Responsible [re-spon-si-ble]
<adjective> 1. able to answer for one’s conduct and obligation 2. morally accountable for one’s behavior 3. capable of being trusted ORIGIN: from Latin respondere ‘answer, offer in return’ SYNONYMS: answerable, accountable, trustworthy

Certified Responsible Coffee
<proper name> 1. coffee that meets the Utz Kapeh Code of Conduct 2. coffee purchased from producers who comply with the Utz Kapeh code of conduct and traceable back to origin SYNONYMS: Utz Kapeh Coffee

Utz Kapeh [uːtʃ kəˈpeɪ]  
<proper name> 1. Good Coffee (Mayan language) 2. Certified Responsible Coffee (see above) 3. A solution for coffee brands and producers to credibly and transparently demonstrate commitment to sustainability. SYNONYMS: independent, mainstream, transparent, market-driven.
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The Utz Kapeh Foundation is registered at the Amsterdam Chamber of Commerce number 34159275.
Utz Kapeh’s statutes are available at the Chamber of Commerce or directly from Utz Kapeh upon request.
This report was published on June 10, 2005 and covers the calendar year 2004.
This report is available as a .pdf via the Internet from our website www.utzkapeh.org.
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Welcome to Utz Kapeh

The Utz Kapeh Foundation is a unique partnership of coffee producers, industry and NGO’s to implement a world-wide baseline standard for coffee production and to enable coffee brands to purchase and market certified responsible coffee.

What is Utz Kapeh?
Utz Kapeh means ‘Good Coffee’ in a Mayan language from Guatemala. Utz Kapeh Certified Responsible Coffee is produced under conditions that meet the Utz Kapeh environmental and social standard and that is traded with traceability, transparency and better terms of trade for producers.

Mission and Vision
It is becoming increasingly important to be able to answer the questions “where does your coffee come from?” and “how is it produced?”. Utz Kapeh’s traceability and certification provide credible answers to those questions for each link in the coffee chain. Our mission is to introduce a baseline standard for responsible coffee production and sourcing. Our vision is to create a market for proof of socially and environmentally responsible coffee production and to create value for both producers and buyers from certification.

How Utz Kapeh works
Utz Kapeh provides assurance of good practices in production combined with transparency and better terms of trade in competitive coffee markets. Certification is increasingly seen as a valuable tool for moving the industry towards more sustainable practices.

There are four building blocks to the Utz Kapeh program:
1. Certification: Utz Kapeh maintains a credible and recognized Code of Conduct, certification program and traceability system.
2. Supply: Utz Kapeh provides tools for producers to access certification, become more competitive, market their certified coffee, and negotiate better terms of trade.
3. Demand: Utz Kapeh provides tools to create value for brands to source responsible coffee and make credible claims.
4. Acceptance: Utz Kapeh engages key opinion formers in industry platforms and civil society to ensure that they understand, value and support the efforts of Utz Kapeh producers and buyers.

Every certification program encounters trade-offs between these four points - stricter certification leads to higher “proof” and “impact” in production, and higher acceptance by civil society, but costlier compliance and hence lower supply and demand; a “lighter” certification program will have a lower claim of proof and impact, but higher supply and demand. While past initiatives that have come from civil society and producer origins have not achieved high levels of market penetration, Utz Kapeh’s ambition is to find the right balance in this equation to create a truly mainstream initiative.
What Utz Kapeh does

Utz Kapeh is organized around the four previously mentioned activities: certification, supply, demand, and acceptance. The following is a summary of what we concretely do:

Certification:
- Maintain and update the Code of Conduct, including consultation with participating producers and buyers, certifiers, technical experts, and our partners in EurepGap.
- Train, approve, and monitor the certifiers.
- Provide a system for tracking and tracing Utz Kapeh certified coffee.

Supply
- Create access for producers to become certified:
  - Inform and support producers who wish to join the Utz Kapeh program
  - Train agronomists to provide technical support to Utz Kapeh producers
  - Provide tools for producers to implement the Code of Conduct and their own internal control systems
  - Maintain a database of registered and certified producers
- Create value from certification for certified producers:
  - Enable improved terms of trade via Utz Kapeh’s price and market information system
  - Provide marketing support to connect certified producers with buyers

Demand
- Create access for buyers to the Utz Kapeh program:
  - Inform and engage roasters, brands and traders
- Create value from certification for buyers:
  - Support sourcing to develop appropriate quantities and qualities of certified coffee
  - Support marketing to inform customers about Utz Kapeh
  - Maintain matching system to account for purchases of Utz Kapeh certified coffee

Acceptance
- Create public-private partnerships to channel resources for producer development
- Create credibility for the Utz Kapeh Code of Conduct through participation in industry and NGO platforms
- Engage civil society to encourage acceptance for the efforts of Utz Kapeh buyers

The Value of Utz Kapeh

The Utz Kapeh program is a tool for recognizing responsible coffee producers of all sizes and origins and coffee traders roasters and brands.

For producers, Utz Kapeh provides value through:
- Structural improvement in the social, environmental and economic conditions in coffee production
- Support for coffee producers to become more competitive businesses
- Better terms of trade for coffee producers
- A meaningful link between producers and consumers

For buyers, Utz Kapeh provides value through:
- Transparency: knowing your producers in a transparent supply chain
- Risk reduction: Proof of good farm management practices
- Reputation: Credible, demonstrable commitment to sustainability
- Consumer value: A meaningful link from consumer to production

What Producers do

When producers decide to become Utz Kapeh certified, they register with Utz Kapeh. Using Utz Kapeh’s self-assessment checklist or support from professional agronomists, they then determine what needs to be done in their farming and organization to comply with the Utz Kapeh Code of Conduct. When they are ready, they hire an Utz Kapeh-approved certification body to inspect their farm or farms. If they meet the requirements of the Code of Conduct, they are awarded an Utz Kapeh certificate.
When producers are Utz Kapeh certified, they may sell their coffee as Utz Kapeh certified. With their existing clients or with new clients they meet through the Utz Kapeh program, they negotiate to sell their coffee as Utz Kapeh certified coffee. Under the principle of a better price for a better product, they negotiate the price for their Utz Kapeh certified coffee. When a sale is made as Utz Kapeh, they register this in the Utz Kapeh tracking and tracing system. The shipping data, quantity, quality, and amount of the negotiated Utz Kapeh premium are entered into Utz Kapeh’s password protected website. They receive a unique Utz Kapeh tracking number that accompanies the coffee with the bills of lading through the coffee chain to the final buyer.

What Certifiers do
Certifiers are independent organizations who are trained and qualified to conduct inspections and audits of the Utz Kapeh Code of Conduct and Chain of Custody requirements. They must be approved to conduct Utz Kapeh audits, and accredited to conduct EurepGap coffee audits. Utz Kapeh approves certifiers based on their qualifications to audit agricultural and labor practices.

Certifiers are hired by farms or groups of producers to conduct an Utz Kapeh audit. They inspect the farms and review the critical record keeping that demonstrates that the producer indeed complies with the Utz Kapeh Code of Conduct and Chain of Custody requirements. Under Utz Kapeh’s guidance, they approve the amount of coffee that can be sold as Utz Kapeh certified.

What Buyers do
Buyers register with Utz Kapeh to participate. Once registered, Utz Kapeh provides them with tools to identify certified producers and to bring their own suppliers into the program. When buyers purchase Utz Kapeh certified coffee, they receive the unique Utz Kapeh tracking number that was mentioned earlier. The final buyer enters this number into Utz Kapeh’s password protected website to confirm that purchases are indeed Utz Kapeh certified coffee. Upon matching the purchase, the buyer receives a purchase certificate of Utz Kapeh coffee. Traders and roasters can be audited against Utz Kapeh’s Chain of Custody requirements by auditors approved by Utz Kapeh.

Utz Kapeh, producers, buyers and certifiers are all part of a robust system to ensure that you can know where your coffee comes from and how it was produced.
Report from the Board of Directors

We are pleased to present the 2004 annual report of the Utz Kapeh Foundation, including the annual financial accounts for 2004. This is the first public annual report for our young and growing foundation. It represents our best effort to create a transparent accounting of Utz Kapeh’s activities and finances. We welcome your feedback and encourage you to challenge Utz Kapeh’s management and board so that we can continue improving.

2004 was an Utz year for Utz Kapeh: good in the broadest sense of the word. Demand for Utz Kapeh certified coffee exceeded expectations and actual purchases rose 50% to 21,000 tons or about 350,000 60 kilo bags. Many new brands signed up with Utz Kapeh and the number of producers and the amount of certified coffee also increased significantly. Our forecasts for 2005 see this trend continuing. This confirms to us that both producers and buyers see value in the Utz Kapeh model.

Business people increasingly recognize that part of being a good, trustworthy brand or business partner is to be explicit about one’s responsibilities and behavior. What is responsibility? Responsibility is the ability to answer for one’s conduct and be accountable for one’s actions. Most simply, responsibility means the ability to respond - to know where your coffee comes from and how was it made. Our producers and buyers are telling us that Utz Kapeh is the right tool to fill this need, to demonstrate responsibility - and to create value from it.

Utz Kapeh is a learning process. We learned in 2004 about how to position Utz Kapeh as distinct from the other certification programs. We learned about what works and does not work for small-holders, and in particular, how to rhyme the needs of producers with the needs of buyers. We listen carefully to the needs of our participants and future participants so that we can continue to improve the program and create lasting value.

Our team grew substantially, from 4 at the beginning of the year to 11 at year’s end. With our presence now in six countries, there is someone from Utz Kapeh working somewhere at every moment of the day. Thanks to our great team, we met or exceeded nearly every goal in our business plan. And, thanks to increasing fee income and generous commitments of support from our funders, Utz Kapeh is well positioned to take on the challenges and opportunities presented in 2005.

Thank you for your confidence in Utz Kapeh.

David Rosenberg
Executive Director

Lucas Simons
Adjunct Director
Report from the Board of Directors

2004 was a year of both growth and development for the Utz Kapeh Foundation: Growth exceeded our expectations for both supply of and demand for Utz Kapeh certified responsible coffee; Development of our management and supervisory structures has resulted in a professional organization that is here to stay.

Since its inception, we have worked to make the Board of the Utz Kapeh Foundation into a truly international and independent multi-stakeholder group. In 2004 we achieved this goal. The board is comprised of two producers, a trader, a roaster, and an NGO, from 5 different nationalities and coffee cultures. All of the board members have contributed a significant amount of time to the organization. This commitment comes partially from the fact that each of the board members have an interest in the success of Utz Kapeh - as producers, buyers or developers. This is combined with personal passion for improving the way the coffee industry works. In recognition of the need for accountability and transparency to address public concerns about potential conflicts of interest of board members, we have developed policies on disclosure and ethics that were adopted in early 2005 and are presented in this report. Continuing in 2005, we are also developing policies to ensure transparency, confidentiality of commercially sensitive information, and on governance. All of this is done to ensure the credibility and integrity of the foundation.

We are proud of the Foundation’s accomplishments in the two short years that we have been formally “in the market”. We are optimistic about the contribution that the foundation can make to the sustainability of the coffee industry in the coming years. Utz Kapeh is well positioned to meet the challenges and seize the opportunities it faces in 2005. Our confidence is high thanks to a solid professional team, a robust and improving certification program, strong finances, and enthusiastic participation by Utz Kapeh’s producers and buyers.

We would like to thank the participating producers, traders, roasters, the Utz Kapeh staff, and the countless supporters of Utz Kapeh for their efforts to make Utz Kapeh a success.

In 2004, Nick Bocklandt, the founder and past chairman of the board of Utz Kapeh, announced his intention to retire from the board at the end of 2004. In February of 2005 he was replaced by Jan Bernhard, an Utz Kapeh certified producer from Peru. The Board and staff of Utz Kapeh thank Nick for his efforts and look forward to his continued involvement in Utz Kapeh as an adviser, ambassador and source of inspiration.

On April 19, 2005, the Board reviewed and approved the management report and financial accounts presented in this annual report.

Christian Bendz Wolthers
Chairman of the Board of the Utz Kapeh Foundation
Members of the Utz Kapeh Board of Directors

Christian Wolthers, Chairman
• 2nd 2-year term, since January 2003
• Owner, CEO Blaser & Wolthers Specialty Coffee Trading, Miami, USA
• Owner, CEO Wolthers & Associates, Santos, Brazil
• Board member, 2004-2005 President of the Specialty Coffee Association of America

Hans Perk, Secretary, interim Treasurer*
• 1st 2-year term, since September 2003
• Solidaridad, The Netherlands
• Manager, Coffee Support Network at Solidaridad

Carlos Murillo
• 1st 2-year term, since September 2003
• Director, Exportadora Libertad (Export company of Utz Kapeh certified producer coop), Heredia, Costa Rica

Jeff Hill
• 1st 2-year term, since September 2003
• CEO, Java Trading Company, Seattle, USA

Jan Bernhard
• 1st 2-year term, since January 2005
• Executive Director, Pronatur (Utz Kapeh certified producer group), Lima, Peru

* In 2004, Board member Hans Perk was appointed interim treasurer, replacing Christian Wolthers who was appointed chairman of the board.
UTZ KAPEH IN 2004

Highlights 2004

- Sara Lee (Netherlands), Casino (France), Mitsui (Japan) join Utz Kapeh.
- Utz Kapeh launches in Japan.
- Pricing model refined by participating buyers and sellers in a meeting in Costa Rica.
- Utz Kapeh meets with producers, traders, trade unions in Brazil
- Technical experts trained in Central America, Brazil, East Africa.
- Utz Kapeh Code of Conduct revised and launched as EurepGap equivalent
- Coffee expertise hired in Amsterdam, Switzerland, Kenya, Brazil, and Japan.

And things where we are working to improve...

- Utz Kapeh and Max Havelaar / Fairtrade Netherlands met and resolved differences after several months of public debate. We now have a mutually agreeable way to talk about our programs that emphasizes compatibility rather than differences, and serves to grow the whole market for all certified coffees.
- We are increasing the capacity and quality of certifiers.
- We are providing more and better insight in to supply and demand for Utz Kapeh certified coffees.
- We are developing tools to make certification more practical and accessible for smallholders.

Developments in 2004

Attention to sustainability and responsibility in the world of coffee reached a crescendo in 2004. While many individuals and organizations have been working for years to improve conditions in the production of coffee, 2004 was a “high water mark” in terms of industry’s attention to its responsibilities in production. The discussion about sustainability and responsibility in coffee seems to have matured from “good versus bad” into a more nuanced and mature focus on knowing the origins and production conditions as part of the natural professional responsibilities of every business.

In Europe in particular, roasters and brands have recognized that they have a role to play to address the social and environmental issues in coffee production and purchasing. Many roasters and brands have increased their purchases of certified coffees from one or another of the well-known certification programs. Others are actively assessing their strategies and considering which program to chose. The “4C” process ensured that certification was on the agenda at nearly every level throughout the coffee industry. Utz Kapeh has been an active participant in the 4C steering group since its start, recognizing early on that the success of this program will be instrumental to the realization of Utz Kapeh’s own mission.

Traceability also took on greater importance, as consumer expectations and legislation were anticipated in Europe, Japan and the US. In each region, the legislation had different objectives and requirements, but the general theme of traceability as a responsibility of buyers is taking on increasing importance.

These specific trends were augmented by a more general focus on corporate responsibility, transparency and accountability. The combination of the specific developments in coffee and the generic maturation of corporate responsibility created highly favorable conditions for Utz Kapeh.

Utz Kapeh’s strategies

Utz Kapeh’s overriding objective in 2004 was to deliver on its targets for purchases of certified coffee to ensure our short-term financial viability while at the same time invest to develop the organization.

Utz Kapeh’s strategy in 2003 and 2004 was to develop the various elements of the certification program as new clients - roasters and brands - joined the program. We anticipated that new clients would follow a development model similar to that which we had enjoyed in the start-up phase with the Ahold Coffee Company. That is, we anticipated that companies would join Utz Kapeh and be tolerant of the many elements that needed to be developed together with them. In this model, Utz Kapeh would be able to grow its staff roughly in line with the growth in demand.
We found that this was in fact not what the market expected of us. Many mid-sized and large roasters told us they were waiting for Utz Kapeh to gain critical mass and “prove” itself as a *bona fide* organization. They wanted assurance that what we claimed was in fact what we delivered, and that we would have the resources to carry us through for the foreseeable future.

This meant that strategically in 2004, Utz Kapeh needed to invest ahead of demand to create the organizational capacity and systems needed to provide a high level of confidence and functionality for those who were waiting and watching.

**In 2004, Utz Kapeh set out to:**
1. Create organizational capacity to deliver results in terms of purchases of certified coffee, funding of our organization, and the operational goals laid out in the business plan.
2. Continue its professionalization path to ensure that the inner workings of the system are trustworthy, effective and value creating. This included:
   a. defining and implementing the Chain of Custody requirements,
   b. refining audit requirements and approval of certification bodies,
   c. establishing our own internal quality management and assurance program, and
   d. improving our information systems.
3. Position Utz Kapeh as the leading option for competitive brands to demonstrate responsibility in coffee production and sourcing.
4. Expand Utz Kapeh’s presence on the ground in countries of origin.
5. Steadily and responsibly manage supply, demand and information flows.
### Results 2004

#### Demand

<table>
<thead>
<tr>
<th></th>
<th>31-12-04</th>
<th>31-12-03</th>
<th>31-12-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tons green coffee purchased as Utz Kapeh</td>
<td>21,200</td>
<td>14,000</td>
<td>3,700</td>
</tr>
<tr>
<td>In bags (60 kilo)</td>
<td>354,000</td>
<td>233,000</td>
<td>62,000</td>
</tr>
<tr>
<td>Growth over previous year</td>
<td>51%</td>
<td>278%</td>
<td>-</td>
</tr>
<tr>
<td>Active first buyers</td>
<td>20</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Active final buyers</td>
<td>9</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Number of countries</td>
<td>10</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

#### Supply

<table>
<thead>
<tr>
<th></th>
<th>31-12-04</th>
<th>31-12-03</th>
<th>31-12-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of countries (at year end)</td>
<td>14</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Total number of producers certified (at year end)</td>
<td>66</td>
<td>38</td>
<td>21</td>
</tr>
<tr>
<td>Total number of producers in transition (at year end)</td>
<td>50</td>
<td>46</td>
<td>31</td>
</tr>
<tr>
<td>Number of new producers (added from previous year)</td>
<td>34</td>
<td>19</td>
<td>9</td>
</tr>
<tr>
<td>Number of dropped out producers (dropped out in this year)</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Number of new producers in transition (for each year)</td>
<td>20</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>Tons of green coffee certified</td>
<td>53,600</td>
<td>40,400</td>
<td>33,900</td>
</tr>
<tr>
<td>In bags (60 kilo)</td>
<td>893,300</td>
<td>673,400</td>
<td>565,200</td>
</tr>
</tbody>
</table>
### Key objectives and accomplishments

<table>
<thead>
<tr>
<th>Area</th>
<th>Objective</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Develop traceability requirements</td>
<td>Chain of custody requirements reviewed with participants, tested and launched.</td>
</tr>
<tr>
<td>Supply</td>
<td>Increase supply of certified coffee</td>
<td>Supply increased to 54,000 ton</td>
</tr>
<tr>
<td></td>
<td>Develop pricing policy</td>
<td>Pricing policy revised by participating buyers and producers; price transparency model developed and launched.</td>
</tr>
<tr>
<td></td>
<td>Improve technical assistance</td>
<td>Training of technical assistance providers in 9 countries.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coffee Support Network initiated.</td>
</tr>
<tr>
<td>Demand</td>
<td>Grow demand with new buyers to 19,000 tons</td>
<td>Demand 21,000 tons.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 new registered final buyers.</td>
</tr>
<tr>
<td>Acceptance</td>
<td>Position Utz Kapeh as the leading option for competitive brands</td>
<td>Significant awareness of Utz Kapeh through international forums like 4C, SCAA and EurepGap and endorsement by Sara Lee.</td>
</tr>
<tr>
<td>Organization</td>
<td>Improvement of internal systems and controls</td>
<td>IT security and financial controls improved; own internal quality process started.</td>
</tr>
<tr>
<td></td>
<td>Growth of team ahead of demand</td>
<td>New expert staff in Amsterdam, Switzerland, Brazil, Kenya and Japan.</td>
</tr>
</tbody>
</table>
Demand for Utz Kapeh certified responsible coffee

Purchases of Utz Kapeh certified responsible coffee increased by more than 50% from 14,000 in 2003 to 21,200 tons. The growth came from both significant increases in purchases by buyers who were already in the program in 2003 and an increase in the number of buyers. The number of registered final buyers increased to 19, of whom 9 were active in purchasing certified coffee throughout the year. The purchases of Utz Kapeh certified coffee in 2004 exceeded our expectations and already meet our conservative forecasts for calendar year 2005. In addition to positive developments in Europe, Utz Kapeh launched in Japan.

Highlights
In March, after several months of due diligence, Sara Lee joined Utz Kapeh. Starting with the Dutch Douwe Egberts division, Sara Lee made a significant commitment to purchasing Utz Kapeh certified coffee. The strength of that commitment was illustrated not just by the intention to purchase certified coffee, but also by their initiative to bring their producer development projects into the Utz Kapeh program. The announcement of Sara Lee joining Utz Kapeh gave us a credibility boost in the international coffee world; several major mid-sized roasters and leading traders have since approached Utz Kapeh.

Joost Manassen, Sara Lee
Douwe Egberts and David Rosenberg, Utz Kapeh

Utz Kapeh met with roasters and brands throughout Europe. Some of the brands that joined Utz Kapeh in 2004 include Casino (France), ICA (Sweden), Mitsui (Japan), and Sommerfields (U.K.). Noteworthy interest for Utz Kapeh in Europe came from the Netherlands, Belgium, France, United Kingdom, Norway, Sweden and Switzerland.

In June, Utz Kapeh was invited to Japan for an exploratory road show. By September Utz Kapeh had worked out an arrangement with Cerrad Coffee Traders to act as Utz Kapeh’s representative in Japan. In November, Utz Kapeh launched UKJ with Cerrad and with significant backing from the Mitsui Corporation, one of the leading importers in Japan. By the end of 2004, 10 leading roasters and brands were registering with Utz Kapeh and starting to purchase Utz Kapeh coffees. Demand from Japanese consumers and legislation that is expected in 2006 have led to a concerted effort by Japanese coffee industry to provide assurance of traceability. The Utz Kapeh program, known as UKJ in Japan (www.ukj.jp), is seen as a leading tool to meet that demand.

Supply
The amount of coffee certified under the Utz Kapeh program increased by 33% to nearly 900,000 bags. 34 new producers were certified to the program. Producers were certified in 4 new countries, bringing the total to 14. This represents roughly 90,000 hectares, 44,000 workers and 38,000 seasonal workers employed.

The growth in production in for example Brazil and Colombia exceeded Utz Kapeh’s projections. In countries like Guatemala, Kenya, and Ethiopia, significant support is needed by Utz Kapeh’s field staff and the certified volumes do not yet exceed the potential demand.
Training: In 2004, Utz Kapeh trained agronomists around the world to support producers to become certified. In partnership with the US AID-funded Chemonics coffee program in Central America, Utz Kapeh trained 34 agronomists from Guatemala, Costa Rica, Nicaragua, El Salvador and Honduras. Also with support from Chemonics, 3 agronomists were funded and delegated to coops in Guatemala. Agronomists, or “technical assistance providers” in the development jargon, were also trained by Utz Kapeh field representatives in Brazil and Kenya.

Support: It became clear in the course of the year that the role and responsibilities in developing producers needed to be separated from the core of Utz Kapeh’s activities, certification and creating value from certification. This separation is needed both to ensure that there is not a conflict of interest (Utz Kapeh’s responsibility as certifier cannot be compromised by an interest in the success of producers in becoming certified) and because the skill set required for development projects is fundamentally different from Utz Kapeh’s core competence. As a result, Utz Kapeh and its partner, Solidaridad, worked together to set up an “outboard motor” which became known as the Coffee Support Network. The CSN, initially funded by HIVOS, is a project executing and financing organization dedicated to supporting primarily smallholders to achieve certification, as well as supporting the development of credible local auditing capacity. In 2004, the CSN funded some €60,000 in project start-ups and pilot projects in Peru, Colombia, Guatemala, Ethiopia and Uganda. At the end of 2004, €700,000 was secured from HIVOS and DOEN, as well as the Douwe Egberts Foundation, to launch the CSN in 2005. CSN is formally a project managed by Solidaridad.

Pricing policy: In January, the first meeting of Utz Kapeh producers and buyers was held in Costa Rica. This was an unprecedented gathering of producers and buyers who worked together to bridge differences and create consensus on how to collectively develop the Utz Kapeh model. The result was a significant improvement of Utz Kapeh’s pricing and market information policy. The essence of the policy is simple:

- Pricing is determined by buyers and sellers; Utz Kapeh does not interfere in that process;
- Buyers and sellers are committed to the principle that a better product - the Utz Kapeh certified coffee - deserves a better price;
- Producers report to Utz Kapeh the premium that they receive for Utz Kapeh certification - the difference between what they received and what that coffee would have fetched were it not certified; Utz Kapeh reports back to all participating members the aggregate weekly average premiums per country and quality.

With this system, pricing of Utz Kapeh remains a market negotiation between buyer and seller, with additional transparency available to all producers and buyers around the world.

Certification
Utz Kapeh made significant progress in developing and professionalizing the core elements of our certification program. Through the first half of the year, Utz Kapeh worked with EurepGap to revise the Code of Conduct and Certification Protocol. Utz Kapeh producers and buyers, as well as our Certification Bodies and other experts were consulted to revise the Code and in particular, clarify the requirements for smallholders in group certification situations. The 2004 Code of Conduct and Certification Protocol were launched in September, together with the announcement that Utz Kapeh is the first coffee program to be “benchmarked” as EurepGap-equivalent. This means that the Utz Kapeh Code and certification meet all of the requirements of the EurepGap program, plus the additional elements that are unique to Utz Kapeh. These include the social audit requirements, the Utz Kapeh pricing policy, and the requirement of Auditors to produce a summary report.

Additionally, Utz Kapeh developed and field tested the Utz Kapeh Chain of Custody requirements. Consultation and test audits were conducted at Utz Kapeh producers, traders and buyers. The Chain of Custody requirements are key to ensuring traceability: they are a set of administrative and technical requirements that enhance the guarantee that coffee with an Utz Kapeh certification is indeed Utz Kapeh certified.

Organization
Management systems: In January 2004, a management audit was conducted by SGS as part of the due diligence of Sara Lee, before it joined the program. That audit resulted in four important areas for improvement: financial controls, IT security, certification quality control, and standardization of Utz Kapeh’s internal processes. In response to that audit, recommended financial controls and IT security and backup improvements were imple-
mented, improvements were made to the Certification Protocol, and Utz Kapeh’s own ISO 9001 quality program was started.

**Staffing:** In March 2004, Utz Kapeh moved to new offices in Amsterdam. Over the course of the year, five new staff members joined Utz Kapeh, bringing significant coffee expertise and additional capacity to the organization. At year-end, Utz Kapeh had 10 staff members, one sub-contracted staff member and 3 student interns (9 men, 5 women). Considering that several of the staff started part-way through the year and/or worked part-time, the average number of staff members over the course of the year was 8.

![Utz Kapeh Office Amsterdam](image)

The Utz Kapeh Team in 2004

- **David Rosenberg**, Executive Director
- **Lucas Simons**, Adjunct Director and Marketing Director
- **Niels van Heeren**, Field Operations Manager
- **Anita Aerni**, Account Manager Europe, based in Switzerland
- **Kaz Maeda**, Representative in Japan, based in Tokyo, subcontracted from Cerrad Coffee Traders
- **Eduardo Sampaio**, Field Representative Brazil
- **Kamau Kuria**, Field Representative Africa
- **Miguel Gamboa**, Producer Coordinator Guatemala
- **Mijke Dieben**, Marketing Coordinator
- **Henrike Offeringa**, Administrative and Communications Coordinator
- **Rutger Drost**, Traceability Coordinator

In early 2005, Mijke Dieben and Rutger Drost moved on with their careers outside Utz Kapeh.

- We are joined in early 2005 by Cathelijne Lania, Marketing Coordinator, and Hester Prummel, Certification Coordinator
Impact of Utz Kapeh in production and consumption

Following on all of the effort and investment in Utz Kapeh, a logical question is “what is the impact?” What does Utz Kapeh mean for producers, buyers and sustainability? Obviously, this is a difficult question to answer. The challenges of responsibility, sustainability and development are nuanced and complex. There is a tendency to simplify the legitimate question regarding impact down to “how much extra money went to producers”, as if this in itself is a sufficient indicator of development. We are convinced that a simplistic transfer of margins from buyers to producers is not a sustainable market model and that such an indicator is inherently flawed. On the other hand, better indicators of the value that is created through certification for producers and buyers are lacking.

Our participants, funders, and future participants need an indication of Utz Kapeh’s impact and value. We see the best indication of value in terms of the numbers of producers and buyers who have joined and stayed in the program - clearly they see value in Utz Kapeh as entrepreneurs. For this reason, they are our Key Performance Indicators and are listed as our key results on page 13.

Environmental and social impact

Environmental and social impact at farm level is also difficult to measure - many of the producers in the program are the “better farmers” whose farming practices may have already complied with the Utz Kapeh Code of Conduct before they joined the program. This includes both large farms and cooperatives. Concretely, Utz Kapeh’s impact can be defined in terms of the amount of production that is under “monitored cultivation” and the number of farmers and farm workers whose work conditions have been assured.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of certificates</td>
<td>66</td>
<td>38</td>
</tr>
<tr>
<td>Estimated number of producers</td>
<td>32,010</td>
<td>17,875</td>
</tr>
<tr>
<td>Estimated number of permanent workers</td>
<td>43,779</td>
<td>28,948</td>
</tr>
<tr>
<td>Estimated number of seasonal workers</td>
<td>37,950</td>
<td>25,694</td>
</tr>
<tr>
<td>Estimated hectares under certification</td>
<td>90,486</td>
<td>66,503</td>
</tr>
</tbody>
</table>

Economic impact

Despite our concerns about mis-interpretation of pricing data, we have made an estimate of the economic impact of Utz Kapeh’s program. Our concerns come from the fact that to be a truly mainstream model, pricing needs to be close to the market. Buyers are turned off by excessive focus on pricing, while producers need to be rewarded for their investments in certification. Utz Kapeh is not explicitly not involved in the pricing of Utz Kapeh certified responsible coffee, but the Utz Kapeh program provides producers and buyers with transparency in the form of aggregated data on the premiums paid as well as historical and forecast information on supply and demand. The premiums are the difference between the price negotiated between the producer and first buyer and the price that same quality coffee would have fetched were it not certified. The aggregated information that participants in the program receive are part of a more balanced starting point for price negotiations.

With this nuanced story as background, Utz Kapeh can report the following based on six months of experience with this pricing model (we started collecting and reporting data as of the second half of 2004). Premiums in 2004 ranged from $0.01 to $0.09 cents per pound. The overall average premium reported by producers was $0.04 per pound. As Utz Kapeh coffees covered a wide spectrum of qualities, it is risky to try to relate this to an average total coffee price, but an educated guess implies that this represents somewhere between 5 and 15% of the total negotiated coffee price. Based on the total volume purchased as Utz Kapeh in 2004, this implies an approximate total additional premium to Utz Kapeh producers of $1.7 million based on 21,200 tons, or about 47 millions pounds purchased as Utz Kapeh certified coffee. For our funders, this implies that the roughly € 790,000 in subsidies leveraged nearly twice that in direct extra benefit to participating producers.
Ricardo Sánchez Prieto,
Hacienda La Francia, Colombia

Two years ago we were seeking an alternative to add value to our production of coffee. Between the alternatives, we found the Utz Kapeh program the most appropriate one. We found that we complied to the majority of the requirements in the Utz Kapeh Code of Conduct: good agricultural practices regarding the environment, traceability of the production and controlled management of all the human resources and materials. On the social responsibility however, we had to do a great effort to comply. It is very comforting to see that Hacienda La Francia and its people have benefited enormously from the certification process. Now the Utz Kapeh certification is one of the major assets of Hacienda La Francia: all families are living there with all the recognition that any human being should have. This feeling is more gratifying than all the other recognition and economic possibilities that Utz Kapeh gives.

I invite all agricultural businessmen, particularly in coffee, to ask themselves if they are complying with their social responsibility and to the ones that have a negative answer: now is the moment to begin!

Henry Chacon Ulate,
Suscof, Costa Rica

We joined Utz Kapeh from the very beginning because we saw the possibilities it could bring to the whole Suscof group. Our challenge was to implement the Utz Kapeh Code outside Guatemala - where it was originated - for the first time. After our self evaluation based on this first Utz Kapeh Code of Conduct, we needed five months of implementation to comply with this Code. Our biggest challenges included the training of our employees in safety and environment, and the environmental record keeping. An important criterium is the use of coffee pulp as fertilizer, we implemented that and we also started cleaning our waste water and reduced our pesticide use.

Being a member of Utz Kapeh provided us with better insight on our operations and made us more efficient. Also it raised the level of consciousness of the farmers on the social and environmental impact. Our yields were already quite high, but have even improved. Utz Kapeh enabled us to improve our own operations and allows us to provide our customers with a good and responsible product.

Hugo Passos Swerts Jr.,
Fazenda Santa Cruz, Brazil

When we first studied the Utz Kapeh Code of Conduct we found it challenging to interpret and implement. We worked hard on administration, wet milling and housing for workers to be compliant with the Code and invested some serious money. Now we see that we have a more professional organization where workers are proud and happy to work. We have reduced costs in all operations through better management and efficient setup and have more than recovered the initial investment. The quality of the coffee has improved, both in yield as well as cup. And, all these improvements opened new markets for us and the relationships with our buyers have improved. We are simply more competitive.
Challenges and Strategy 2005

At the end of 2004, demand for Utz Kapeh was clearly accelerating. All of the current buyers had indicated plans for increasing their purchases of certified coffees in 2005, while a number of key roasters and brands in Europe and Japan were poised to join the program. The biggest challenge facing Utz Kapeh seems to have shifted from building demand to building supply.

Developing supply of Utz Kapeh certified coffee is, perhaps paradoxically, not Utz Kapeh’s responsibility. On the contrary, for Utz Kapeh or any other certification program to be successful, the market demand must provide the incentive for producers to participate. The roasters, brands and traders are far better positioned to encourage producers to become certified. Rather than usurping this responsibility of buyers and the trade, Utz Kapeh’s role is to support the development of producers by creating the right tools, training, and synergy in resources. In 2005, one of Utz Kapeh’s top priorities is to work with buyers and the trade to enable the supply of certified coffees to grow substantially with the right mix of origins and qualities.

A second challenge is to create a presence in the countries where we are not actually present. In both consuming and production countries, we clearly do better when we have people on the ground who can listen to the local issues and represent Utz Kapeh. In producing countries, we have experts in Guatemala, Costa Rica, Brazil and Kenya. They are developing a network of Utz Kapeh-trained agronomists in their regions who will be important as ambassadors of Utz Kapeh. In Europe, we are of course on the ground in the Netherlands, and more often than not in an airplane or train to other European countries. Creating representation in those countries through the right alliances will be critical to our success, both in reaching new roasters and brands, and in gaining acceptance among civil society. In the US, our presence will increase commensurate with demand.

Last, and perhaps most critical to our current participants and the long-term success of Utz Kapeh is continued development of the Code of Conduct and certification infrastructure. Technical issues related to social auditing, training auditors, and quality assurance of the auditing will be addressed. In specific countries like, for example, Vietnam, we will put resources to the task of improving the quality of auditing where we know that it does not yet fully meet our quality expectations.
Financial accounts 2004

Report on financial developments 2004
Total income was €954,128, just under the forecast of €1,027,131. Generous funding commitments for 2004 were met and increased by Utz Kapeh’s primary funders: “Doen Foundation” (Dutch “good causes” lottery) and the Dutch development foundations Solidaridad and Hivos. Additional funding was secured from NCDO (Netherlands Commission on Sustainable Development) as well as Sara Lee for conducting “quick scans” of several of its producer groups. Despite the increase in volumes, due to the decline of the Dollar against the Euro, net fees in Euro barely met Utz Kapeh’s conservative projections for fee income.

Thanks to the vision and generosity of our funders, at the end of 2004, Utz Kapeh had secured significant resources for the period 2005-2007. This gives Utz Kapeh the financial strength and resilience it needs for the coming years.

Until funding was confirmed at year-end, several hiring and spending plans were delayed until late in the year or until 2005. As a result of this policy of extra cautious spending, total expenses were €771,710, versus a budget of €1,005,724. As a result of funding commitments and fees, combined with lower costs, Utz Kapeh ended the year with an accumulated result of €96,227, and a continuity reserve of €105,000.

Financial policy
Results applied to reserves
Utz Kapeh’s board, in accordance with the statutes, determined that 100% of the 2004 result is be applied to own equity for use in the Foundation for 2005. Utz Kapeh’s reserves are currently maintained in high-interest savings accounts. None of Utz Kapeh’s reserves are invested in equities.

Accounting and accountants recommendations 2003
Utz Kapeh’s management invested in an “activity-based” accounting system that corresponds to an activity-based budget. This system was implemented in 2004 to give management appropriate insight into costs and cash flow, following on the recommendations of our accountants, PriceWaterhouseCoopers. Also in keeping with those recommendations, Utz Kapeh tightened cash management and signing protocol in 2004.

Board and management compensation
The members of the board of the foundation received no compensation for their participation. Utz Kapeh covered the out-of-pocket costs of participation for the producer members, drawing on funds made available for this purpose by Solidaridad. Starting in 2005, Utz Kapeh will cover out-of-pocket costs of participation for all board members, except when the board member’s own business can cover expenses (i.e., when Utz Kapeh board business and own business travel can be combined).

The director of the Utz Kapeh Foundation received a salary of €78,000. The employers share of social costs, insurance and pension contribution were approximately €11,000.
## Balance sheet

**Balance as per December 31, 2004**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>€ 20,070</td>
<td>€ 8,561</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>€ 13,403</td>
<td>€ 16,005</td>
</tr>
<tr>
<td></td>
<td>€ 33,473</td>
<td>€ 24,566</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>€ 49,199</td>
<td>€ 31,617</td>
</tr>
<tr>
<td>Taxes and social premiums</td>
<td>€ 8,800</td>
<td>€ 18,628</td>
</tr>
<tr>
<td>Other receivables and prepaid expenses</td>
<td>€ 56,377</td>
<td>€ 514</td>
</tr>
<tr>
<td>Cash at banks</td>
<td>€ 572,809</td>
<td>€ 174,126</td>
</tr>
<tr>
<td></td>
<td>€ 687,185</td>
<td>€ 224,885</td>
</tr>
<tr>
<td></td>
<td>€ 720,658</td>
<td>€ 249,451</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital Account</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid in capital</td>
<td>€ 3,325</td>
<td>€ 3,325</td>
</tr>
<tr>
<td>Accumulated result</td>
<td>€ 96,227</td>
<td>€ 17,854</td>
</tr>
<tr>
<td>Continuity reserve</td>
<td>€ 105,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>€ 204,552</td>
<td>€ 21,179</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>€ 47,484</td>
<td>€ 37,576</td>
</tr>
<tr>
<td>Taxes and social premiums</td>
<td>€ 30,835</td>
<td>€ 18,362</td>
</tr>
<tr>
<td>Current account Guatemala</td>
<td>€ 913</td>
<td>€ 15</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>€ 436,874</td>
<td>€ 172,319</td>
</tr>
<tr>
<td></td>
<td>€ 516,107</td>
<td>€ 228,272</td>
</tr>
<tr>
<td></td>
<td>€ 720,658</td>
<td>€ 249,451</td>
</tr>
</tbody>
</table>
## Income and Expense

Profit and loss account for the year ended December 31, 2004

<table>
<thead>
<tr>
<th></th>
<th>Forecast 2004</th>
<th>Actuals 2004</th>
<th>Actuals 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>€ 234,000</td>
<td>€ 210,749</td>
<td>€ 130,669</td>
</tr>
<tr>
<td>Project subsidies</td>
<td>€ 793,131</td>
<td>€ 743,379</td>
<td>€ 280,104</td>
</tr>
<tr>
<td></td>
<td>€ 1,027,131</td>
<td>€ 954,128</td>
<td>€ 410,773</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>€ 423,855</td>
<td>€ 367,349</td>
<td>€ 153,504</td>
</tr>
<tr>
<td>Office rent and service</td>
<td>€ 41,640</td>
<td>€ 24,122</td>
<td>€ 11,581</td>
</tr>
<tr>
<td>Sales expenses</td>
<td>€ 42,000</td>
<td>€ 50,991</td>
<td>€ 21,631</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>€ 72,135</td>
<td>€ 88,558</td>
<td>€ 51,741</td>
</tr>
<tr>
<td>Office supply and equipment</td>
<td>€ 172,094</td>
<td>€ 85,110</td>
<td>€ 33,758</td>
</tr>
<tr>
<td>Professional services</td>
<td>€ 208,000</td>
<td>€ 136,889</td>
<td>€ 105,350</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>€ 46,000</td>
<td>€ 18,691</td>
<td>€ 7,842</td>
</tr>
<tr>
<td></td>
<td>€ 1,005,724</td>
<td>€ 771,710</td>
<td>€ 385,407</td>
</tr>
<tr>
<td><strong>FINANCIAL INCOME AND EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange result</td>
<td>€ -</td>
<td>€ (2,823)</td>
<td>€ (1,898)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>€ -</td>
<td>€ 3,778</td>
<td>€ 1,169</td>
</tr>
<tr>
<td>Result for the year</td>
<td>€ 21,407</td>
<td>€ 183,373</td>
<td>€ 24,637</td>
</tr>
</tbody>
</table>
Notes to financial accounts

General notes to the accounts

Activities
The foundation was established on July 3, 2001. Main activities of the foundation are:

• to develop an international standard with environmental and social criteria for coffee production;
• to assist producers to certify their production in accordance with this international standard;
• to assist coffee buyers to purchase the certified coffee;

Significant accounting policies
Assets and liabilities
Unless otherwise indicated, assets and liabilities are stated at nominal value.
Tangible fixed assets
Tangible fixed assets are stated at their historical cost less depreciation. Depreciation is provided in equal annual installments over the estimated useful lives of the assets.
Intangible fixed assets
Intangible fixed assets are stated at their historical cost less amortization. Amortization is provided in equal annual installments over the estimated useful lives of the assets.
Result of the year
The result represents the difference between the receivable subsidy and turnover and the costs and other charges of the year. The results on transactions are recognized in the year they are realized; losses are taken as soon as they are foreseeable.
Turnover
Turnover represents fees billed for the use of the “Utz Kapeh” certification by coffee producers, and is calculated on the basis of volumes sold.
Taxation
The annual accounts have been prepared under the assumption that the activities of the Foundation are exempt from corporate income tax.
Auditor's report

The Board of Utz Kapeh Foundation
Prins Hendrikkade 25
1012 TM Amsterdam

Auditors' report ex section 2:395, subsection 2
of the Netherlands Civil Code

In accordance with your instructions we have audited the abbreviated financial statements
of Utz Kapeh Foundation, Amsterdam, for the year 2004. These abbreviated financial
statements have been derived from the financial statements of Utz Kapeh Foundation for
the year 2004. In our auditors' report dated 11 April 2005 we expressed an unqualified
opinion on these financial statements. These abbreviated financial statements are the
responsibility of the company's management. Our responsibility is to express an opinion
on these abbreviated financial statements.

In our opinion, these abbreviated financial statements are consistent, in all material
respects, with the financial statements from which they have been derived.

For an understanding of the company's financial position and results and for an adequate
understanding of the scope of our audit, the abbreviated financial statements should be
read in conjunction with the financial statements from which the abbreviated financial
statements have been derived and our auditors' report thereon.

10 June 2005

WS-0079/UC/eh

PricewaterhouseCoopers Accountants N.V.
Additional information

Transparency is part of our business. The following sections provide information that is now commonly expected of non-profit organizations.

Governance and Board of Directors

Utz Kapeh currently has a 5-person board of directors. They are appointed by the board for a maximum of 3 successive 2-year terms. The board has initiated plans to expand to 7 members and to introduce a transparent nomination procedure. These will be launched in 2005.

The primary role of the board is to supervise, guide and support the management of the foundation. The board met in 2004 3 times face-to-face, plus 7 times by conference call. Important activities and strategic decisions of the board included:

- Hosting a meeting of Utz Kapeh producers and buyers in Costa Rica in which important steps were made in defining the policy on pricing and market information (January 2004)
- Reviewing and approving the 2003 financial results and 2004/5 business plans and budgets (April 2004)
- Evaluating supply/demand development and then refining the overall strategy for the foundation (September 2004)
- Deciding to enter into the Japanese market (September 2004)
- Developing a formal mandate for management and a policy on disclosure and transparency for the board itself (November/December 2004)

Policy on Ethics and Disclosure of Interests

This policy was developed in the course of 2004 and adopted by the Board of Utz Kapeh on 16 March 2005.

Policy

Utz Kapeh aims to foster high ethical standards, to prevent potential conflicts of interest, and to provide full public disclosure of interests of board members in relation to their supervisory role in the foundation. This is critical to protect the integrity of Utz Kapeh and its credibility as a certification program.

This policy applies to all staff and board members as well as advisers and volunteers. The board adopted this policy statement on 16 March 2005 and reviews it annually. This policy is made public on Utz Kapeh’s website.

Ethical Conduct

The board and staff of Utz Kapeh aspire to conduct all activities with integrity, honesty and respect. Board, staff, advisers and volunteers are expected to commit to the following:

1. Avoid potential conflicts or appearance of conflict between own interests and those of Utz Kapeh;
2. When there are potential conflicts, fully disclose interests and do not participate in decision making;
3. Do not give nor accept gifts of more than nominal value;
4. Do not give anything of value for personal gain or for the purposes of
   1. obtaining business that would not otherwise be provided,
   2. receiving favored treatment, or
   3. inducing anyone to violate his/her duty to employer or the law;
5. Do not make political contributions or political activities in the name of the foundation;
6. Ensure confidentiality of Utz Kapeh’s business information and their activities with Utz Kapeh’s business partners.
Prevention of conflict of interest and disclosure

Utz Kapeh has adopted five straight-forward safeguards to prevent and avoid conflicts of interest for staff and board members.

1. Each board member makes an annual declaration of commercial involvement in and interests related to Utz Kapeh.
2. Disclosure is a normal habit or practice in board meetings. When there is a potential conflict of interest, board members signal it before decisions are taken and remove themselves from the discussion so as to neither intentionally nor unintentionally influence decisions in which they are commercially involved. Board minutes reflect when these actions have been taken.
3. The same principle applies to staff in decision making for Utz Kapeh’s purchases, hiring, and strategic activities.
4. Management reviews the potential for commercial conflicts of interest before discussing with the board issues related to specific brands or roasters or countries.
5. Competitive bids are sought for purchases or actions that could potentially involve or benefit a board or staff member.

Disclosures by board members are available on request of producer and buyer members of Utz Kapeh, and at the discretion of management to funders and other stakeholders with a legitimate interest in Utz Kapeh’s transparency and accountability.

Roles of the Board and Management

As this is Utz Kapeh’s first public report, we have chosen to publish detailed information on the roles and responsibilities of Utz Kapeh’s board and management. The following roles and responsibilities are derived from Utz Kapeh’s statutes and management mandate, both of which are available from Utz Kapeh upon request to those with a legitimate interest in the transparency and accountability of the foundation.

Broad lines of board responsibilities:
• Strategic guidance
• Approval of business plan
• Assessment of management results against business plan and financial accountability
• Representation and promotion of Utz Kapeh

Specific functional roles of board members and support they can expect from staff:
• Chairman
  1. Prepare board agenda (in cooperation with Director)
  2. Chair board meeting
• Secretary
  1. Make and distribute minutes of board meetings (in cooperation with Director)
• Treasurer
  1. Review annual financial reports prepared by Auditors (Profit and Loss Statement and Balance of the Foundation)
  2. Monitor and serve as sounding board for financial management by staff
• Compensation committee
  1. Approve salary Director
  2. Approve salary framework for staff
• Additional roles of board members
  1. Promotion and brand engagement: Market Sounding Board
  2. Producer engagement: Producer Sounding Board

Management responsibilities:
The board of directors appoints an executive director and adjunct director who are charged with the following:
• Preparing annual business plan with multi-year strategy, budget, investment plan, and staffing plan.
• Strategic, executive and day-to-day management and leadership of the Foundation.
• Reporting to and acting on the assignment of the Board of Directors; the Adjunct Director reports to the Executive Director and carries out the same responsibilities in the absence of the Executive Director.
• Development of personnel policy and the hiring and firing of personnel, in line with the approved business plan.

The Executive Director and Adjunct Director are granted Power of Attorney (registered at the Chamber of Commerce in Amsterdam). All financial transactions, commitments and
other activities done by the Executive Director and Adjunct Director must, by definition, be legal and only in the interest of the Foundation in line with the business plan approved by the board.

Governance of Utz Kapeh’s Code of Conduct, certification protocol, and program elements

Utz Kapeh’s policy is to review all proposed changes that have substantive bearing on the workings of the program with its members. As such, the Utz Kapeh policy on pricing and market information was developed by participating buyers and producers at a meeting in Costa Rica in January 2004. The Utz Kapeh Chain of Custody requirements were developed by Utz Kapeh and reviewed and tested by participating Utz Kapeh producer and buyer members before it was adopted officially at the end of 2004.

The Utz Kapeh Code of Conduct was developed in conjunction with the Euregpap code. Initially, Utz Kapeh translated literally and figuratively the Euregpap fruits and vegetables code to coffee. In 2003 and 2004, Utz Kapeh and Euregpap jointly reviewed the Utz Kapeh code. Utz Kapeh solicited input from all of its producer and buyer members, as well as from knowledgeable consulting agronomists and certification bodies. After Utz Kapeh’s consultation round, the revised Utz Kapeh Code of Conduct was finalized with the Technical Standards Committee of Euregpap for Coffee. For more information, see www.eurep.org.

The Utz Kapeh certification protocol was developed by Utz Kapeh to ensure that Utz Kapeh certification meets the requirements of Euregpap in light of Utz Kapeh’s benchmarking with Euregpap.

Commitment to privacy and confidentiality of participant’s information

Utz Kapeh is committed to maintaining the confidentiality of information provided by participants, both regarding producers and buyers.

• We do not sell or rent information provided by participants
• We do not release information about participants without their explicit approval

Guide to additional information

Additional information on the Utz Kapeh program is available at www.utzkapeh.org:

• Utz Kapeh brochure (English, Spanish, Portuguese, French, Japanese and German)
• Frequently Asked Questions
• Code of Conduct (English, Spanish, Portuguese, French and Vietnamese)
• Policy on pricing and market information
• Overview of certified producers, registered buyers, approved certifiers and trained agronomists

Chain of Custody requirements for origin and destination countries are available upon request.