



Feedback from Key Accounts and Discussion of 4C Changes

Dr Norbert Schmitz, 4C Services GmbH
Antigua, Guatemala, 23 January 2020



Key feedback 4C has received from the market and its system users

1. No deforestation and social issues are key to be covered by 4C
2. 4C should also address climate change and certification of climate smart coffee
3. Traceability throughout the supply chain should be ensured, from the farmer up to the final buyer
4. Audit sample should be lifted from half the square root to square root
5. Complexity of the 4C standard should not increase, but rather improve the robustness, efficiency and credibility of the 4C standard
6. Be an inclusive standard with the implementation of thorough continuous improvement processes
7. More guidance and training required to ensure an objective risk assessment of the 4C Units for risk level determination
6. Relevant 4C documents should also be translated into Spanish and other languages





4C coffee strictly preserves
primary forests
and protects the precious
natural resources of our
planet

4C uses latest remote sensing
technologies and tools to
support risk assessments and
verify compliance with land use
change criteria



Certification of 4C climate-friendly coffee. Pilot carbon footprint projects will be conducted

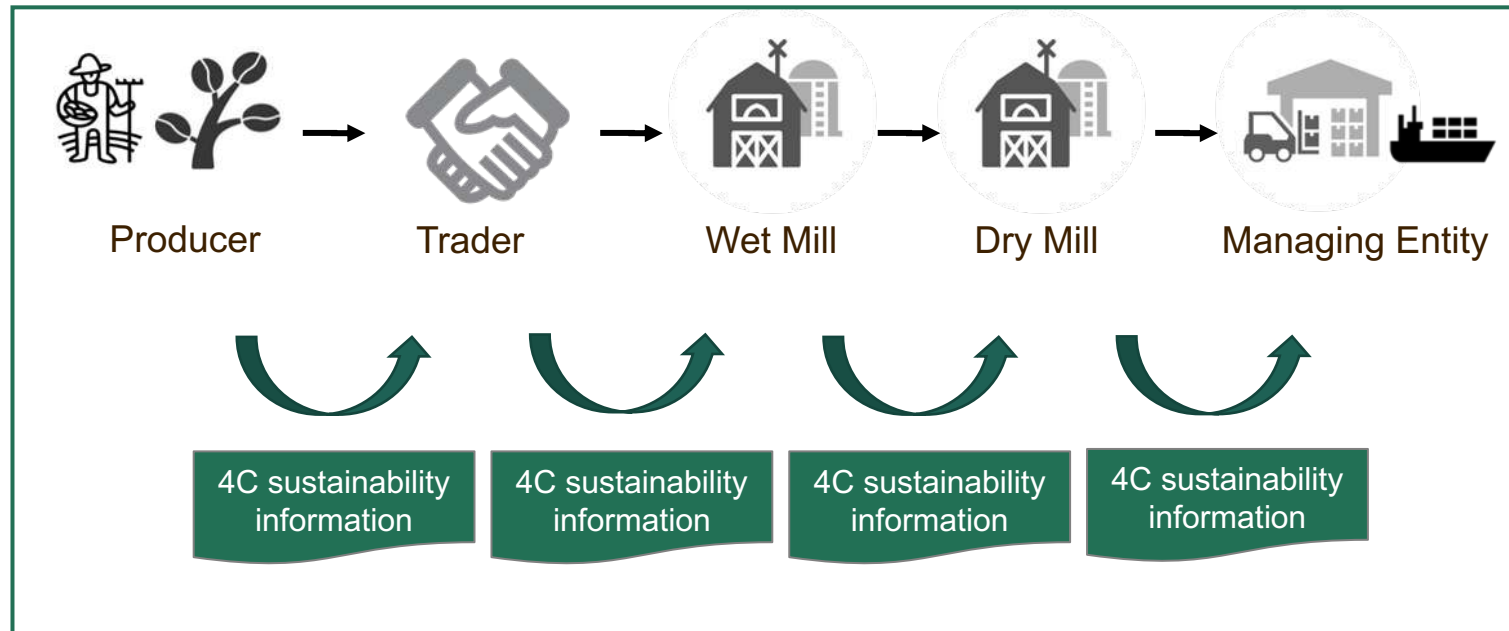
Under 4C, the carbon footprint from coffee production can significantly be reduced by:

- ✓ No emissions from land use change
- ✓ Improved agricultural practices
- ✓ Reduced fertilizer application
- ✓ Soil conservation
- ✓ Efficient energy use



Traceability within 4C (1/3) - Traceability within 4C Units

- **Traceability** requires identifying and tracing back the origin, distribution, location and application of products and materials through the supply chain
- **Amounts** of 4C certified coffee from farmers need to be coherent with the farm sizes
- **Records** of incoming, outgoing and stored 4C coffee must be available at each member of the 4C Unit
- **Bookkeeping** is required to confirm that the outgoing 4C coffee is equal/less than the incoming 4C coffee



Traceability within 4C (2/3) - Traceability outside the 4C Unit through direct purchases from Managing Entity (ME)

- Traceability inherently available when purchasing directly from ME
 - Correctness of volumes reported to 4C is confirmed by both parties
- Requirement: Final Buyer needs to input supplier into 4C database during commercial reporting activity

Example

	Total (MT)
- Total	413.45
- Roasting Experts S.A.	413.45
- 2019	413.45
- Buencafe S.A.	210.00
+ L-12345-75-1-0420	90.00
+ L-12345-75-1-0517	120.00
+ Cooperativa de productores alemanes Ltda.	123.45
+ Robusta Import and Export JSC	80.00

Fictitious data

Reported by ME (Roasting Experts S.A.): Sales to Buencafe S.A.

	Total (MT)
- Total	610.00
- Buencafe S.A.	610.00
- 2019	610.00
+ Globalcof Import Export Ltda.	200.00
- Roasting Experts S.A.	210.00
+ L-12345-75-1-0420	90.00
+ L-12345-75-1-0517	120.00
+ SCC - Specialty Coffee Colombia S.A.S.	200.00

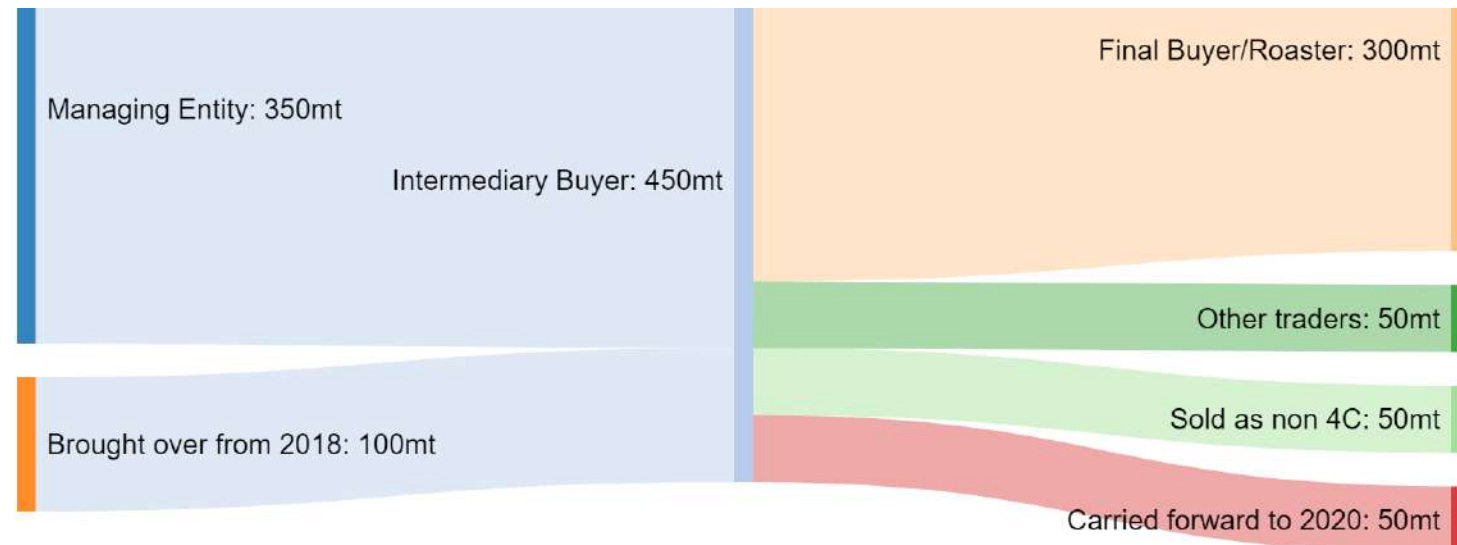
Reported by Buencafe S.A.: Purchases from ME (Roasting Experts S.A.)

Source: Commercial Reporting 2018, Screenshots of 4C Services internal views



Traceability within 4C (3/3) - Traceability in the supply chain through reporting of intermediary buyers (IB) possible (voluntary)

- Intermediary buyers report sales and/or purchases on 4C database
- Each transaction is confirmed through inputs into the 4C database by the involved parties (seller and purchaser)
- 4C database facilitates keeping balance of annual Input = Output
 - Carry over volumes considered
 - Volumes sold as non 4C considered



→ 4C currently develops an audit procedure for voluntary certification of intermediary buyers



Adjusted audit sample from half square root to square root per default

- Factor to apply to the square root has been defined
 - Low risk = 0,5 square root
 - **Medium = 1,0 square root**
 - High = 1,5 square root
- Only in case the risk level is proven to be low, half square root can be applied
- Objective determination of risk level through a risk assessment tool → Further information on slide 13



Improved robustness, efficiency, credibility of 4C without increasing its complexity

- Improved risk assessment powered by GRAS
- New 4C database features leading to
 - Improved support for auditors and Managing Entities
 - Easier and automatized application, audit preparation and evaluation processes
 - Increased automatization
- Extensive 4C training program for CBs and MEs clarifying the 4C application, audit and certification procedures
- CBs are more involved in the audit and evaluation processes and better equipped to support 4C users locally
- Expansion of the 4C Integrity Program to ensure the integrity and credibility of the 4C System

4C remains an inclusive standard while at the same time meeting high sustainability market demands (1/3)

Revision of audit process to **keep the inclusive* approach** while at the same time **meeting high sustainability demands** of brand owners through a manageable **continuous improvement process**

Envisaged future 4C audit procedure

- Three levels of compliance: Initial certification, 1. recertification level, 2. recertification level
- Requirements:
 - Initial certification includes only UAPs
 - 1. and 2. recertification level will be a mix of mandatory and voluntary improvement criteria
- 100% of Business Partners need to be compliant
- 60 days to clear non-conformities. Surveillance or desk audit to check whether corrective measures have been implemented
- Validity of certificate: Three years

* Inclusive means to allow the broad majority of farmers, especially smallholder farmers, to participate in certification through an easy entry into certification. Through a continuous improvement process, the farmers are able to meet high sustainability criteria after a certain period of time, achieving real impact on the ground.





4C remains an inclusive standard while at the same time meeting high sustainability market demands (2/3)

Improvement Plan (IP) to achieve next level to be defined by auditor/CB during audit with concrete and measurable actions. Annual updates required, indicating progress towards achievement of 4C requirements

- IP needs to contain concrete milestones that need to be reached after each year, to be submitted for the Annual Updates
- Annual Updates to be checked and evaluated by CBs and once approved, forwarded to 4C. 4C may have a veto if the plan is not okay

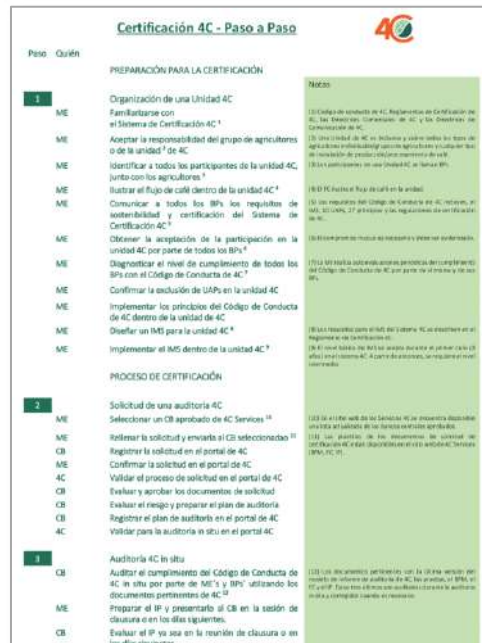
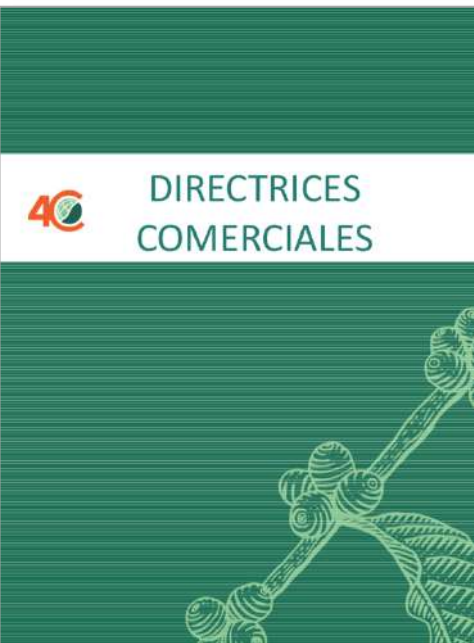
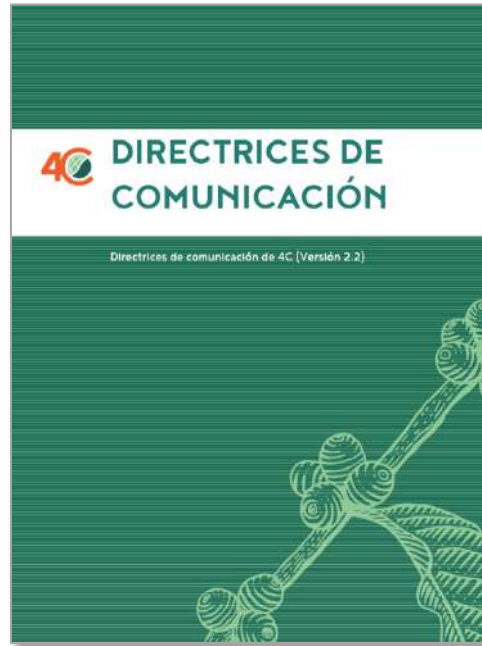
Increased objectiveness of the risk assessment of the 4C Units for sample size determination, using an innovative risk assessment tool

- Auditors are now required to use the GRAS (Global Risk Assessment Services) tool to receive an **automatically generated risk level** based on:
 - Land use change
 - Overlap with high biodiverse, high carbon stock, protected and indigenous areas
 - Social indices
 - An **additional list of minimum risk indicators** also needs to be taken into account
- **GRAS risk level can never be lowered, only increased based on the additional risk evaluation**



4C has translated major 4C documents into Spanish, Portuguese and Vietnamese

- 4C Code of Conduct
 - 4C Certification Step by Step
 - 4C Commercial Guidelines
 - 4C Communication Guidelines
-
- New 4C System Regulations, CB Regulations and 4C audit checklist to be published in English and Spanish soon





4C help line ensures a fast processing of your requests and concerns

We respond to emails within shortest time and meet regularly with our system users to address common concerns and to elaborate new solutions



Join 4C and create a sustainable future for the coffee sector!



4C Services GmbH
Hohenzollernring 72, 50672 Cologne, Germany
Email: info@4c-services.org
www.4c-services.org