eg CIC in PNG) and certifiers to get expert advice on plant husbandry and processing techniques. Work with other cluster groups and coffee cooperative leaders to support and encourage learning.
- Review the age of trees across the farm and cooperative - depending on their varietal and yield the cooperative can initiate a nursery to prepare to introduce new tree stock
- Encourage bee-friendly plants on coffee farms - even though Arabica coffee does not require bees for pollination, native bees are known to give coffee plants a boost and assist with biodiversity.
- Investigate how Biochar could help improve yields and plant health as a fertiliser. As can be seen in this report, biochar **dramatically increase yields**.
- See every part of the coffee production process (even waste or bi-products) as resources. Collect and dry coffee cherry pulp for sale as a value-added product such as cascara, or use already decomposing coffee cherry pulp as fertiliser.



23

Supporting Habitats in NZ



As part of the Fairtrade Producer standards the co-ops we work with must raise awareness of rare or threatened species among their members so that no collecting or hunting takes place. In NZ, we want to raise awareness of the threatened species that is the kōkako. We began working with the Rotoehu Ecological Trust (RET) and their team of volunteers in 2013, shortly after their inception. RET are one of many groups across New Zealand protecting the habitat of our namesake bird, the native kōkako. RET's total managed area is 750ha, part of the wider Rotoehu Forest Conservation Area (some 3,500ha). The kōkako are their keystone species and RET works on the theory that if they protect this endangered species then the whole ecosystem will thrive. Their current kōkako count is estimated to be 150, approximately 4.4% of the current national kōkako

count. We support their efforts to revive the kōkako population in the Pongakawa forest (nestled in the Bay of Plenty) by way of regular donations and our team heads down to help them with their work in person at least once a year. Our customers can also support their work, year round, by using the coupon code 'ROTOEHU' on our website - the coupon reserves the takings from the sale for the Trust. In 2017 we helped RET and all the kōkako conservation groups with the kōkako for Bird of the Year campaign and successfully came out on top! In November this year we are due to launch a tshirt with our Picton based friends, Paper Rain Project, that will further support their work financially and help raise the profile of their work and the kōkako - it's surprising how often we meet New Zealanders who have never heard of the bird itself!



24

Materials, Packaging & Waste — What it takes to get coffee in your cup

We have always been conscious of minimizing our waste footprint and in the past have collaborated with our suppliers to develop new packaging methods when possible, or to reduce packaging as best we can when there's currently nothing available to replace it with.

[You can read about this in more detail in our 2016 report.](#)

From 2016 - 2018 the total weight of non-renewable materials used to produce and package our coffee, drinking chocolate and cold brew from our place of business, 9 Charles St Mt Eden, was 376kg. This was mostly made up of packaging tape, waterproof stickers, invoice plastic sleeves and Nitro Cold Brew kegs which are all reused until they are no longer fit for purpose (we have sent 3 kegs in the reporting period to the scrap metal yard). The total weight of renewable materials was 11.8 tonnes, mostly made up of shipping boxes, glass Cold Brew bottles, our compostable packaging and retail paper boxes. These calculations were made from a combination of invoice data in Xero and weighing our packaging supplies.

Green beans arrive at our roastery on pallets, wrapped in clear plastic pallet wrapping - a stretchable plastic film that is wrapped around a load of products allowing it to be stretched; this holds the load tightly together and protects products from dust and moisture. The beans are contained in jute sacks which have a Grain-Pro bag liner inside. Grain-Pro bags are multi-layered polyethylene (PE) bags made to prolong the storage life of dried grains and seeds, and are needed to keep the

coffee dry and fresh during transit and storage. Different to our coffee, our Drinking Chocolate is batch blended and packed off site by Fillpak (Henderson, Auckland) and delivered to our roastery ready for dispatch.

The plastic stretch wrapping and Grain-Pro bags are collected by Rubbish Direct for soft plastic recycling and our empty jute sacks are collected by local gardeners and businesses such as For the Love of Bees and The Flower Project.

Our roasted beans are packed in certified compostable Econic bags, with a 200g or 1kg capacity, before dispatching to our customers. Our Drinking Chocolate is also packaged in Econic, with a 250g or 1kg capacity. Econic packaging provides the same functionality as traditional fossil fuel-based films, however they are able to be composted and broken down. More information about our compostable packaging can be found in our [2016 report](#) and [this page](#) on our website provides tips to our customers to help them break down fast.

All customer orders are shipped in cardboard boxes, from our coffee subscriptions through to large orders to our wholesale customers. Our roastery team do their best to pack appropriately so we aren't shipping in oversized boxes. When we need to protect goods for shipment we use a product called [Pop Starch from Friendly Pak](#) which is made in NZ from expanded starch and is 100% compostable (and edible — we tried it).

Across our roastery and office we have multiple waste stream collection bins and sorting mechanisms to minimise our waste to landfill. These are all clearly labelled and our commitment to waste sorting is part of the induction plan for every new staff member. We choose to not use bin liners in most of these bins, our compost bins are the exception in which we use compostable bin liners supplied by FriendlyPak.



Materials, Packaging & Waste — What it takes to get coffee in your cup

This table outlines risks, stakeholder impacts and mitigation techniques pertaining to packaging and waste elimination over the past two years and our plans beyond 2018.

Risks	Stakeholder Impacts	Opportunities & Mitigation	Governance, Planning & Prioritisation
<p>Packaging and Waste Elimination and/or reduction</p>	<p>We need to reduce, reuse and recycle across our supply chain and company. This impacts primarily the producers of our consumables, our reputation within the industry and with consumers (many of who are now hesitant to use single-use packaging).</p>	<p>Initiate more robust policies to hold suppliers to account for not only what they supply us but how it is manufactured and shipped.</p> <p>Continue to promote the Circular Economy model.</p> <p>Continue to work with the NZSCA, waste collectors, our packaging suppliers, and local government to ensure that there is sufficient infrastructure in place to compost our compostable packaging.</p> <p>Encourage customers to return packaging to us if they are unable to access the correct waste stream.</p> <p>Encourage wholesale customers (cafes) to ask customers if they need a lid on their takeaway coffee.</p>	<p>The new Procurement plan will be rolled out to existing suppliers and new suppliers from January 2018.</p> <p>We helped initiate a Sustainability Survey to NZSCA members in early October 2018. We will support the NZSCA to ensure local and national government is aware of the commercial opportunity in using single use compostable cups as a key resource in compost facilities.</p> <p>We are working with our coffee bag manufacturer, Convex, to find an alternative to the current soft plastic valve that is currently on our compostable coffee bag. At present this has to be peeled off prior to composting - our aim is to source a compostable valve for implementation on all coffee packaging by 2020.</p> <p>As at October 2018 we are reviewing consumables sales of compostable cups and lids. We have identified a drop in sales of these products which suggests a reduction in use, but need to analyse further to determine if this is caused by reusable cup uptake or custom branded cups supplied by other suppliers.</p>





Our People

26

Economic Impact at Home & at Origin

Kōkako contributes to the local economy by employing all of our staff from the Auckland region. Thanks to the Fairtrade system, the same goes for the cooperatives we source our beans, cocoa and sugar from. Fairtrade work beside farmer cooperatives, they don't govern them, to support community-wide sustainable change. Under the Fairtrade guidelines each cooperative must have: a general assembly where all major decisions are discussed; a board of directors chosen in free, fair and transparent elections from the local community; a written set of rules to determine who can become a member and how the organisation will be run day to day. Fairtrade's work helps farmers build the skills they need to keep their cooperatives strong, transparent and democratic and the model fosters democracy, practices social inclusion and encourages co-ops to operate with concern for the environment.

Fairtrade's largest producer organisation/cooperative has over 80,000 members/workers and their smallest has just three!

Kōkako's headquarters have always been nestled amongst the community we serve. Our old home in Grey Lynn spanned across the main intersection of the Grey Lynn shops with our cafe & office on the main corner and our roastery rested between residential homes and local businesses. Our current location in Mt Eden is in

more of an industrial area where our neighbours are mechanics, commercial kitchens, textile companies etc - though walk one or two streets away and you're back in residential Auckland. Thankfully in both locations our impact has been minimal, to the extent that some of our old neighbours didn't notice that we'd left Grey Lynn and similarly some of our new neighbours didn't know we'd moved in. When we introduced ourselves it was common to hear 'Ahh, that explains that nice new smell in the air.' With no staff parking on site in both our homes over the past two years we know our team, although small, take up a few spaces in the streets surrounding our operations - even with some of us training, biking, Zoomy-ing or ride sharing to work. Our beans and coffee machines are delivered by trucks, during working hours, and our courier company visits a few times a day to get our product out to our customers. Outside of that we seem to fly under the radar. As we continue to grow, and with the open conversation we have with our neighbours, we hope to mitigate any negative impact that may occur from increased traffic or that constant coffee smell in the air.

Away from home we support Fairtrade's work that ensures our business does not have a significant negative impact on the communities we purchase from. The Fairtrade system, built on the foundations of participation and democracy, ensures that smallholder farmers have a voice and decision-making power within their organisations and communities, and feel a sense of

Next Page



Economic Impact at Origin

This table outlines risks, stakeholder impacts and mitigation techniques pertaining to fair pay and the economic impacts at origin we have assessed over the past two years and our plans beyond 2018.

Risks	Stakeholder Impacts	Opportunities & Mitigation	Governance, Planning & Prioritisation
<p>Fair pay and Economic Impact at Origin</p>	<p>Kōkako is proud and resolutely supportive of Fairtrade. This goes some way in addressing inequalities within coffee producing nations. We recognise that there continue to be economic pressures on farmers beyond the Fairtrade premium. By not addressing this as an industry, we are potentially ignoring the most important part of our supply chain - coffee farmers.</p>	<p>This requires a multi-faceted approach as there are many stakeholders. We need to continue the following initiatives to help increase farmer incomes.</p> <ul style="list-style-type: none"> • Regenerative Farming and Biodiversity • Farm Diversification • Quality Training programmes to increase yields/prices • Processing Diversification - Natural & Honey process coffees • Plant Husbandry & Resilience, coffee plant varieties <p>We also need to continue to work with figureheads in the industry to determine whether there is a better way to buy coffee than via the current “C Market” system, which has proven to be unsustainable for many coffee farmers. There is an opportunity for Kōkako to determine ways of protecting farmer incomes to provide even more sustainable income than those provisioned through the Fairtrade and Organic Premiums.</p>	<p>In April 2018 our Managing Director attended a seminar in Seattle chaired by Fairtrade USA entitled “Transparent Trade, Grounds for Empowerment”. Key speakers included TJ Semanchin of Kickapoo Coffee, Victor Cordero of Santa Marta Red Ecol-sierra Coop in Colombia, and Peter Roberts from the Emory University Business School. We are planning to use the learnings from these speakers to determine if it is possible for Kōkako to increase price premiums to coffee farmers above the current Fairtrade and Organic Premiums that are paid.</p> <p>This requires significant industry analysis across the supply chain and we plan to start with one of the existing cooperative that we already work with - such as Unen Choit or HOAC from PNG. Date for findings to be released is end of Q2 2019.</p>



27

Employee Mental Health & Risk Management



We take the mental health of our staff seriously. After we moved to our new premises in late 2017 we had a range of staff take on new challenges or additions to their job descriptions and we have also welcomed new members to our team. With all these changes in effect we knew we needed to take some time out to see how we were all doing. In May 2018 we purchased the **Emotional Culture Deck** (from NZ company Riders & Elephants) and held two 2-hour sessions where everyone in our company used the card deck as prompts to talk about their emotional motivators and demotivators. We then applied those desirable and undesirable feelings to scenarios relevant to our daily work environment. Though our team were a little hesitant in the beginning of these sessions, the experience brought us closer as a group and provided insight into each other’s unique triggers. We have subsequently been able to factor these into how we conduct our daily business. We are mindful of our staff workloads and strive to keep an open dialogue on how everyone is going. Over the past two years we have accommodated staff to reduce hours to pursue other passions, work flexible hours, participate in other jobs, and/or interests where practical.

We also have a comprehensive Occupational Health & Safety Management system that complies with the New Zealand Health and Safety at Work Act 2015. For further detail please see table at right which outlines the risks, stakeholder impacts and mitigation techniques pertaining to safety, health, and wellbeing we have assessed over the past two years and our plans beyond 2018.

Risks	Stakeholder	Opportunities & Mitigation	Governance, Planning & Prioritisation
Health, Safety & Wellbeing of our team and visitors. Our staff our our biggest asset - we are bound to provide a safe, healthy working environment for them.	If our staff are not happy, not supported, or not provided with a best-practice work environment this could impact on their wellbeing, staff churn, morale, and for safety related issues impact on our reputation and Directors liabilities.	<p>We take our responsibility to our staff wellbeing very seriously and we employ the ‘kaizen’ methodology for Continuous Improvement. This includes:</p> <ul style="list-style-type: none"> Roastery Operations Manager has full responsibility for the company Health & Safety Manual and Implementation. Weekly Management Meeting always starts with health & Safety review/report Monthly staff meeting always starts with Health & Safety Review and feedback from staff in suggested improvements. All staff have an Annual Performance Review and a separate Remuneration review. Staff are always asked how the company can improve. The company has comprehensive Insurance to cover Health & Safety related matters and protection for Directors. We provide free coffee, tea and organic fruit for all employees. 	<ul style="list-style-type: none"> We had our Insurer undertake an independent onsite audit of current company Health & Safety policies and procedures in August 2018. We implemented a new Health & Safety Manual in October 2018 which included all provisions for our Roastery and for staff who are offsite. We purchased the “Emotional Culture Deck” and used this to refine our workplace values, initially with our Management team in July 2018, then with our whole team in August 2018. We have used this to shape how we relate to all team members. As at October 2018 we are refining our company values and we will release this to our team and customers in November 2018.

28

Our Team — Working on How We're Working

We believe business is a great incubator of talent. We hire good people and do our best to grant them room and resources to grow their career with us. As a small team, we have no formal programmes implemented to assist our employees to upgrade their skills or transition assistance programmes provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment. Our staff are encouraged to be proactive with their professional development which includes external courses relative to their role, attendance at industry events, research trips to coffee producing origins as well as other countries to learn about trends in specialty coffee and the hospitality sector.

Every year 100% of our New Zealand based employees receive a performance and career development review.

During the reporting period the Kōkako team had members travel to Papua New Guinea, Sumatra, and Melbourne, collectively learnt how to get the most out of our new Toyota Corolla Hybrid vehicles, attended industry events and workshops, and expanded our knowledge through attending role specific training courses and working one on one with industry consultants/coaches.

Over the past two years on average our team as a whole has accessed 27 hours of training, however only 7 out of the 13 employees included in this average participated in any training at all. Our median training hours sits at

17 hours. During this time our female employees have on average actively participated 28.7 hours of training and our male employees have 30.8 hours. These calculations include newly joined team members (3) and past employees (2) who finished up working with us during the reporting period. It also refers to all staff (Full Time and Part Time) as some of our team members have moved from Part Time to Full Time (and vice versa) within the reporting period.

Though the intention to support opportunities for vocational training are in place it's clear that further encouragement is needed to balance the score of training or education pursued externally. This is something that we intend to focus on in our regular team meetings and future yearly performance reviews. All of our staff have Individual Employment Agreements (IEA's) and as a result we don't have any Collective Bargaining Agreements.

We have Eleven (11) Total Employees made up of the following (see right), all on permanent contracts and residing and working in Auckland, New Zealand.

*Information obtained from Weekly Employee Payroll. Total FTE (Full Time Equivalent) of employees is 10 based on days worked per week over all full and part time staff.

Five Full Time
Male employees

5

One Part Time
female employee

1

3

Three Full Time
female employees

Two Part Time
male employees

2

29

Respecting Tangata Whenua

In the past two years our use of te reo Māori has come into question within our walls and outside of them. As a business that has been granted the right to use such a precious name we are considerate of our obligations to respect this. For any updates to our brand name this involves, via our Trademark lawyers, reviewing by the **Trade Marks Māori Advisory Committee**. The Māori Advisory Committees were established to minimise the risk that the Crown may inadvertently register intellectual property likely to cause offence to Māori. Committee members have a deep understanding of mātauranga Māori and tikanga Māori (Māori worldview, culture and protocols).

In 2016 we began the journey to refresh our brand and with it came an internal conversation about the fact that our company name comes from one of our country's native birds, a name that was given to the bird by the Māori. The true spelling of the bird's name is with the potāe (or macron) and up until this point we were omitting it. We decided that it was of the utmost importance for our brand and reputation with Māori and the New Zealand public that we introduce the macron. We added the macron in our rebrand and with the new launch we created a small gif to help people pronounce the name correctly; our email signatures continue to use the gif until this day.

In early 2018 we received a phone call from a member of the public who had seen our packaging in a new store in her local area. She informed us that one of our blend names was being used in a way that could cause offence. The blend was called Rangatira. It's name was chosen by the original owners of Kōkako back in 2001 as they understood it to mean 'esteemed' however 'rangatira' also means chief and associating something that is extremely tapu (like the position held by a chief) with something that is considered noa (food) is very offensive and disrespectful to the very culture we want to celebrate. We immediately started work to remove our Rangatira Blend from our product range and have now discontinued both the use of this name and the product itself. You can read more about it [here](#).

We wish to continue to respect, celebrate and normalise te reo Māori not only as a component of our brand, but also as part of our ongoing dialogue with our stakeholders.

kōkako





Kind Business

31

Influencing Those Around Us

We take an open and collaborative approach to the coffee sector locally and globally. As we have reported here we have no problem engaging with our competitors on how we can improve the New Zealand coffee sector, or how we can all operate more collaboratively and sustainably.

We do our best to positively influence the actions of those in our network, often through collaboration or by leading by example. And lucky for us our attitude to business has brought many like minded people our way meaning we are lucky enough to work closely with, and be inspired by, some leading individuals and companies. In July 2018 we hosted our first large scale industry event in our new roastery, the NZSCA Latte Art Champs. Traditionally events produce a lot of waste so we worked with the NZSCA and it's sponsors to rethink its established event format to reduce this. We had a few wins, for example we ran a takeaway-cup-free event and encouraged spectators to bring their own cups along, but there was still plenty of duct tape and one time use items used on the day. We debriefed with the NZSCA to discuss how we could improve in future.

We seek to normalise the importance of sustainability considerations in our sector. We do this through our current business actions and articulate it through such mediums as our public Sustainability Reports, social media posts, and our blog.

We continue to provide a voice within our Industry body, the New Zealand Specialty Coffee Association (NZSCA), on sustainability issues. This has included speaking at the 2018 AGM on the importance of sustainability in our sector, and working with the board of the NZSCA towards a Sustainability Positioning Statement for the New Zealand coffee sector.

We believe that we must encourage the main-streaming of organics in New Zealand and participated in New Zealand's inaugural **Organic Week** in early 2018. We also helped found a group of organic retailers and stakeholders in the Auckland region in mid-2017, who get together on a frequent basis to determine how to make organic products more accessible to the general public. The group started holding more formal meetings in 2018 and we have since appointed a paid administrator to manage the group (funded by donations from the group's members). Our aim is to make Organic Week 2019 (29th April - 5th May) very successful using the combined resources and skills of the wider group.

We are interested in how our business can play a positive role in initiatives that are outside of the coffee industry. During the reporting period, we have raised over \$1700 for **Medical Aid Abroad** through the retailing of every 200g bag of Uganda Bukonzo Joint coffee. This initiative began after we were approached by Dr Jackie Smalldridge, a New Zealand Gynaecologist,

who volunteers in Uganda. Jackie performs life-changing Fistula surgery with a skillful group of medical professionals, supported by Medical Aid Abroad, and on one of her visits she discovered Bukonzo Joint Coffee Cooperative - 20 minutes down the road from the hospital in Kagando. Jackie saw an opportunity to help the community economically and fundraise for her medical camps at the same time so she brought back 7kg's of their coffee and asked if we'd like to try it. We did and we liked it.

You can read more about our connection with Jackie and MMA [here](#) and [here](#).



32

Information & Labelling — Being clear about what we do



It's important to us to share as much information about the goods we sell as clearly and as often as possible. Following the legal requirements of New Zealand all our products are labelled with their ingredients; product ingredients and their percentages can be found on our labels. As we work with organic goods there can at times be some variability in our supply chain which is out of our control such as natural disasters, geo-political considerations at origin etc. In times like these, where we have to substitute ingredients or components, we communicate this information via our website, blog, social media channels or where appropriate a small insert with the product.

Our packaging also includes information on how to best dispose of it after consuming its contents and our soon to be released, revamped Drinking Chocolate packaging encourages customers to return the packaging to us if they are unable to access a compost system. All our products clearly display our Biogro Organic and Fairtrade certifications on the front to illustrate to the customer that we are committed to investing in a robust and transparent supply chain.



Financial Sustainability is important to our business - if we are not profitable this places a burden on our management team, shareholders, and lenders and we have learnt from past mistakes that financial governance must be prioritised alongside our commitment to sustainability.

Our path to financial sustainability has been, compared to many other businesses, rather long and varied. For confidentiality reasons and in accordance with the competitive nature of our industry we have chosen not to disclose in this report any details on our annual turnover and profitability, but can confirm that our business is now profitable after a number of years of consecutive losses. The graph, to the right, outlines this in its most simple format - showing how from the FY08 year through to FY14 the business was loss-making but from 2015 onwards we have been able to achieve more robust financial results.

From 2014 onwards we introduced formal governance structures which have allowed us to achieve greater scale and increased efficiencies. Alongside this there has been increased awareness amongst consumers and businesses of the importance of sustainability which has resulted in greater sales for our business.

We are often asked by consumers, competitors and other business owners why we are prepared to pay more to be sustainable as the additional costs (collectively) are relatively significant. They cover everything from

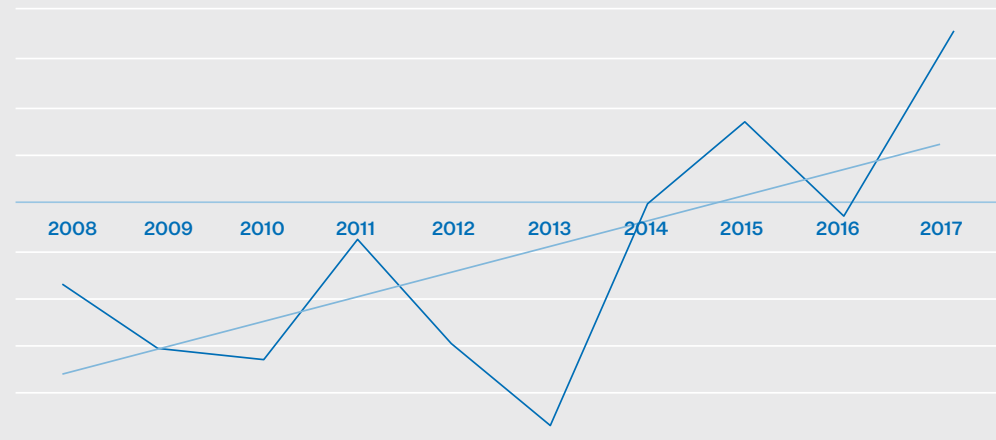
the compliance & fee costs for our Fairtrade, Climate Neutral and Organic certifications, to the offsetting of carbon for every kilo of coffee we roast via Fair Climate Fund, sponsorship initiatives through to the premium we pay for compostable packaging.

We see these costs as necessary investments in our business and values rather than a financial burden that 'may impact our bottom line', and we have proven that you can successfully run a profitable coffee business alongside supporting such initiatives. While it may have taken us a disproportionately long time to achieve financial sustainability, there were various other

mitigating factors over the years that have contributed to this including an initial focus on being a full food & beverage company, which has now been scaled back to a more singular focus on coffee roasting.

Kōkako has never paid out a dividend to shareholders, preferring to reinvest any profit in the business for future growth. At some stage in the future we plan to facilitate a return on the initial investment for our shareholders. They deserve it for the faith they have placed in the company, and the management team, and the subsequent risk that they have taken in doing so.

Profitability



Financial Sustainability

This table outlines risks, stakeholder impacts and mitigation techniques pertaining to financial sustainability we have assessed over the past two years and our plans beyond 2018.

Risks	Stakeholder Impacts	Opportunities & Mitigation	Governance, Planning & Prioritisation
<p>Financial Sustainability - if we are not profitable we are no good to anyone - we must ensure that our business is financially robust</p>	<p>We have obligations to remain solvent and profitable to shareholders, staff, IRD, suppliers & customers. We must ensure that our margins are sufficient to sustain our operation, that we continue to grow and diversify incomes, and that we maintain a realistic debt to equity ratio. We must plan for economic uncertainty and employ a prudent approach to capital expenditure.</p>	<p>We have strong governance and reporting systems in place to understand and track our financial performance. These include:</p> <ul style="list-style-type: none"> • A full time Commercial Manager who controls all financial inputs, outputs and reporting for the business. • A Board undertaking company governance that meets quarterly to discuss and review financial performance and forecasts. • An annual set of financial accounts from our accountants Bellingham Wallace. • Weekly, monthly and quarterly reporting on individual account sales, margins, operating surplus, profit and EBITDA. • Provided the company remains profitable this provides us with opportunities to reinvest in the growth of the business and consider new territories for expansion. As such we undertake competitive intelligence on a regular basis to ascertain future opportunities and markets. • Empower our wholesale customers: Every year in September/October we run an Owners Gathering that includes knowledge and insights into how to run a better cafe. By sharing our knowledge with our wholesale accounts we are better equipping them to have a competitive advantage. 	<ul style="list-style-type: none"> • Implementation of Unleashed Software to manage inventory in conjunction with existing roast profiling software Cropster from October 2018. • Balance sheet improvements from sale of Kōkako Cafe in June 2017. This has improved our ability to borrow from Westpac and provided better lending facilities for future growth. • Asset purchases via Westpac lending, reducing interest rates from higher tier vehicle finance lenders. • Income diversification strategies - this includes rolling out Nitro Cold Brew into more establishments that are not traditional espresso bars/cafes, and the opening of our 40 sq/m retail concept store in Commercial Bay - this is targeted for September 2019 and will diversify income that is currently predominantly derived from wholesale business. • As at October 2018 we are reviewing the performance of our website and coffee subscription service and will look to improve this to grow direct usiness to consumer sales.

34

Honesty & Transparency

For a small/medium size business like our own, investigating and reporting on all the ins and outs of how we work can be a little confrontational. However, honesty and transparency are two of our core values and we think it's important to help our sector, and our world, move towards a more accountable future. As it did in 2016, preparing this report reinforces to us that we are doing some good things, but we can be doing lots more. Below is a summary of our main sustainability goals for 2019/2020 that have come out of this report.

- Offset all carbon emissions related to our full organisational activities and products from August 2019 to complement our existing Fair Climate Fund accreditation.
- Improve the uptake of professional development opportunities across our whole team by focusing on this more regularly, including discussing at our monthly team meetings.
- Formalise our procurement methodology to further enhance our understanding of all goods & services supplied to Kōkako with a full Procurement Plan implemented from January 2018.
- Review our capital expenditure for the 2020 financial year with a financial feasibility plan to replace our Probat roaster & afterburner with a more carbon efficient roaster.
- Work alongside our coffee bag manufacturer, Convex, to find an alternative to the current soft plastic value that is currently on our compostable coffee bags with a goal of implementation by 2020, if not prior.

Thank you

We'd like to say a huge thank you to all our stakeholders who were able to provide their assistance with this report.

With special thanks to:

Nick Morrison from Go Well Consulting

Josh Griggs

Claire Mossong

Joel McDowell

Oscar Thomas

The team at Design Dairy

The team at Fairtrade ANZ

The farmers of HOAC & Unen Choit Cooperatives

All the kaiwhakamāori (translators) who have helped us on our te reo journey so far.

The Kōkako team






And thanks to you for taking the time to read this report.



35

External Initiatives







Kōkako subscribes to, adheres to or is a licensee of the following organisations, and as such we are bound to the economic, environmental and social charters and principles that each of these organisations sets out:

	Organisation	Covers	Date Adopted	Geographic Area	Stakeholders	Obligations
	Biogro	Organic Certification	April 2009	NZ and all countries of origin for inputs	Coffee, cocoa & sugar farmers, consumers	Voluntary
	Fairtrade ANZ	Fairtrade Certification and Licence	June 2008	NZ and all countries of origin for inputs	Coffee, cocoa & sugar farmers, consumers	Voluntary
	Fair Climate Fund	Carbon Offset Accreditation	October 2016	NZ and all countries of origin for inputs	The world and the environment	Voluntary
	Conscious Consumers	Supply Chain Accreditation	April 2012	New Zealand	Cafe Owners, Consumers	Voluntary
	NZ Food Safety Standards for MPI	Independent Annual Audit: <ul style="list-style-type: none"> • Food Act 2014 • Food Regulations 2015 • ANZ Food Standard Code • Food Control Programme to National Standard 	November 2011	New Zealand	Consumers, cafes and retailers	Mandatory for Compliance

36

Memberships

Kōkako has memberships with the following organisations & industry bodies:

	Organisation	Position Status	Notes
	Sustainable Business Network (SBN)	Member, past mentor for emerging businesses	
	New Zealand Specialty Coffee Association (NZSCA); provides access to the Specialty Coffee Association of America (SCAA)	Member, past Vice President	As at reporting period working with the Board to establish a sustainability position for the association
	Organics Aotearoa New Zealand (OANZ)	Member, annual donation	
	Soil and Health Association of New Zealand	Member, past Committee Member of Biogro Society	
	Auckland Organics Business Group	Member, Organising Committee	A group established in 2018 to grow the awareness of organics through the business community & promote Organic Week 2019
	Supporters of Tiritiri Matangi (SoTM)	Member, annual donation	

37

Principles & Standards

At Kōkako we have a number of principles, standards and values that we work by. These are communicated to key stakeholders. A summary of each is provided below:

Document	Purpose	Notes
Employee Values Provided to all new employees as part of their induction upon joining the company.	The values document outlines the company expectations for how employees will treat each other and our clients. Key areas include: <ul style="list-style-type: none">• Professionalism• Focus• Leadership• Morale & Mentoring• Communication	This document was developed in 2007 - as of October 2018 we are reviewing this in line with our new values, purpose, and strategy documents. We plan to release a new strategy and values document in 2019.
Barista Guide Provided to all baristas as a hard copy upon completing training or calibration with Kōkako	The guide outlines our expectation for consistent and professional espresso preparation techniques to Kōkako guidelines. It includes a troubleshooting guide and is intended to be used with Simtutor (see below).	This document was originally created in 2007 and has been constantly updated ever since. It is currently undergoing a design review and a new version will be released in December 2018 with easier removable sections for updating.
Simtutor A unique login code is provided to each new barista that works with Kōkako. Real time results and success rates are available for our Trainer to access skill levels in advance of practical trainings.	An online interactive tutorial providing opening and closing guides for espresso stations, alongside cleaning guides. Developed in conjunction with Simtutor and only available online - this is a proprietary product designed exclusively for the use of Kōkako baristas.	This service is an investment of approximately \$190 per month.

38

Governance Structure

Governance Body	Who is Involved?	Topics/Responsibility
<p>Kōkako Board</p> <p>Meets quarterly</p>	<p>Managing Director, Director, and Commercial Manager.</p>	<p>Executive Summary by Managing Director and Divisional Reports for:</p> <ul style="list-style-type: none"> Financial Performance Human Resources Marketing and Public Relations Operations Sales and Account Management Future Planning, Strategy & Forecasting
<p>Management Team</p> <p>Meets weekly</p>	<ul style="list-style-type: none"> Managing Director Commercial Manager Business Development Manager Marketing Manager Roastery Operations Manager 	<ul style="list-style-type: none"> Health & Safety HR and Administration Events Marketing & Communications Sales & Account Management Strategy and Planning Roastery & Operations Finance and Systems
<p>Account Management Team</p> <p>Meets bi-weekly</p>	<ul style="list-style-type: none"> Business Development Manager Account Manager Barista Trainer/QC 	<ul style="list-style-type: none"> Customer Care and Problem Solving New Business, Opening and Closing of Accounts Customer Change of Ownership Training & Quality
<p>New Product Development (NPD) Team</p> <p>Meets monthly</p>	<ul style="list-style-type: none"> Roastery Operations Manager Head Roaster Trainer/QC Other team members as available 	<ul style="list-style-type: none"> New product development Coffee Blend & Single Origin development Innovation Competitive Analysis
<p>Marketing Team</p> <p>Meets bi-weekly</p>	<ul style="list-style-type: none"> Marketing Manager Managing Director 	<ul style="list-style-type: none"> Marketing Campaigns Social Media Events Sponsorship Brand Collaborations

39

GRI Reporting Initiative Standards

In developing content for this report we have used the Global Reporting Initiative (GRI) principles for defining report content for stakeholder inclusiveness, sustainability context, materiality and completeness.

General Standard Disclosures				
Section	GRI Standard	Description	Page(s)	Notes
Organisational profile	102-1	Name of the organisation	4	
	102-2	Activities, brands, products, and services	6	
	102-3	Location of headquarters	6	
	102-4	Location of operations	6, 18	
	102-5	Ownership and legal form	4, 7	
	102-6	Markets served	6, 18	
	102-7	Scale of the organisation	7	
	102-8	Information on employees and other workers	7, 41	
	102-9	Supply chain	10, 17	
	102-10	Significant changes to the organisation and its supply chain	9, 10	
	102-11	Precautionary Principle or approach	See notes	Kōkako applies the Precautionary Approach as our business as usual which is evident throughout this report
	102-12	External initiatives	49	
	102-13	Membership of associations	50	

GRI Reporting Initiative Standards

Section	GRI Standard	Description	Page(s)	Notes
Strategy	102-14	Statement from senior decision-maker	5	
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	51	
Governance	102-18	Governance structure	52	
Stakeholder Engagement	102-40	List of stakeholder groups	11	
	102-41	Collective bargaining agreements	41	
	102-42	Identifying and selecting stakeholders	11	
	102-43	Approach to stakeholder engagement	11	
	102-44	Key topics and concerns raised	12	
Reporting practice	102-45	Entities included in the consolidated financial statements	46	
	102-46	Defining report content and topic Boundaries	4	
	102-47	List of material topics	12	
	102-48	Restatements of information	See note	No restatements of information
	102-49	Changes in reporting	4	
	102-50	Reporting period	4	
	102-51	Date of most recent report	4	
	102-52	Reporting cycle	4	
	102-53	Contact point for questions regarding the report	4	

GRI Reporting Initiative Standards

Section	GRI Standard	Description	Page(s)	Notes
Reporting practice	102-54	Claims of reporting in accordance with the GRI Standards	4	
	102-55	GRI content index	53, 54, 55	
	102-56	External assurance	See note	We employed the services of Go Well Consulting to help us construct this report, but we did not have the report externally assured.

Specific Standard Disclosures				
Section	GRI Standard	Description	Page(s)	
(Our World) Climate Change and Our Environmental Impact				
Impact of CC on Coffee Growers/Industry	201-2	Financial implications and other risks and opportunities due to climate change	20, 21	
GHG Emissions - Our Commitment to Carbon Neutral	305-1	Direct (Scope 1) GHG emissions	22, 23, 24, 25, 26	
Procurement	308-1	New suppliers that were screened using environmental criteria	17	
	414-1	New suppliers that were screened using social criteria	17	
Regenerative Farming and Biodiversity	304-3	Habitats protected or restored	32, 33, 34	
Packaging, Product Stewardship and Waste Elimination	301-1	Materials used by weight or volume	27, 35, 36	

GRI Reporting Initiative Standards

Section	GRI Standard	Description	Page(s)
Our People			
Local Communities and Social Investment/ Fair Pay and Economic Impact at Origin	202-2	Proportion of senior management hired from the local community	38
	203-1	Infrastructure investments and services supported	29, 30, 31
	413-2	Operations with local community engagement, impact assessments, and development programs	29, 30, 31, 38, 39
Safety, Health and Well Being	403-1	Occupational health and safety management system	40
Learning and Development	404-1	Average hours of training per year per employee	41
	404-2	Programs for upgrading employee skills and transition assistance programs	41
	404-3	Percentage of employees receiving regular performance and career development reviews	41
Kind Business			
Influencing Those Around Us	103, 417-1	Management approach, Requirements for product and service information and labeling	44, 45
Financial Management	201-1	Direct economic value generated and distributed	46
Honesty & Transparency	103	Management approach	48