



Federación Nacional de
Cafeteros de Colombia

SUSTAINABILITY REPORT

2015 - 2018







SUSTAINABILITY REPORT
2015 - 2018

**LEAVING
A MARK**

EDITORIAL

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MESSAGE FROM THE CEO

I take great pleasure in presenting this sustainability report that summarizes the 2015-2018 management results of the Colombian Coffee Growers Federation (FNC). Since I took over as its Chief Executive Officer, I decided to continue the efforts that this Federation has historically made to ensure the well-being of Colombian coffee growers; and with this purpose, we defined sustainability of coffee farming as a core proposition in our value creation strategy.

Our commitment to sustainability has two dimensions with different scopes:

First, as an organization, ensuring that the environment is preserved by our different divisions and service units with the good practices stated in the ISO 14001 standard, as is the case with our National Coffee Research Center (Cenicafé), its experimental stations and our freeze-dried coffee factory, Buencafé. Additionally, regarding social responsibility, we promote gender equity principles among both our employees and coffee growers, and especially in our governing bodies.

Secondly, in the Colombian coffee sector, seeking to empower coffee growers so that they can make coffee production, in the short, medium and long term, a profitable business, in harmony with the environment and contributing to the social development of their communities. This value proposition has an important and positive impact, directly benefiting over 540,000 Colombian coffee growers, their families and the rest of the non-coffee-farming people in their communities.



Therefore, our sustainability proposition to coffee growers is developed in four fundamental dimensions, each with a specific strategic objective, as described below:



Economic: seeking to contribute to coffee growers' profitability.



Social: aiming at development of coffee-growing families and communities.



Environmental: promoting care for natural resources and adaptability of coffee activities to climate variability.



Governance: whose aim is to strengthen the FNC's unity.

To achieve these objectives, partnerships with the national Government and other national and international allies that share the same interest for Colombian coffee growers are crucial.

We understand the need to make a balanced effort in each of these dimensions, but we prioritize the strategic objective in the economic dimension of contributing to coffee growers' profitability because it is the fundamental and necessary condition for coffee farmers to continue this activity. The objectives in the social, environmental and governance dimensions complement the sustainability proposition to contribute to coffee farmers' well-being.

I would like to make the most of this message to highlight some initiatives that we have developed in the last four years and have contributed to achieving our strategic goals. In the environmental dimension, the Intelligent Water Management-Manos al Agua project stands out as a model to improve environmental protection and deal with water imbalance challenges in the coffee sector and its value chain; it also enabled to create social and production conditions to increase rural well-being

and achieve sustainable development in rural areas of Colombia.

On the other hand, our 100/100 Plan is the most ambitious sustainability plan conceived by any coffee-producing country. Through it, we expect 100% of coffee farms to implement practices that ensure their long-term sustainability. The process should be completed by 2027, when the FNC will turn 100 years old, hence the name "100/100."

I also want to highlight the organization, by our FNC, of the first **World Coffee Producers Forum**, held in the city of Medellín from July 10 to 12, 2017. It was a meeting place for producers and representatives of the other links in the coffee value chain, receiving over 1,350 attendees from 44 countries; of them, 42% were producers, while the remaining 58% were other representatives of the industry such as exporters and traders, NGOs and trade unions, among others. At this forum, issues related to production, productivity, price volatility, generational integration and climate change were addressed.

Lastly, I cannot leave out the social projects that we have developed through our institutional model, which have greatly impacted the quality of life of coffee growers and their families. These projects have been possible thanks to strategic partnerships with national and international allies that made things easier, including fundraising.

So, our value proposition has a very important impact, directly benefiting over 540,000 Colombian coffee growers, their families and communities. This highlights the importance of having an organization that works together to make it possible. We understand that sustainability is hope, future, peace and a key contribution to the country's socioeconomic development, so we will continue betting on sustainability as an organization and as coffee growers united in the FNC.

Roberto Vélez Vallejo
CEO

THE COLOMBIAN COFFEE GROWERS FEDERATION (FNC)

FNC governance
and unity

Participation
and democracy



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GRI 102-2
○ GRI 102-3
GRI 102-4
GRI 102-5

We are a private-law, non-profit, trade-union entity, formed by federated coffee producers. We are a democratic, participatory, pluralist, multi-ethnic, multicultural, deliberative and non-partisan organization. Our statutory mission is to work for and promote, as a priority, the prosperity and general interests of coffee producers.

Our organization was created on June 27, 1927 by the producers themselves. Making history for over 91 years, the FNC aims to "guide, organize and promote Colombian coffee farming and strive for it to be profitable, sustainable and globally competitive, ensuring coffee producers' well-being through collaboration, participation and promotional mechanisms of social, economic, scientific, technological, environmental, industrial or commercial nature, and seeking to preserve the strategic nature of the social capital generated by Colombian coffee farming."

The FNC represents over 540,000 coffee-growing families in the country, of which 96% are smallholders of up to 5 hectares, 3% are medium-sized (5 to 10 ha) and 1% large (over 10 ha); our institutional frame features a democratic and representative structure that reflects the interests of coffee growers. We have 358,000 federated coffee growers, who, besides accessing the public goods and services provided by the FNC to all Colombian coffee farmers, have union rights to participate and be elected as federated representatives.

Our headquarters is located in Bogotá DC and the organization is present in all rural areas where coffee is produced in the country. We also have representative offices in the USA, The Netherlands, Japan and China.

MAIN ACTIVITIES

SCIENTIFIC RESEARCH AND TECHNOLOGICAL DEVELOPMENT

The development of resistant varieties, best cultivation and harvesting practices, and environmentally friendly post-harvest equipment are some of the tasks by the National Coffee Research Center (Cenicafé), the scientific arm of the FNC.

SUSTAINABLE MARKETING AND CREATION OF MORE VALUE

Purchase guarantee: Coffee is bought from producers at a transparent, market price, with cash payment and in places near their farms.

Specialty coffee marketing; industrialized coffee production and marketing (Buencafé).

TRANSFER OF TECHNOLOGY TO COFFEE GROWERS

The results of Cenicafé scientific research and technological development reach producers through the Extension Service, the main technology transfer vehicle that provides them with technical assistance.

ADVERTISING AND PROMOTION OF COLOMBIAN COFFEE

We seek to position Colombian coffee in the global industry and consolidate or open up new markets, which includes greater value niches.

PARTNERSHIP AND EXCELLENCE PROJECT MANAGEMENT

(Sustainability Projects)

Thanks to the efficiency and transparency with which the FNC plans and implements projects for coffee growers, in the economic, social, environmental and governance dimensions, in large rural areas of the country, we have become a key partner of public and private entities.

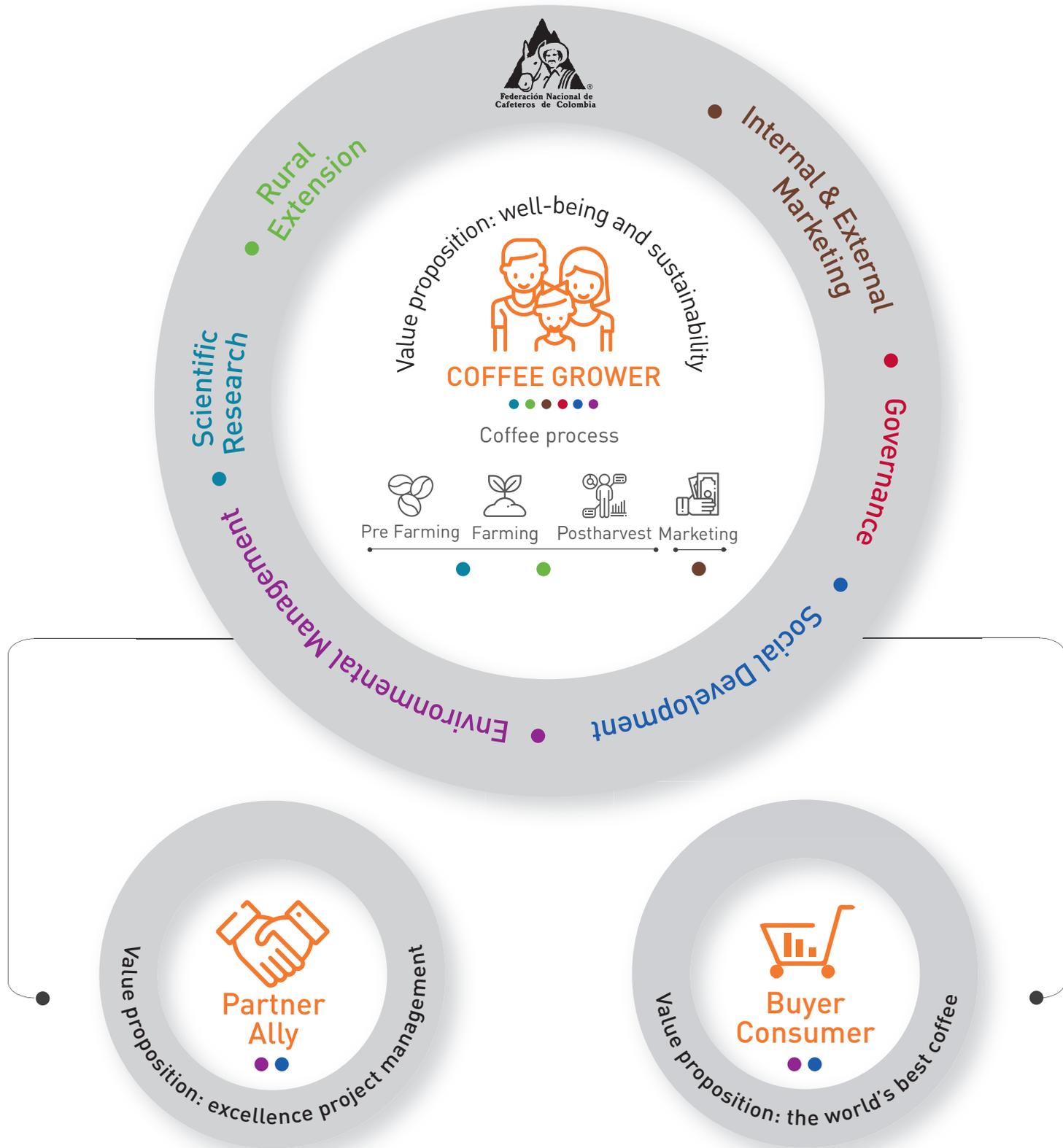


NATIONAL REGISTER OF COFFEE EXPORTERS

The FNC is in charge of keeping the National Register of Coffee Exporters by delegation of the national Government since 2009. Up to 2018, there were 325 exporters registered.

Exports control: It enables the planning, coordination and guarantee that coffee export activities, such as coffee receipt in the loading/unloading area of ports, issuance of reweight certificates, liquidation, collection and invoicing of the coffee contribution and the issuance of ICO (International Coffee Organization) Certificates of Origin, are performed in a timely, efficient and reliable manner, complying with current regulations issued by the National Coffee Growers Committee for Colombian coffee exports.

OUR VALUE CHAIN



SERVICES ●●●●●
 CLIENTS ●

KEY PLAYER IN ACHIEVING PEACE IN THE COUNTRY

Together with national and international partners, the coffee institutions embodied in the FNC have decisively contributed to bringing peace to large areas in the country, shielding them from ravages of the armed conflict and facilitating the substitution of illicit crops or the return of displaced families, among other activities, with coffee at the heart as a legitimate livelihood alternative. Specific projects such as Huellas de Paz (Footprints of peace), Colombia Cafetera Sostenible and Familias Guardabosques (Forest Ranger Families), among many others coordinated both nationally and departmentally, have benefited thousands of rural inhabitants in different corners of the country.

And on a broader scale, the very strength of the coffee institutional framework has made it possible to mitigate the effects of violence and illicit crops, helping producers not abandon coffee, as a study by Colombia's Universidad de los Andes and the Université Libre of Brussels² confirmed in 2013.

In addition, new dynamics by the FNC top management regarding communication, consultation and wide participation of the coffee growers base, such as Conversemos con el Gerente (Let's talk with the CEO, which have allowed over 20,000 coffee growers to be heard first-hand), about 80 workshops on union leadership, where over 8,000 coffee leaders were trained (including those from Departmental and Municipal Committees), and national meetings of women and young coffee growers, with high gender equity and generational integration, have contributed to strengthening the social fabric, the sense of community in different territories, and the sense of belonging and identification of the producers with their institutions.

WORLD COFFEE PRODUCERS FORUM (WCPF)

In recent years, as FNC we have strengthened our leadership voice in the global industry as a key player in the search for sustainability of coffee producers, not only in Colombia, but in the world.



GRI 103-1
GRI 103-2
GRI 103-3
GRI 102-18

An example of this was the organization of the first World Coffee Producers Forum (WCPF), held in Medellín from July 10 to 12, 2017.

This meeting place for producers and representatives of the other links in the coffee value chain received over 1,350 attendees from 44 countries, of which 42% registered as producers; the remaining 58% were exporters, marketers, NGOs and trade unions, among other representatives of the industry.

Besides addressing issues such as production, productivity, price volatility, generational integration and climate change, foundations were laid for a continued effort that contributes to long-term sustainability of producers – the weakest link – which in turn ensures sustainability of the chain as a whole.

With the commitment to continue with these meetings every two years, the next one would take place in Brazil in July 2019.

COLOMBIAN COFFEE CULTURAL LANDSCAPE

Since 2001, through joint work of the FNC and the Ministry of Culture, with the support of academics, the process to ask for registration of the Colombian Coffee Cultural Landscape (PCCC) on the Unesco World Heritage List was initiated. On June 25, 2011, Unesco registered the PCCC on this list. This recognition commits the Colombian State and the international, national and local community to its protection, but it is also an opportunity for its inhabitants and visitors to know the landscape and engage in its preservation.

² FNC. Coffee Institutions Mitigate Negative Effects of Violence in Coffee Growing. Colombian Coffee Insider. October 2013. https://www.federaciondecafeteros.org/algrano-fnc-en/index.php/comments/coffee_institutions_mitigate_negative_effects_of_violence_in_coffee_growing

In its main area, the PCCC encompasses specific areas of 47 municipalities and 411 rural districts (“veredas”), and its buffer zone includes four municipalities and 447 rural districts in the departments of Caldas, Quindío, Risaralda and Valle del Cauca, located in the central and western branches of the Andes mountain range. In these mountain systems, representative zones of coffee production have developed and are a system recognized by its attributes, inhabitant relationships and cultural heritage. It is a landscape that combines natural, economic and cultural elements with a high degree of homogeneity, an exceptional case in the world. It combines human, family and generational efforts by coffee farmers with the continued support of their institutions.

Our FNC, in addition to being the leader of this initiative, aims at improving the quality of life of coffee producers in the region.

UPDATING STANDARDS AND SIMPLIFYING PROCEDURES

Green Coffee Quality Standard

To enable and facilitate exports of coffee whose quality is lower than that of excelso, and keeping moisture, phytosanitary and foreign matter controls, the National Coffee Growers Committee (one of the highest governing bodies) made this change through Resolution 2 of 2016, which also makes clear that only coffee exports that meet the quality standards described therein for excelso coffee will be granted a quality certificate for the origin Café de Colombia.

Roasted Coffee and Roasted-Ground Coffee Quality Standard

Resolution 004 of 2015 modified Resolution 01 of 1999 to remove the traditional and non-traditional market concept and allow for the export of roasted coffee of different raw material qualities to all markets.

Simplification of Register of Exporters

Since the FNC began to manage this register, the National Coffee Growers Committee has been simplifying its

requirements and procedures. Through Resolution 01 of 2009, it removed some requirements for applicants, such as having a minimum amount of assets or submitting financial statements, among others. From 2012 on, through Resolution 01, an insurance policy is not necessary anymore, thus widening access to the register to large, medium-sized and small companies, as well as coffee growers or people in general who meet the requirements and current regulations on international trade operations.

The last modification of requirements was through Resolution 005 of 2015 by the National Coffee Growers Committee, which simplified the register by unifying it for all type of coffee (green and roasted) and eliminated the process of renewing the registration for those that permanently export coffee, keeping the deadline for issuing the registration certificate at 60 days.

Optimization of times in export documentary process

The FNC, in line with the opening up and globalization of the Colombian economy and together with the national Government, whose purpose has been to simplify procedures and improve efficiency in logistical and documentary processes, asked the International Coffee Organization (ICO) for a change in issuance of ICO Certificates of Origin.

The ICO was requested that these certificates could be subscribed directly by the FNC as the coffee authority, without the need for signature of the national customs authority, as the standard had established. In April 2018, the ICO Council, at its 121st session, welcomed the proposal, which began to be applied immediately by the FNC, shortening coffee export document processing on average by three days and optimizing operations of exporters, customs agents and coffee inspections, with more agile and simpler procedures that allow them to better compete in international markets.

OUR RECOGNITIONS

Throughout our history, at the FNC we have shown management capacity, transparency and professionalism, which have been recognized by different stakeholders. Our achievements are not only measured by results, but through testimonials from our partners, allies, employees and different branches. These recognitions have been granted by national and international specialized entities. Our coffee institutions have been the object of important distinctions and recognitions for management and commitment to the community, the environment and rural development:

2015

Global leaders praise the FNC's work on gender equity in the coffee sector.

The FNC is awarded the Grand Order of Exporting Merit.

2016

Brazil's Agriculture Minister describes as historic the visit of the FNC CEO.

President of Coca Cola Japan highlights positive results of partnership with the FNC.

2017

Almacafé receives the National Award of Exporters.

Manos Al Agua-IWM wins the Planeta Azul Award in the business category.

The FNC is invited to visit the Global Seed Vault in Svalbard.

2018

Rainforest Alliance Sustainable Standard-Setters Award to the FNC.

CQI's Leadership Medal of Merit to the FNC.

Specialty Coffee Association (SCA) Sustainability Award to Manos al Agua.

ILO report highlights progress in the Colombian coffee sector in occupational safety and health.



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FNC GOVERNANCE AND UNITY

Our organizational culture is framed by values and ethical principles, with a defined organizational structure, where policies, standards and procedures enable us to implement control measures, achieve objectives and safeguard assets. In addition, our ICT systems ensure information security and quality and enable communication to flow throughout the organization.

We are a democratic and participatory organization that enables coffee producers from different regions of the country to communicate and solve their problems through collective action, facilitated by an institutional structure that includes the FNC governing and managing bodies.

FNC UNION STRUCTURE

The history of the FNC as a union cannot be isolated from the relationship it has always had with the Colombian State through its different powers (executive and legislative); in 1977 it was classified as an activity of public interest in the defense of the coffee industry (CSJ Full Chamber, October 20, 1977).

CERTIFICATIONS



SC 6591-1



SA-CER 158912



OS-CER 44124



GOVERNANCE

(Governance to develop mission, vision and provide goods and services)

Since 1927, when the FNC was created, our activity as a union has been tied to the administration and management of public resources allocated to it by the State to promote and protect coffee growing; since 1928, and on an uninterrupted basis, every 10 years the FNC has been signing a special nature contract with the national Government.

Therefore, the FNC internal structure is not only due to its union nature, but also must be able to manage the public resources delegated by the Government and provided by coffee growers themselves (coffee contribution), without affecting the budget resources that periodically the Government allocates to coffee production.

So the FNC must have the governance and robustness to manage these resources:



REGULATIONS

Bylaws (union government and structure), Code of Ethics and Good Governance (principles and values), FoNC Administration Contract, internal regulations of the Committees and Congress.

* Ad hoc collegiate body, still without powers to make decisions.



GOVERNING BODIES

MUNICIPAL COFFEE GROWERS COMMITTEES

There are currently **383 Municipal Committees in 17 coffee departments**. These Committees can be formed in the municipalities (or the grouping of several) that have at least 400 federated coffee growers and whose annual production is at least 60,000 arrobas of dry parchment coffee (dpc). They are formed by six main members with their respective alternates and are elected by direct vote of the federated coffee growers in the respective municipality for a period of four years.

Their main functions are to serve as spokespersons of coffee producers, cooperate for the success of campaigns carried out in their municipalities and manage programs and actions that benefit coffee growers in their municipalities.

DEPARTMENTAL COFFEE GROWERS COMMITTEES³

There are **15 Departmental Committees formed in departments** whose coffee production exceeds 2% of the national total.

They are made up of six main members with their respective alternates and are elected by a direct vote of the federated coffee producers in the respective department, divided into uninominal districts created for that purpose, for a period of four years.

Their main functions are to organize and promote the union in each department and in its Municipal Committees, ensuring the correct and timely provision of union services to coffee producers and managing programs and actions that benefit them.

STEERING COMMITTEE *(Board of Directors)*

Made up of a representative of each of the 15 Departmental Committees of Coffee Growers. Its members are proposed by each respective Departmental Committee and elected by the National Coffee Growers Congress.

Its main functions are to guide and supervise union and administrative matters, formulating policies and adopting the necessary measures to ensure development and defense of coffee farming and its industry.

NATIONAL COFFEE GROWERS COMMITTEE

Formed under the National Coffee Fund (FoNC) Administration Contract by four members of the national Government (Ministers

³ The 15 Departmental Committees are: 1. Antioquia, 2. Boyacá, 3. Caldas, 4. Cauca, 5. Cesar-Guajira, 6. Cundinamarca, 7. Huila, 8. Magdalena, 9. Nariño, 10. Norte de Santander, 11. Quindío, 12. Risaralda, 13. Santander, 14. Tolima and 15. Valle del Cauca.



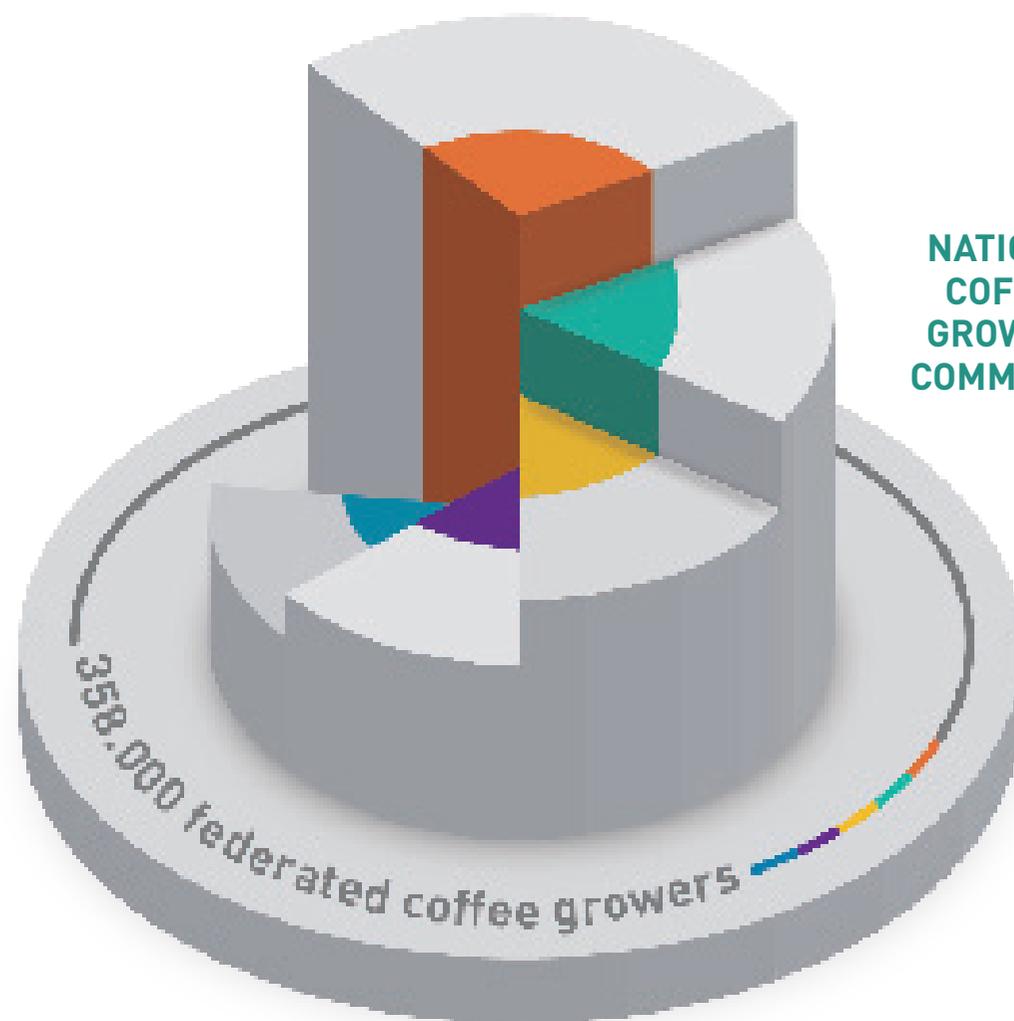
of Finance, Agriculture and Commerce and the National Planning Director) and by the 15 members of the Steering Committee on behalf of coffee producers. The National Coffee Growers Committee acts as a body for coordination of the coffee policy between the FNC and the Government, directing the FoNC administration.

NATIONAL COFFEE GROWERS CONGRESS

This is the highest authority of the FNC.

This is the highest authority of the FNC. It is composed of six delegates from each of the 15 Departmental Committees, that is, **90 delegates**.

NATIONAL COFFEE GROWERS CONGRESS



NATIONAL COFFEE GROWERS COMMITTEE

383 MUNICIPAL COFFEE GROWERS COMMITTEES

15 DEPARTMENTAL COFFEE GROWERS COMMITTEES

STEERING COMMITTEE

CODE OF ETHICS AND GOOD GOVERNANCE

To strengthen our union's governance and ethical behavior, both internally and externally, we have a Code of Ethics and Good Governance that states the principles and values that govern the actions, relationships and behavior of our FNC, the federated coffee growers, the union representatives and other related parties. It is articulated around the following values:

- **Transparency**

Disclose information in a clear, timely and correct manner, without revealing industrial secrets, and sensitive, reserved or privileged information.

- **Respect**

Seek individual and collective respect among people and their rights, as well as for the institution, its assets, values and norms.

- **Integrity**

Act correctly, in accordance with ethical and social standards.

- **Search for common good**

Work for coffee growers' well-being and serve and promote the public interest.

- **Probity**

Act in an upright, straight and honest manner.

- **Morality**

Act consistently with the precepts of established and accepted morality, as well as with consciousness of which actions are right or good and which are not.

- **Commitment**

Commitment to achieve the purposes of the entity; its mission, vision and objectives; its image, as well as demonstrate a clear focus on service and on acting for the benefit of coffee growers.

- **Equity**

Promote the value of people regardless of cultural, social or gender differences.

- **Good faith and loyalty**

Act with honesty, fidelity, honor and truthful conviction.

- **Responsibility**

Assume and fulfill responsibilities with diligence and care, make decisions aimed at mitigating risks, and implement effective and austere administrative measures.

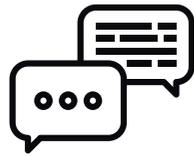
REFORM OF BYLAWS

After an arduous but enriching process, built with the entire coffee community through workshops and different mechanisms of participation and socialization, the 84th Extraordinary National Coffee Growers Congress, held in Medellín on July 10, 2017, unanimously approved the reform of the FNC bylaws.

A total of 26 workshops were held throughout the coffee country to reform them; 1,096 union representatives participated on behalf of the 15 Departmental Committees and 370 Municipal Committees (formed on the date of the reform), who through group activities (183 work groups) gave their opinions, discussed and contributed with over 600 proposals on the issues raised. Among the main changes adopted in the new bylaws we can highlight:

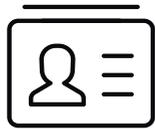


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Clear and updated language

Competency rules, *habeas data*, articulation with the FoNC Administration Contract, object and functions of the FNC.



Coffee ID card requirements

New ways in which people will be rooted and connected with land through collective ownership or other mechanisms set by law; the authorization to grant the coffee ID card to the spouse or permanent companion was extended.



Rights and duties

Those of federated and union representatives, also included in the Code of Ethics and Good Governance, were expressly incorporated.



Federated requirements

The requirements to be a member of the Steering Committee were established, attendance of alternates to sessions of Departmental and Municipal Committees was regulated, and disqualifications, compatibilities and incompatibilities were defined, both of the federated and union representatives and of the FNC employees.



Participation of women

Criteria to promote greater participation of coffee-growing women in the FNC governing bodies were established.



Disciplinary Court

Procedural rules were established (based on the laws in force) to highlight respect for the principle of procedural speed, due process and right of defense. Powers and sanctions were established such as: file, declaration of vacancy, suspension, preventive suspension and reprimand.

PARTICIPATION AND DEMOCRACY

Every four years the federated coffee growers elect by direct vote their union representatives to the Municipal and Departmental Committees, the latter in turn making up the National Coffee Growers Congress. This exercise demonstrates our democratic and participatory nature, which is periodically legitimized. The latest elections took place on September 8 and 9, 2018, under the principles of transparency, legitimacy, representation and empowerment of the federated coffee growers.

A 57% of federated producers qualified to vote took part, exercising their right to vote. In ballot boxes located in **2,697 voting tables in 570 municipalities and rural districts**, they elected, by direct vote, their **4,776 union representatives**, that is, **180 members of the 15 Departmental Committees and 4,596 in the 383 Municipal Committees.** In this electoral process 16,140 coffee growers were registered as candidates.

As a result of the process there was a 42% renewal of elected representatives for the Departmental Committees and of 53% for those in the Municipal Committees. In addition, a broad strategy led by the CEO was promoted to increase participation of women in our union governing bodies:

Departmental Committees

Municipal Committees



As an example of generational integration and continuation of coffee farming by young people (another great challenge for the sector), 20% of the representatives in the Departmental Committees and 34% in the Municipal Committees are under 45 years old.

FNC ELECTIONS 2018

DEPARTMENTAL COMMITTEES (180 positions)

Renewal: 42%
Women: 15%
Under 45: 20%

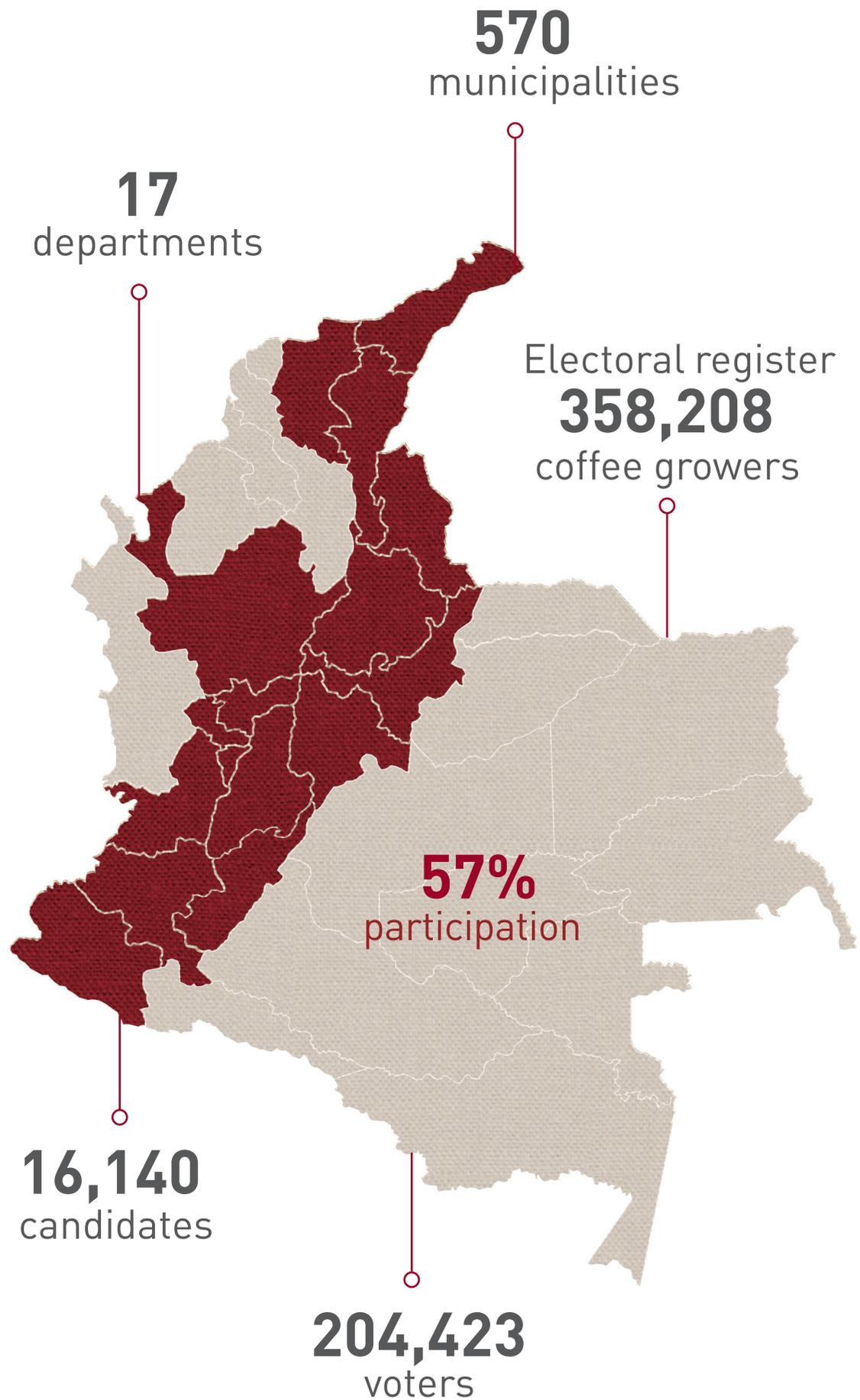
MUNICIPAL COMMITTEES (4,596 positions)

Renewal: 53%
Women: 24%
Under 45: 34%

Jurors: 8,091
Voting tables: 2,697
Mobile tables: 510 (17%)

MOE PRESENCE

429 observers in 163 municipalities of the 17 departments. 57% of the electoral register covered.



**OUR VALUE
CREATION
STRATEGY**



We understand our value creation strategy as the navigational chart that allows us to direct our organization towards delivery of the greatest possible value to our stakeholders, with efficient use of the available resources. Management of the value creation strategy includes the review of value generated by current propositions as well as creation and implementation of new value propositions to stay relevant and guarantee our sustainability over the future.

The mission of the FNC is to ensure the well-being of coffee growers. Since its creation, services have been provided to coffee growers to support them in their competitiveness, especially with marketing and commercialization of their coffee and generation and transfer of knowledge to improve their productivity, in both farming and post-harvest activities. In recent years, and especially since 2015, we have been working on a new value proposition, the sustainability of Colombian coffee growing, framed in four dimensions: economic, social, environmental and governance, through which we have been impacting this well-being in a positive and important way.

In addition to coffee growers, we consider our buyers to have fundamental strategic importance, to whom we offer, in addition to the outstanding traditional characteristics of our coffee, a basket of additional possibilities, such as design of new products and tailored logistic services and partnerships in sustainability projects for coffee growers. With this proposition we try not only to obtain the best possible price for producers, but also to open up possibilities for them to benefit from social and environmental projects. To our partners, whether a coffee buyer or not, we offer our experience, knowledge, transparency and excellence in management of sustainability projects.

In 2027 the Federation will celebrate 100 years of its creation, and we have taken this date to project our vision through which, if our value propositions are successful, we will have an empowered coffee grower that makes the best decisions for their sustainability, and a united and prosperous union.

SUSTAINABILITY DIMENSIONS



ECONOMIC

Contributing to coffee growers' profitability.

Price

Positioning and differentiation of specialty coffee in market niches.

Development of mechanisms to reduce negative price volatility, promoting future price setting and design of a price stabilization fund.

Productivity

Seeking adoption of best agricultural practices through the program "More agronomy, more productivity" and the adoption of new varieties.

Production Costs

Aimed at reducing costs, taking into account their effects on net income of coffee growers, through efficient farm management and new harvesting technologies.

Marketing logistics costs

Whose reduction allows a better price to be transferred to coffee growers and increase of competitiveness of Colombian coffee.



SOCIAL

Seeking social development of coffee-growing families and communities.

Education

Promotion of capacity building in rural education, and skills and human development.

Infrastructure

Construction and improvement of roads, housing, basic sanitation, electrification, social infrastructure, connectivity and purification (WASH mechanisms).

Social protection

Promotion thereof for coffee-growing families and communities.

Community participation and associativity

Strengthening of capacities of associative and community groups and cooperatives of coffee growers.

Gender equity

Promotion of the right to fair and equal access to opportunities for development in the FNC and empowered women to lead on-farm processes and communities.

Generational integration

Strengthening of leadership, entrepreneurial opportunities and life options in the coffee sector for children and young people.



ENVIRONMENTAL

Promoting care for natural resources and adaptability of coffee activities to climate variability.

Natural resource management

Training on technologies to save and depollute water used in production processes, and on adoption of practices that make Café de Colombia 100% sustainable.

Adaptation to climate variability

Shade management, reforestation and protection of water sources and soil.



GOVERNANCE

Strengthening the FNC unity.

Participation and democracy

Promotion of effective participation of coffee growers in the most important decisions of the union.

Leadership

Development of programs to empower producers with tools for union leadership and assertive decision making.

Communication

Development of effective and two-way communication mechanisms between coffee growers and institutions, making use of information technologies.

VALUE CREATION STRATEGY MANAGEMENT PROCESS (GESTVAL)

To formulate and implement the new value propositions of the FNC with the levels of participation, innovation and effectiveness expected by the CEO office, we needed to make adjustments in the Value Strategy Management process, especially in the following aspects:

Open, diverse and creative participation was used for formulation of the strategy, taking into account the contributions of our coffee grower base and all the FNC management bodies, as well as contributions of studies on the coffee and agricultural sectors commissioned by the national Government.

A clear separation was made between value propositions already operational and their associated processes and the need to generate new propositions through which the FNC will remain relevant and sustainable in the future.

A clear causal relationship of the different objectives was established to obtain an accurate strategic approach and a greater alignment of the organization's resources. In addition to the existing trend indicators, result indicators were established (as far as possible) and we started to develop and measure indicators of impact on the coffee population and their communities.

The strategy was communicated at departmental level, sharing a general framework created by the national value strategy but respecting the realities and particular needs of each region, adjusting the strategic initiatives to those particularities and preserving the federated spirit of our organization.

100-100 PLAN

It is the most ambitious sustainability plan conceived by any coffee producing country. Through it, 100% of the coffee farms will be engaged in complying with a set of practices to ensure their sustainability in the future. The process should be completed by 2027, when the FNC will reach its first 100 years of existence, hence the name "100-100."

Ensuring sustainability towards the future means that, by complying with these practices (and even revising and improving them over time as new challenges arise), coffee production will be profitable and efficient, in harmony with the environment and generating social development in farming communities.

The "100-100" plan seeks to respond to several of the economic, social and environmental challenges that threaten coffee production in Colombia and affect the coffee value chain as a whole.

At the same time, the "100-100" plan will give Colombian coffee a competitive advantage over other coffees from other producing countries in the market. Currently, coffee consumers in developed countries demand to know the origin of the product, the conditions in which it was produced and its production impacts. In turn, the industry, due to whether genuine concern or pressure from some stakeholders, has placed sustainability among its priorities, mainly in the environmental area, followed by the social and finally the economic dimensions.

In this sense, the "100-100" plan goes far beyond improving conditions of producers and coffee production in Colombia to become a reference and a global response to several challenges in the coffee value chain.

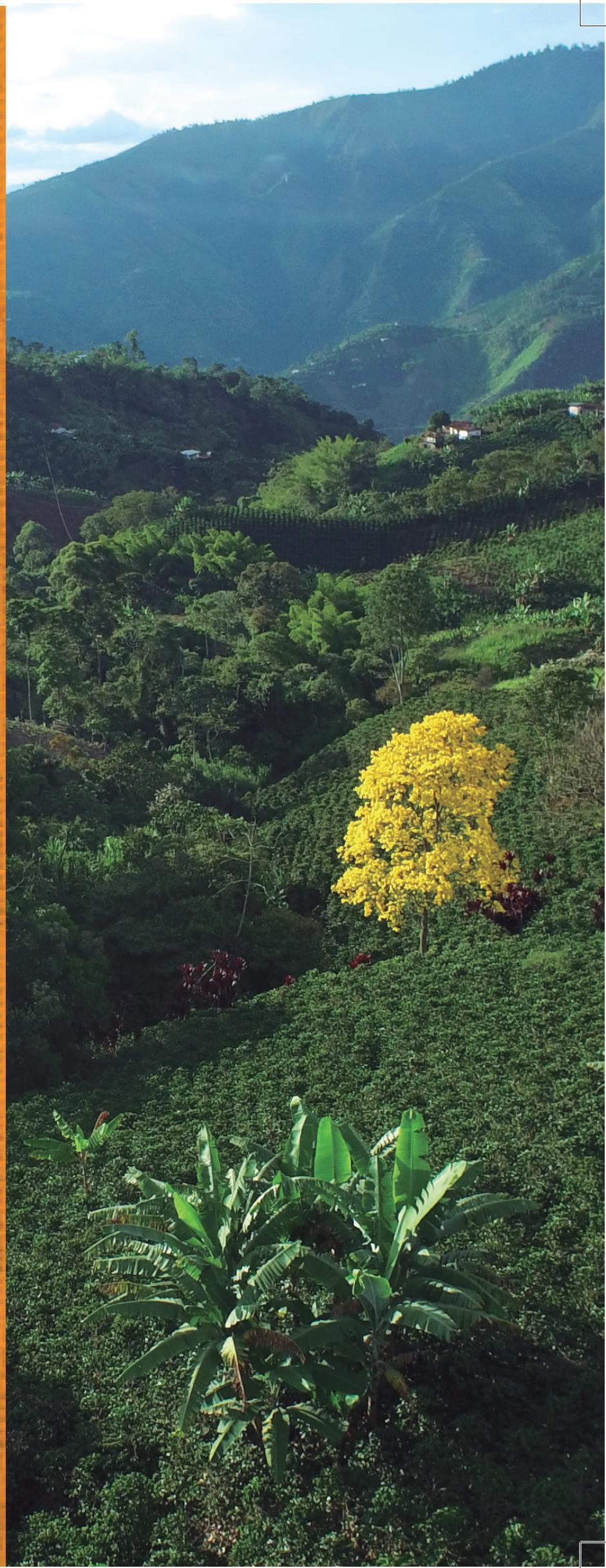
The different sustainability elements are closely related and the 100-100 Plan recognizes this reality with a holistic approach; and as an expression of our value creation strategy, it prioritizes economic sustainability as the basic condition for continuity of growers in their activity, giving greater weight to this component in shaping the sustainability index.

STAGES

The development of the 100-100 Plan includes the following stages:

- Design of practices and standards - 2017 and 2018. (Completed.)
- Collection of information about the state of sustainability in the country with a round of surveys in almost 2,000 farms - May and June 2018. (Completed.)
- Tabulation and analysis of information, adjustments and supplements - July to September 2018. (Completed.)
- Validation and adjustment of previous information with a second round of surveys (similar size) - November and December 2018. (Completed.)
- Analysis and finalization of national diagnosis - 1st semester 2019. (Started.)
- Diagnosis-based design of the implementation plan - 2019. (Pending completion of diagnosis.)
- Start of contacts for financing - from 2019. (Started.)
- Start of implementation of the 100-100 Plan - starting in 2020.

The 100-100 Plan is expected to be implemented before 2027, which, again, should be understood as the moment when all the coffee sectors are engaged in a set of sustainability practices that must always be followed and continuously improved.





PROFITABILITY OF COFFEE GROWERS

Scientific and
technological
research

Technology
transfer

Farm productivity
improvement

Sustainable
marketing and
creation of more
value





We promote profitability of coffee growers as the first step towards sustainability, since this income generation translates into investment, social development and mitigation of environmental impacts in the coffee regions.

Between 2015 and 2018, and thanks to huge efforts to bring the best agronomic practices to coffee farmers, including renovation to maintain young, productive plantations, coffee production averaged a historical level of about **14 million 60-kg bags**, which translated into a total coffee harvest worth **27.1 trillion pesos** (USD 9.26 billion⁴), an amount that not only impacts the 22 coffee departments, but confirms the sector as the undisputed engine of the economy of large rural areas and of the country as a whole.

This figure was **60.4% higher** than the 16.9 trillion pesos (USD 5.8 billion) of the coffee harvest value in the immediately preceding four-year period (2011-2014).

Since the election in 2015 of the current FNC CEO, Roberto Vélez, **raising the profitability of coffee growers** has been a priority, a value proposition for which we have worked from different fronts.

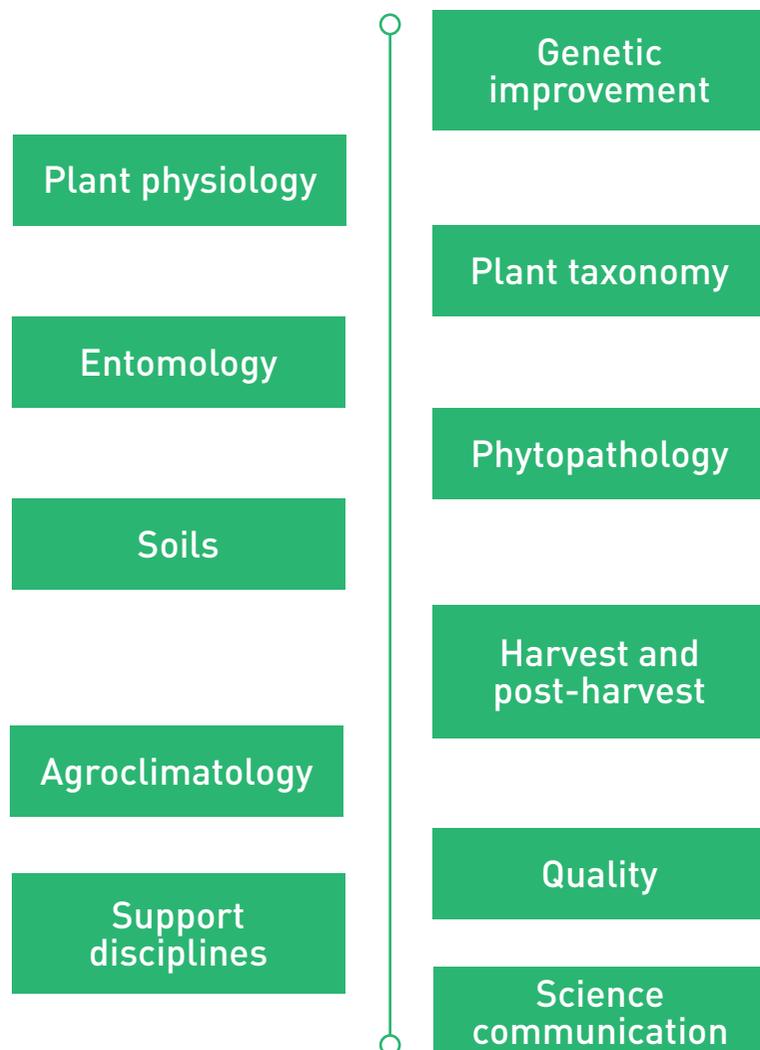
Achieving profitability of coffee growers is the result of integration of multiple disciplines and actions, ranging from research, appropriate and timely agronomic practices, and efficient resource management to implement the best strategies in all stages of commercialization and marketing.

Each of these actions are detailed below:

⁴ For all figures in Colombian pesos (\$) and the equivalent in US dollars (USD) we use an exchange rate (TRM) of 2,926 pesos per dollar, which was the average TRM for the 2015-2018 period.

SCIENTIFIC AND TECHNOLOGICAL RESEARCH

Through the National Coffee Research Center (Cenicafé) we do research to generate new knowledge and develop new technologies, in accordance with our value creation strategy, for contributing to improvement of productivity and profitability of coffee growing and for making this production activity sustainable. In Cenicafé we have the following research disciplines:



GENETIC IMPROVEMENT

It addresses development of coffee varieties adapted to Colombian geography, climates and soils so that they are resistant to rust. These varieties also feature representative attributes of Colombian coffee for being highly productive, with good physical bean and cup quality. We have an operational plan made up of 22 investigations around two core issues: the Colombian Coffee Collection (CCC) and Development of varieties.

PLANT PHYSIOLOGY

It addresses the functioning of the coffee plant regarding seeds, germination, canopy dynamics, flowering and its phenomena, as well as maturation.

PLANT TAXONOMY

It addresses the coffee production system, developing, evaluating and validating agronomic practices related to productivity improvement:

- Strengthening of shade-grown and full-sunlight production systems.
- Ages of plantations.
- Planting densities and spacing.

ENTOMOLOGY

It addresses pests of coffee crops such as coffee berry borer, leaf miner moth, root mealybugs, red spider mite, “chamusquina” bug and other potential pests. We also develop activities in identification of natural enemies.

PHYTOPATHOLOGY

It is related to plant health and focuses on disease research and monitoring:

- Chemical handling of coffee leaf rust, brown eye spot disease and pink disease.
- Monitoring of genotypes of incomplete resistance to coffee rust.

- Epidemiology and early warnings for rust and tree dieback.
- Resistance inducers in the plant for disease management in the nursery.
- Bioregulation of aerial coffee tree pathogens causing iron spot disease, anthracnose and tree dieback with biological controllers.
- Biology, pathogenicity and epidemiology of American leaf spot.

SOILS

It works on soil nutrition, a highly relevant component in crop productivity also regarding soil acidity, microorganisms, conservation and weed management. In this reporting period, the following aspects stand out:

- Determination of vulnerability of soil to climate variability, obtaining a model of susceptibility to mass movements in La Niña events.
- Interventions to restore lands affected by erosion and mass movements.
- Characterization of soil fertility in some departments.
- Determination of water storage capacity of some cartographic units.
- Identification of microorganisms associated with the nitrogen cycle and their relationship with chemical and organic fertilization.
- Molecular biology to determine the effect of herbicides in control of weeds.
- Evaluations and progress in lime requirements (doses and sources) in planting and production.
- Evaluation of equipment for application of granulated fertilizers in vegetative growth and coffee production stages.
- Availability since 2018 of new general fertilization degrees allows farmers not only to adequately nurture their coffee plantations, but to **save between \$990,000 and \$1,100,000 (USD 338-376) per hectare a year** compared to the same amounts of nutrients if they used a chemical compound.



QUALITY

It addresses the variables that influence coffee cup quality, organoleptic properties, fermentation, roasting and chemical composition. Our responsibility is to verify that the new varieties generated preserve the characteristic quality of Colombian coffee, based on the following research topics:

- Evaluation of coffee quality on farms.
- Influence of roasting temperature on sensory quality and chemical composition of coffee produced by fermentation at a controlled temperature.
- Quality and chemical composition of varieties. Physical-chemical features of "oldish" coffee defect.
- Variety roasting.
- Activity of water in the bean and indirect detection of chemical composition of the bean through Near Infra-Red Spectroscopy (NIRS) for green and roasted coffee.

Additionally, in 2018 an internal cup tasting group was consolidated in Cenicafé, certified as Q-grader, to help characterize cup defects and attributes associated with experiments carried out in the Center.

AGROCLIMATOLOGY

In this discipline we have two general responsibilities:

- Management and operation of the Climatological Network: 195 conventional and 137 automated stations.
- Studying the interactions between climate and coffee cultivation in its different phenological phases and in different coffee regions of Colombia. The information is made public in real time on the platform agroclima.cenicafe.org and monthly through agrometeorological bulletins.

Additionally, with the meteorological and soil information, the ten-day water balance routine was implemented for a crop in production, in order to obtain the quantity of water available and thus generate early warnings.



HARVEST AND POST-HARVEST

It addresses all the phases from harvest to wet milling. We also include wastewater management and pollution reduction in ecological wet milling. Some outstanding cases for the period of this report are:

- Meshes (on the ground) were launched to make coffee handpicking more efficient (increase of collected volume) and the DSC-18 shaker was delivered, which allows **harvesting up to 50% more coffee** than with the traditional method of containers; both mean lower costs per kg of cherry coffee harvested.



- The Ecomill® LH-300 technology was delivered, allowing wet processing with natural fermentation of beans and subsequent washing with **less than 0.5 liters of water per kg of dried parchment coffee (dpc), in addition to reducing 100% of pollution** by reuse of wastewater. Its usefulness model patent is pending in coffee-producing countries such as Brazil, Costa Rica, Honduras, and Guatemala, among others. And also seven community wet mills were built with 100% ecological technology to benefit about 100 coffee-growing families.
- All these developments have led the coffee sector to save **850 million liters of water a year**, according to a sample of 66,000 farms. To date, over 30% of coffee wet mills are ecological and over 50% are in transition towards this technology.
- Advances in understanding the fermentation and wastewater treatment processes, with identification of low-cost natural and chemical flocculants as well as use of vegetation filters to make it easier for coffee growers to comply with legislation.

SUPPORT DISCIPLINES

Biometrics, agricultural economics and ICT are disciplines that support the Center's research, specifically in:

- Biometrics: experimental design, sample sizes, statistical inference, hypothesis testing and assurance of use of the scientific method in research.
- Agricultural economics: assessment of economic viability of technical change generated by new technologies.
- ICT: technological tools developed to support researchers and research.

SCIENCE COMMUNICATION

We support transfer of knowledge to the Extension Service and coffee farmers through technical advances, Cenicafé magazine, brochures, primers, flyers, posters, Brocartas, Meteorological Yearbook, and Annual Activity Report.

Recent books

- IWM-Manos al Agua Project with 16 books.
- Adoption of agricultural technologies; fundamentals for their understanding.
- Climate of coffee farming in Colombia.

Training of the Extension Service on

- “More agronomy, more productivity.”
- Harvesting with meshes.
- Solar energy on coffee farms.

Meeting of Regional Autonomous Corporations

Participation of Cenicafé in the fair "Cafés de Colombia Expo 2018," with presentations on harvesting with meshes, Ecomill® and “More agronomy, more productivity,” with the support of Professor Yarumo.

CASTILLO® VARIETIES FOR NORTHERN, CENTRAL AND SOUTHERN ZONES

In 2005, Cenicafé released the general compound Castillo® variety and its seven regional components (1-7, 9), which to date are responsible for about 54% of national coffee production. The Castillo® varieties were developed through crossbreeding of Caturra with Timor Hybrid 1343, using genetic diversity as a strategy to achieve durable resistance against coffee rust.

From the general Castillo® variety, the zonal Castillo® varieties were developed: North zone, Central zone and South zone. They are composed of 11 improved coffee lines that combine a high resistance to rust with excellent agronomic attributes such as high production, good proportion of supreme bean and cup quality that is characteristic of mild Colombian coffee.

In addition, Cenicafé developed the new variety Cenicafé 1, which features a Caturra-type stature, resistance to rust and to CBD, and supreme coffee production and percentage just like the Castillo® varieties.

The coffee area percentage planted with varieties resistant to rust has grown significantly in recent years: from 35% in 2010 to 81% in 2018.

Thanks to development of disease-resistant varieties, Colombian coffee farmers save over USD 200 million a year by avoiding fungicides, spraying equipment and labor to apply them, among others, which improves profitability.

AGROFORESTRY SYSTEMS

This is a strategy we have developed and promoted to prepare coffee crops that are exposed to climate variability and thus avoid negative effects on their development, especially in formation of the bean (black, floating and shrunk beans), save water and prevent erosive processes. Agroforestry systems are defined as the association of trees with coffee crops under the

- Permanent shade-grown coffee.
- Productive tree shade-grown coffee.
- Trees scattered in the crop.
- Tree hedges.
- Tree barriers to break winds.
- Borders with trees.
- Living fences and dividers between lots.
- Trees on the roads.

CROP DENSITY

This variable relates to the number of coffee plants or trees per hectare with which the highest possible productivity can be achieved, according to conditions of a specific coffee zone.

The proper planting density can be achieved by recovering lost sites or adjusting the number of stems per hectare. Studies allow us to say that, in renewals by cutting (“zoca”), it is possible to increase density of stems to improve crop productivity.

We have identified different ways to increase the number of stems per hectare:

- At densities of less than 5,000 plants/ha, up to two stems per site can be left.
- Between 5,000 and 7,500 plants/ha, one or two stems per site can be intercalated.
- At densities above 7,500 plants/ha, one stem per site is required, as long as the lost sites are replaced in a timely manner with replanting of coffee seedlings.

The maximum number of stems per hectare for production cycles of four crops is 10,000. Likewise, we have proven that leaving a greater number of stems and then thinning increases production costs for coffee growers and does not always increase productivity.

Ages of plantations

The plantation age is a critical variable that determines productivity of coffee farming.

Thanks to research by Cenicafé, we have shown that as the tree ages, productivity per tree and per hectare declines. For this reason, we have determined that it is necessary for coffee growers to maintain age averages of their plantations to guarantee high and stable productivity.

To achieve these appropriate age averages, coffee growers must establish annual renewal cycles, dividing the farm into lots of different ages (at least 5 lots) to be able to make annual renewals in the oldest lots.

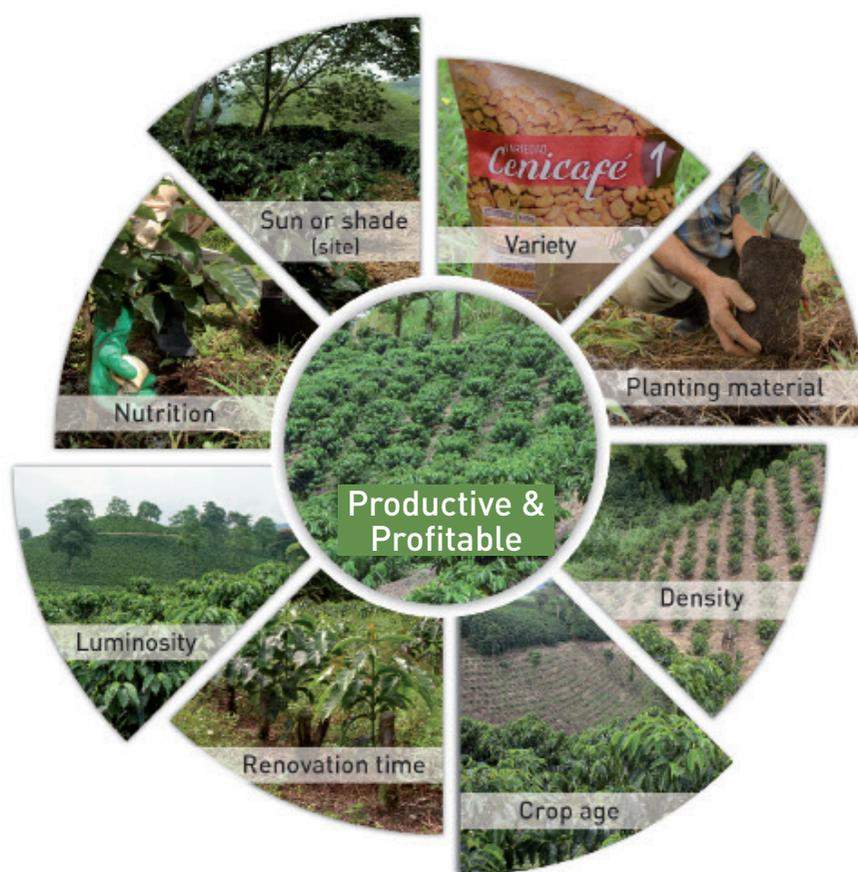
PRODUCTION SYSTEMS WITH A FOCUS ON "MORE AGRONOMY, MORE PRODUCTIVITY"

With the strategy "More agronomy, more productivity," we focus on promoting among growers decision-making on agronomic practices that contribute to structuring coffee production systems with productivity and profitability criteria, integrating factors of agronomic, edaphic (soil), climate and management types.

The strategy consists of the following components:

- Planting the correct variety, whose selection is based on agroecological aspects.
- Guaranteeing the origin of the plant material to be established: well-developed, formed and productive plants throughout the crop life cycle.

- Appropriate planting density and spacing.
- Planting and renovation times according to geographical areas.
- Planning production cycles.
- Correcting soil acidity.
- Adequate crop nutrition plans.
- Always keep in mind the dynamics of potential pests and diseases in each locality.
- Adequate luminosity depending on whether coffee is grown in full sunlight or in agroforestry systems, and taking into account for both cases:
 - Altitudinal range.
 - Physical and chemical characteristics of predominant soils.
 - Climatic variables of the area.



TECHNOLOGY TRANSFER

Transfer of knowledge by the Extension Service (ES) is one of the propositions most valued by coffee growers. Its purpose is delivery of knowledge and technologies to producers, seeking technical change and strengthening of their production systems. This transfer is through educational tasks that involve the use of different extension methods and means.

Our ES also includes, apart from technical assistance, permanent advice and continued support to coffee growers to achieve resistant, resilient and profitable production systems, promoting the adoption of the eight practices of "More agronomy, more productivity" mentioned above. The ES is made up of extensionists (extension workers) who, in general, use three types of methods to transfer and promote adoption of technologies and knowledge among coffee farmers:



Individual methods: farm and office visits.



Group methods: field meetings, method demonstrations, results demonstration, tours, field days, competitions, coffee forums and short courses.



Mass communication methods: radio, newspapers, brochures, fliers, posters, television and online media.

From 2015 to 2018, the most important advances in activities of the Extension Service are evidenced by the coffee growers reached by department and method:

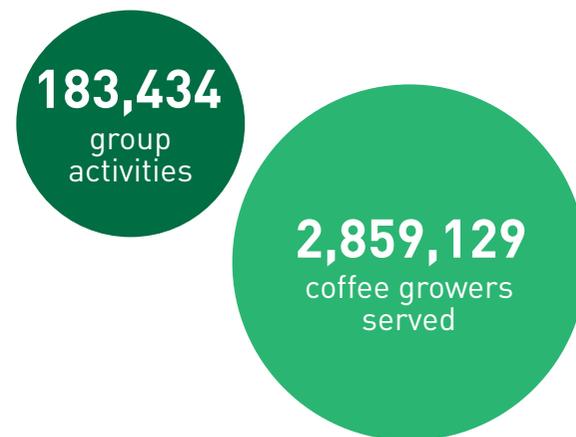
INDIVIDUAL METHODS 2015-2018

In the four-year period, the ES conducted almost **919,000 individual visits to farms** in the 22 coffee departments, an unprecedented human effort. The massive attendance of coffee growers at technical and educational events convened by the extensionists shows a high credibility and confirms the quality of service and its contribution to the peace of the country.



GROUP METHODS 2015-2018

During the four-year period, 183,434 group activities were carried out in the 22 coffee departments through different methods such as meetings, tours, competitions, field days, method and result demonstrations, short courses and forums.



PARTICIPATORY RESEARCH

(IPA)

This program consists in establishing high-productivity plots on coffee farms where "More agronomy, more productivity" technological practices are applied. This allows the interaction between coffee growers, extensionists and researchers to validate the optimal production system in a participatory way, taking into account the socio-economic and cultural conditions of producers and agro-ecological conditions of the environment.

Since 2016, these plots focus on the following productivity determinants:

- Variety
- Age
- Density
- Luminosity
- Nutrition
- Spacing

Through the IPA plots we have ensured that coffee growers have timely technical support and serve as a model to support dissemination of practices with groups of coffee growers.

FARM PRODUCTIVITY IMPROVEMENT

Farm productivity is improved through adoption by coffee farmers of results from scientific and technological research, which is achieved thanks to the FNC transfer efforts via the Extension Service.

To monitor improvement in productivity, we take into account:

- No. of coffee growers.
- No. of farms.
- Areas planted with coffee according to:
 - Types of crops: young modernized, old modernized and traditional.
 - Sun exposure: sun, semi-shade and shade.
 - Varieties: resistant and susceptible.
 - Total area planted with coffee.
- Total area of unproductive coffee farming (vegetative growth).

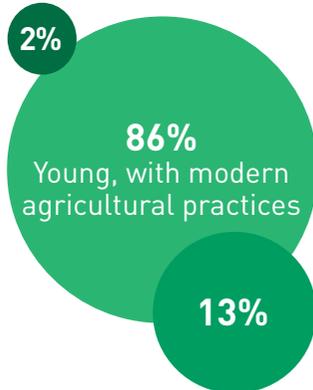
The "More agronomy, more productivity" strategy has taken to the agronomic field the premise of raising profitability of producers and has yielded important results. As of December 31, 2018, productivity was **18.8 bags of green coffee per hectare, with an average coffee tree age of 6.9 years and a density of 5,196 trees per hectare**, distributed as follows:

541,000	coffee growers
660,000	farms
877,000	coffee hectares
157,000	unproductive coffee hectares (<2 years)

COFFEE AREA 2015-2018

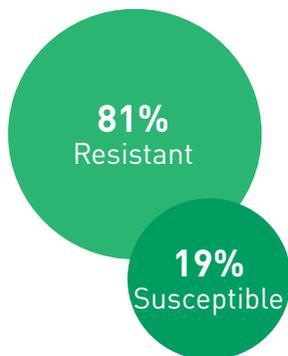
COFFEE FARMING TYPE

Traditional

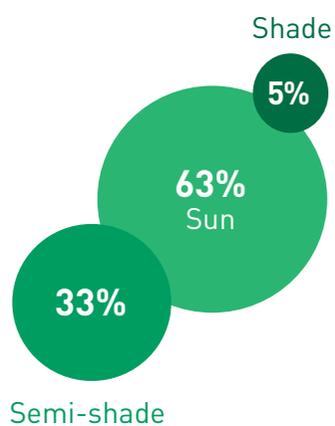


Aged, with modern
agricultural practices

VARIETIES



SUN EXPOSURE



DISTRIBUTION OF COFFEE PRODUCTION SYSTEMS



541,000
coffee growers



660,000
farms



877,141
coffee hectares (ha)



157,018
ha of unproductive coffee crops (<2 years)



550,534
ha of sun-grown coffee



110,265
ha of aged crops with modern agricultural practices

285,697

ha of semi-shade-grown coffee

751,045

ha of young crops with modern agricultural practices

40,909

ha of shade-grown coffee

15,830

ha of crops with traditional practices



706,575
ha with resistant varieties



170,565
ha with susceptible varieties

SUSTAINABLE MARKETING AND CREATION OF MORE VALUE

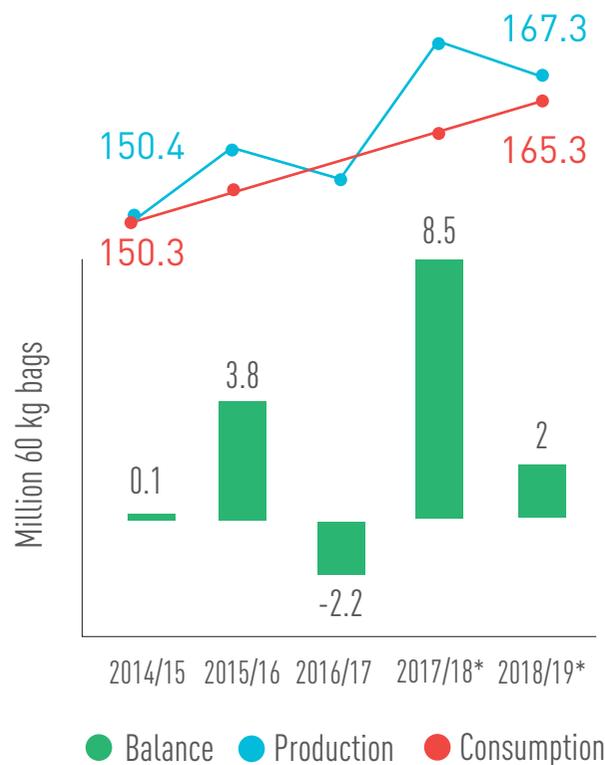
Coffee market context

In the last four years, the world coffee supply registered an average annual increase of 2.9% from 150 million bags in the coffee year 2014/15 to 167 million bags in 2018/19, and a record production year of 170 million bags in 2017/18. This had important consequences on international prices, which showed a downward trend of -0.3% per month since October 2014 until reaching one dollar per pound of washed green Arabica coffee in December 2018.

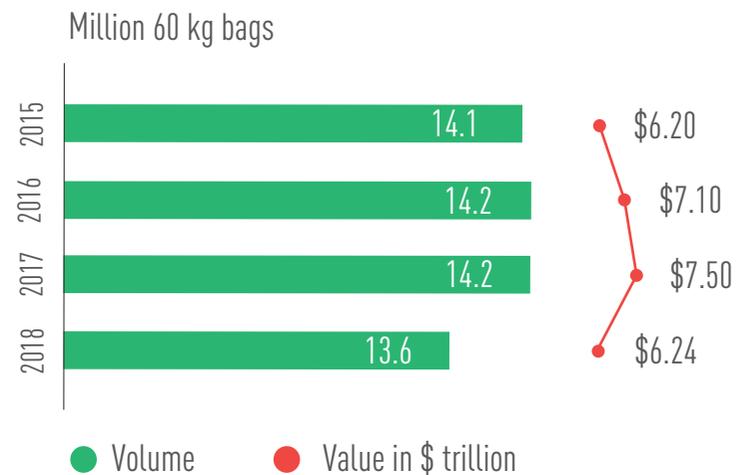
World coffee consumption showed a steady average annual growth of 2% from 150 million bags in 2014/15 to 165 million in 2018/19, increasing inventories in both producing and consumer countries.

On the other hand, as a result of coffee plantations with modern agricultural practices, coffee supply in Colombia between 2015 and 2018 showed an important recovery with production levels of 14 million bags. Likewise, the crop value in these years on average exceeded \$6.7 trillion (USD 2.3 billion), with a peak of \$7.5 trillion (USD 2.6 billion) in 2017, a 30% increase compared to 2014. These higher revenues were due not only to increase in production (from 12 million bags in 2014 to 14 million bags), but to devaluation of the Colombian peso from \$2,000 in 2014 to \$3,000 between 2015 and 2018, which helped cushion the fall of international coffee prices.

WORLD COFFEE BALANCE



COLOMBIAN COFFEE CROP VALUE AND VOLUME



Source: FNC.

GRI 102-6

Notes: (1) Source: ICO, LMC Q3 2018. (2) Coffee year, (4) Central America: Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua. * Estimated inventories

Regarding exports, the National Coffee Fund (FoNC), through the FNC, has also played a crucial role in creating more value. In the last four years, the FNC exported an average 2,349,625 60-kg bags (green and industrialized coffee) each year to 64 countries, which accounted for an average 20.2% of total coffee exports from Colombia. The United States (21.9%), Japan (19.8%), Canada (9.4%) and Germany (8.8%) are among the main export destinations.

GRI 103-1
 GRI 103-2
 GRI 103-3
 GRI 102-7
 GRI 102-6

COFFEE MARKETING

Thanks to the joint work of our offices in key regions such as North America, Europe and Asia, the FNC brings Colombian coffee, including specialty and higher value-added coffees, to more customers and consumers in various countries, consolidating markets or seeking new niches for the benefit of Colombian growers. In the 2015-2018 period, there were exports to new countries such as Algeria, the Netherlands Antilles, the United Arab States, Indonesia and Turkey. Likewise, exports to non-traditional markets such as China, Romania and Israel have grown 6.57%, 8.83% and 33.46% respectively between 2015 and 2018.

Through commercialization, the FNC seeks to promote profitability of coffee growers as the first step towards sustainability, as this generation of income allows for investment, social development and less environmental impacts in the coffee regions.

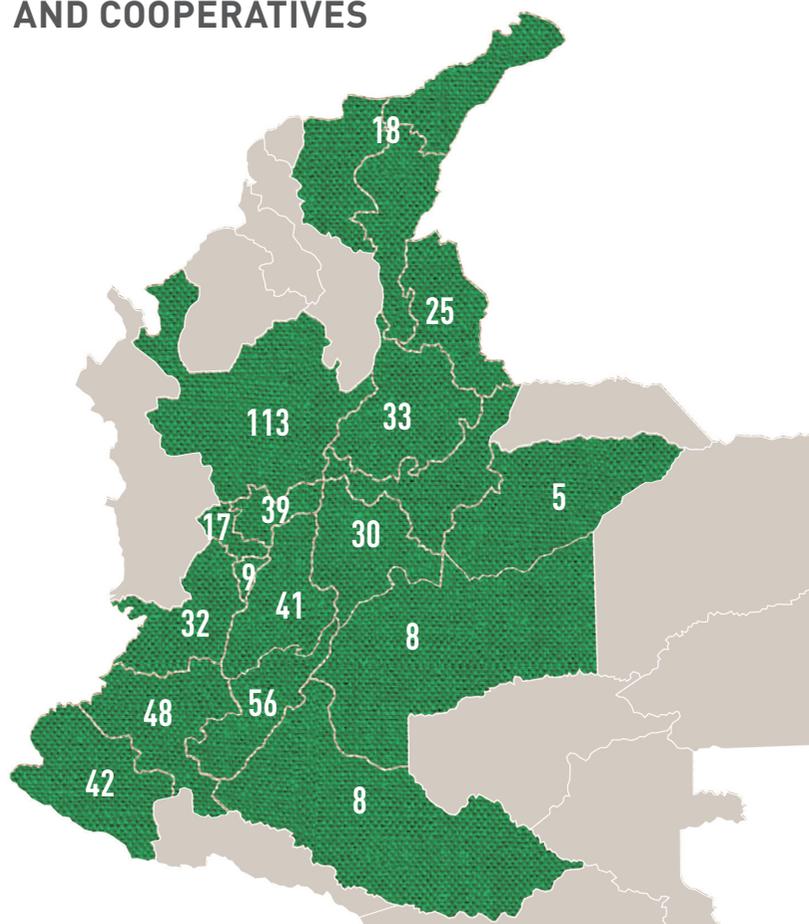
This is supported by an institutional marketing model that includes 524 points of purchase and 33 cooperatives throughout the country, ensuring the purchase of coffee from producers at a transparent market price, with cash payment and in places close to their farms. This purchase guarantee implemented by the FNC is a public service highly valued by the country's coffee growers.

Colombian coffee farming and its institutions play a leading role in the country by generating income and development in rural areas not only through coffee commercialization, but through consolidation of strong partnerships with public and private sectors to bring investment and development projects to these areas, boosting in turn regional economies.

When a point of purchase under this mechanism closes its doors, the price paid in the area of influence falls between 13% and 40%, which gives a measure of the additional income that the purchase guarantee represents for producers.

Since the beginning, Colombian coffee growers have come together to market their product directly and position it in international markets. Holistic sustainability of producers has always been a priority for the FNC, even though the term sustainability was still not used.

PURCHASE POINTS AND COOPERATIVES



For the FNC, sustainability of the coffee sector begins with profitability of producers. To improve coffee growers' income, strategies have been developed for producers to sell their coffee at a better price, access differentiated and higher-value coffee segments and use instruments to manage the coffee sale price. Programs have also been implemented to complement profitability of coffee farmers through implementation of on-farm sustainability standards and development of projects with strategic partners. By strengthening the economic dimension of sustainability (profitability of producers) we can leverage ourselves to work on the social and environmental aspects of the coffee sector.

In the last four years we kept the service that is most valued by producers, the purchase guarantee, **with the sale by farmers of 9.1 million bags (60kg) of green coffee and the purchase by the FNC of almost 9 million bags worth \$4.8 trillion (USD 1.6 billion).** And marketing, as a price transfer tool, managed to pay 8% more than the reference price to reach \$308 billion (USD 105.3 million), thanks to a greater product portfolio.

As regards the strategy of access to higher-value coffee segments, the FNC has made an important effort by engaging 186,000 producers with any sustainability standard (verification and/or certification), covering 408,388 coffee hectares. Additionally, **13,499 bags (60kg) were exported through the “microlots” program to the benefit of 345 producers.**

With continuous deepening in the specialty coffee segment by the FNC, producer's income is also strengthened through premiums and incentives for quality or differentiation attributes in local markets that allow selling coffee at higher prices in the international market. As a result, \$149.5 billion (USD 51 million) were transferred as premiums to Colombian producers between 2015 and 2018.

LOCAL COFFEE MARKETING

The Purchase Guarantee is based on purchasing in all Colombian regions and marketing of different coffee qualities through a constant search for the best price for producers. In this way, the FNC strengthens the negotiation capacity of coffee growers in local markets and encourages other market players to transfer more value.

The FNC participates in internal and external commercialization of the bean, which is supported by the logistic and storage capacity of the purchasing network made up of cooperatives of coffee growers and different points of purchase, where the Purchase Guarantee service is provided throughout the year. The coffee bought from growers through cooperatives is received by Almacafé, the logistics operator of the FNC, which has 20 warehouses, 9 threshing plants and 2 roasting plants.

Between 2015 and 2018, through the Purchase Guarantee the FNC acquired almost 9 million 60-kg bags worth \$4.8 trillion (USD 1.6 billion) from all the coffee regions of the country. This diversity of

origins encompassed 15 programs and 134 products, transferring value to coffee growers and their local economies.

PURCHASES IN VOLUME AND VALUE
2015-2018



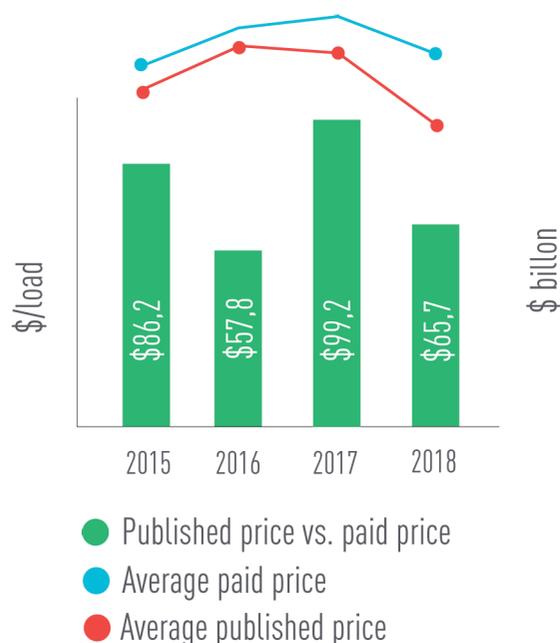
Source: FNC.

The harvest behavior and intervention of different actors in the market have meant that the share of the FNC in the local market varies from one year to the next, since we are in a highly changing and competitive environment. The value of purchases has been impacted by the fall and volatility of prices over this period.

However, the FNC, for strengthening its presence in the domestic market, continues to develop new proposals and projects that add higher value in different regions, with the continued support and coordination of the Departmental Committees, cooperatives of coffee growers, Almacafé and customers.

Additionally, through its purchases, the FNC, in order to increase profitability of coffee growers by ensuring the best possible price and as a result of the marketing effort, **managed to transfer an average 8% more than the reference base price to producers, equivalent to \$308 billion (USD 105.3 million).**

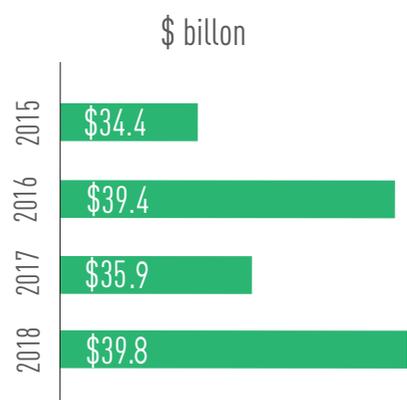
DIFFERENCE BETWEEN REFERENCE BASE PRICE AND PRICE PAID 2015-2018



Note: Purchases of microlots and competition coffees are not included. Source: FNC.

Of all the coffee purchased between 2015 and 2018, an average 66% corresponds to sustainable and specialty coffees, among which the 4C, Nespresso AAA, Rainforest and C.A.F.E Practices programs stand out. Apart from paying a higher price in recognition of coffee growers' effort and commitment to continuous quality improvement and sustainability, the FNC paid premiums worth \$149.5 billion (USD 51 million) to producers who have sold coffee to higher value segments.

PREMIUMS PAID TO PRODUCERS FOR MARKETING OF SUSTAINABLE AND SPECIALTY COFFEE 2015-2018



Source: FNC.

SALES IN ADVANCE

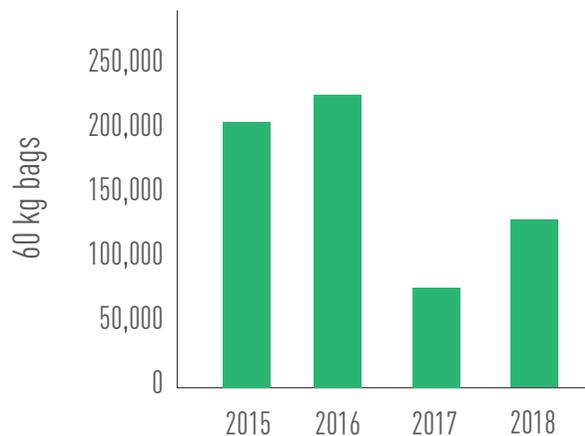
To improve the purchase guarantee and profitability of coffee growers, the FNC, through the wide network of cooperatives in the country, has offered alternatives so that coffee farmers manage the coffee sale price before or during the harvest. Among these marketing tools, sales in advance stand out as an alternative for coffee farmers to sell their coffee up to 24 months before harvest, setting the price with future delivery and committing to delivering it on a specific date.

This tool, which started being offered for up to 12 months in advance, was adjusted in 2018 to up to 24 months earlier. It should also be noted that in 2018 the minimum trading volume was reduced from 15,000 kg to 200 kg to make it more accessible to coffee farmers.

Considering that production cost is the main decision-making factor to sell, as it determines profit, the Extension Service has provided training and brochures have been disseminated to explain in detail each selling tool available to producers.

In the last four years, **616,452 bags (60kg) were purchased through this mechanism at an average price of \$870,294 (USD 297) per load of dry parchment coffee**; in 2018 there was a recovery in volume from the previous year. The following chart shows evolution of sales in advance for the period analyzed:

SALES IN ADVANCE 2015-2018



Source: FNC.

SPECIALTY AND DIFFERENTIATED COFFEE

SUSTAINABLE COFFEE

In the last four years, production of sustainable coffee consolidated as a very important and necessary alternative to guarantee producers access to markets of greater differentiation. These programs are a strategy that, through support in certification and/or verification processes, adds value to participating coffee growers' production and promote their sustainable development and their families'.

The FNC supports coffee growers organized in associations and/or cooperatives in adoption of sustainability standards so that, once verified and/or certified, their coffee can access international markets where these standards are a requirement, while meeting the high-quality standards expected by Colombian coffee customers.

In different regions of the country, we identify groups of producers that can meet sustainability standards to give them the support needed in implementation, verification and/or certification.

Additionally, implementation of these programs in the field contributes, among other things, to preservation of biodiversity and assurance of sustainable livelihoods through protection of water sources by implementing wastewater treatment systems, good agricultural practices that involve proper use of pesticides and integrated pest management, and promotion of more equitable relationships, preserving social conditions of producers, workers and communities.

There are currently eight programs: 4C shows the highest number of farms (61%), followed by C.A.F.E. Practices (12%), and Nespresso AAA (10%). The current state of the programs is shown below:

4C

Departments

Antioquia, Boyacá, Caldas, Casanare, Cauca, Cundinamarca, Huila, Magdalena, Meta, Nariño, Norte de Santander, Quindío, Risaralda, Santander, Tolima, Valle del Cauca.



124,911
coffee growers



144,922
farms



318,143
hectares

FAIR TRADE USA

Departments

Cauca, Nariño.



6,138
coffee growers



6,138
farms



8,355
hectares

FLO

Departments

Antioquia, Casanare, Cauca, Cesar, Chocó, Huila, Guajira, Magdalena, Risaralda, Santander, Tolima.



20,066

coffee growers



24,060

farms



72,745

hectares

ORGANIC

Departments

Cauca, Cesar, Guajira, Magdalena, Santander.



1,570

coffee growers



1,739

farms



7,689

hectares

RAINFOREST

Departments

Antioquia, Cauca, Huila, Nariño, Norte de Santander, Quindío, Santander, Tolima, Valle del Cauca.



5,019

coffee growers



5,112

farms



19,519

hectares

NESPRESSO

Departments

Cauca, Nariño, Santander, Caquetá.



22,782

coffee growers



22,864

farms



35,798

hectares

C.A.F.E. PRACTICES

Departments

Cauca, Meta, Norte de Santander, Santander, Valle del Cauca.



26,574

coffee growers



28,306

farms



43,958

hectares

UTZ

Departments

Huila, Quindío, Santander, Valle del Cauca.



3,773

coffee growers



3,954

farms



18,588

hectares

In addition, our sustainability commitment in the commercialization process has also allowed for the creation of strategic partnerships with important players in the coffee industry. The FNC, together with different customers, implements various programs and projects that contribute to sustainability of coffee-growing families. One of the most outstanding is the AAA Sustainable Quality Program, which covers different activities or projects such as the FT USA certification (through which rural aqueducts are purified) and agroforestry (implemented by the FNC in partnership with the French company Pur Projet).

AAA NESPRESSO PROGRAM

Over the four years, the AAA Program invested over USD 7.3 million, covering four clusters (Cauca, Nariño, Santander and Caquetá, which was incorporated last year), with an average participation of 26,036 coffee growers, of which 2,743 have been certified as Rainforest and 7,340 involved with two certification pilots under the FT USA Independent Smallholders Standard.

FAIRTRADE USA

Within the framework of the strategic Fair Trade Certification project, in 2018 the Community Drinking Water Management Project started in the FNC-Nespresso AAA-FairTrade USA coffee regions in the departments of Cauca and Nariño.

The representatives of 11 Municipal Committees in both departments lead two fair trade organizations of the AAA Program and decided to invest the over \$3.3 billion (USD 1.1 million) of the social premium obtained from sale of their coffee to Nespresso (during the last four years) to purify the water of rural aqueducts so that over **18,000 rural families (coffee growers and non-coffee growers) receive safe and drinking water.**

The project seeks to install 200 water treatment plants in 200 aqueducts in 15 municipalities of the Cauca Massif and around the Galeras volcano in Nariño. In 2018, 30 aqueducts were fitted with water treatment plants and over 2,500 rural families benefited from drinking water.

PUR PROJET

Since 2014, within the framework of the Nespresso program, the agroforestry project with Pur Projet has been carried out in Cauca and Nariño (Pur Projet is a company specializing in implementing, coordinating and certifying community forestry projects through certificates of environmental services). From 2015 on, **1,189,386 trees have been delivered and \$407 million (USD 139,100) has been paid in incentives with an average of 4,802 producer beneficiaries.**

MICROLOTS PROGRAM

The Microlots Program, implemented by the FNC since 2010, allows coffee farmers to access differentiated, high-value markets, in line with new global consumer trends, which include increasingly personalized and differentiated experiences.

The program focuses on continued support in harvesting and post-harvesting on the farm, assurance and conservation of exceptional coffee characteristics, and the logistic process, guaranteeing timely transportation, storage under controlled conditions, specialized threshing and packaging.

This program is based on a business model where the highest priority is transfer of price to the producer. For this reason, the FNC ensures that the margins are received by the coffee grower for the sale of this type of coffee. Thus, not only is the consumer guaranteed access to high quality coffees but also integrated sustainability of producers in the program is protected.

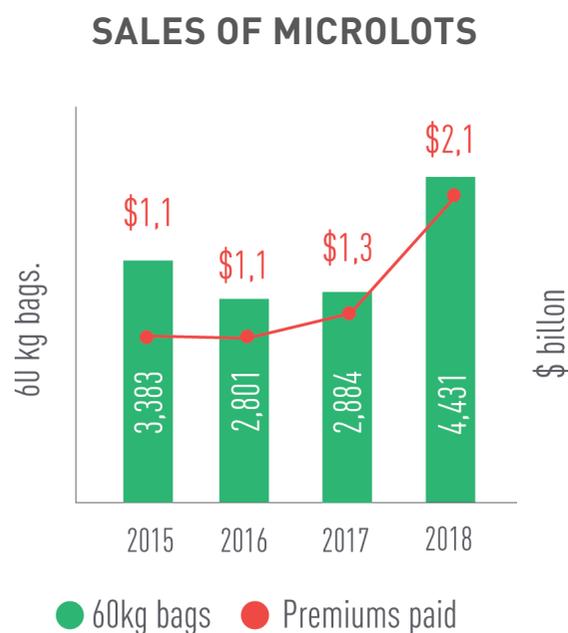
In this sense, the marketing model is supported on three pillars:

Quality in the offer of exceptional coffees to the most demanding and sophisticated customers; traceability supported in tracking of each coffee lot; and transparency, which allows a very close relationship between the producer and the customer.

Diversification of both customers and differentiated market niches (served by the specialty coffee team)

makes this microlots program a core strategy for positioning of Colombian coffee worldwide in the most demanding markets.

In the last four years, **13,499 bags (60kg) were exported to 107 customers in 31 destinations around the world, grouped in 677 microlots from 345 producers.** These coffee lots meant \$5.5 billion (USD 1.9 million) in quality premiums paid to producers. Although the value is variable for each microlot and depends on many factors, on average, in 2018, the total price paid per load was \$2,490,545 (USD 851), well above the base price for standard coffee.



Source: FNC (Figures based on shipment month).

INDUSTRIALIZED COFFEE MARKETING BUENCAFÉ

In 2018, Buencafé, whose production has grown 750% since its start in 1973 (on average 16% per year), ended the year with sales worth USD 149 million and a profit margin of 16%, which goes directly to the FoNC (to finance the coffee public goods and services).

To have a value-added portfolio, the freeze-dried coffee factory Buencafé Liofilizado de Colombia, as part of the FNC, manufactures and markets soluble coffee of the best quality, made from the transformation of green coffee into an industrialized, healthy product

using high technology and meeting quality standards, making the company be recognized as one of the most important premium coffee suppliers in the world.

In this way, we add value to Colombian coffee families by obtaining a better price and contributing to generation of higher incomes for the National Coffee Fund, which directly benefits coffee growers.

The product portfolio is made up of three large families: These three families are subdivided into more than

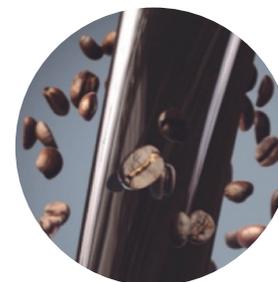
FREEZE-DRIED COFFEE



MICRO-GROUND COFFEE

freeze-dried with addition of roasted and ground particles

CONCENTRATED COFFEE EXTRACT



60 qualities, which positions the company as one of the freeze-driers with most different varieties in the world. In order to create more value, at Buencafé we have been working constantly and decisively on the following actions:

1 Increased portfolio of differentiated products: We are constantly working on innovation of different cup profiles to be at the forefront of requirements of global markets, making use of sustainable raw materials and aligned with responsible consumption trends. Additionally, our main strength is development of products tailored to our customers in such a way that they perceive the differentiation that adds value to their industries.

2 Packaging for final consumers: Every year we increase the share of products packaged directly for the final consumer (sticks, bags, jars). Between 2015 and 2018, sales of packaged products grew 68% and accounted for 42% of revenues at the end of 2018. With this strategy we add value to the product and guarantee that coffee quality and origin are preserved until reaching customers.

3 Less intermediaries: For reducing commercial risk and adding value to coffee growers, we have reduced the number of intermediaries and agents abroad, from 69% of sales through intermediaries in 2009 to 28% in 2018. Similarly, the logistics operation in markets such as North America is carried out directly from the United States to improve efficiency, response time and flexibility.

4 Positioning of Buendía brand: Through the Buendía brand, we bring value to coffee farmers not only because of the sales and profits it generates, but also because of the reputation that the Café de Colombia logo carries. Buendía has had excellent commercial performance: in the last four years it showed double-digit growth in sales and by 2018 it consolidated as the second fastest growing brand in supermarket channels in Colombia (12% in value).

5 Capacity expansion: Given that, in recent years, sales have performed well, even reaching the limit of production capacity, we undertook a project to optimize the production process and grow from 11,500 to 13,500 tons/year; it was the fourth production expansion in our organization.

RECOGNITIONS AND AWARDS FOR EXCELLENT QUALITY

In 2015-2018 Buencafé received different recognitions and awards for excellent quality of our products; they have been granted by customers, global retail chains and international institutions such as the International Taste & Quality Institute (iTQi) of Brussels, made up of over 200 chefs and sommeliers from around the world, who extol excellent taste and quality of food and drinks.

Superior Taste Award

The iTQi awards the Superior Taste Award to all those products that meet or exceed the jury's expectations in terms of taste and catalogs them as follows:

- ☆ One Star: Notable score between 70% and 80%.
- ☆☆ Two Stars: Outstanding score between 80% and 90%.
- ☆☆☆ Three Stars: Exceptional score of 90% or higher.

Superior Taste Awards

Sublime freeze-dried coffee, 2015. ☆ ☆

Roasted Instant freeze-dried coffee, 2015. ☆

Roasted Instant, Gurmetti Viennese & Gurmetti Scandinavian freeze-dried coffee, 2016. ☆ ☆

Coffee extract, 2017. ☆ ☆ ☆

Quality Food Award granted by UK retail chain to a product

Extra Special Colombian Microground Instant Coffee Intenso, 2018.

Armory American Fairtrade freeze-dried coffee

Decaffeinated, 2018.

BUENCAFÉ LOYALTY PROGRAM

At Buencafé we have made important efforts to strengthen relationships with our customers through support in marketing, promotion, development of new products and packaging. As a result, we have maintained a solid commercial relationship with several customers for more than 15 years, in addition to those who have been with us since the company's start.

These types of sales to traditional customers have accounted for an accumulated 33% growth from 2015 to 2018 through continued purchase of regular and new products.

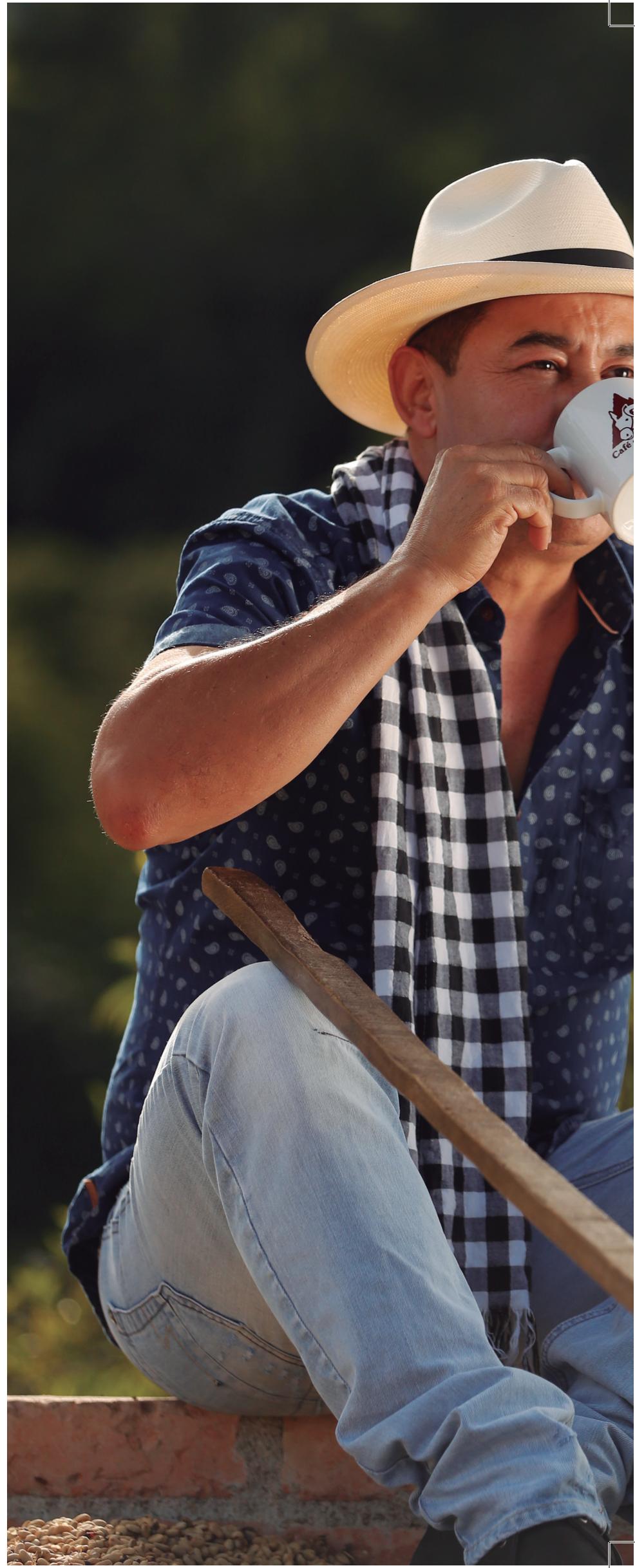
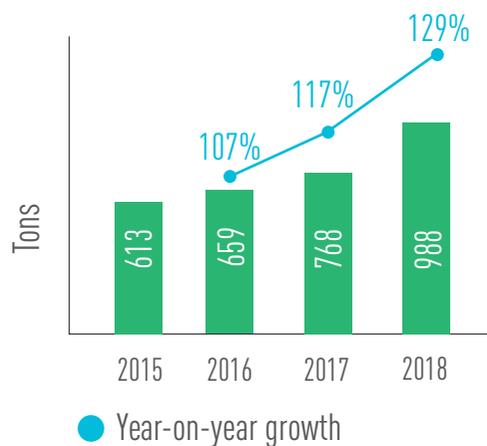
Regarding development of new markets, it is worth highlighting the performance of the Central and South American regions, markets that have shown greater dynamism and have grown 61% between 2015 and 2018. This has been a result of positioning ourselves in the retail segment in countries such as Chile, where we are present in the main supermarket chains.

ACCUMULATED SALES GROWTH OF TRADITIONAL CUSTOMERS



Accumulated growth 2015-18

SALES IN CENTRAL AND SOUTH AMERICA





RECOGNITIONS FOR MANAGEMENT OF BUSINESS RELATIONSHIPS

Buencafé's business relationships management was recognized by our customers. They highlighted ethics, social responsibility and continued support in innovation, among other issues, recognitions that confirm the good image and reputation that we have to our customers and the actions we take to maintain this relationship.

Awards	Year
Ethical Sourcing, granted by a global retail chain.	2015
Best supplier in Mexico and Chile, granted by global retail chain.	2016
Supply Chain Security, 98% score, granted by global retail chain.	
Best Provider of Strategic Brands, granted by global retail chain.	2017
Superior Level in IFS.	
A-type score in BRC.	
Commitment to CSR	
Client Service Award, granted by a Russian customer.	

GRI 103-1
GRI 103-2
GRI 103-3

PROMOTION OF CAFÉ DE COLOMBIA

POSITIONING AS AN ORIGIN BRAND WITHIN PROFITABILITY

In addition to all issues and efforts related to the crop, another fundamental issue to guarantee profitability of coffee growers is marketing and promotion of Colombian coffee.

We have promoted Colombian coffee grown in different regions as a symbol of quality and created a philosophy and vision on the importance of origin as a differentiating element of authenticity and commitment to well-being of coffee growers.

Since 2017 we have worked with the strategy of unifying the message and image for the Café de Colombia brand, in order to generate a perception of an active and consistent brand around the world. With the slogan "Coffee greatness starts here," Colombia is positioned as a producer of high-quality coffee, aiming for international buyers to prefer Colombian coffee.

In 2018, the brand presence was strengthened by more international events where the brand participated compared to the previous year, from 11 to 13 participations.

In addition, we had greater opportunities for brand exposure to opinion leaders in the industry, where Colombia's work to create sustainable livelihoods for coffee growers was highlighted. Among the best attractions in events are coffee showcases and brew bars, a meeting place for exporters of Café de Colombia regardless of size.

We develop booths, merchandising and brochures, among other things, with recyclable or environmentally friendly materials, aligning with the brand's strategy to support the 100/100 Plan – 100% sustainable coffee, not only for growers but also for the environment.

EXPOS AND EVENTS 2018



USA

SCAA, Seattle.
Rainforest Gala & New York Coffee Festival.

EUROPE

Milano Coffee Festival, Milan.
SCAE and sponsorship of World of Coffee, Amsterdam.
Coffee Dinner sponsorship. Geneva, Switzerland.

ASIA

Hotelex Beijing.
Café Show China.
Hotelex Guangzhou.
Hotelex Shanghai.
Café Show, Seoul.
SCAJ, Tokyo, Japan.
Taiwan Intl Coffee and Wine Expo.

Between 2016 and 2018, participation in expos and activities grew to maximize visibility of the brand. This is a fundamental tool for the marketing strategy.

PARTICIPATION IN EXPOS AND SPONSORSHIPS



JUAN VALDEZ AS A SYMBOL OF COLOMBIAN COFFEE GROWERS

As a symbol of Colombian coffee growers, Juan Valdez continues to be an icon worldwide. This character is one of the few living logos in the world and draws attention from the media and ordinary people. As such, Juan Valdez is a great asset as the representative of the country's coffee growers, being authentic and legitimate.

The strategy for the character's relationships is to create a stronger and closer bond between producers and consumers, so we try to ensure that the character is present at national events where the coffee grower feels identified with Juan Valdez.

In recent years the character's participation has increased. In 2016 he participated in 64 events. In 2017 he took part in 64 activities in Colombia and 7 abroad, for a total of 71. In 2018 the character had 64 appearances both nationally and internationally.

100% CAFÉ DE COLOMBIA BRAND

The Café de Colombia brand is registered in 133 countries

In order to prevent any individual from appropriating the Colombian origin and other geographic descriptors that refer to this origin, at the FNC we have done a number of actions aimed at ensuring protection of "Café de Colombia" as Denomination of Origin (DO), Protected Geographical Indication (PGI), Certification Mark (CM) and trademark.

These protection tools guarantee that products described as coming from a region fully comply with strict quality and origin requirements. In addition, they relate directly to the effort of the community of that region, something that must be recognized and valued.

We currently have the following instruments:

Protection of Café de Colombia as DO before Colombia's Superintendence of Industry and Commerce, a recognition that also extends to the CAN countries (Ecuador, Peru and Bolivia).

Protection of Café de Colombia in the European Union as PGI and recognition of Café de Colombia PGI by the Swiss authorities.

The strategy of protection of regional origins began in 2009 with the request for protection as DO of the Café del Cauca and Café de Nariño, granted in 2011. Subsequently, we obtained protection for Café del Huila in 2013, Café de Santander in 2014, and Café del Tolima and Café de la Sierra Nevada in 2015.

Below we show the number of companies (roasters and threshers) and brands authorized to use the Café de Colombia DO and PGI and the different regional DOs:



131
authorized
374
brands

CAUCA

3
authorized

2 brands
3 green coffee brands

HUILA

10
authorized

14 brands
8 green coffee brands

NARIÑO

11 authorized
17 brands
6 green coffee brands



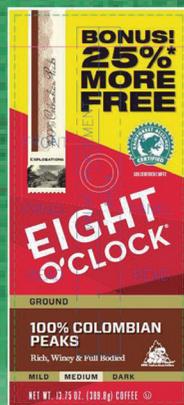
114
authorized
244
brands

Café de Santander, Café del Tolima and Café de la Sierra Nevada are in the process of having these regional DOs evaluated and certified by the National Accreditation Body of Colombia (ONAC).

Complementing the protection of origin, the FNC created the 100% Café de Colombia Program several decades ago, an alliance between roasted coffee brands from around the world and Colombian coffee producers. Members of the program use the Café de Colombia logo as hallmark and symbol of a community of interests and values that position Colombian coffee as the best in the world and represent:

Hard work, quality, effort, willingness to do things well, and bringing a superior quality product to the market.

The program currently has 179 roasting companies and 508 brands authorized to use the Café de Colombia logo on their roasted and/or ground coffee packaging.



... y recolectado en las fincas cafeteras
... a la experiencia de sus caficultores
... con los más altos estándares de calidad.
... fragancia y balance en una gran taza de café

DEL ENTE TAZA DE CAFÉ:

Fabricado por:
RESTCAFÉ S.A.S.
Carrera 42A Bis No. 13-83 Bogotá D.C.
PBX.: (571) 244 08 20 FAX: (571) 269 02 90

CERTIFICADO FNC 1-0031-00
REGISTRO SANITARIO RSIAD15M06090

Marca registrada por la Federación Nacional
de Cafeteros de Colombia / FoNC.
INDUSTRIA COLOMBIANA



10/2015

SOCIAL DEVELOPMENT OF COFFEE- GROWING FAMILIES AND COMMUNITIES

Infrastructure

Associativity

Generational integration

Gender equity

Rural education

Social protection

Financial inclusion





From our early years, the FNC's efforts have been directed not only at strengthening the production structure of Colombian coffee farming, but also at ensuring sustainability of the sector and improving the quality of life and well-being of farming families in Colombia. Our social management has come a long way, always looking for development and improvement of living conditions of coffee-growing families in rural areas. Over the years we have evolved to consolidate an area of Social Development responsible for implementing and achieving the goals of the social dimension of our value creation strategy.

EVOLUTION OF SOCIAL MANAGEMENT OF THE FNC

2015

The FNC Social Development Directorate is created.

2016

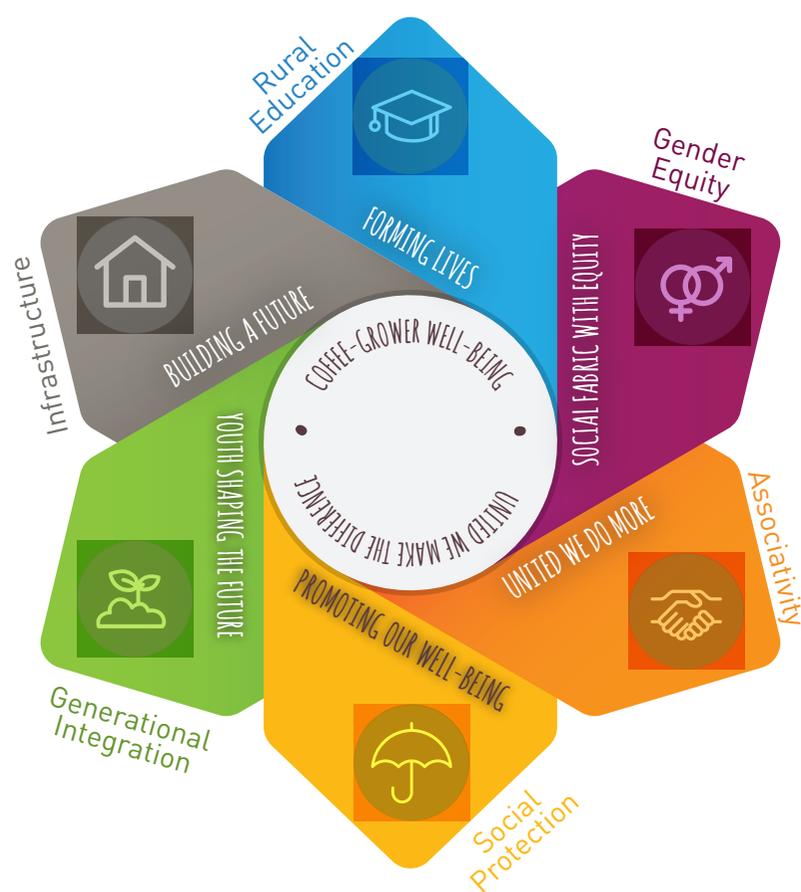
The Gender Equity Program is born (former Coffee-Growing Women Program, since 2006).

2018

Consolidation of an integrated and articulated work structure made up of 6 lines of action.

To work for Colombian coffee growers' well-being, we have developed a value proposition on the social dimension with six lines of action: rural education, infrastructure, gender equity, generational integration, social protection, and associativity. They represent the areas of action of our commitment to social development of coffee families and communities.

VALUE PROPOSITION IN THE SOCIAL DIMENSION



Each line of action seeks to develop high impact projects through partnerships with national and international entities to obtain investment resources that are leveraged on intangible institutional assets such as our management capacity and transparent implementation.

Thanks to our different areas of action, we reach a broad and diverse target population:

- Coffee-growing families.
- Coffee-growing women.
- Female pickers.
- Community groups of producers.
- Associations of producers.
- Cooperatives of coffee growers.
- Children and adolescents, young people in school.
- Young coffee growers.
- Adults (> 18 years old).
- Rural communities.
- FNC employees.

The general guidelines of the social dimension are:

- Clear Social Development structure and well-defined guidelines that allow everyone to meet

objectives according to the FNC's value creation strategy.

- A solid information management database for all actions carried out and their results (systematization, traceability).
- Coordination among the different branches (central level, Departmental Committees and Coordinating Offices).
- An active communication channel that allows coordinated and joint work.
- An orderly government structure, according to operation needs.

INFRASTRUCTURE

In order to implement projects with a high impact on quality of life of coffee-growing households and their communities, we seek to contribute to rural infrastructure in five segments:

Roads

Construction, improvement and maintenance of first, second and third order roads.

Housing

Construction and improvement of housing, provision of gas and eco-efficient stoves.

Basic sanitation

Aqueducts, water supply, purification, sewage systems, wastewater treatment systems and waste collection centers.

Electrification

Supply of traditional electric power or with sustainable technologies; 96% of coffee households have electricity.

Social infrastructure

Construction and improvement of educational, healthcare, community, cultural and recreational infrastructure.

We also provide awareness-raising and training activities, professional continued support (multidisciplinary teams), coordination of actors and management of projects and initiatives in these segments.

RESULTS 2018



○ GRI 203-1

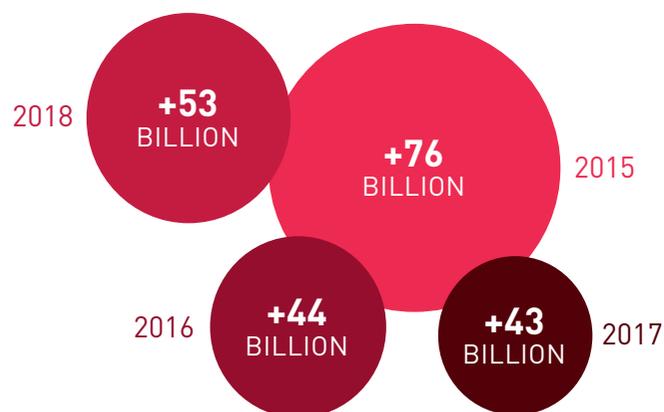
DISTRIBUTION OF REALIZATION PER YEAR

In 2018, out of works on **tertiary roads**, there were five agreements with Invías worth **\$33 billion** (USD 11.3 million), whose objective was to improve **658 km** of rural roads in 28 coffee municipalities of Cauca, Valle del Cauca, Quindío, Risaralda and Caldas.

In **power supply**, two projects are underway: the first is to optimize the primary electric power line of the rural districts of Vista Nieves and La Tagua, in the department of Magdalena, for **\$26.3 million** (USD 8,990) which will benefit 1,670 coffee growers. The second, worth **\$28 million** (USD 9,600), is in Cesar to improve connectivity of the coffee zone, benefiting **485 growers**.

In **basic sanitation** works, **46 projects** were implemented including construction of three aqueducts in the department of Antioquia, which will benefit over 300 families.

RESOURCE REALIZATION PER YEAR



In **construction and improvement of rural households**, the FNC runs 15 projects worth \$1.9 billion (USD 649,350), which will benefit 3,279 coffee growers in Antioquia, Cauca, Caldas, Nariño, Valle del Cauca and Putumayo. The FNC also executes 97 social infrastructure projects including the agreement with Colombia’s Territory Renewal Agency to structure, design and execute actions for implementation of the Small Social and Community Infrastructure Projects Strategy that includes social projects, road infrastructure and provision of public services. This project will impact coffee growers in Cauca, Nariño and Valle del Cauca.



TOGETHER FOR MOCOA

To help the victims of the avalanche that hit Mocoa on March 31, 2017 in which 234 coffee farmers were affected, the FNC implemented the project "Together for Mocoa," whose objective was to contribute to recovery of affected coffee areas, mainly in Las Palmeras, Chontoyaco, San Antonio and Campucana rural districts of the municipality, through a comprehensive intervention model that included three strategic components:

Institutional: To consolidate the presence of the FNC in the affected areas, in June 2017 the Mocoa Coordinating Office and the Cadefihuila point of purchase were opened.

Economic: Continued support by the Extension Service helped improve production infrastructure of coffee growers in Mocoa. For this purpose, we provided 234 soil analyses, 11 communal nurseries for renovations in 2018, 11 individual nurseries and educational coffee demonstrations. With the help of Procafecol, the FNC company that manages the brand and chain of stores Juan Valdez, we launched the limited edition "Growing Future: Homage to Mocoa," which meant a premium of \$20,000/load of coffee. Five coffee growers received a total premium of \$5.5 million (USD 1,891) for the coffee used in this edition.

Social: In 2017, \$171 million (USD 58,440), that is, \$28.5 million per family, was invested for construction of 6 homes for coffee farmers affected by the avalanche. These resources were distributed among carpentry expenses, hardware, bricks, wood, labor, riverbed material, hydrological and soil studies, rendering and structural design of homes.



ASSOCIATIVITY

This line of action aims to strengthen capacities of the associative groups, community groups and cooperatives of coffee farmers with a comprehensive approach.

We seek to develop awareness-raising and training in financial, accounting, project management, cooperativism, conflict resolution, leadership, decision-making and cooperative management. We also provide professional continued support (multidisciplinary teams) and coordination of actors.

In addition to these lines of action, the FNC Economic Research Directorate made the first diagnosis on associativity in the coffee area: 686 producer associations were identified.

The diagnosis showed that the FNC has historically worked with associations and identified the need to establish a work plan with the Coffee Growers Committees and cooperatives to strengthen management of these collective work schemes. As a result, the Social Development area, in coordination with the Cooperatives Directorate, will seek synergies between cooperatives and these associations.



GENERATIONAL INTEGRATION

The approach that the FNC has been giving to generational integration has focused on identifying the interests of rural youth, bringing them closer to the coffee institutions and helping them become self-managers to take advantage of opportunities that favor their staying in rural areas. Thus we seek to strengthen leadership, entrepreneurial opportunities and life options in coffee for children and young people.

We focus our efforts on two segments: leadership and entrepreneurship opportunities. In leadership, we do actions such as regional and national youth meetings, the Niños Pílos (Smart Children) program, educational groups, youth networking, programs with the Manuel Mejía Foundation, arts and trades school, sports training school, FNC topics, training on water resources, playful tools on Intelligent Water Resources Management, artistic, recreational and sports activities, culture, competitions and prevention of psychoactive substance use. In the entrepreneurship opportunities segment, we develop financial and project management training, we have an online learning network, and we carry out initiatives such as Young Rural Micro-entrepreneurs.

35
initiatives for
children and
youth

79,000
beneficiaries

8
generational
integration projects

Youth meetings in 6 departments.

First “Tourist product: coffee experiences” workshop.
Juan Valdez® RENACER coffee.

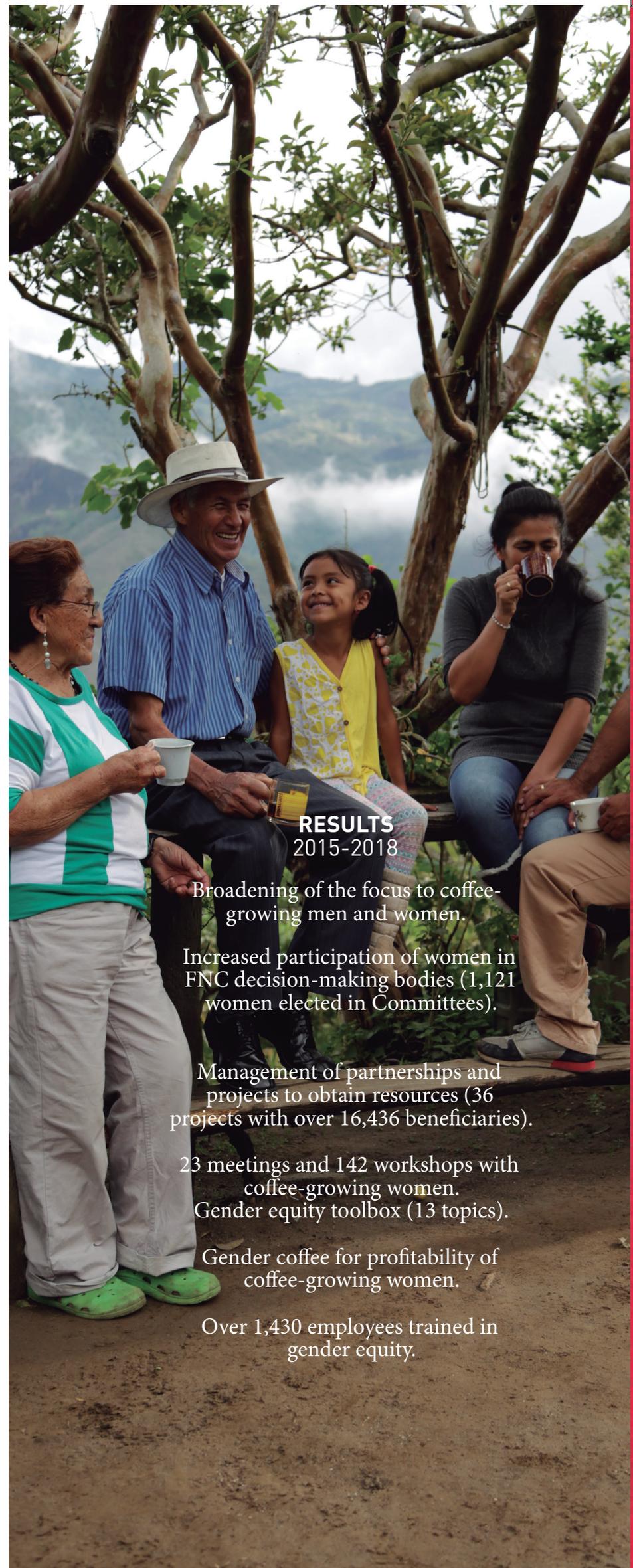
GENDER EQUITY

One of our principles is to be a democratic and representative organization, so we seek to strengthen equitable and trust relationships between men and women, as well as expand their autonomy to exercise their duties and rights not only within the union but in all social and community spheres. We promote the right to fair and equal access to opportunities for development at the FNC and we seek to empower women to lead on-farm processes and communities.

To achieve this objective, we have the Gender Equity Program and focus on two fundamental areas. On one hand, on empowerment of women, strengthening their leadership, communication skills, job skills, entrepreneurship and human development. On the other hand, with a cross-cutting approach, we promote equal and fair access to opportunities for development and well-being.

To achieve this, we facilitate trainings, education and meetings of coffee-growing women, including:

- Online course on human rights and gender equity.
- Training module on family relationships with gender equity.
- Equity module within the framework of online course on Project Management.
- Course on sexual and reproductive rights according to the International Organization for Migration (IOM).
- Short workshops on equity, leadership and associativity (GE Program).
- Online gender equity training.
- Regional and National Meetings of Women.
- Work with Women Associative Groups and commercialization.
- Strengthening in financial and project management.
- Women's Network.



RESULTS 2015-2018

Broadening of the focus to coffee-growing men and women.

Increased participation of women in FNC decision-making bodies (1,121 women elected in Committees).

Management of partnerships and projects to obtain resources (36 projects with over 16,436 beneficiaries).

23 meetings and 142 workshops with coffee-growing women.
Gender equity toolbox (13 topics).

Gender coffee for profitability of coffee-growing women.

Over 1,430 employees trained in gender equity.

LEADERSHIP OF WOMEN IN GOVERNING BODIES

As a result of continued support, training and awareness-raising on leadership and coordination with other FNC areas, women have had greater participation in the coffee democracy as voters, candidates and representatives elected to governing bodies of FNC.

In 2018, female leadership in Departmental Committees rose from 8% (14 women) to 15% (27 women), and in the Municipal Committees, from 16% (696 women) to 24% (1,094).

In the 86th National Coffee Growers Congress in 2018, more visibility of female leadership was achieved as, for the first time in its history, it was chaired by women. The president was Martha Cecilia Redondo, representative of the department of Tolima, and there were also two vice presidents from Valle and Cundinamarca, all of whom reinforced the message that the FNC is changing.

CONVENTION OF INTERNATIONAL WOMEN'S COFFEE ALLIANCE (IWCA)

Within the framework of ExpoEspeciales 2015, the fourth Convention of the International Women's Coffee Alliance (IWCA) was held to highlight achievements and contributions of women to the coffee value chain.

The convention attracted about 150 foreign and 270 domestic participants, being a space for international exchange and learning around coffee that brought together over 20 coffee experts from important international institutions such as the US Specialty Coffee Association (SCA) and the Committee on Sustainability Assessment (COSA).

The issues addressed strengthened the views of domestic coffee-growing women, who were given a unique space for learning and discussion to encourage improvement of their agricultural practices and quality of life.

It also provided the opportunity to show the international coffee industry the advances and achievements we have made regarding coffee and gender.



NATIONAL MEETING OF COFFEE-GROWING WOMEN

Promotion of spaces where women were recognized and able to share good practices and develop their capacities led to formally establishing a National Meeting of Coffee-growing Women and a permanent gender group at the National Coffee Growers Congress.

The first national meeting held in 2018 resulted in leadership skills training for 96 women from 19 departments. They pledged to share in their regions what they learned and managed to train 4,018 people in their communities, confirming their empowerment.

Additionally, 48 of them became candidates in the coffee grower elections, of which 25 women participated for the first time, demonstrating that the meetings motivated participants to exercise leadership.

Between 2016 and 2018, the Gender Equity Program participated in 21 meetings with coffee-growing women at national level and one at international level as speaker, at the Latin American Women's Coffee Summit in Puebla, Mexico (2017). Such engagement helps in formation of networks that allow agile communication, peer-to-peer exchange, updating on issues of interest and greater closeness with regions.

RURAL EDUCATION

Coffee growers' education and training is one of the core action lines of the FNC's value creation strategy. For this reason, we seek to promote capacity building in rural education, skills training and human development. We work in four education segments: 1) **formal education**, comprising primary, secondary, middle and higher education; 2) **technical and technological** labor education; 3) development of job **skills**, and 4) **training for human development**.

RESULTS AS OF 2018

- Over 202 rural schools in Escuela y café (School & Coffee) and Escuela Nueva (New School) programs with over 88,000 students enrolled.
- Over 2,990 people trained in job and human development skills.

SCHOOL & COFFEE

Designed by the Caldas Coffee Growers Committee in 1996, the Escuela y Café (School & Coffee) model seeks to prepare students to become the next generation of coffee growers in Caldas. In the primary and secondary curriculum, the program integrates specific knowledge related to farming and general knowledge about the coffee business, an activity on which their families depend economically.

This model is developed through a series of specialized modules and multi-disciplinary learning guides, with practical activities for students to develop Pedagogical Coffee Production Projects. In this way, curricula are adapted so that students acquire skills related to entrepreneurship, production and community development beyond the official education programs. Students are evaluated and certified in these specific job skills to support these rural youth when they enter the work force.

UNIVERSITY IN THE COUNTRYSIDE

Universidad en el campo (University in the Countryside) is an educational initiative that, under the New School model, offers students in grades 10 and 11 the opportunity to pursue a professional technical career alongside their mid-secondary and obtain a technologist degree by studying only one additional year.

The initiative relies on the Colombian educational legislation, which allows for development of preparatory cycles and the recognition by universities of credits as equivalent, which is easier thanks to the particular characteristics of educational institutions in the Caldas rural areas. Recognition of credits as equivalent, among other things, reduces tuition costs to a third, which are fully covered by the public-private partnership. Rural families doubly benefit by not having to cover transportation, lodging and other educational costs that they would have to incur if young people moved to urban areas in search of a university. This is an equity factor in access to university for rural population.

The projects' implementation strategies develop core curriculums that are tailored to rural student profiles and allow for coordination with different universities and programs. The subjects that university programs offer are based on multi-disciplinary learning materials that preserve the didactic structure of New School, incorporating more deeply the general job skills developed in primary and secondary education. It also proposes an accurate scheme for technological level students to start production activities by implementing business plans for relevant production projects that can be financed or sell farming goods and services.

SOCIAL PROTECTION

Improving the working and social protection conditions of coffee growers and their families is a priority for the FNC. In order to fulfill our objective of promoting social protection for farming families, we have actively participated in the legislative process of different bills to improve conditions for independent workers in the rural sector.

To achieve this, we focus on actions such as:

- Management of the program of savings for old age (Periodic Economic Benefits, BEPS).
- Occupational safety and health - Support for coffee growers in the certification of the 50-hour online course in Occupational Safety and Health Management System (SGSST).
- Initiatives to prevent child labor, without ignoring that Colombian coffee farming is essentially a family activity. Here, it is important to make clear that not all activities performed by minors can be classified as child labor, as they are carried out in a family and cultural environment that facilitates generational integration, the teaching of an art or trade, and the continuation of the coffee tradition in the Colombian economy.
- Promoting health management through social health models.
- Support to the process for land formalization.
- Influence on public policy.
- Support of legislative initiatives such as Bill 193 of 2018 in the Senate and 123 of 2017 in the House of Representatives "whereby provisions are issued to establish a minimum social protection floor and create the integrated rural daily wage," also aiming to promote rural job formalization, incentivize and generate job opportunities, improve coverage conditions according to income, and provide minimum coverage and protection to Colombian farmers.

CONFIDENTIALITY AGREEMENT FNC-COLPENSIONES BEPS AND TRANSITION FROM PSAP TO BEPS OF COFFEE GROWERS (DECREE 387 OF 2018).

The Ministry of Labor issued Decree 387 of 2018 "whereby Chapter 5 is added to Title 14 of Part 2 of Book 2 of Decree 1833 of 2016, for the purpose of regulating article 212 of Law 1753 of 2015, whereby the 2014-2018 National Development Plan "Todos por un Nuevo País" is issued," to regulate the transfer between the General Pension System and BEPS and specify how the Program to Subsidize the Pension Contribution (PSAP) would be gradually closed.

In accordance with provisions of article 2.2.14.5.7 of this decree, the period for applying for BEPS and the transfer of 100% of the Pension Contribution Subsidy granted by the Pension Solidarity Fund is one year from the end of the period provided for in article 2.2.14.5.11, that is, from August 26, 2018. After one year and during the following year, the transfer of 50% is authorized. Once the deadlines come due, the subsidy will not be transferred.

Upon this decree and to ensure that potential beneficiary coffee growers request the transfer within the time window provided for transferring 100% of resources, on January 10, 2019 the FNC signed with the Colombian Pension Administrator (Colpensiones) a Reciprocal Confidentiality Agreement that defines the terms, conditions and scope of the confidentiality duty that will govern the exchange of information between the parties and that seeks, among other aspects, to identify the coffee growers who, under the terms of Decree 387 of 2018, can benefit by transferring the contributions of the Pension Contribution Subsidy Program (PSAP) to the BEPS Program. To date, the FNC has identified no fewer than 10,000 coffee growers who would move from PSAP to BEPS.

MEMORANDUM OF UNDERSTANDING FNC-PARTNERS OF THE AMERICAS (COLOMBIA AVANZA: STUDY ON CHILD LABOR IN THE COFFEE SECTOR)

Since Colombian coffee farming is essentially a family activity, the FNC has focused its efforts on achieving acceptance for certain activities of minors in a family and cultural environment that facilitate generational integration, the teaching of an art or trade (which allows them to develop an economic activity for their future livelihood) and continuing the coffee tradition in the Colombian economy. It is of particular importance to us and Colombian coffee farming to show that not all the activities carried out by minors in coffee production can be classified as child labor.

For this reason, a Memorandum of Understanding (as support of the Independent Consultant Agreement) was signed between Partners of the Americas and the FNC to provide our expertise and knowledge in making the community understand the participation of minors in coffee farming activities, as well as preventing and eradicating dangerous and forced child labor (slavery), child labor in coffee farming that, without being dangerous, does not fall within a family and cultural environment and that which does not correspond to protected, dependent adolescent work.

Thus it is important that the memorandum and contract entered into with Partners of the Americas fully reflect these cultural and family considerations, so that studies to be carried out and derived from the implementation of the project "Strengthening of Capacity of Civil Society to Fight Child Labor in the Coffee Industry" (to be implemented by Partners under the Cooperation Agreement subscribed with the US Department of Labor) do not ignore a Colombian reality that should be preserved.

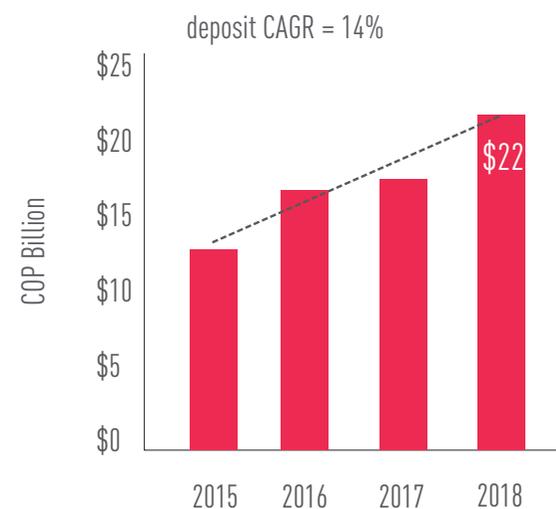
FINANCIAL INCLUSION

In addition to the actions in the social dimension, we also have an impact on coffee growers and their families through financial inclusion initiatives that facilitate access to banking services, including credits.

ACCESS TO BANKING SERVICES

With the Smart Coffee ID Card (union identification + financial services) and the Smart Coffee Card (financial services only) coffee growers can access banking services. With them, coffee growers can receive payment from the sale of their coffee and disbursements of incentives, subsidies and credits from the programs developed and implemented by the FNC.

As a result, at the end of 2018, 75% of the union has access to banking services. Over 389,000 coffee growers and their families, in 600 coffee municipalities of the country, can enjoy the benefits of the Smart Coffee ID/Card, including the opportunity to develop formal credit relationships.



In addition to enjoying preferential fees, coffee growers can access over 260,000 points of sale such as commercial establishments, agricultural supply warehouses, cooperative stores, ATMs of all networks, banking correspondents and offices of the Aval Group. They can also transact online and under the ACH system.

The progress of the financial inclusion project allowed producers to deposit on average \$22 billion (USD 7.5 million) a month into their coffee accounts in 2018. Between 2015 and 2018, there was a 14% compound annual growth of monthly deposits in coffee accounts.

The Smart Coffee ID and Card have become important financial instruments that coffee growers are using more frequently and regularly to the extent that, in the last year, their usage exceeded 16%.

On the other hand, annual growth of transactions was 30%, of which coffee purchases, transfers and deposits outstand, growing 314%, 138% and 29% respectively between 2015 and 2018. Cash withdrawal through agricultural supply warehouses was a service highly valued by coffee growers and cooperatives, with a 4,206% increase in the last three years.

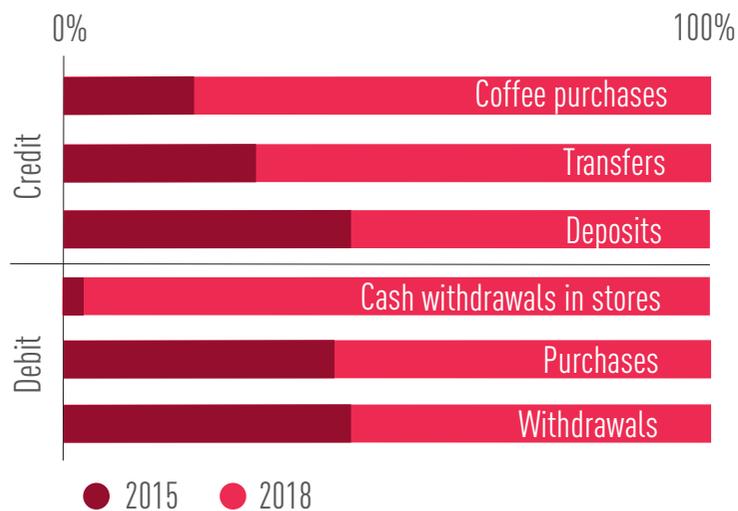
The figures clearly show that in addition to being the document that coffee growers proudly use to identify themselves as members of the union, the Smart Coffee ID/Card continues to consolidate itself as one of the most important rural means of access to banking services in the world.

In mid-2016, to continue promoting the use of the Coffee Savings Account, the fee for withdrawals at ATMs of networks other than Banco de Bogotá's was reduced to \$1,700 (60 ¢) per successful transaction. Following this change, the coverage of withdrawal points in coffee municipalities increased from 74% to 87%.

In addition, to reach the coffee municipalities that do not have Banco de Bogotá offices, the pilot of using itinerant offices was initiated in 2018. Coffee growers in these areas can have questions about their savings account (fees, services, channels, etc.) and access to products or services answered by bank advisors during scheduled monthly visits.

These occur at the facilities of the Municipal Committee on Saturdays. Between March and July 2018, the first phase was carried out with 17 bank advisors visiting 23 municipalities and assisting some 800 coffee growers. In the second phase, which began in August of the same year, the advisors visited 17 Committees in municipalities where there is no branch of the Banco de Bogotá.

The first window extension of the Banco de Bogotá has been operational in the Municipal Committee of Belén de Umbría in Risaralda since June 1, 2018, providing services to the over 2,000 coffee growers in the area. A space in the Municipal Committee facilities was tailored to house a small office of the bank to serve the coffee growers. The success of this initiative will allow the model to be replicated in other coffee municipalities in the country.



CLOSER AND CLOSER TO COOPERATIVES

In 2015 the Coffee Channel (Canal Cafetero) was made available to coffee growers' cooperatives. It is an innovative tool that allows cooperatives mainly to pay the purchased coffee through the Smart Coffee ID/Card and also dispense money, ensuring that coffee growers can withdraw their resources near their farm.

In 2016 a transaction was included in the Coffee Channel to allow transfers of specific-allocation resources through the Smart Coffee ID/Card. This option replaced Bancamóvil and allowed faster and real-time operations at no cost to warehouses and coffee growers.

In addition, to promote the use of the Smart Coffee ID/Card and the Coffee Channel, a national training campaign was launched in 2017 aimed at the employees of cooperatives and committees of coffee growers. The campaign began in Quindío and continued in Huila, Antioquia, Valle del Cauca, Caldas and the Caribbean coast. In 2018 this important campaign continued through Tolima, Cauca, Risaralda and Cundinamarca to raise awareness and promote the solution. This completed the tour for two-thirds of the country and the program continues with the goal of covering all coffee departments.

The training sessions seek to show in detail the benefits and operation of the Coffee Channel, better explain the Coffee Savings Account and strengthen the relationship of trust between the FNC, the cooperatives and the financial system.

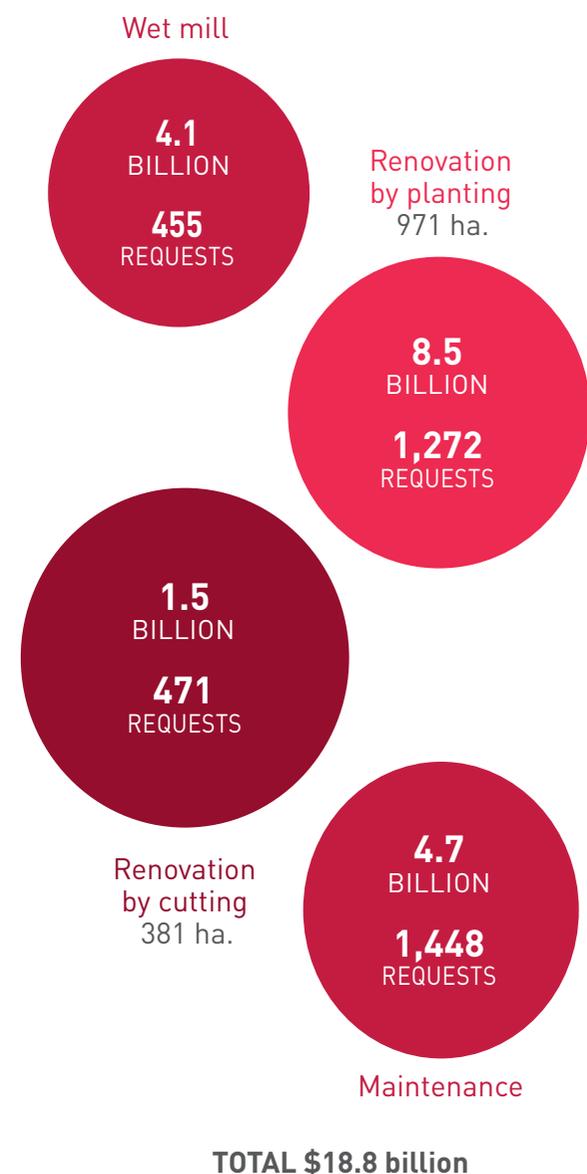
Interesting initiatives have emerged from the visits to coffee departments such as the one by the Cooperative of Coffee Growers of the Coast, which produced an illustrative video of the operation of its mobile coffee purchase point, which thanks to the Coffee Channel can reach the most remote geographical areas and apply the Purchase Guarantee securely and quickly, thus inviting more cooperatives and coffee growers to take advantage of the benefits of the Coffee Channel.

ACCESS TO CREDITS

We also seek to facilitate disbursements of credits from different financial institutions on preferential terms and in-kind supports to help coffee producers.

Under our agreement with the Banco Agrario to finance coffee grower projects, over 3,600 credit applications for \$18.8 billion (USD 6.4 million) have been filed at the bank's offices.

CONSOLIDATED FIGURES BY LINE OF CREDIT - BANCO AGRARIO 2018



Source: FNC, Technical Division

Additionally, since 2016 we have had a financial mechanism to support replanting with resistant varieties through the Permanence, Sustainability and Future (PSF, Permanencia, Sostenibilidad y Futuro) program. This is the Special Credit Line (LEC) for renovation by cutting (“zoca”), whereby the Agricultural Sector Financing Fund (Finagro) grants a preferential rate in order to extend the life cycle of the crop, maintaining it young and productive by practicing conventional renovation by cutting. In 2018, the renovation by cutting LEC allocated \$3.2 billion (USD 1.1 million) to subsidize the interest rate.

Other production projects are financed with Finagro resources at preferential rates and deadlines according to the needs of coffee-growing activities. As of September 2018, there was 33,317 outstanding loans worth \$259 billion (USD 88.5 million) via different credit lines.

NUMBER OF CREDITS AND VALUE BY LINE OF CREDIT OF FINAGRO

Use of credit	Amount	Value in millions
Maintenance	9,705	\$ 44,710
Renovation by planting	3,460	\$ 34,727
Renovation by cutting	1,924	\$ 22,196
Wet mills	3,897	\$ 40,879
New plantings	14,331	\$ 116,563
Total		\$ 259,076

CURRENT STATE OF THE PSF PROGRAM (\$ MILLION)

Bank	Current obligations		Obligations in arrears		ICV
	nº. of credits	Balance	nº. of credits	Balance	
Davivienda	2,568	\$ 1,150	75	\$ 63	2.92%
Agrario	67,590	\$ 101,444	5,433	\$ 11,750	8.04%
Bogotá	10,472	\$ 6,223	3,735	\$ 2,693	35.67%
Total	80,630	\$ 109,217	9,243	\$ 14,506	11.46%



RESOURCES ALLOCATED TO COFFEE REACTIVATION PROGRAM

(\$ MILLION)

Item	Law 863	FoNC	Ministry of Agric.	Total
Support for fertilizer	\$7,697	\$7,017	\$23,306	\$38,021
Audit and others	\$0	\$850	\$0	\$850
GMF	\$31	\$32	\$94	\$156
Total	\$7,728	\$7,899	\$23,400	\$39,027

Source: FNC, Technical Division, 2018

PROGRAMS DISTRIBUTED THROUGH THE SMART COFFEE ID/CARD

The Program of Support for Recovery of Production on Coffee Plantations Affected by Drought (El Niño event) transferred \$16.3 billion (USD 5.6 million) to the Smart Coffee ID between 2015 and 2016. Coffee growers used 90% of this amount within 200 days of implementation.

The 2016 Coffee Farming Reactivation Program distributed \$32.2 billion (USD 11 million) via the Smart Coffee ID/Card: The use of this aid was 99%.

First phase of the 2017 Reactivation Program delivered \$5.6 billion (USD 1.9 million) through the Smart Coffee ID/Card:

Of this amount, 98% was used within the 97 days of the first phase of the program.

In the second phase of the 2017 Reactivation Program, \$3 billion (USD 1 million) was distributed via the Smart Coffee ID/Card:

Usage reached 98% in the 69 days of realization.

The 2018 Coffee Farming Reactivation Program delivers \$29.8 billion (USD 10.2 million) via the Smart Coffee ID/ Card:

The resources came from three sources: The National Coffee Fund, the coffee transfer under Law 863, and the Ministry of Agriculture and Rural Development. The use rate was between 49% and 90%.

Government Incentive for Coffee Equity (IGEC) is a reality:

At the end of 2018, about \$375 million (USD 128,160) was paid as IGEC, of which \$366 million was via the Smart Coffee ID/Card.







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NATURAL RESOURCE MANAGEMENT AND ADAPTATION TO CLIMATE VARIABILITY

Natural resource
management

Adaptation to
climate variability

Environmental
management at the
FNC





NATURAL RESOURCE MANAGEMENT

The greatest environmental impacts we can have as an organization are through our ability to influence the environmental management of Colombian coffee growers, seeking to mitigate and reduce the impacts of coffee production on natural resources. Environmental sustainability in the coffee context is achieved when production systems do not significantly affect natural resources and do not compromise access to them for future generations. In addition, proper management of natural resources is fundamental to the permanence of the crop over time, contributing to the future profitability strategy of the coffee growing sector.

Through the strategy "More agronomy, more productivity," we promote the best environmental practices in coffee growing with actions focused on reduction of water use in wet milling of coffee, proper management of by-products, decontamination of wastewater from coffee wet processing and soil protection and conservation.

WATER RESOURCES

In coffee wet milling, water is required to remove the mucilage with natural fermentation methods and subsequent washing. The misuse of water resources in this processing is one of the greatest negative impacts on natural resources, as the process starts with clean water that becomes contaminated with a high dissolved organic load that can end up in a water source.

In the different stages, water is used to transport coffee cherries, pulp and pulped beans. Water is also indispensable in the removal of mucilage either by fermentation or friction. Per every arroba of dry parchment coffee obtained, up to 3.59 kg of biochemical oxygen demand (BOD) and 3.48 kg of total suspended solids (TSS), both indicators of organic contamination, can be generated with the pulp and mucilage. If these byproducts are not treated and handled properly, the contents of organic matter can end up in water and contaminate it.

Cenicafé has developed several technologies to reduce water consumption in wet milling and managed to reduce water consumption from up to 40 liters per kg of dry parchment coffee in traditional methods to less than 0.5 liters. All these technologies are considered ecological wet milling systems, reducing pollution by over 90%.

To reduce pollution, we act in three ways:

- Lower water consumption in the process.
- Proper disposal of by-products.
- Decontamination of water resulting from the process.

These technologies have been implemented in coffee growing for many years without any knowledge of the level of adoption or their impact on water resources. To address this issue, we worked on characterization of coffee wet milling systems, covering to date 19% of coffee producing farms in the country. This characterization has allowed us to estimate a saving of 25 liters of water per kg of dry parchment coffee in wet processing. These volumes of water saved have also prevented contamination, leaving water available for other uses downstream in the basin.

Among the technologies adopted by coffee growers to achieve this, the following stand out:



TUB-TANK

After being pulped, coffee is put into tanks to start the mucilage fermentation process, whose specific duration depends on environmental conditions.

At the end of the fermentation process, the removal of the mucilage is easier, using significantly lower volumes of water (less than 5 liters per kg of dpc) compared with traditional methods, through four rinses of the coffee mass.



ECOMILL ®

It allows for reduction of water use from 40 liters to 0.5 liters of water per kg of dry parchment coffee. At this use rate, it is possible to recirculate water over the decomposing pulp, so that wastewater is null, exposure to non-compliance with legal provisions is reduced and investments in additional infrastructure to decontaminate water are unnecessary.

When other technologies are used in wet milling, higher wastewater volumes are generated. In these cases we have Modular Wastewater Treatment Systems along with vegetation geomembrane filters. The latter require low investment and maintenance costs.

In 2018, work began on the use of renewable energy sources for coffee processing equipment. Cenicafé evaluates the use of solar panels as an energy source for the operation of wet milling equipment. These evaluations are based on different parameters established by the Government in recent years for the use of renewable energies that will allow producers to save energy purchased from the grid and use it on farms.

Likewise, options are being evaluated for the use of equipment with batteries (spraying, harvest prototypes and others) that reduce consumption of fossil fuels, generate less air pollution and reduce costs to coffee growers.

INTELLIGENT WATER MANAGEMENT (IWM)-MANOS AL AGUA

With this project, the FNC sought to face the challenges of water availability in the coffee sector of Colombia, investing over 25 million euros in six years (2013-2018) through a Public-Private Partnership (PPP) and impacting over 11,600 coffee-growing families in 25 river basins of Antioquia, Caldas, Cauca, Nariño and Valle del Cauca.

In 2013, the FNC and Cenicafé, partnering with Nestlé, Nespresso, the Presidential Agency for International Cooperation (APC Colombia), Wageningen University (WUR) and the Netherlands Enterprise Agency (RVO), started the project as an innovative initiative that acted in the territories with a coffee river basin management approach, seeking to improve water management to support the coffee industry in Colombia.

To achieve results at farm and regional levels and strengthen work with the community, the fundamental elements for more effective implementation and cohesion were: the concept of territory, the river basin as a system; water as a fundamental element for life, production, integration and decision making; management of the territory, and creation of a sense of belonging to the Manos al Agua initiative.

All the producers and their families were involved in different activities for river basin and integrated water management to strengthen the coffee sector and its value chain. The farms and the entire intervention area show improvements in water management and greater capacity of inhabitants to make decisions in the face of climate variability.

54% of the rural area has water access problems due to scarcity or lack of infrastructure, and the costs associated with water and climate reach 36% of the annual budget of an average coffee farm.

Based on this, the project was developed through 24 work plans (environmental, technical-economic, social and good governance activities). Technologies

were adopted to decontaminate, purify and save water (not always easy to access), and complementary activities were carried out such as forest management depending on the landscape, stabilizing slopes, avoiding erosion, responsible agricultural practices, climate and water quality monitoring, strengthened local management, involvement of the community in forest plantings, waste management and disposal, and coordination of coffee families, communities and different local actors for the success of the project.

It also aimed at reducing poverty and promoting peaceful coexistence and sustainable development in rural Colombia.

To foster adoption through behavior change, cross-sectoral cooperation, community participation and farm management capacities were developed, as well as better farming systems, aiming at sustainable production that protects the environment.

Both the participating coffee growers and the founding partners were very satisfied with the project, which has received a dozen awards, including the 2018 Sustainability Award from the US Specialty Coffee Association (SCA) in the Sustainable Projects category.

92%

of the 25 river basins show positive signs of improvement in water quality, of which 40% achieved "good" quality downstream from the intervention areas.

SOIL RESOURCES

Coffee production in Colombia, on the slopes of the mountains and under frequent rains, requires adequate management of the production system to avoid the loss of soil by erosion. To do so, we visit farms and hold field days in which farmers are trained in soil preparation methods without burning, contour farming and integrated weed management, which promotes the conservation of unaggressive weed cover and avoids the loss of soil.

Another impact of coffee production on soil and biodiversity is irresponsible use of agrochemicals. For this reason, we encourage the use of varieties resistant to coffee rust, as well as the implementation of integrated management of CBB and other pests, significantly reducing the application of fungicides and insecticides on crops so that environmental contamination and exposure of people and fauna to these products are prevented. In addition, soil analyses and knowledge of the needs of coffee crops at different ages allow the appropriate use of fertilizers, reducing the risk of contamination of water sources and greenhouse gas emissions.



FOREST AND BIODIVERSITY CONSERVATION PROGRAM

This program, developed since 2005 in partnership with the Colombian and German governments, impacts 59 municipalities in eight coffee departments. It has implemented actions for adequate use of land, combining coffee cultivation with agroforestry, forest plantations and live fences along with conservation of and care for native forests, with a management and planning approach that favors biodiversity habitat connectivity in the coffee zone together with sustainable production practices that use and pollute less water, moderate the use of agrochemicals, reduce organic and inorganic waste and conserve soil.

RESULTS 2015-2018

10,577 hectares of forest plantations and agroforestry systems with smallholder farmers (wood production) along with incentives and technical assistance.

4,417 hectares of conservation and protection of watersheds (springs and watercourses) along with technical assistance.

3,052 hectares of biodiversity conservation corridors in the coffee zone, along with incentives and technical assistance.

125,466 trees of native species established in biodiversity conservation corridors.

11,500 people trained in shade management, pruning and forest use.

393 farms with investments in ecological wet milling infrastructure and wastewater treatment (water saving and decontamination).

9,700 people made aware and trained in natural resource management and care.

7 associative companies of reforesting smallholders have received continued support and assistance for the transformation and commercialization of wood.

To conclude, we highlight the implementation, starting in 2019, of two indices on protection of soil resources and water resources, which allow us to quantify, in an integrated way, the impact of the adoption of the technologies developed by Cenicafé for the protection of these two natural resources. These indices add up the main variables that allow us to measure the preservation of these two natural resources.

GRI 103-1
GRI 103-2
GRI 103-3

ADAPTATION TO CLIMATE VARIABILITY

Climate has an important effect on coffee production. Favorable climatic conditions will bring good harvests and income to coffee growers, but unfavorable ones can affect the dynamics of the coffee business. Reducing the effects of climate is an important strategy to avoid risk in the productivity of coffee plantations, improve the income of coffee farmers over time and ensure a long-term crop. In this sense, the knowledge that the producer has about the climate and its effects is key to be prepared and defend against climate variability.

For this reason, the FNC monitors and studies the behavior of climate in the coffee zones of the country through Cenicafe's network of meteorological stations along with those of the Institute of Hydrology, Meteorology and Environmental Studies (IDEAM), so that timely recommendations can be made to coffee growers within the strategy "More agronomy, more productivity" and thus strengthen the resilience of coffee production systems. For this purpose, the Agro-climate platform provides information in real time, and Coffee Agrometeorological Bulletins are published to inform coffee farmers about weather variations each month and suggest the measures to be taken to reduce the possible impact of climatic variability. In 2018, 40 bulletins were published.

Additionally, coffee breeding seeks to develop the varieties of the future, which have a better adaptation to extreme environmental conditions.

ENVIRONMENTAL FOOTPRINT

Hand in hand with Buencafé and Procafecol, Cenicafé has been working on the calculation of the environmental footprint of the coffee chain in Colombia.

For the theoretical carbon fixation calculation, the distribution of coffee hectares by type of production system was used: free sun exposure, semi-shade and shade, the last two being considered agroforestry systems. This data was correlated to the carbon fixation rates obtained for monoculture (free exposure) and agroforestry systems (coffee crops with walnut and rubber) and were compared with emission rates produced by fertilization, wet milling, coffee drying and household wastewater.

The result confirmed that coffee cultivation in Colombia captures 5.2 times more carbon than that it emits and shows that coffee production has a positive effect in reducing greenhouse gases.

From the agronomic perspective, the establishment and management of shade-grown coffee production systems (agroforestry) allow for adaptation and stabilization of the microclimatic conditions of the coffee production area such that the effects of variable temperature and precipitation coming with the warm or cold events in the Pacific (El Niño and La Niña patterns, respectively) are mitigated.

In addition, these systems, when located in the right environmental supply zones, make the most of the complementary relationship between the trees and the crop such that productivity, stability and sustainability of the system as a whole increase, and their use allows improving the income of coffee growers.

GRI 103-1
GRI 103-2
GRI 103-3

ENVIRONMENTAL MANAGEMENT AT THE FNC

At the FNC we are committed to the efficient use of energy and water, and the management of solid and hazardous waste, which is why we have implemented action plans at the Cenicafé and Buencafé facilities.

CENICAFÉ

Cenicafé has an environmental policy and ISO 14001:2015 certification. As such, activities are planned with quarterly evaluations, which include communication of the environmental policy and the implementation of the technological changes that allow for the most efficient use of these resources.

Cenicafé seeks to efficiently use energy and water and manage solid waste generated during the research process. For example, the Center today consumes **34% less electricity than in 2015**, while maintaining similar or greater volumes of work, thanks to more efficient equipment and a cultural change on the part of users, now aware of responsible use of both electric power and water. In addition, proper ordinary waste management has allowed for a 100% increase in its reuse.

GRI 306-2
GRI 302-1
GRI 303-1

	2015	2016	2017	2018
Non-recyclable solid waste (kg)	8,085	8,412	7,910	9,365
 Recyclable solid waste (kg)	5,109	3,490	2,689	17,317
Solid waste generated (kg)	13,194	11,902	10,599	26,682

	2015	2016	2017	2018
 Total annual solid waste recycled (%)	38.7	29.3	25.4	64.9
 Cenicafé energy consumption (kw)	982,987	934,926	781,558	705,494
 Cenicafé water consumption	4,204	9,101	17,163	8,692

The headquarters of Cenicafé in Manizales is a Declared Forest Reserve, being one of the few located in the altitudinal range of 1200 to 1800 meters in the Colombian Andes. The reserve features (2018): 34% of the total flora of Caldas and relative to the country as a whole, it houses 23% of species, 87% of families, and 49% of genera of all bryophytes; 37% of bird species recorded for Manizales, 20% for Caldas and 9.5% of what is registered in Colombia as a whole; and 22% of the mammals registered in Caldas and 6% of those found in all of Colombia. Cenicafé is responsible for the conservation and proper management of this area.

BUENCAFÉ ⁵

At Buencafé we believe that environmental management not only enables compliance with legal requirements and set goals, but is also part of the company's organizational culture.

We comply with different environmental legal requirements and standards, the international environmental standard (ISO 14001:2015) and stakeholder requirements. The Environmental Management System implemented and included in each of the different processes that we develop allows us to prioritize requirements and the environmental dimension of Total Participation Management (TPM). The system includes topics such as:

- Use of natural resources and energy.
- Management of emissions, wastewater and solid waste.
- Continuous improvement.
- Staff skills
- Relationship with stakeholders: FNC, Ministry of the Environment, Corpocaldas (environmental authority), IDEAM, DANE, General Comptroller of the Republic, Chinchiná municipal administration, community, customers and certifying bodies.

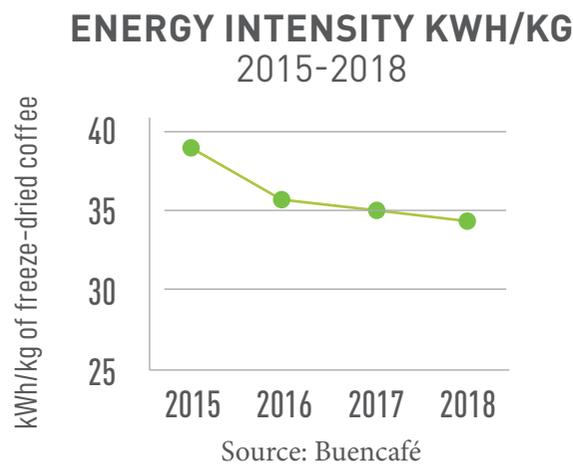
⁵ The freeze-dried coffee factory Buencafé Liofilizado de Colombia is an investment of the National Coffee Fund, managed by the FNC, located in the municipality of Chinchiná, in the Caldas department. It began operations in 1973.

The impacts are managed through daily monitoring of consumption of natural resources and energy, as well as wastewater and emissions of all company processes.

Monitoring is according to set goals, which are based on the analysis of operations and best results historically obtained regarding process inputs, such as: green coffee, water, electricity and fuels (coffee grounds, natural gas, crude oil and diesel oil). Intermediate services that distribute energy such as steam, compressed air, industrial water, softened water, permeate water, ice water and refrigerants (ammonia) in different equipment and systems are also monitored.

In 2010, the Energy Management Committee was created for optimizing the use of resources and evaluating the performance of these inputs; there, decisions are made, and projects focused on energy efficiency and use of alternative energies are developed. In the last 9 years, lower energy consumption has been achieved per kg of freeze-dried coffee produced (see graph), reducing the cost of each energy source, which directly improves economic, environmental and social sustainability.

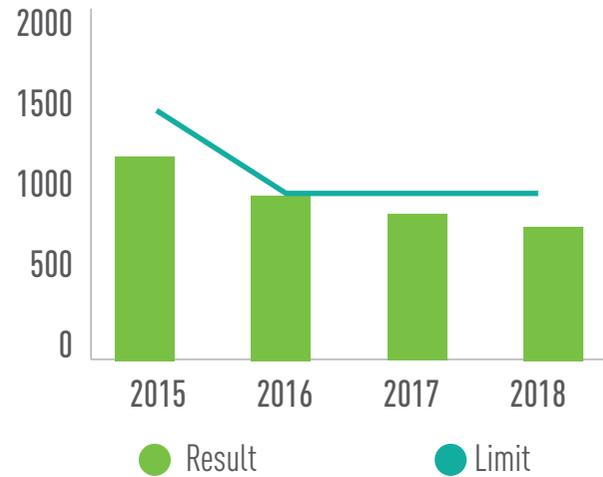
○ GRI 302-3



In order to monitor environmental quality, the following indicators are tracked:

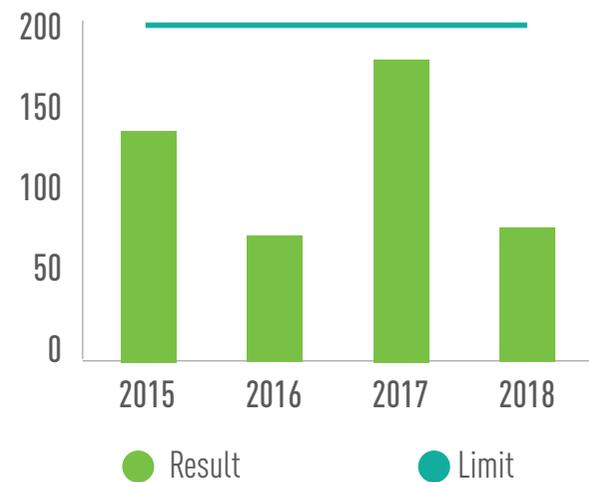
Wastewater - Biological oxygen demand (BOD): It is used to measure the degree of contamination that the water carries before it is discharged into the sewer system and after being treated. According to the graph, we observe that the values are within the allowed parameters.

BIOLOGICAL OXYGEN DEMAND IN FINAL EFFLUENT - BOD5 (MG/L) 2015-2018



Air: The emission of particulate material in the chimneys of the coffee grounds boilers is the main indicator of combustion efficiency. A specialized external analysis is contracted to measure the concentration of particulate material emitted.

EMISSION OF PARTICULATE MATERIAL - COFFEE GROUNDS BOILERS (mg MP/m3)

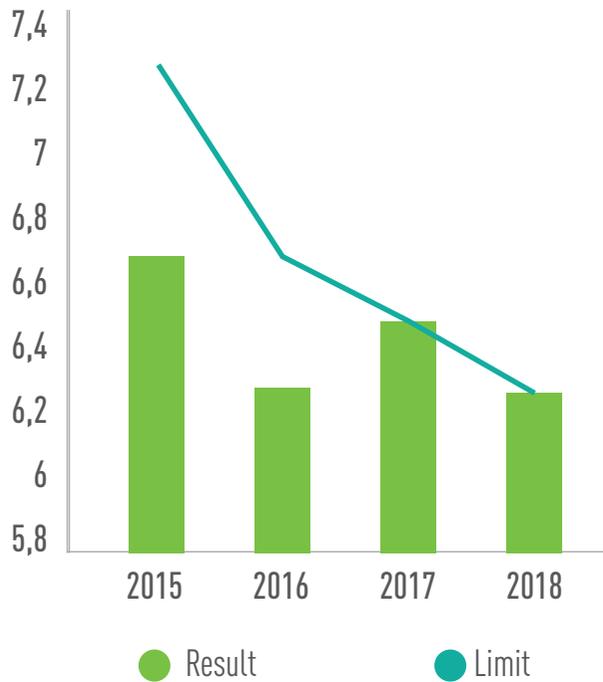


○ GRI 305-1

Greenhouse gases (GHG): Greenhouse gas emissions are calculated taking the consumption of fuels and electricity throughout the process into account, from the transport of green coffee to the delivery to the finished product warehouse, including emissions of roasted coffee and from the wastewater treatment plant. To monitor Buencafé's overall performance, the total emissions are divided by the freeze-dried coffee produced.

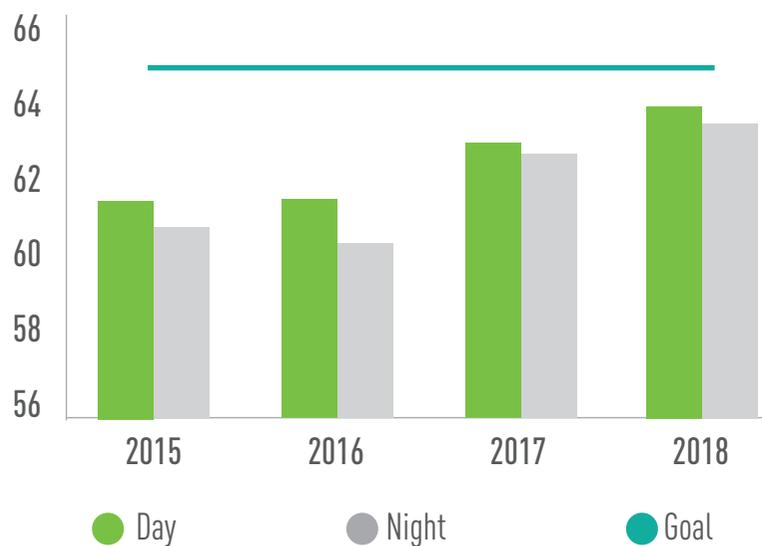
GRI 306-2

GHG EMISSIONS (KG CO₂/KG FREEZE-DRIED COFFEE)



Noise: The level of noise generated within the perimeter of the factory is measured quarterly, and although the standard allows up to 75 dB (A), the goal of the factory is to remain below 65 dB (A)

NOISE EMISSION LEVEL DB (A)

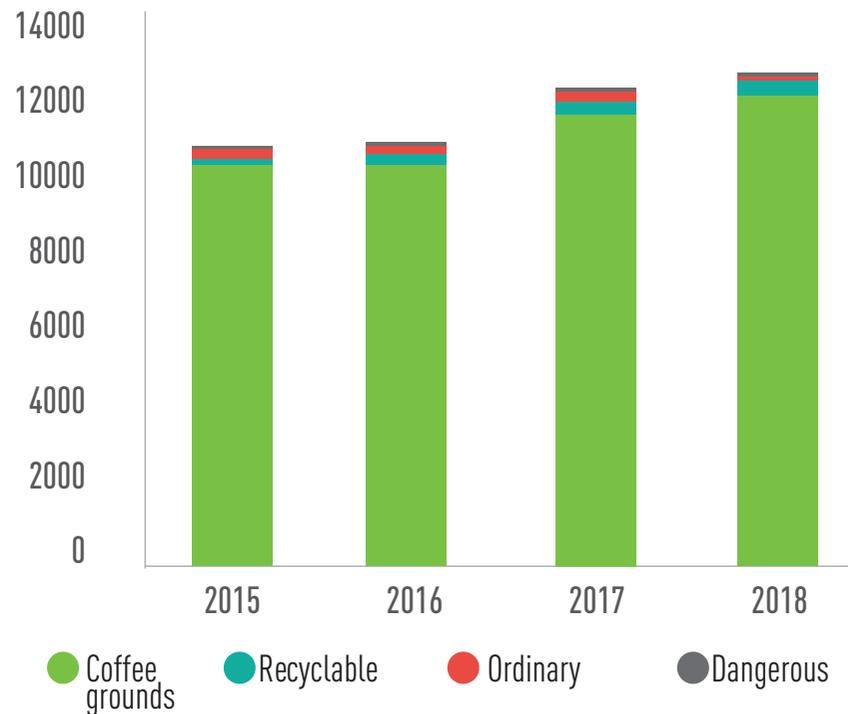


Waste: The production activity generates the following types of waste: ordinary (related to the normal performance of activities in offices, common areas, cafeterias, etc.); dangerous (posing risks to health and the environment); recyclable (can be reused or serve as raw material for other types of products) and coffee

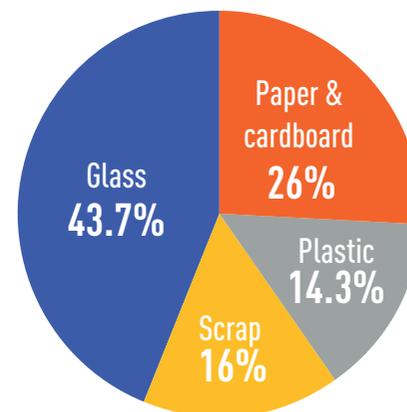
grounds (solid waste resulting from the extraction process and reused as fuel in the boilers), the latter being 95% of total waste.

GRI 306-2

WASTE GENERATION (TONS)



RECYCLABLES 2018



Resource consumption: This indicator measures the consumption of water, electricity and natural gas for every kg of freeze-dried coffee produced.

○ GRI 302-1

CONSUMPTION OF RESOURCES (PER KG OF DPC)

Indicator	Units	2016	2017	2018	Variation 2016/17	Variation 2017/18
Natural gas consumption	m3/kg	2.06	1.99	1.92	-3.20%	-3.5%
Electricity consumption	Kwh/kg	6.30	6.35	6.34	0.70	-0.2%
Water consumption	l/kg	95.0	98.0	95.0	3.20%	-3.1%
Overall energy consumption	Kwh/kg	35.9	34.8	33.9	-3.00%	-2.6%

Although in 2018 production capacity was at 100%, consumption of resources decreased compared to previous years due to management led by the Energy Management Committee.

HIGHLIGHTS OF ENVIRONMENTAL MANAGEMENT AT BUENCAFÉ

- Use of coffee grounds as fuel for steam generation: 1.8 kg of dry coffee grounds replaces 1 m3 of natural gas. In 2018, savings by using coffee grounds instead of natural gas was \$3.9 billion (USD 1.3 million).
- Use of rainwater for industrial processes: In 2018, the construction of the pool and the first phase of rainwater collection were completed. It was then possible to collect and use 100 m3/day (in rainy season).
- Photovoltaic power generation by installing solar panels (pilot project): 28 panels with a capacity of 5000 W were installed, capable of generating 30 kWh/day. This power is connected to Buencafé's power grid and results in sufficient generation to power 6 households for 24 hours for a month.
- Electricity microgeneration by waterfall: Installation of 2500 W can generate 50 kWh/day, which is used to provide lighting to the plant, specifically for the extraction area.
- Creation of the Energy Management Committee: It generates projects focused on energy efficiency and use of alternative energies.

- Control of particulate emissions in the roasting process: By purchasing and installing an afterburner of the gases generated by the roasting process. This investment was 364,000 euros (\$1.3 billion).
- Treatment of resulting sludge in wastewater plant: The band filter installed for sludge treatment allows for the permanent operation of post-treatment of wastewater as required by law.
- Startup of Clean in Place (CIP) systems in extraction and concentration: This means savings in water consumption and chemicals, as well as better performance of systems. Previously, their cleaning involved the dismantling of the equipment.
- Integration of operation information systems: Automatic monitoring, cooling systems, boilers and users.
- Donation of recyclable waste to non-profit entities for social purposes: In 2018, 410 tons of waste were donated, worth \$60 million (USD 20,505).



EXCELLENCE IN SUSTAINABILITY PROJECT MANAGEMENT

Partnerships management

Project management
model



PROJECTS FACTORY

In 2018, the CEO of the FNC created the Projects Factory, in which various areas such as innovation, project structuring and management of partnerships with third parties converge, seeking funding for initiatives and projects that contribute to the achievement of the value creation strategy of the FNC. The partnerships are managed nationally and internationally with public and private organizations that provide not only financial resources but also access to intangibles such as new knowledge and the ability to influence key issues in the coffee sector.

All the branches and areas of the FNC can count on the Projects Factory to develop projects that allow them to advance in the achievement of their objectives. The Projects Factory can provide support in the following aspects:

- Innovation processes
- Project implementation
- Maturation of ideas
- Development of skills
- Partnerships management
- Methodologies and formulation

MAIN FINANCING SOURCES AND PARTNERS IN 2018

NATIONAL



	El futuro es de todos	Agencia de Renovación del Territorio	FondoPaz
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Departmental and municipal administrations



INTERNATIONAL



PARTNERSHIPS MANAGEMENT

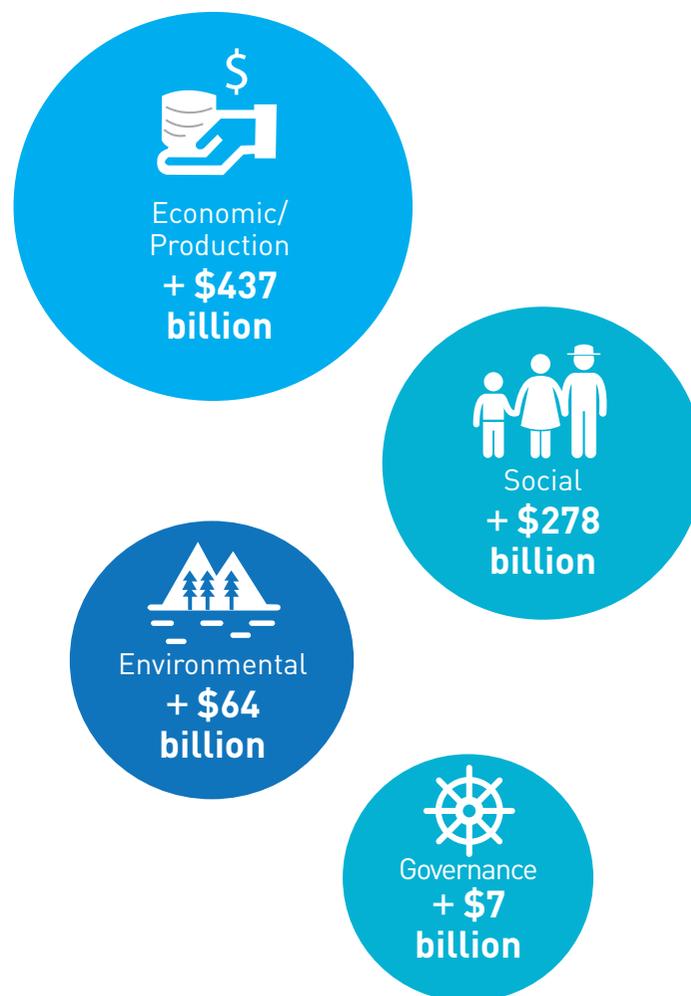
Since 2015 the FNC has built a new way of relating to national and international public and private organizations. Now at the FNC, we coordinate and promote projects and initiatives that engage third parties to jointly contribute to profitability of the coffee business and to improve the quality of life of coffee-growing families in social and environmental aspects.

In 2015-2018 we have strengthened our capacity to bring together, through partnerships, the opportunities that exist in the market with the most heartfelt needs of the coffee farmers we represent. With this approach, the FNC has developed projects in this period totaling **\$787.2 billion** (USD 269 million).

Because of our efficiency and transparency in implementation of development projects, national and international donors see us as a key partner, channeling important resources for projects that impact the four dimensions of the institutional value creation strategy, a true factory of projects. This has allowed the FNC, as of December 31, 2018, to leverage the resources from the FoNC with the resources from other additional sources in a ratio of 1 to 3.8, that is, per each peso contributed by the FoNC, an additional \$3.8 was raised from other sources.

To ensure that these projects respond to the needs of coffee growers, the partnerships team focuses on promoting the initiatives that have been prioritized in each dimension of the FNC's value creation strategy: Economic, Social, Environmental and Governance.

TOTAL INVESTMENT BY PROJECT TYPE 2015-2018



It is essential to highlight the participation of the coffee community in the development of all these projects, contributing in-kind resources worth \$40 billion (USD 13.7 million), as well as cash resources amounting to **\$9 billion** (USD 3.1 million) between 2015 and 2018.

A service portfolio has also been created for potential national and international partners to get to know the FNC's broad value proposition in implementing projects with excellence:

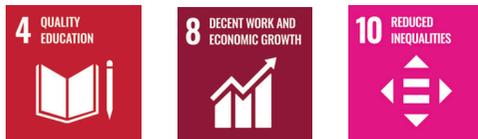
OUR PORTFOLIO OF PROJECTS FOR INVESTMENT IN RURAL DEVELOPMENT

PRODUCTIVITY AND ENVIRONMENT



- Renovation, fertilization and planting
- Environmental footprint management
- Production + community infrastructure
- Agroforestry systems and reforestation
- Water management

IMPROVEMENT OF QUALITY OF LIFE



- Education
- Young people and women
- Strengthening of associations
- Union strengthening
- Social protection
- Food and nutrition security

SCIENCE, TECHNOLOGY AND INNOVATION



- Research and development
- Innovation
- ICTs
- Entrepreneurship

MARKET ACCESS



- Quality and profiling laboratory
- Coffee warehouses
- Expos and competitions
- Promotion of origin coffee
- Roasting plants
- Coffee shops

INFRASTRUCTURE



- Roads
- Schools
- Aqueducts and water supply
- Rural housing
- Electrification
- Connectivity

In addition to ensuring the alignment of interests with opportunities, we have and encourage different principles for the development of partnerships:

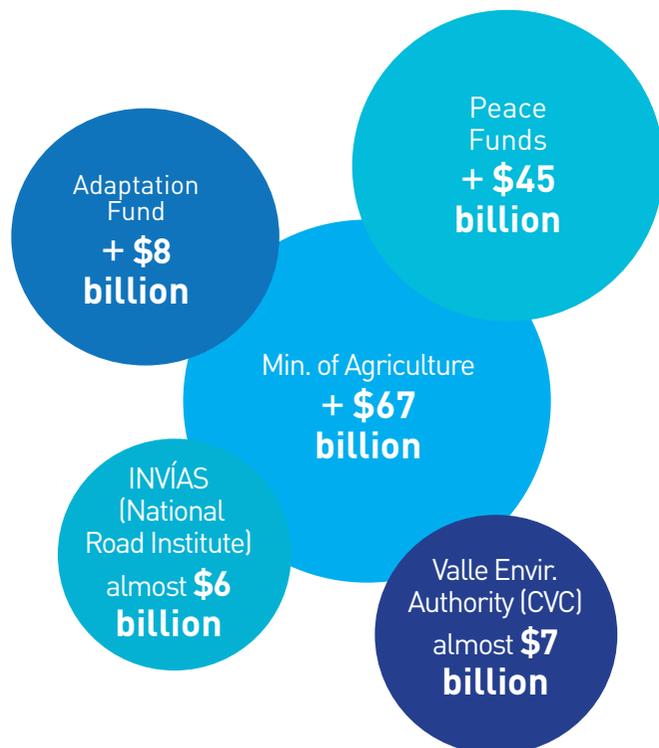
GENERAL PRINCIPLES FOR BUILDING PARTNERSHIPS WITH THE FNC

1. We have a common purpose.
2. We invest financial and non-financial resources to achieve an objective.
3. We share the risks and benefits, the challenges and the opportunities.
4. We build transparent and long-term relationships.
5. We seek to develop models that are sustainable, scalable and replicable.

MAIN RESULTS OF NATIONAL PARTNERSHIPS

As a result of our partnering with national public and private organizations, in the 2015-2018 period projects were implemented as follows:

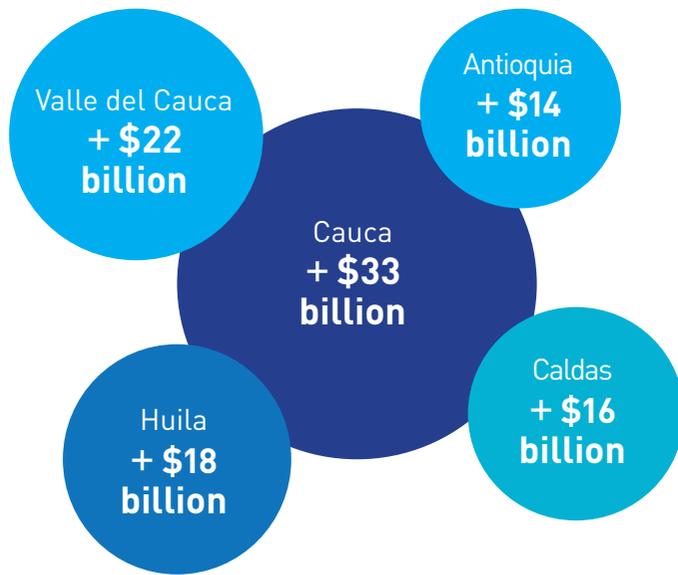
PUBLIC PARTNERS AT NATIONAL LEVEL



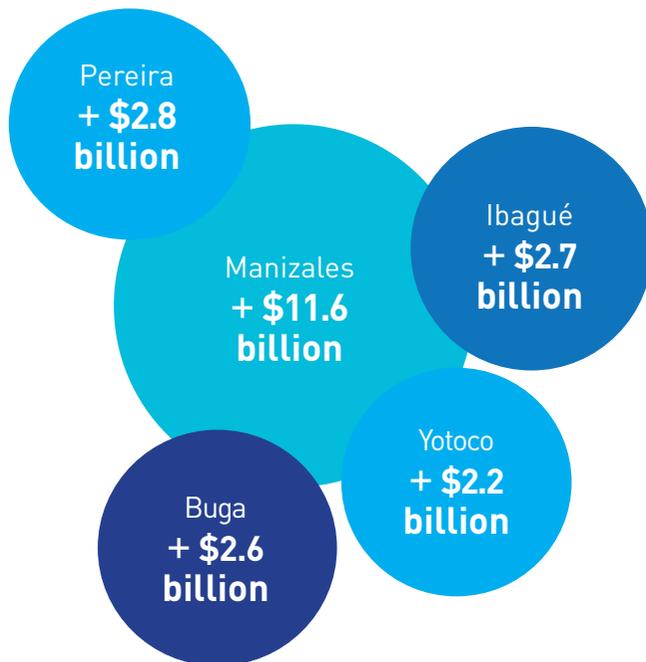
At regional level, there has been significant participation of departmental and municipal administrations in both production and social investment development projects, distributed as follows:



PUBLIC PARTNERS AT DEPARTMENTAL LEVEL



PUBLIC PARTNERS AT MUNICIPAL LEVEL



Private organizations at the national level contributed to development of projects focused on the coffee sector for a total value of **over \$28 billion (USD 9.6 million)**.

MAIN RESULTS OF INTERNATIONAL PARTNERSHIPS

To raise funds for development of integrated production projects that are sustainable and have a market approach, we have a multidisciplinary team with presence in 15 departments led by the Coffee Growers Committees headed by their executive directors, four offices abroad that have direct contact with customers and donors in the United States, Holland, Japan and China, and the headquarters team, which is supported by all the divisions of the FNC.

In 2018 alone, the joint work of the Committees, the offices abroad, the headquarters and the different divisions raised around **\$45 billion (USD 15.4 million)** that will be used in the years to come. We recognize the commitment of international organizations to rural development through their investment in issues such as: improved production infrastructure, technology transfer, renewal of coffee plantations and access to safe water, among other.

OUTSTANDING PARTNERS HAVING INVESTED OVER \$95 BILLION (USD 32.5 MILLION) IN 2015-2018:



PROJECT MANAGEMENT MODEL

At the FNC we have obtained wide recognition as a project manager. Since 2015 we have consolidated ourselves as an organization that excels in project management in order to bring it closer to meeting strategic objectives and positioning it before partners and customers.

To improve capacities in project management, we are working in 6 dimensions:

Governance

It serves to regulate the day to day implementation of the projects managed by the organization. It helps define who sponsors and who manages each project and its responsibilities and scope.

145 Project Managers formalized and playing the role.

Project Management Office

It facilitates the implementation of the project management model and offers services to the organization regarding resource management, capacity building in project management, continued support in use of the project methodology and supply of information for decision making, with one project manager in each branch coordinating the project model.

Process

Design of the process and tools necessary to standardize project management at the organization. Alignment with approaches of other branches was ensured while remaining simple and versatile.

We are certified in ISO 9001:2015 since 2017

Training

We seek to develop skills in FNC staff at all levels.

TRAINING



IN-PERSON
2016 - 2017

791 employees
163 union representatives
45 training hours on average per participant



ONLINE
2018

3,066 employees
7 training hours on average per participant

Trained in:

Project management
Project formulation

Financial indicators
Impact assessment

TECHNOLOGY

We implemented a technological solution to manage projects and the information and documentation derived from them.

1,455

Projects in 2018

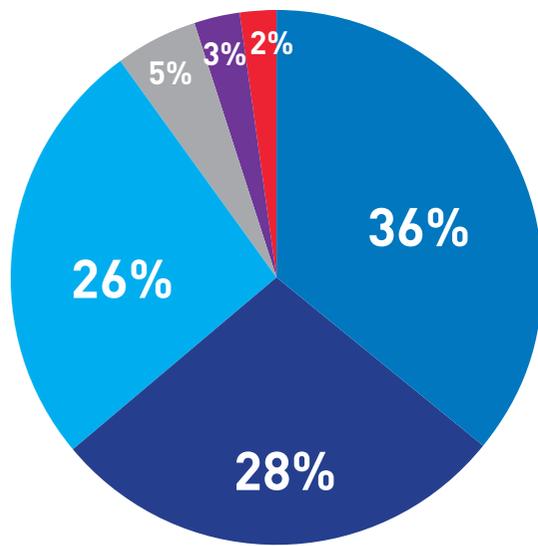
+2 million

beneficiaries

Total realization

+\$291 billion

DISTRIBUTION OF INVESTMENT BY STRATEGIC DIMENSION



- Economic
- Buencafé
- Social
- Environmental
- Organizational
- Governance
- Facilitation processes
- Technology Transfer

Change Management

Planning and implementation of actions minimize resistance to change in the face of adoption of the project management model. A change management plan has already been formulated and is being implemented. It consists of change management workshops, identification of change facilitators and a strong communications strategy.



**PROSPERITY
OF THE FNC**



The FNC, as a non-profit organization, is known for being a reliable organization that manages the resources entrusted to it responsibly. Its recognized trajectory, exemplary relationship with national and international entities, and its ability to manage assets effectively and execute projects have allowed it to positively impact coffee areas of the country and the surrounding communities.

We are aware that, in order to continue this work to improve living conditions in the coffee areas of the country, we must work consistently and systematically to ensure the financial prosperity of the organization. As such, we have established work fronts and projects that allow us to fulfill the goal of a prosperous FNC, framed in three fundamental pillars:

- Investment Priority

We promote disciplined practices in budget management, continuously seeking budgetary balance in the different branches.

- Debt Reduction

We have defined a medium-term plan to reduce the structural debt of the FNC.

- Financial Strength

We work on consolidation of an equity and asset structure that allows us to meet our long-term obligations with third parties.

To achieve this objective, two conditions are emphasized in the budgetary management of areas: 1) austerity in spending, consistent with the transformation of the organizational culture, and 2) efficient management of and care for the allocated resources.

Additionally, reporting on budget realization enables to evaluate performance against the financial goals established for the corresponding periods.

NATIONAL COFFEE FUND

As the national entity representing coffee growers, the FNC is authorized to manage the National Coffee Fund (FoNC). In accordance with the provisions of the FoNC Management Agreement in its second clause, the Fund is a parafiscal account of public resources whose main objective is to help maximize the income of coffee producers as defined in Law 788 of 2002, which establishes "a coffee contribution by coffee producers, destined to the National Coffee Fund, with the primary purpose of maintaining coffee growers' income in accordance with the foreseen objectives that gave rise to the aforementioned Fund."

Resources from the FoNC finance activities of purchase, storage, threshing, transport, sale and others related to coffee commercialization, and the industrial activity led by Buencafé (added-value coffee production and marketing). Additionally, the coffee institutions design and implement programs aimed at encouraging the achievement of efficient, sustainable and competitive coffee production.

The income from the coffee contribution is used to finance public goods and services in the coffee sector that provide the best possible conditions for Colombian coffee growing. One of the main challenges to the country's coffee farmers, and which involves the active intervention of the FoNC, is generating the necessary demand to guarantee participation of all producers. That's why the main public good is the purchase guarantee.

Through different scientific disciplines, the FoNC finances research projects that contribute to profitability of coffee growers such as development of more productive varieties (resistant to diseases of the crop), adaptation to climate change and harvest mechanization. These advances in agricultural research and development make Colombian coffee farming a global example. Additionally, technical assistance is provided to coffee farmers through knowledge and good agricultural practices, which have a direct impact on the Colombian coffee





plantations and their productivity.

The coffee transfer resources, established by Law 863 of 2003, are used in social and economic development programs for coffee communities, looking out for their well-being and improved living conditions. Resources are also allocated for a nationwide presence so that they can be managed with departmental and territorial entities to leverage them and execute regional investment projects.

Colombian coffee is recognized as a high-quality product, which is why it is necessary to continue investing in its promotion and publicity in order to favorably position Colombia's flagship product abroad. These activities have allowed the international markets to recognize a quality premium to Colombian coffee in virtue of its physical and cup attributes. Through national and international campaigns and events, the Café de Colombia brand is promoted. We also invest in specialty coffee programs that highlight the characteristics of origin coffee. This creates loyalty to the brand among consumers and achieves differentiated prices for the benefit of Colombian coffee producers, while meeting global standards of sustainable development in the social, economic and environmental dimensions.

To preserve Colombian coffee quality standards, the FoNC controls exports by verifying that the product shipped to international customers complies with minimum and consistent quality standards. Prior to all exports, controls on green, roasted and roasted-ground coffee are carried out.

Finally, resources from the FoNC promote and finance the development of coffee cooperatives as an instrument for efficient commercialization and as a means of social improvement of the coffee community. Cooperativism is essential to bring the purchase guarantee, unique in the world, to all corners of the country.

INNOVATION

Strategic
innovation

Product and
process innovation



GRI 103-1
GRI 103-2
GRI 103-3



STRATEGIC INNOVATION

Since our creation, we have generated innovative proposals, especially for our main client, the coffee grower. Some examples are:

SCIENTIFIC INNOVATION

Creation in 1938 of the National Coffee Research Center (Cenicafé), where different innovations have been developed such as varieties that guarantee productivity and are resistant to rust and the coffee berry disease (CBD), and post-harvest equipment for optimal use of water, among others.

RURAL EXTENSION

Development of the rural extension model of the FNC and the communications program Professor Yarumo.

MARKETING

Positioning of Colombian coffee worldwide with the creation of the character Juan Valdez and the Café de Colombia brand. Purchase Guarantee, which assures farmers of the purchase of all the coffee produced. Creation of the Buencafé freeze-dried coffee factory, which adds greater value to the product, and creation of the Juan Valdez stores to participate in the last link of the coffee value chain.

PRODUCT INNOVATION

Creation of the Specialty Coffee Program to obtain higher premiums for quality concepts and/or social and/or environmental impact.

GOVERNANCE

Creation of a democratic and representative union model that serves as a global reference.

SOCIAL INNOVATION

Creation of the Manuel Mejía Foundation for education on coffee issues and implementation of the rural education model (New School), in addition to multiple social development projects.

Since 2015, the new challenge we have been working on is the formalization of innovation as a value creating discipline, with the formulation of a policy and its implementation through an innovation strategy.

INNOVATION POLICY

At the FNC we consider it necessary to make a disciplined effort to:

- Strengthen creativity of our internal human talent and take advantage of the creativity of external collaborative networks.
- Materialize this creativity in innovative proposals that contribute to the fundamental purpose of the organization of steadily creating value to our stakeholders and thus increase operational efficiency.
- Strengthen the creativity of coffee growers so that they achieve greater adaptability that allows them to respond to changes in the environment and ensure that their entrepreneurial proposals materialize.

We implement this policy through the innovation strategy, which consists of three components:

Culture: Promotion of the right environment to encourage innovation and creativity in our human talent.

Process: Step-by-step activities that are required to innovate, as well as determination of the human talent skills necessary to develop these activities and the technological tools required. Additionally, transfer of innovation methodologies to coffee growers requires the construction of a "tool box for innovation" to facilitate adoption.

Metrics, compensation and risk: Measuring and recognition of innovation results in balance with the desired risk level.

In keeping with the innovation policy, methodologies have been shared to be used by coffee growers. For example, in the First Meeting of Coffee-growing Women, the "action plan" tool was disseminated and implemented, impacting 96 women from all the coffee regions of the country.

In the innovation activities outlined in the value creation strategy, we have applied methodologies that

have resulted in 3,103 findings, which have become 748 ideas to help in formulation and implementation of the strategy itself.

Additionally, we have made an important innovation effort in the four main dimensions of our value proposition. The table below shows the innovation projects and approaches developed in each of the dimensions.

EXAMPLES OF INNOVATION FOR EACH DIMENSION OF THE VALUE CREATION STRATEGY



ECONOMIC

Open innovation to solve the challenge of handpicking coffee beans (Coffee pickINN).

Technological innovation in mobile and portable applications (SICA mobile).

National Coffee Quality Competition "Colombia, Land of Diversity."

Export of small quantities of coffee.

Purchase by cup "LH Nespresso" Project.



SOCIAL

Gender equity model.

Generational integration model.



ENVIRONMENTAL

Innovation to save water in coffee wet milling "Ecomill."

According to a rigorous study under the Nationally Appropriate Mitigation Action (NAMA), coffee growing in Colombia captures 5.2 times the carbon it emits.

Vegetation filters with geomembrane.

Use of renewable energy sources for coffee wet milling equipment.



GOVERNANCE

Reform of bylaws.

Transfer of innovation methodologies to all the FNC governing bodies for co-creation of solutions for different challenges of Colombian coffee growing.

OPEN INNOVATION

The open innovation methodology was used to receive global proposals to respond to the challenge of increasing the labor force productivity in coffee handpicking. It was supported by Connect Bogotá Region, a firm with expertise in facilitating processes of open innovation, entrepreneurship and technology transfer; 64 proposals were received from 15 countries, of which 59% were from research centers, 32% from startups and 9% from established companies. Colombia was the country that most responded to the call, with 62% of the proposals. The first result of this process in the FNC was the internalization of the open innovation methodology. It also led to the delivery of the Brudden DSC-18 portable machine to assist in coffee collection and reduce costs.

On the other hand, in 2018, the FNC and Bancolombia, in order to learn about new methodologies and understand rural needs, did a collaborative innovation exercise by applying the Design Thinking methodology, which allowed identifying four initiatives focused on:

- 1 Strengthening of the technology transfer model (on-farm experimentation, a source of generation of new knowledge).
- 2 Solutions to connect the specialty coffee market with Colombian coffee growers.
- 3 A model of connection between the institution and associative groups.
- 4 Solutions to generate meeting points between investors and entrepreneurial associations to materialize their projects.



In addition, the FNC, through its scientific arm Cenicafé, participated in the call by the University of Oxford (via its innovation consulting branch, OXENTIA) to accelerate businesses based on the research process, in which four investigations by the Post-harvest and Entomology disciplines were selected.

PRODUCT AND PROCESS INNOVATION

Coffee marketing has importantly evolved in the last years to respond to new global consumption trends and increasing demand for products that offer consumers unique and differentiated experiences.

For this reason, in the last four years we have developed marketing innovations to access new customers and added-value markets through a portfolio of products and services adapted to these changes, including the development of a new product through the LH program, a new quality competition for Colombian producers, and a business model leveraged on the purchase of coffee differentiated by cup attributes.

PURCHASE BY CUP

LH NESPRESSO PROJECT

To produce the new capsule of Nespresso "Master Origins Colombia," 100% Colombian, we defined with the customer a differentiated cup profile that highlights late harvest (LH), which combines overripe fruits and excellent wet milling.

In order to serve the customer in the most efficient way and transfer the benefits of the program to the participating coffee growers, between late 2017 and 2018 the FNC developed an innovative purchasing method in Cauca and Nariño in which 5 purchase points (3 in Cauca and 2 in Nariño) implemented a model with cupping of coffee from each producer to confirm the required profile. This strategy required a series of procedures for receipt, qualification, profiling (sensory and physical analysis in laboratories installed for this purpose) and conservation of LH coffee.

The coffee is bought at the points enabled with the new laboratories of the cooperatives, where Almacafé performs physical and cup tests. If the LH profile is correct, a premium of \$200,000 (USD 68.3) per load of 125 kg of dry parchment coffee (dpc) is directly paid to the coffee grower. Between October 2017 and September 2018, 860,000 kg of dpc were purchased in Cauca and 680,000 kg in Nariño, benefiting 4,219 producers with premiums totaling \$2.5 billion (USD 841,420), thus strengthening economic sustainability of the beneficiary families.

NATIONAL COFFEE QUALITY COMPETITION

“COLOMBIA, LAND OF DIVERSITY”

The FNC's Commercial Division decided to develop a quality competition on its own in which the different Colombian coffee cup profiles and attributes could be recognized and highlighted. Three versions of the National Coffee Quality Competition "Colombia, Land of Diversity" have been held, and very good results have been obtained.

The competition was developed as a tool to identify the diversity of coffee profiles produced in Colombia that have sensory attributes of different intensities and a wide range of flavors. The competition has an innovative sensory analysis protocol with which the diversity of profiles produced in Colombia can be evaluated through the main coffee attributes: acidity, body, balance, smoothness and exotic taste.

A very important component of the competition is that it manages to convey the qualities of each coffee to buyers, consumers and coffee growers. The system developed allows for evaluation of the attributes at different intensity levels in a language easily understandable. Typically, the coffee sensory evaluation protocols are based on numerical scores, procedures that are not easily understood by those who do not know the evaluation system.

The first version of the competition was held for the coffees produced in the harvest of the first half of 2016. In this first edition 1,360 microlots from 12 departments participated, accounting for over 1 million kilograms of dpc purchased.

21 international cup tasters were invited to select the best 25 lots to be auctioned live at the specialty coffee fair ExpoEspeciales 2016. In the first edition of the competition, the winning lot from Tolima was auctioned at 50.5 USD/lb, the second at 30.50 and the third at 22.50. The average sale price at the auction



was 11.89 USD/lb and the premiums for 25 producers were \$432 million (USD 147,600).

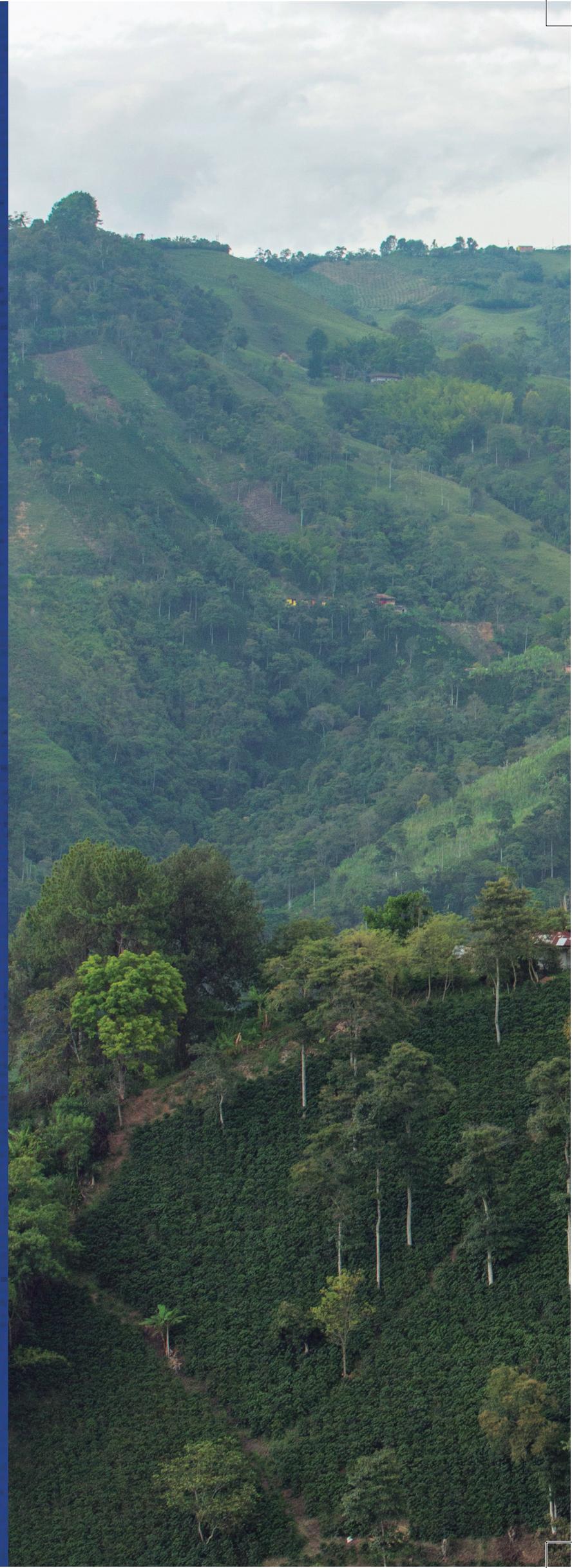
The second version of the competition was held for coffees produced in the second half of 2016, in order to give opportunity to all Colombian coffee growers to participate; 1,071 lots from 14 departments took part.

The round of international cup tasting with customers took place in Armenia, Quindío, seeking to create a unique experience for customers around coffee. As part of their staying in Colombia, coffee farms, cooperatives (and their points of purchase), Departmental Committees and the Coffee Park were visited. At the auction of the best 26 lots, the winning coffee was sold at 31 USD/lb and the second at 16.50. The average sale price of the microlots was 9.34 USD/lb, and the 25 finalists received \$311 million (USD 106,300) in premiums.

Due to the success of the competition as a tool for marketing the best coffee in Colombia and as a commercial route for coffee growers, the FNC held the third competition "Colombia, Land of Diversity" for all the coffee lots produced in the harvest of the first semester of 2018.

For this version, 1,171 lots were received from 12 departments, which were evaluated by national and international jurors. The cup tasting round was held in Cenicafé, seeking a rapprochement between customers and the research center, showing them the coffee research in Colombia. In addition, coffee farms, a cooperative and Almacafé were visited. The cup tasters had the opportunity to taste 69 lots, of which 26 were selected to be auctioned live.

The live auction of the third competition was held at the renovated Cafés de Colombia Expo, in October 2018. 27 microlots were auctioned to 26 registered companies. The highest price reached was 20 USD/lb, the second, 16.50, and the third, 16. The average sale price was 8.27 USD/lb and the premiums were worth \$291 million (USD 99,500).





COFFEE DIFFERENTIATED BY CUP

DOMESTIC PURCHASE BY CUP

We developed a mechanism to purchase coffee differentiated by cup with the objective of generating a volume of inventory of specialty high-quality coffees. Through this purchasing strategy, the specialty coffee sales team knows the quality of the coffee and can offer it depending on the profile and preferences of each customer and market.

There are two mechanisms to nationally purchase coffee by cup. In the first one, cooperatives or associative groups of coffee farmers have a significant inventory volume to offer. The specialty coffee team, accompanied by a quality analyst from Almacafé, visits the point of purchase to evaluate coffees and authorize the purchase of those meeting the required quality conditions.

The second purchase mechanism is based on Almacafé's evaluation results at a national level, that is, the coffee grower, cooperative and/or group interested in selling their coffee for the FNC Specialty Coffee Program must send Almacafé a sample of the lot to be offered in order to determine if the purchase of the coffee by the program is authorized or rejected.

This purchasing strategy is an innovative way of approaching coffee farmers, seeking for them an income higher than the published price by recognizing coffee quality. The purchase also has a specific objective, for which there are requirements to be met and a specific quality that the customer abroad seeks. This mechanism enables to buy the coffee strictly needed, at the quality and quantity required for a specific negotiation.

Launched in 2018, this new national microlots program is an option for marketing differentiated coffee and offering premiums to coffee growers depending on quality attributes. In 2018, samples were evaluated at Almacafé warehouses in Soacha, Tuluá, Popayán, Ibagué and Neiva.

BUENCAFÉ

The Research & Development (R&D) area of Buencafé manages the product portfolio based on preferences and needs of customers and consumers.

In management of the value creation strategy, new and differentiated products with high value for the company and the customers are developed. This area is up-to-date with new technological developments in the world with the purpose of incorporating technologies that allow for optimizing the production processes. This also includes previous research and tests in order to advise the company, together with the Technical Committee, on the acquisition of state-of-the-art equipment and operation methodologies and conditions that contribute to achieving the institutional objectives and obtaining products of better quality and lower cost.

In mid-2018 a process was created to monitor consumers' and customers' perceptions of products and market trends to ensure that new developments meet their expectations.

Research and development are crucial aspects for the business sustainability. Based on these activities, how the company will evolve is defined and a long-term vision is conceived, which allows for timely anticipation of trends and market requirements. All this is incorporated into strategic projects that allow Buencafé to maintain leadership and relevance in the global industry.

The R&D strategy and the priorities are defined by the steering team. The procedures are specified by the Product and Packaging Committee to guide the development of new products. Meanwhile, the Technical Committee makes decisions about the optimization of processes and equipment.

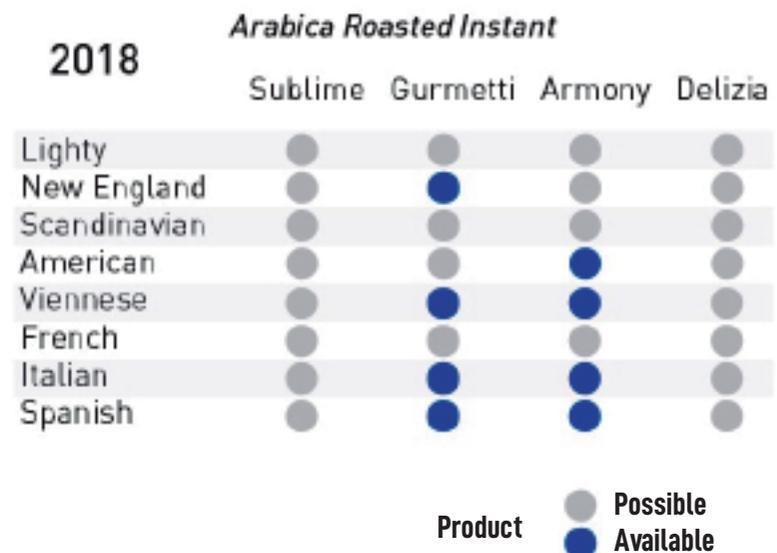
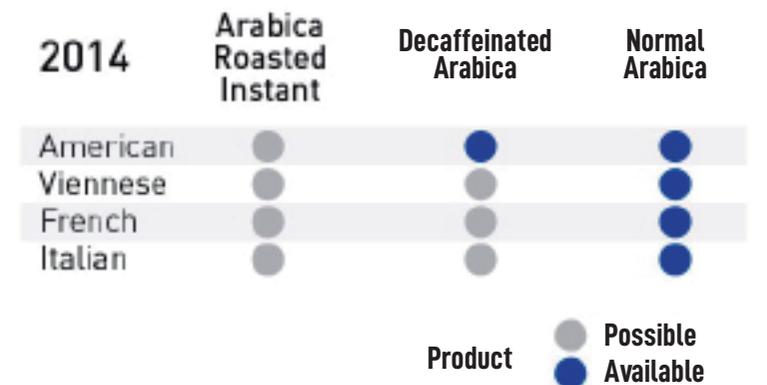
Both committees do research on the international panorama of opportunities and trends and determine the main projects to be executed in line with the strategy, needs, risk analysis and availability of resources.

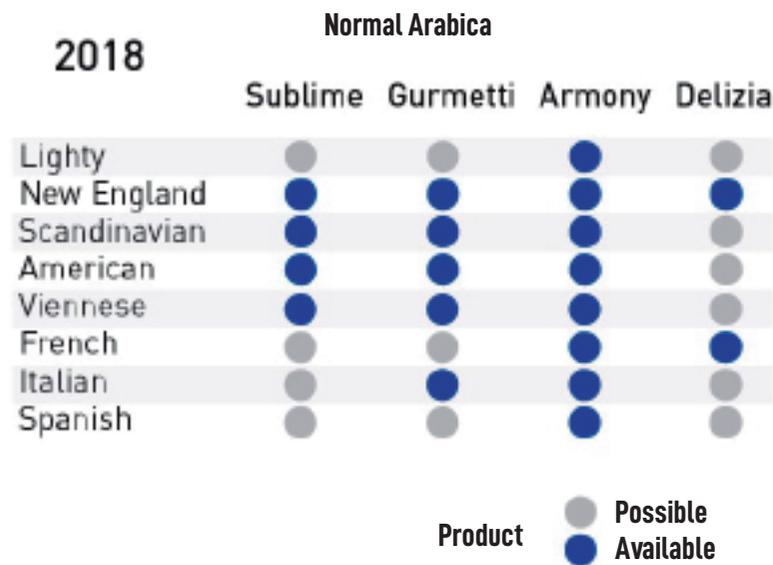
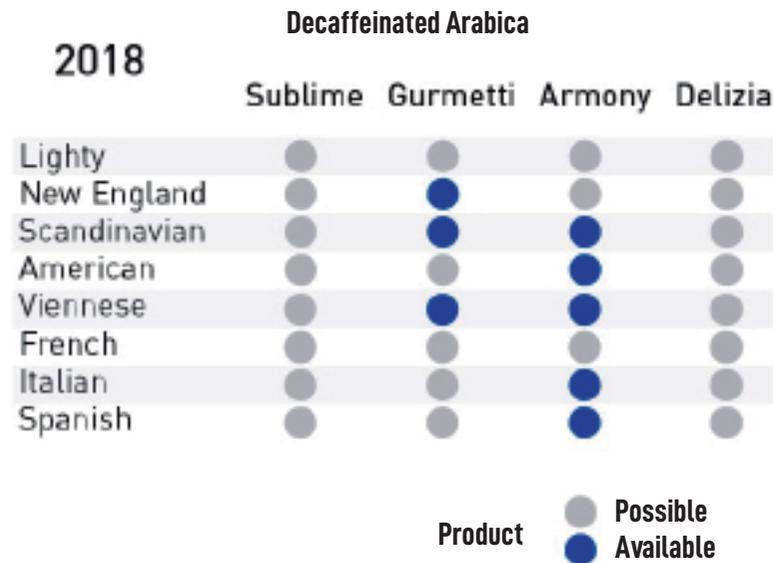
PRODUCT DEVELOPMENT

The product portfolio offered by Buencafé has evolved significantly in the last 5 years, from using only one raw material (100% Colombian Arabica coffee) and a single quality grade (rating of the cup depending on raw materials and yield factor) to multiple types of products with different raw materials in four grades of quality, including 8 roasting colors and options in particle size, density, oil coating, flavors, etc.

The following chart illustrates the evolution of the portfolio of freeze-dried coffee products in the last 5 years with Colombian Arabica as raw material. This portfolio offers customers a wide variety of product profiles.

FREEZE DRIED COFFEE PORTFOLIO





In addition, there has been an important evolution in freeze-dried coffee particle size options to meet the preferences of certain markets. One example is sizes S2 and XS, which have been particularly successful in European markets. Products innovating in functional benefits have also been developed, such as soluble coffee with 5 times more antioxidant polyphenols (chlorogenic acid) compared to traditional soluble coffee, and coffee with various ingredients such as ginger and ganoderma.

We have also taken advantage of the process byproducts, for example, the new product "Roasted Coffee Low in Oil," obtained from the residue of the coffee oil extraction process, and coffee pulp and mucilage used as sources of sweet taste and antioxidants for soluble coffee products.

OPTIMIZATION OF PROCESSES

Buencafé's production has grown 750% since it started 46 years ago, an average rate of over 16% per year. This growth has been an opportunity to innovate.

The most recent enlargement is in the final setup phase. Currently, state-of-the-art roasting technology is being installed, which allows great versatility in obtaining various products; a new extraction technology was also acquired, whose installation will be the first in the world and will allow producing coffee extract and soluble coffee of better flavor and aroma compared to those currently in the market.

For Buencafé, innovation is a cross-cutting process and is key to long-term business sustainability. This allows us to be at the forefront and leaders among independent producers of coffee extract and freeze-dried coffee in the world.

PACKAGING DEVELOPMENT

Buencafé offers customers multiple options of innovative and differentiated packaging. It has 8 packaging lines, including bulk and for final consumer. In the case of jars, the customer can choose from over 25 types, some of which overcome important technical challenges, such as the application of labels on highly complex curved surfaces.

Although the largest proportion of sales corresponds to bulk packaging for customers to develop final packaging in the destination countries, in the last 5 years the amount of retail product packed for the final consumer has grown significantly, from 16 million jars in 2014 to 25 million in 2018 (+56%), adding greater value to the business chain.

Small-format packaging has also been developed for coffee extract aimed at small businesses such as bakeries and restaurants, which complements the offer of drums and large drums for the ready-to-drink beverage industry, very popular in Asia.

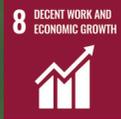


ORGANIZATIONAL
**HUMAN
CAPITAL**

Organizational
well-being and
environment

Training and
education

GRI 103-1
GRI 103-2
GRI 103-3



For us at the FNC, human capital management has been a priority in recent years and as such a series of actions have been taken to connect the purpose of the organization with the professional and personal development of staff. Our over 3,000 employees are key to achieve our objectives, and without them we could not impact Colombian coffee farming as we want.

GRI 102-7
GRI 102-8

OUR EMPLOYEES

64% of workers at the FNC are men and 36% are women; 61% of workers have a fixed-term contract and 26% have indefinite-term ones. Additionally, and given the diversity of projects of the FNC, 13% of workers are hired for specific work or project.

68% of the FNC staff is in the Departmental Committees, where extension workers (our yellow shirt army) are coordinated; they account for 39% of our workers. Buencafé staff accounts for 13% of workers.

OUR EMPLOYEES



1,103
female workers



1,978
male workers



Total fixed-term: 1,889 - Total indefinite-term: 790
Total specific work or project: 402
Total: 3,081

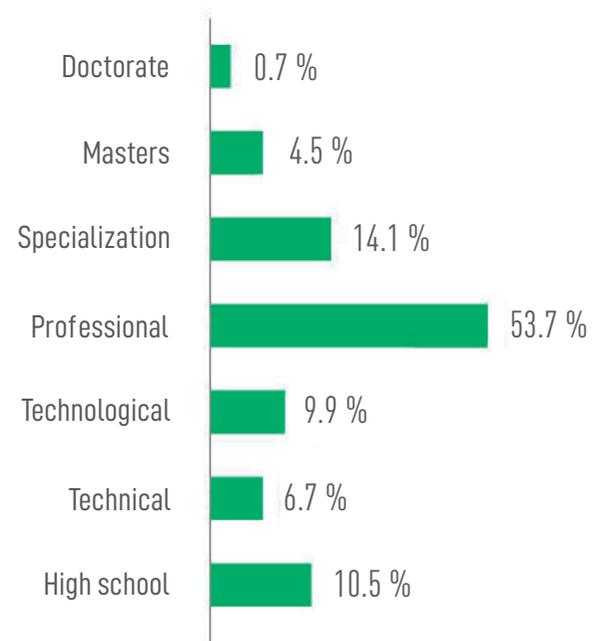


Total full-time: 3,058 - Total part-time: 23
Total: 3,081





PROFESSIONAL LEVEL



GRI 103-1
 GRI 103-2
 GRI 103-3

ORGANIZATIONAL WELL-BEING AND ENVIRONMENT

Few actors in society have as much power and capacity as companies to strengthen the health, well-being and happiness of workers and their families. This is why it is so important for us to transform our role as a consumer into a generator of health, happiness and well-being in the workplace.

In 2016 we undertook the design and implementation of a new health model and adopted the definition of health as "the ability of people to adapt and self-manage the physical, emotional and/or social challenges that arise in life."

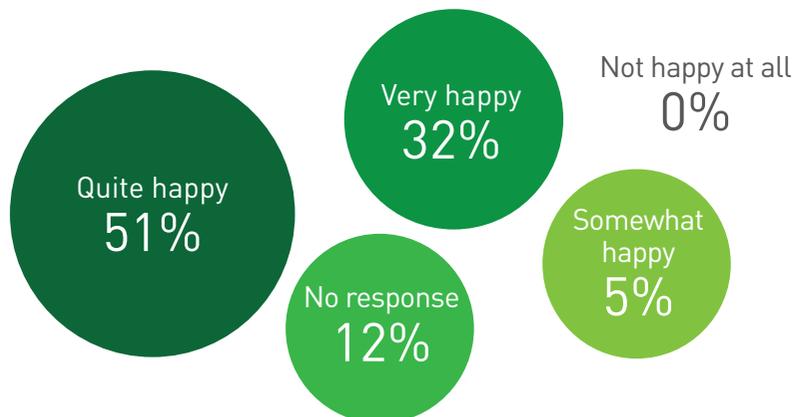
Thus, a systematic model of true health is born, which we call *Cosechando Salud* (Harvesting Health) and helps workers recognize their general resistance resources, develop the capacity to use them and be active actors in construction of self-perception of health, happiness and well-being. Harvesting Health has been implemented under a step-by-step

process that begins with 1) awareness-raising phase, in which we invite workers of the FNC and Almacafé to open their minds and understand health as a set of personal, labor, psychological, physical, social, and family dimensions. 2) Baseline definition phase. Once the baseline was identified, we were able to know the starting point in self-perception of health and happiness. It was surprising for the organization to know that we started from 94% of positive self-perception of health and we were only 6% away from being a 100% healthy organization. The happiness indicator reported an 87% positive perception.

HOW WOULD YOU RATE YOUR HEALTH?



TAKING INTO ACCOUNT ALL PHYSICAL, MENTAL, SOCIAL, SPIRITUAL AND LABOR ASPECTS, YOU WOULD SAY YOU ARE:



Next, 3) we built individual and collective portfolios based on the statement of general resistance resources to help workers develop a sense of coherence that allows them to develop skills to positively manage their perception of health, happiness and well-being.

Finally, 4) we did individual and collective interventions in a structured way and this continues through four strategies: 4.1 Making the invisible visible, 4.2 Making possible what is possible, 4.3 Preparing for the irreparable, and 4.4 Preventing what is preventable. Harvesting Health has been extended to other companies of the FNC such as Almacafé, Procafecol, Agrocafé and all branches nationwide.

A tool is used to measure the evolution of the indicator of self-perception of health and happiness based on the understanding of the challenges, stressors and tensions identified in the population surveyed at the beginning of the process.

In addition, at the FNC we are concerned about fostering an organizational climate that promotes a harmonious and happy work environment, favoring holistic welfare and development of all our employees. In November 2017, 2,414 employees (86% of the total) participated in a measurement of the organizational climate. The results place us in the average group of companies that have been successful in organizational climate management with a result of 45.8. In this survey, the following aspects are evaluated:

- Boss support
- Organizational clarity
- Interpersonal skills
- Resources
- Organizational support
- Labor stability
- Retribution
- Consistency
- Sense of belonging
- Team work

After this measurement, activities related to exploration of causes, construction of improvement plans and climate management workshops for leaders were carried out in each of the work teams, and spaces for discussion and development were created with the Chief Executive Office Committee to define organizational strategies for improvement. Currently, different work teams develop the improvement plan to manage and improve the aspects that affect the work environment.

TRAINING AND EDUCATION

The continued training and education of our employees is a fundamental part of our strategy for achieving the proposed objectives. As such, a continued training program has been in line with the projects, programs and initiatives carried out, in order to ensure that we have the knowledge, skills and talent to meet the challenges of the FNC.

The training and education programs that we develop for our employees are described below:

—○ GRI 404-2

DEVELOPMENT OF SKILLS

At the FNC, we strive for the development of our employees through development and strengthening of skills and abilities that allow them to grow personally and professionally.

Taking the expectations of top management into account and what is established in the value creation strategy, in 2017 the skills model was revised, and the following definition was developed:

ORGANIZATIONAL SKILLS

Service vocation

It's the ability to act by listening to and understanding coffee growers, customers, workers and partners, valuing their situation as our own and providing value creation solutions through relevant, timely and quality services.

Results only

Ability to guide actions towards the achievement of institutional, individual and team objectives in an environment of co-responsibility and ensuring quality standards, deadlines, optimization of resources and value creation for coffee growers and the institution.

Teamwork

Ability to generate positive, collaborative and trusting work relationships, integrating knowledge, experience, talent and own efforts with those of the team, its networks and stakeholders to transcend and be the best reference as an institution.

Innovation

Ability to redefine existing models, breaking paradigms in a way that generates new value. It implies devising new and different solutions to solve problems or situations as needed by the organization or stakeholders in a highly changing context that responds to new paradigms.

LEADERSHIP SKILLS

Lead by example

It is the ability to inspire and positively influence others based on principles and values and to guide their actions towards achieving objectives and development of their teams.

Communicate effectively

It is the ability to listen, understand and value the information, ideas and opinions of others and to provide assertive feedback to achieve expected results.

Be visionary

It is the ability to understand trends with a positive and optimistic attitude. It includes the ability to perceive a large number of available possibilities in the long term, with a clear vision aimed at achieving goals.

In addition, skills associated with project management were defined: adaptability to change, effective communication and knowing how to plan. In 2018, the organizational and leadership skills were measured (with a result of 91 out of 100). This will enable to identify needs for training and education for development and strengthening of skills that will be part of the training program in 2019.

LEADERS DEVELOPMENT PROGRAM

One of our challenges for the next three years is to set a path that allows us to leave a mark on our leaders, developing their skills and providing the necessary tools to generate positive changes in management of their work teams. In that sense, the Leaders Development Program was created, which seeks, in addition to strengthening leadership skills, to generate spaces for collective learning based on three fundamental dimensions: self-leadership, leadership with people and leadership of the organization.

This program includes a 3-year cycle of training in tools, practices, mentoring, workshops, exhibition in the workplace, online and face-to-face training, among others, in order to prepare the approximately 366 leaders of our organization in the concepts and practices associated with the adequate and effective management of their work teams and thus contribute to the fulfillment of the strategic objectives and value creation for the organization.



TRAINING PROGRAMS WITHIN THE ORGANIZATION

Within the organization, face-to-face and online training programs have been developed at national level, reaching all employees with different topics that contribute, from different spaces, to well-being of Colombian coffee growers.

The contents of the training programs have been defined, designed and developed by the FNC with the support of thematic experts who support its knowledge management and respond to the need for training associated with the set goals and the defined strategic direction.

PROGRAM FOR STRENGTHENING TECHNICAL SKILLS OF THE EXTENSION SERVICE

The Extension Service accounts for 39% of the FNC workers; 90% of the training is online and 10% in person.

2015

- The coffee tree.
- Climate and coffee production.
- Extension and communications: strengthening bonds with our coffee growers.
- Course “Soil: properties, nutrition and conservation.”
- Coffee marketing.
- Rural extension and coffee technology.

2016

- Intelligent Water Management (IWM)-Water Resource Management.
- Pests of economic impact on coffee farming.
- Workshop “Bases for productive and profitable coffee farming.”
- Use of ESRI-ArcGIS tools applied to FNC activities.
- Diploma course “Coffee technology and rural extension.”

2017

- Intelligent Water Management - Integrated vision of the river basin.
- Diseases of economic impact on coffee farming.
- Varieties of coffee grown in Colombia.
- Planting densities.
- Diploma course “Coffee technology and rural extension.”

2018

- Associativity in the coffee context - IWM.
- Human rights: gender equity and generational integration.
- Integrated weed management.
- Wastewater management.

OTHER INTERNAL TRAINING PROGRAMS

- Occupational Health and Safety Management System Training Program.
- Excellence Project Management Training Program.
- Program of Training and Updating of Auditors in Quality Management System under NTC ISO9001: 2015.
- Program of Training and Strengthening of Technical Skills of the BASC Security and Control Management System.

EXTERNAL TRAINING PROGRAMS

The development of our workers has always been a priority. As such, we support them in studying undergraduate, specialization and masters programs to strengthen their abilities and skills. Additionally, we support the pursuing of doctorates for encouraging scientific and technological research that improves conditions of the coffee zones.

In the last 4 years (2015-2018) a total of 96 workers have benefited.

TRAINING AND EDUCATION AT BUENCAFÉ

Training and education are of great importance to Buencafé. With training and education programs, the company seeks to develop technical, organizational, leadership and interpersonal skills required for proper performance of assigned processes in its workers.

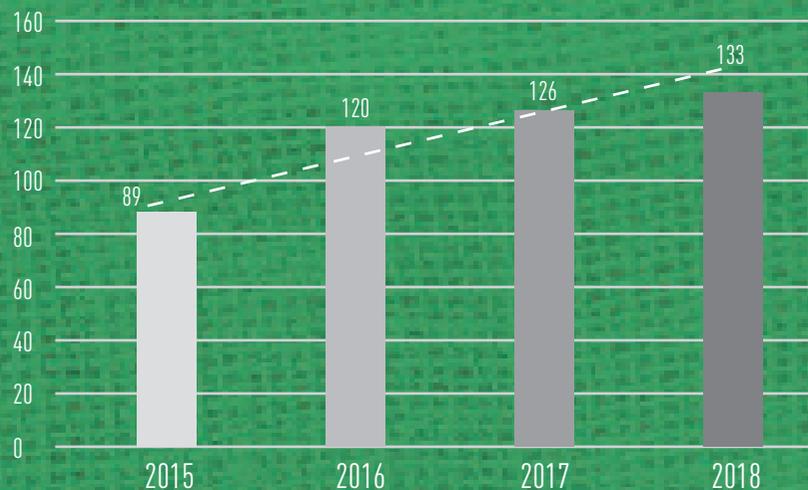
The training responds to an identified need that underpins the fulfillment of business goals and, for the most part, is linked to the career plan that was designed by Buencafé and has been implemented for 18 years. This is primarily intended to meet two objectives: 1) that people have the necessary skills to perform a specific job, and 2) that the company has operational flexibility, i.e. several qualified people in a particular job.

Training, education and the career plan are managed by the Human Resource Management area of Buencafé. Once a need for training is identified from one of the following sources: a change in a process or method, a requirement by the immediate supervisor or by the worker, the result of an audit or performance assessment, the introduction of a new procedure, etc., the training is scheduled with either internal or external resources.

One of the main indicators to maintain dynamism of the Career Plan methodology is the number of internal promotions per year. The upward trend denotes a greater opportunity for all people to access different positions of greater responsibility within the organizational structure without affecting productivity of the company. In 2018, there were 133 promotions, a historic number in this type of internal changes.

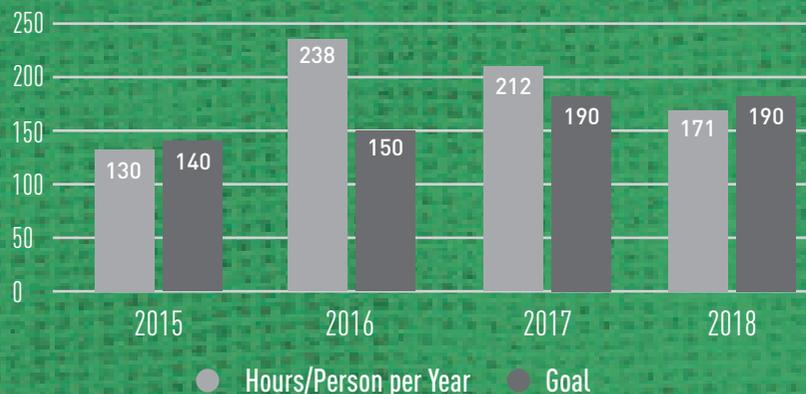
Additionally, the number of qualified people per job is another key indicator to achieve operational flexibility. In 2018, the average number of people qualified per job was 6 for the Process area, 4 for the Engineering area and 4 for the Quality area.

PROMOTIONS PER YEAR



Average training hours/person: Staff training and education management is measured through indicators such as annual average training hours per person. By 2019, the goal is to achieve an average 190 training hours/person.

HOURS/PERSON PER YEAR 2015-2018

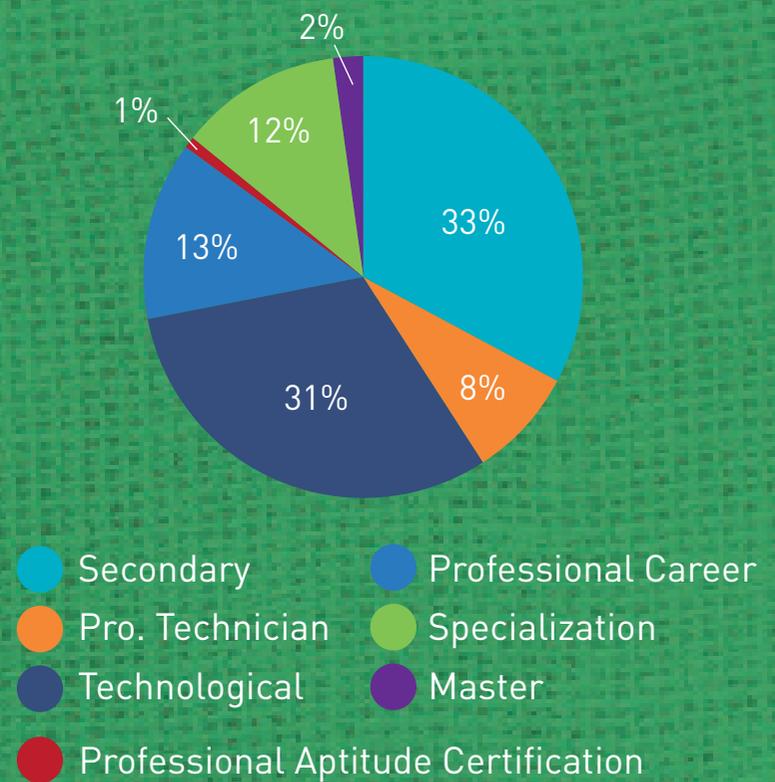


Buencafé has worked on the operational excellence strategy, and now there are more qualified resources available for better performance in the functions assigned. In recent years the number of high school graduates has decreased and that of technologists has increased thanks to strategies such as home training, aimed at operators and developed in partnership with the National Learning Service (SENA).





STAFF EDUCATION LEVEL 2015-2018



A part of the Total Participation Management (TPM) methodology is the transfer of knowledge by technical staff to operators.

In this way, the operators also inspect machines that they are in charge of so that they can detect and solve any anomaly quickly and efficiently. Increase in the knowledge of operators and of basic maintenance activities reduces unexpected stoppages in the production process, the cost of maintenance of machines, the cost of "stops" and the costs of "no quality." This positive effect brings an increase in reliability of processes and their availability.

For example, in 2018 there was a total decrease in breakdowns of 78% compared to 2012. This reduction was due to the TPM methodology and, in large part, to the development of operators' skills in basic maintenance activities and effective inspection of equipment.

ABOUT THIS REPORT

Stakeholders

Materiality

Contribution
to SDGs



○ GRI 102-54

This report has been prepared in accordance with the GRI Standards: Core option and corresponds to the management of the FNC between 2015 and 2018.

○ GRI 102-40
GRI 102-42
GRI 102-43
GRI 102-44

STAKEHOLDERS

The FNC has a structure that keeps open and permanent channels with all its stakeholders; without them the achievement of our value strategy would not be possible.

From information gathered continuously through engagement mechanisms and instances, a list of important and relevant topics was consolidated for each stakeholder group. Below are the different communication channels used to engage with stakeholders and the issues that they consider relevant.

COFFEE GROWERS

Subgroups

Large, medium-sized & small coffee growers; coffee-growing women; youth and families.

RELATIONSHIP APPROACH AND RELEVANT TOPICS

The mission of the FNC is to ensure the well-being of Colombian coffee growers. To achieve this we have consolidated communication channels and maintained continuous relationships to understand the needs of the union and transfer best practices and technologies to coffee growers to support their production process, contribute to their social development and increase their profitability.

Relevant topics:

Technology transfer, purchase guarantee, maximization of productivity, coffee quality, and value creation propositions.

COMMUNICATION CHANNELS

National Coffee Growers Congress, Departmental Committees, Steering Committee, Municipal Committees, web page, letters from the CEO to coffee growers, satisfaction survey with the Extension Service, Pergamino online newsletter, web pages of Departmental Committees, group and individual methodologies applied by the Extension Service, union leadership meetings, coffee radio programs, regional coffee newspapers, TV program The adventures of Professor Yarumo, text messages via celucafé, social media, and web page.

GOVERNMENT

Subgroups:

- Presidency of the Republic
- Ministries
- Administrative Departments
- Presidential Advisories and Decentralized Institutes
- Office of the Comptroller General of the Republic
- Office of the Inspector General of the Nation
- Departmental and municipal administrations
- Congressmen
- Office of Government Advisors for Coffee Matters of the Ministry of Finance and Public Credit

PARTNERS

Subgroups:

- Government
- National Organizations/NGOs
- Private companies
- International organizations/NGOs
- Embassies
- Governments
- Public/Private Funds

RELATIONSHIP APPROACH AND RELEVANT TOPICS

We seek to maintain respectful and constructive dialogue to create and sustain partnerships that support our mission, protect income of coffee families and guarantee sustainability of the sector. In addition, we are committed to complying with regulations and the National Coffee Fund Administration Contract.

Relevant topics

Community and projects of high social, environmental and economic impact.

COMMUNICATION CHANNELS

National Coffee Growers Committee, National Coffee Growers Congress, meetings with Departmental and Municipal Committees, social media, web page, and press releases.

RELATIONSHIP APPROACH AND RELEVANT TOPICS

A proactive and solid relationship with our partners is fundamental to implementation of our value creation strategy and excellent project management.

Relevant topics

Adoption of quality standards, knowledge exchange, management of production, social and environmental projects.

COMMUNICATION CHANNELS

Direct relationship, social media, web page and press releases.

COFFEE BUYERS AND CONSUMERS

Subgroups:

Marketers

Roaster industry

Superstores

Coffee shops

Final consumer

RELATIONSHIP APPROACH AND RELEVANT TOPICS

We seek to build trust and long-term relationships to maintain high-value businesses and ensure sustainability of the purchase guarantee.

Relevant topics
High-quality added-value product.

COMMUNICATION CHANNELS

Direct personal contact, external customer satisfaction survey conducted by the Commercial Division, customer satisfaction survey conducted by Buencafé, FNC commercial offices in the US, Asia and Europe, online newsletter (Colombian Coffee Insights), consumer satisfaction surveys conducted by Procafecol, consumer surveys and focus groups, web page, email, participation and/or presence in international expos, social media, and Juan Valdez character.

EMPLOYEES

RELATIONSHIP APPROACH AND RELEVANT TOPICS

All we do and our positive impacts would not be possible without our human capital. So we have based our Talent Management on 3 main components:

Competence, understood as the ability to do work well or efficiently.

Commitment, which is the will to do work.

Contribution, which implies finding a meaning in what our employees do.

In this way, we seek to ensure that the work done by Human Resource contributes to the value creation strategy through employees who put their talent and skills at the service of the FNC and they, in turn, find in the organization a place where their personal life, professional and purpose expectations are reciprocated.

COMMUNICATION CHANNELS

Al día con el Gerente (Up to date with the CEO), institutional intranet, labor coexistence mailbox, online billboards, Occupational Health Committees (COPAST), corporate mailings of Human Resource Management and Communications.

ASSOCIATIONS AND UNIONS

Subgroups:

International Coffee Organization (ICO).

Sustainable coffee associations

National Association of Foreign Trade (Analdex)

Colombian-Chinese Chamber of Investment and
Commerce

Colombian-Japanese Chamber of Commerce and Industry

Colombian-American Commerce Chamber

Coffee Association of Canada

Colfuturo

Private Council of Competitiveness

Corporación Colombia Internacional (CCI)

Corporación Colombiana de Logística S.A.

Excellence in Justice

Maloka Corporation (Interactive Center of Science and
Technology)

Colombia Reconciliation Corporation

Businessmen for Education

Foundation Association of Friends of the
National Museum

Colombian Foundation of the Pacific

Children's Museum Foundation

Rafael Pombo Foundation

National Coffee Association (NCA)

Origin

Colombian Farmers Society (SAC)

Specialty Coffee Association (SCA)

Global Compact

RELEVANT TOPICS

Representation of the interests of
Colombian coffee growers.

Promotion of sustainability.

Relevant positioning of the FNC as a
union.

Strengthening of the sector.

COMMUNICATION CHANNELS

Direct relationship.

Social media.

Web page.

MEDIA**RELATIONSHIP APPROACH AND RELEVANT TOPICS**

We want to be a source of reliable and first-hand information on coffee institutions and we always seek transparency and media coverage of our activities.

Relevant topics

News about the sector and the union, management results.

COMMUNICATION CHANNELS

Websites, press releases, press conferences, social media, and direct relationship.

COFFEE INSTITUTIONS

Subgroups:

Almacafé

Procafecol

Offices abroad

Manuel Mejía Foundation

Cooperatives

RELATIONSHIP APPROACH AND RELEVANT TOPICS

Constant and coordinated relationship with all the FNC branches and companies is crucial to achieving our mission; without them we could not impact all links of the coffee value chain.

Relevant topics

Commercial management, price, and market.

COMMUNICATION CHANNELS

Coordination meetings, billboards, CEO's letters, emails, Al Día TV show, and social media.

SUPPLIERS AND CONTRACTORS

Subgroups:

National suppliers

International suppliers

RELATIONSHIP APPROACH AND RELEVANT TOPICS

Efficiently managing the sourcing of goods and services aims to meet the needs of stakeholders, ensuring compliance with legal requirements and standards of the FNC.

Relevant topics

Purchase management: from registration of the supplier to generation of the contract or purchase/service order.

COMMUNICATION CHANNELS

Direct contact, mailing by Purchasing and Contracting, and participants in the purchasing logistics cycle.

GRI 102-46
GRI 102-47

MATERIALITY

At the end of 2018, we did an exercise to update the FNC’s materiality analysis whereby the most relevant topics for the sustainability of the organization were validated from the internal perspective (business strategy, corporate policies, impacts of the FNC) and the external one (stakeholders’). The previous materiality analysis was presented in our 2014 Sustainability Report.

To complete this exercise, a workshop was held with leaders of the different areas of the FNC. First, the participants identified the significant economic, environmental and social impacts of and on the FNC. Once identified, they matched them with the existing material topics in order to confirm them, identify possible missing topics or eliminate the ones that were no longer relevant.

From this exercise we obtained a list of material topics that were prioritized according to their importance to stakeholders and the significant impacts of the FNC through a survey answered by the workshop participants. The survey confirmed that all issues were relevant and should be included in this sustainability report. The structure of this report was based on results of the materiality exercise, and although some issues are not discussed in a dedicated chapter, the management of each by the FNC is reported in this document.

The result of this exercise is shown below:

IMPORTANCE TO STAKEHOLDERS



● High ● Medium ● Low

IMPORTANCE ACCORDING TO FNC IMPACTS

Profitability of coffee growers



Social development of coffee-growing families and communities



FNC unity



Natural resource management and adaptation to climate variability



Prosperity of the FNC



Excellence in sustainability project management



Representation and regulation



Added-value marketing and differentiated positioning of Colombian coffee



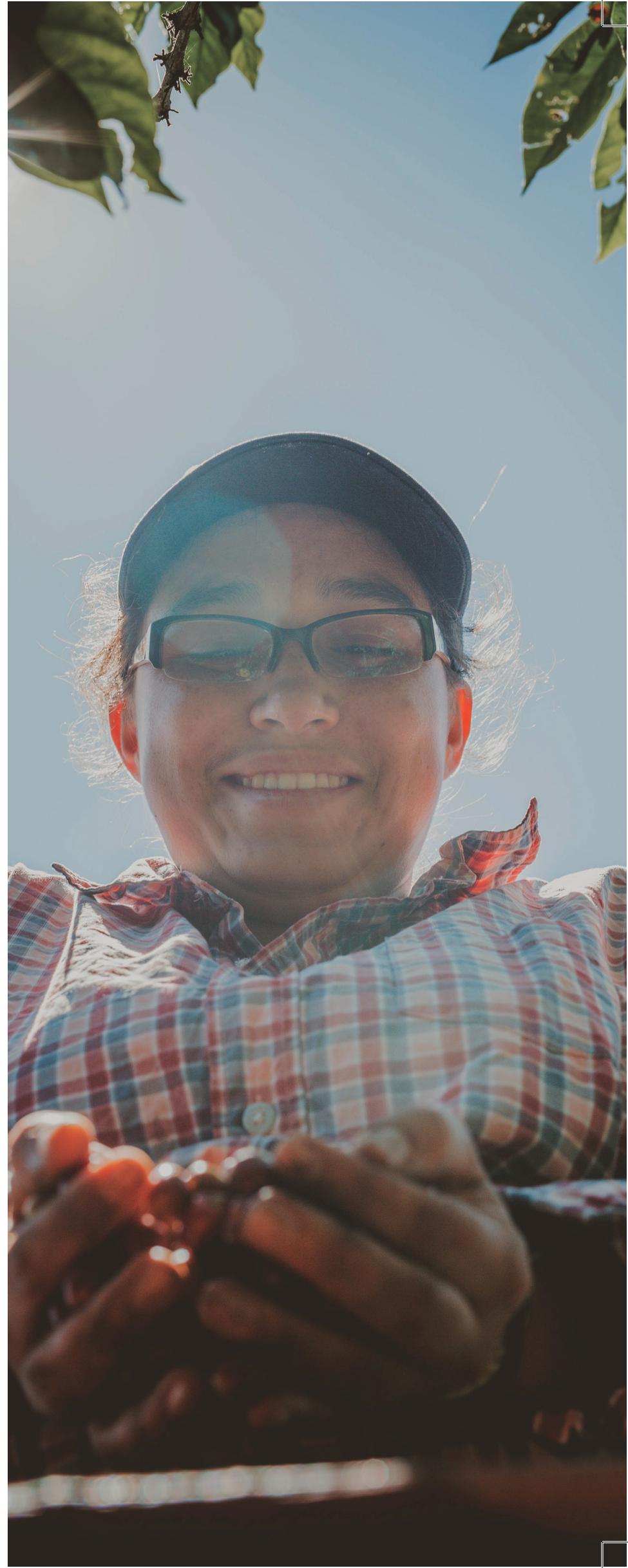
Innovation



Human Capital



● High ● Medium ● Low



MATERIAL TOPIC	Boundaries
Profitability of coffee growers	Coffee growers Government
Social development of coffee-growing families and communities	Coffee growers Government Partners
FNC unity (Governance, participation and democracy)	Coffee growers Government Coffee institutions Media
Natural resource management and adaptation to climate variability	Coffee growers Government Partners
Prosperity of the FNC	Coffee growers Government Partners Coffee institutions Suppliers and contractors Employees
Excellence in sustainability project management	Coffee growers Government Partners Coffee institutions
Representation and regulation	Coffee growers Government Coffee buyers and consumers Producing countries
Added-value marketing and differentiated positioning	Coffee buyers Consumers
Innovation	Coffee growers Government Partners Coffee institutions
Human Capital	Employees

CONTRIBUTION TO SDGS

Along with the materiality update, we also analyzed our contribution to achievement of the Sustainable Development Goals (SDGs). After a review of the SDGs, the national goals established in Conpes 3918 of March 15, 2018 and the actions and programs that were carried out, contributions were identified in 15 of the 17 goals, which were related to the material issues defined in the previous exercise. Below is a table showing which SDGs we are contributing to, their relationship with the material topics, and the specific actions that support this contribution.





PROFITABILITY OF COFFEE GROWERS

Technology transfer

- Increased productivity and reduced costs.

Sustainable marketing and creation of more value

- Purchase guarantee.
- Added-value marketing.
- Premiums paid to producers for marketing of sustainable and specialty coffee.

SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- Active participation in legislative process on minimum social protection standards.
- Generational integration, gender equity and social protection, associativity and community participation.
- Support in the process of formalization of farms of coffee families.
- Financial inclusion: Smart coffee ID/Card.



PROFITABILITY OF COFFEE GROWERS

Scientific and technological research, technology transfer, farm productivity improvement, sustainable marketing and creation of more value.

- Increased agricultural productivity thanks to strategies such as “More agronomy, more productivity.”
- Research and development (Cenicafé), technical assistance (Extension Service), access to banking services, market access and opportunities for added value generation.
- 186,000 producers engaged in some sustainability standard (verification and / or certification).
- Purchase guarantee, marketing with added value.

SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

Infrastructure

NATURAL RESOURCE MANAGEMENT AND ADAPTATION TO CLIMATE VARIABILITY

- Ecological wet milling technologies.
- Agroclimatic platform, bioengineering interventions (IWM).
- Development of resistant varieties (Colombian Coffee Collection), coffee farming more resilient to climate variability.



SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- **Infrastructure:** basic sanitation, social infrastructure, housing, improvement of roads, electrification.
- **Social Protection:** search of savings program for old age, support to coffee growers in certification of online courses on occupational safety and health, health management through social health models, management and advocacy in public policy, prevention of child labor.
- Generational integration activities with children, adolescents and young people for making the most of free time, self-care, recreation, culture and sports.

INNOVATION

Product and process innovation

- Development of healthy products.



SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- Formal education.
- Technical education.
- University in the Countryside.
- School & Coffee Program, production pedagogical projects.
- Job skill training and human development.

HUMAN CAPITAL

Training and education

- Job skill training.



SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- Gender equity.
- Leadership and equity in associativity.
- Coffee-growing Women Program
- Women and union leadership meetings.
- Integrated Coffee-growing Women Development Program



NATURAL RESOURCE MANAGEMENT AND ADAPTATION TO CLIMATE VARIABILITY

- Intelligent Water Management.
- Ecological wet milling with water and leachate treatment.
- Water Resource Protection Index.
- Environmental program.

SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- Rural infrastructure for basic sanitation: Aqueducts, water supply, water purification, sewerage, wastewater treatment systems, waste collection centers.
- Water purification plant projects.

PROFITABILITY OF COFFEE GROWERS

Sustainable marketing and creation of more value

- Certified coffee with a focus on good water management and responsible use.
- Environmental management in industrial processes.



SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

Infrastructure

NATURAL RESOURCE MANAGEMENT AND ADAPTATION TO CLIMATE VARIABILITY

- 96% of coffee households have electricity.
- Cenicafé study on economic viability of use of solar panels in wet mills.
- Buencafé pilot of solar panels.



PROFITABILITY OF COFFEE GROWERS

Scientific and technological research

- Scientific and technological research (Cenicafé).

Technology transfer

- Technology transfer through the Extension Service.
- Business management program.

Sustainable marketing and creation of more value

- Purchase guarantee.
- Premiums paid to producers for marketing of sustainable and specialty coffee.
- Sustainable coffee certification and/or verification programs: Coffee certified in good working practices (minimum wage, freedom of association, safe and healthy conditions).

SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- Financial inclusion: Access to banking services through Smart Coffee ID/Card.

HUMAN CAPITAL

Training and education

- Training programs for employees and coffee growers (including on Occupational Safety and Health Management System, SGSST)

INNOVATION

Product and process innovation

- Product innovation – Buencafé.



PROFITABILITY OF COFFEE GROWERS

Scientific and technological research

- Scientific and technological research (Cenicafé).
- Development of resistant varieties and assisted harvesting tools.

Sustainable marketing and creation of more value

- Programs of specialty coffee focused on development of differentiated products.
- Development and application of technologies for value creation in finished industrial products.
- Research and innovation for development of coffee products.

SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

Infrastructure

- Rural infrastructure projects for roads, housing, basic sanitation, electrification, and social infrastructure.

Rural education

- Online education program for coffee growers.



FNC UNITY AND GOVERNANCE

- FNC elections.

PROFITABILITY OF COFFEE GROWERS

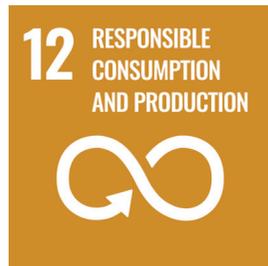
Sustainable marketing and creation of more value

- Purchase guarantee.
- Fair price lobbying.
- Job creation.
- Certified coffee offering equal opportunities.

SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- Rural education, gender equity with cross-cutting and empowerment approach.
- Generational integration to give opportunities to young coffee growers in the coffee value chain as a life project.
- Gender Equity Program.
- Support in formalization of farms of young and women coffee growers.

- Associativity of coffee producers.
- Financial inclusion.



PROFITABILITY OF COFFEE GROWERS

Scientific and technological research

- Scientific and technological research (Cenicafé).

Technology transfer

- Technology transfer through the Extension Service.

Sustainable marketing and creation of more value

- 100-100 Plan.
- Sustainable coffee certification and/or verification programs: Coffee certified in good agricultural practices (to strengthen productivity, improve quality, efficiency, respect and conservation of biodiversity and natural resources).

NATURAL RESOURCE MANAGEMENT AND ADAPTATION TO CLIMATE VARIABILITY

Natural resource management, Environmental management at the FNC

- Intelligent Water Management.
- Environmentally friendly production processes.
- Use of alternative energies.



PROFITABILITY OF COFFEE GROWERS

Scientific and technological research, Technology transfer, and Farm productivity improvement

- Scientific and technological research (Cenicafé).
- Technology transfer through the Extension Service.
- Colombian coffee farming reactivation program.
- Weather bulletins.

Sustainable marketing and creation of more value

- Certified, environmentally friendly coffee, with more shade and biodiversity.

NATURAL RESOURCE MANAGEMENT AND ADAPTATION TO CLIMATE VARIABILITY

Adaptation to climate variability

- Calculation of coffee footprint.
- Forest and biodiversity conservation program.

Environmental management at the FNC

- Environmental management in production processes.



PROFITABILITY OF COFFEE GROWERS

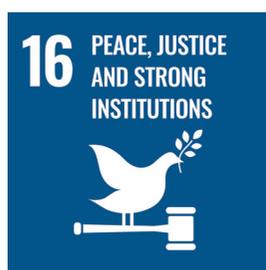
Sustainable marketing and creation of more value

- Sustainable coffee certification and/or verification programs: Coffee certified in good agricultural practices (protection of natural resources and biodiversity through preservation and forest management plans, programs for reforestation of agricultural plots, grasslands and degraded areas).

NATURAL RESOURCE MANAGEMENT AND ADAPTATION TO CLIMATE VARIABILITY

Natural resource management

- Soil management and conservation.
- Forest and biodiversity conservation program.
- Ecological wet milling with water and leachate treatment.
- Soil Resource Protection Index.
- Project for integrated water resource management in coffee river basins - Intelligent Water Management



FNC UNITY AND GOVERNANCE

- FNC as a solid institution, with key union leadership for sustainability of Colombian coffee farming.
- FNC elections.

PROFITABILITY OF COFFEE GROWERS

SOCIAL DEVELOPMENT OF COFFEE-GROWING FAMILIES AND COMMUNITIES

- Rural development projects in coffee regions that contribute to building peace in the country.

17 PARTNERSHIPS
FOR THE GOALS



EXCELLENCE IN SUSTAINABILITY PROJECT MANAGEMENT

- World Coffee Producers Forum.
- Cooperative Dialogue of the FNC.
- Management of partnerships for formulation and implementation of projects.





ANNEXES

List of
affiliations and
associations

GRI
Content
Index

NAME	BOARD OF DIRECTORS	
	PRINCIPAL	SUBSTITUTE
Common Code for the Coffee Community (4C)		
National Association of Foreign Trade (Analdex)	1	
Colombian-Chinese Chamber of Investment and Commerce		
Colombian-Japanese Chamber of Commerce and Industry	1	
Colombian-American Chamber of Commerce		
Coffee Association of Canada		
Colfuturo	1	
Private Competitiveness Council	1	
Corporación Colombia Internacional (CCi)		
Corporación Colombiana de Logística S.A.		
Excellence in Justice Corporation		
Maloka Corporation - Interactive Center of Science and Technology		
Colombia Reconciliation Corporation	1	
Businessmen for Education		
Association of Friends of the National Museum Foundation		
Colombian Foundation of the Pacific		
Children's Museum Foundation		
Rafael Pombo Foundation		
Colombian Institute of Technical Standards and Certification (Icontec)		
National Coffee Association (NCA)		
International Coffee Organization (ICO)		
Origin		
SCAE		
Colombian Farmers Society (SAC)	1	1
Specialty Coffee Association (SCAA)		
Global Compact (Since 2003)		

GRI CONTENT INDEX

GENERAL DISCLOSURES

GRI Standard	Disclosure	Page No. and/or URL(s)	Omission
Organizational Profile			
GRI 102: General Disclosures 2016	102-1 Name of the organization.	Page 11	
	102-2 Activities, brands, products, and services.	Page 11	
	102-3 Location of headquarters.	Page 11	
	102-4 Location of operations.	Page 11	
	102-5 Ownership and legal form.	Page 11	
	102-6 Markets served.	Page 41, 42	
	102-7 Scale of the organization.	Page 42, 109	
	102-8 Information on employees and other workers.	Page 109	
	102-9 Supply chain.	Page 13	
	102-10 Significant changes to the organization and its supply chain.	No significant changes in the organization and its supply chain in the reporting period.	
	102-11 Precautionary principle or approach.	Through the FNC Integrated Management System, the risks are identified and prioritized in different categories, and the actions are focused on mitigating the risks and achieving the expected objectives.	

GENERAL DISCLOSURES

GRI Standard	Disclosure	Page No. and/or URL(s)	Omission	
GRI 102: General Disclosures 2016	102-12 External initiatives.	Page 137		
	102-13 Membership of associations.	Page 137		
	Strategy			
	102-14 Statement from senior decision-maker	Page 8		
	Ethics and Integrity			
	102-16 Values, principles, standards, and norms of behavior	Page 20		
	Governance			
	102-18 Governance structure	Page 14, 16		
	Stakeholder engagement			
	102-40 List of stakeholder groups	Page 119		
102-41 Collective bargaining agreements		As of December 31, 2018, 5.9% of workers are part of the union organization.		
102-42 Identifying and selecting stakeholders	Page 119			
102-43 Approach to stakeholder engagement	Page 119			
102-44 Key topics and concerns raised	Page 119			

GENERAL DISCLOSURES

GRI Standard	Disclosure	Page No. and/or URL(s)	Omission
Reporting practice			
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements.	The FNC, as a private-law, non-profit, unionized legal person, consolidates its financial results with the equity investments where it holds at least a 50% participation of capital: Almacenes Generales de Depósito de Café S.A (Almacafé) Promotora de Café de Colombia S.A (Procafecol and its branches) Offices abroad Sociedad Forestal Cafetera del Valle S.A (Soforestal) Sociedad Promotora Agroindustrial SAS (Proagrocafé) Pretensados de Concreto de Oriente Ltda (Pretecor) Coffee Growers Committees Almacenes SAS	
	102-46 Defining report content and topic boundaries.	Page 124	
	102-47 List of material topics.	Page 124	
	102-48 Restatements of information.	There was no information restated in this report	
	102-49 Changes in reporting.	The preparation of the report has no significant changes.	

GRI Standard	Disclosure	Page No. and/or URL(s)	Omission
GRI 102: General Disclosures 2016	102-50 Reporting period.	January 1, 2015 to December 31, 2018	
	102-51 Date of most recent report.	2014	
	102-52 Reporting cycle.	This report covers a 4-year period. The next reports are expected to be annual.	
	102-53 Contact point for questions regarding the report.	informacion.fnc@cafedecolombia.com	
	102-54 Claims of reporting in accordance with the GRI Standards.	Page 119	
	102-55 GRI content index.	Page 138	
	102-56 External assurance.	This report was not submitted to external verification.	

GRI CONTENT INDEX

MATERIAL TOPICS

GRI Standard	Disclosure	Page No. and/or URL(s)	Omission
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-01 Explanation of the material topic and its boundary.	Page 57	
	103-02 The management approach and its components.		
	103-03 Evaluation of the management approach.		

GRI Standard	Disclosure	Page No. and/or URL(s)	Omission
GRI 203: Indirect Economic Impacts 2016	203-01 Infrastructure investments and services supported.	Page 59	
	Energy		
GRI 103: Management Approach 2016	103-01 Explanation of the material topic and its boundary.	Page 81	
	103-02 The management approach and its components.		
	103-03 Evaluation of the management approach.		
GRI 302: Energy 2016	302-01 Energy consumption within the organization.	Page 84	
	302-03 Energy intensity.	Page 82	
Water			
GRI 103: Management Approach 2016	103-01 Explanation of the material topic and its boundary.	Page 75	
	103-02 The management approach and its components.		
	103-03 Evaluation of the management approach.		
GRI 303: Water 2016	303-01 Interactions with water as a shared resource.	The disaggregated information is not available.	

Emissions	
GRI 103: Management Approach 2016	<p>103-01 Explanation of the material topic and its boundary. Page 80</p> <p>103-02 The management approach and its components.</p> <p>103-03 Evaluation of the management approach.</p>
GRI 305: Emissions 2016	<p>305-01 Direct (Scope 1) GHG emissions. Page 82</p>
Effluents and Waste	
GRI 103: Management Approach 2016	<p>103-01 Explanation of the material topic and its boundary. Page 81</p> <p>103-02 The management approach and its components.</p> <p>103-03 Evaluation of the management approach.</p>
GRI 306: Effluents and Waste 2016	<p>306-02 Waste by type and disposal method. Page 83</p>
Training and Education	
GRI 103: Management Approach 2016	<p>103-01 Explanation of the material topic and its boundary. Page 109</p> <p>103-02 The management approach and its components.</p> <p>103-03 Evaluation of the management approach.</p>
GRI 404: Training and Education 2016	<p>404-02 Programs for upgrading employee skills and transition assistance programs. Page 113</p>



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Cafeteros de Colombia**

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