



Saxbys Circular Conceptual Framework



Saxbys is a retail coffee operation that partners with universities to create social(s) and governance(g) impacts...

- ❖ 30+ locations on the East Coast
- ❖ Approximately \$20M in annual revenue
- ❖ Developing a brownfield roasting facility
- ❖ 12 'Experiential Learning Program' locations
- ❖ **No sustainability program(e) developed**



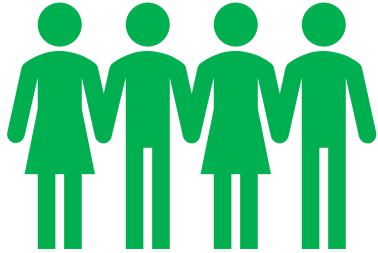
Awards & Press

- 2019 Inc. 5000 Fastest Growing
- 2018 Veterans of Influence Award
- 2016 Young Entrepreneur of the Year



The ELP experience connects theory with practice on the program's three pillars...

TEAM DEVELOPMENT



- Students learn cross-functional skills
- Student CEOs interact w/ sr. mgmt
- Apply 'human development' concepts

COMMUNITY LEADERSHIP




- Instilling a teamwide *Culture of Hospitality*
- Creating locally-driven *Marketing Playbooks*
- Advancing community efforts

FINANCIAL MANAGEMENT



- Apply best practices to drive profits
- Set a budget and target goals
- Create sales forecasts to project demand





Saxbys ELPs

On-campus, student operated, café

Macro trends reveal the industry is gravitating toward a circular economy and sustainability affects consumer purchase decisions

Sustainable Investment

\$350M

invested annually into sustainability initiatives in the coffee sector

Millennial Preferences

45%

of millennials value sustainably produced coffee products

Millennial Prioritization

6th

most important packaged goods trend for millennial consumers

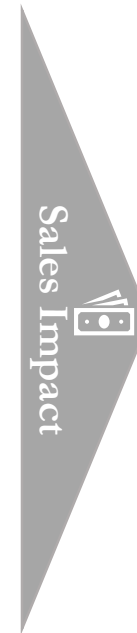
Consumer Ignorance

28%

of consumers do not know if their coffee is grown sustainably



Traditional consumer goods' sales have grown marginally, but products produced sustainably have observed solid growth



Overall Category Sales Growth

+5%

Sustainable Product Sales Growth

+16%



+1%

+14%



- 1%

+1% ✓

Clearly an opportunity exists within the coffee sector to capitalize on evolving macro forces; Saxbys can still emerge as industry leader in this space



“Everybody talks about climate, but the only sector that’s actually doing something at scale is the coffee industry.”



50K new trees planted
48% ethically sourced



99% ethically sourced
1400 green stores



La **COLOMBE**
TORREFACTION

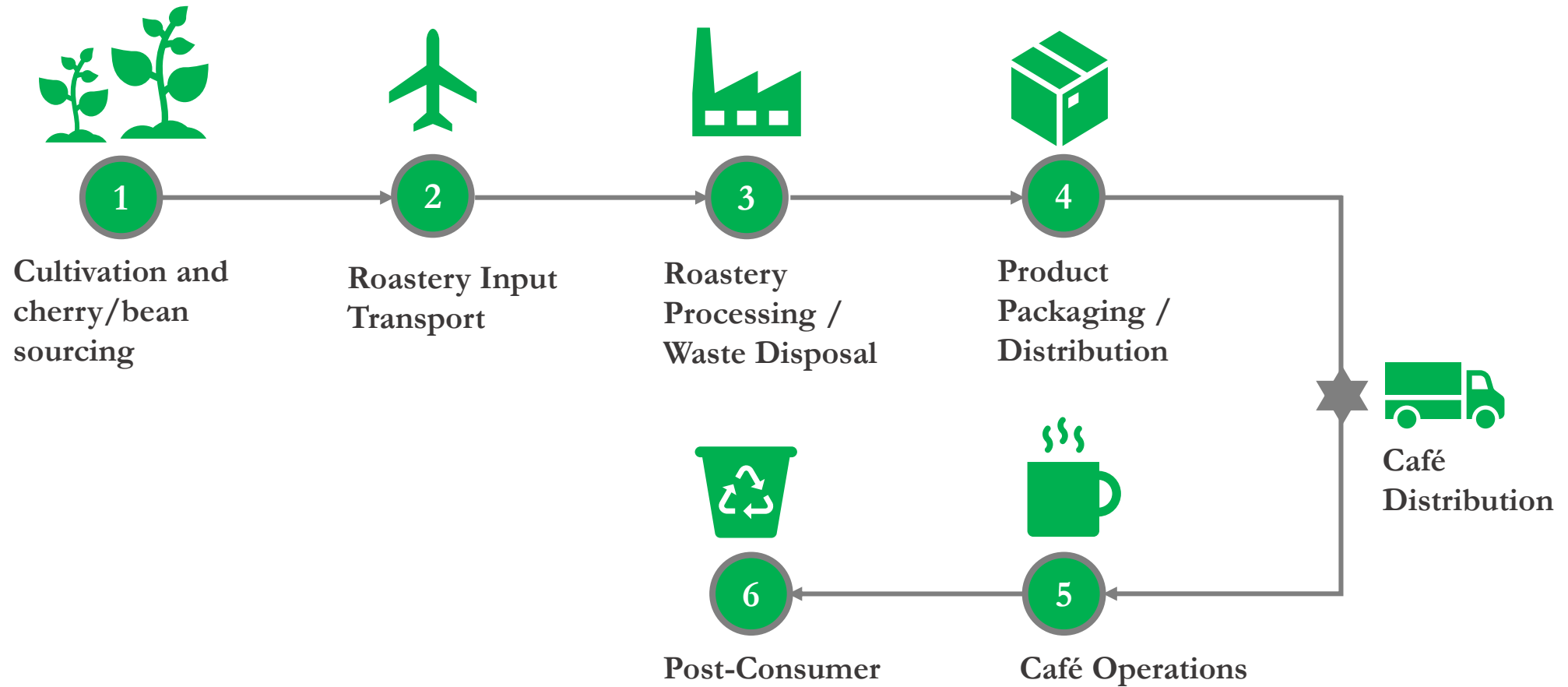
12+ hectare demo farm
Haiti Coffee Academy



100% renewable operations
85% traceable coffee



Saxbys has an intricate, intercontinental value chain that presents opportunities to reduce waste and improve efficiency





Colombia Origin Trip

La Palma y El Tucan Sustainable Coffee Plantation



Producers at origin have implemented circular economy elements to reduce impact, help the community, and still produce award-winning coffee

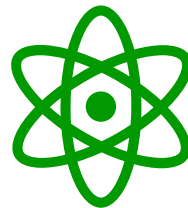
1

Recycle all natural inputs and outputs to production



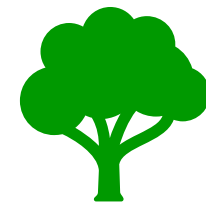
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Use and store onsite energy and water sources



3

Integrate native habitat/species for soil/water optimization



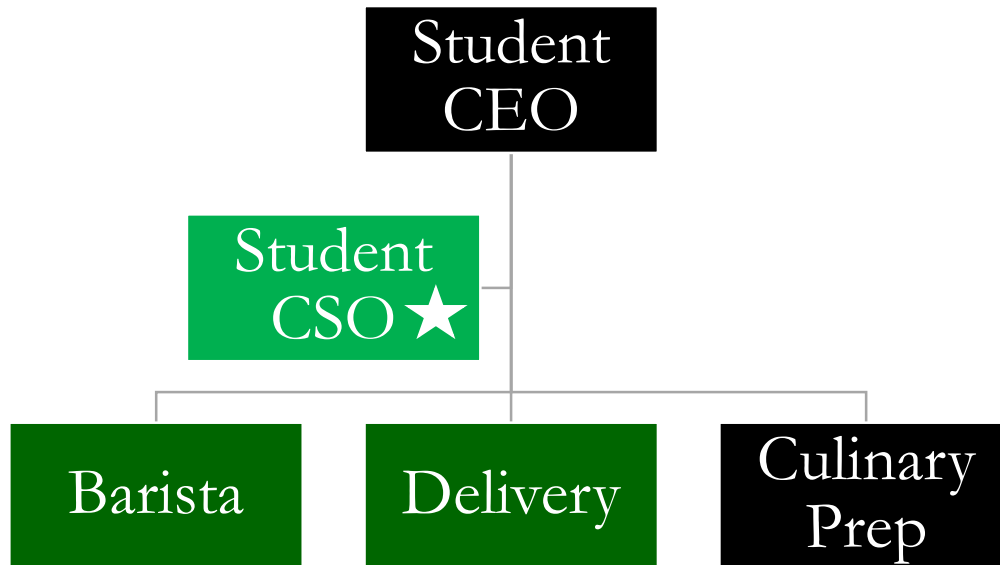
Saxbys Circular Concept

On-campus, student operated, café and sustainability lab



'Saxbys Circular' will augment the existing ELP framework to integrate sustainability into café level operations and then...

Café Organizational Structure



New Café Sustainability Officers will collaborate with other café level employees and influence their commitment to this new bottom-line of business

Circular Framework

- ❖ Introduce 'Café Sustainability Officers' to complement existing ELP leaders
- ❖ CSOs will create, implement, and measure targeted sustainability initiatives
- ❖ Employ and/or supplement all resources and research available at university locations
- ❖ **Analyze project(s) impact at scale to determine corporate level viability**



Business and university collaborative spaces could create value for each entity type and contribute industry-level knowledge

University Value Prop



- ❖ Enhance offering of the B&E Programs
- ❖ Apply knowledge in real-world setting at 'labs'
- ❖ Create unique, marketable offering to prospective
- ❖ Provide collaboration space for grads/undergrads
- ❖ Establish direct link to potential employer

Saxbys Value Prop



- ❖ Helps develop sustainability capabilities
- ❖ Gains access to an elite repository of expertise
- ❖ Leverage competent student body for labor needs
- ❖ Creates highly visible setting for green efforts
- ❖ Increases attractiveness of ELPs to universities

← SYNERGIES →



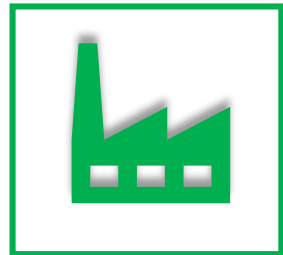
Different components of the value chain present different opportunities for focused sustainability projects



Origin Traceability



In-Store Experience



Roastery & Processing



Post-Consumer Strategy



Distribution



i. Origin



Proposed Project: Origin Traceability & Sustainable Partners Program



Proposed Description: This project will create a framework for Saxbys to assess the sustainable farming practices (or lack thereof) of its source partners. A traceability database will help Saxbys hold its partners accountable for their management practices, identify top-performers, and maintain/cultivate relationships with those top-performers. Moreover, data from the project will quantify origin sourcing and, ultimately, reveal its relationship with product pricing.

Current Business Need(s)

- ❖ Saxbys sources its beans from a third-party that provides minimal transparency into its production process and bean supply chain;
- ❖ Saxbys can increase quality and consistency of its coffee derived products by partnering with responsible agricultural producers/coffee growers;
- ❖ Research suggests millennials and generation-z customers will pay a premium for coffee produced in a sustainable manner with full visibility into origin production and the social/community consequences

Environmental



Biodiversity

- ❖ Native vegetation integration into growing plots;
- ❖ Reduction of pesticide & herbicide usage

Operational



Harvest

- ❖ Small farmer partnerships help local families;
- ❖ Shell byproducts from picking re-used for compost

Social



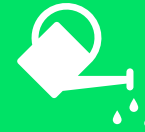
Financial

- ❖ Guarantee above-market rates for small farms;
- ❖ Monetization of ecosystem services & ecotourism



GHG

- ❖ Eliminate clear-cut farming methods;
- ❖ Return land away from cattle production;
- ❖ Install solar panels to supplement power needs



Water

- ❖ Maintain riparian buffer zones around source(s);
- ❖ Onsite water treatment facilities;
- ❖ Apply drip irrigation if needed



Infrastructure

- ❖ Investment (\$) in local infrastructure;
- ❖ Facilitation of local-farmer distribution efforts;
- ❖ Subsidized picking & transport

Identified Project Metrics / Benefits



Proposed Project: Origin Traceability & Sustainable Partners Program

Key Metrics: Implementation costs (*financial*); % of premium products of product sales (*financial*); # of sustainable partners (*social*); total converted (i.e. re-forested) acreage (*environmental*)

Priority Level: High ★



Project Recommendations

- ❖ Create comprehensive origin map of existing and potential partners;
- ❖ Identify specific metrics to measure sustainability efforts at source farms;
- ❖ Collect data from local agricultural producers through site visits and interviews; monitor and verify findings through partner certifications and company-led measuring efforts;
- ❖ Aggregate data in traceability database that looks at all “identified project metrics”;
- ❖ Establish Saxbys supply portfolio targets of sustainable farms;
- ❖ Launch sustainability partner program and reward adoption with long-term contracts

Project Financial & Governance Costs

- ❖ Implementation of a robust Origin Traceability and Sustainable Partners Program will increase general and administrative costs, as implementation will have associated development and operation expenses.
 - New staff requirements (e.g., local buying agent, data analytics specialist, etc.);
 - Increased COGS for both premium and standard varieties sourced from the sustainable partners;
 - Reward payments paid out to members of the sustainable partners program;
 - Database development costs and frequent software upgrades;
 - Continuous monitoring of “identified project metrics”

Project Financial & Governance Benefits

- ❖ Although the immediate return on investment (ROI) will prove hard to quantify, origin traceability could allow Saxbys to consistently deliver a premium product with premium pricing.
 - Promotional opportunities around sustainable products will improve brand perception and attract new customers/help retain current loyal customers;
 - Opportunity to increase higher-margin products as a percentage of product sales mix

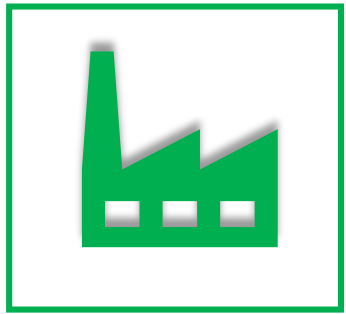




ii. Roastery & Processing



Proposed Project: Roastery & Processing Continuous Improvement Project



Proposed Description: This project will initiate the development of a comprehensive sustainable roasting program which embodies circular economy processes, with a focus on lean production and waste elimination. Project success will allow the company to scale its sustainable roasting to future processing facilities.

Current Business Need(s)

- ❖ Complete transition from third-party sourcing to in-house roasting facility and bean processing;
- ❖ Refine roasting processing to consistently hit volume targets to meet increasing café demand;
- ❖ Develop new varieties and flavors to meet an ever-evolving customer taste spectrum;
- ❖ Achieve lean production processes that enable operational efficiencies, minimize waste, and maintain COGS at close to current levels

Environmental



- ❖ Current development “re-greens” a degraded site;
- ❖ Codify soil toxicity assessment and remediation for future roasting facilities



- ❖ Implement monitoring device to gauge emissions;
- ❖ Create energy model to measure current production and consumption;
- ❖ Utilization of fans in cooling process as opposed to AC

Operational



- ❖ Implement new production processes to eliminate inefficiencies;
- ❖ Formalize processes to ensure consistency



- ❖ Research feasibility of installing bio-fuel generator;
- ❖ Assess rules/regulations, costs, and power output;
- ❖ Implement ‘circular practices’, i.e. use grounds as fuel source

Social



- ❖ Pilot urban gardens in adjacent property;
- ❖ Measure economic impact of community gardens



- ❖ Measure economics of roastery coffee shop, serving locals in particular;
- ❖ Develop local hiring and training plan(s)

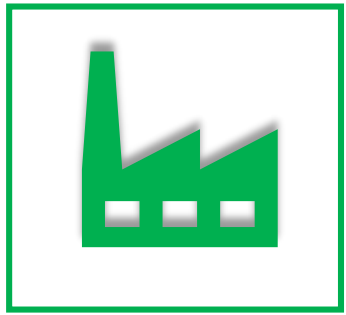
Identified Project Metrics / Benefits



Proposed Project: Roastery & Processing Continuous Improvement Project

Key Metrics: Implementation capital costs (*financial*); energy consumption (*financial and environmental*); # of ‘re-vitalized’ vacant lots (*social*); locals as % of facility workforce (*social*)

Priority Level: High ★



Project Recommendations

- ❖ Identify opportunity areas in new facility for operational improvement and circular process potential, with a lean production priority;
- ❖ Define performance metrics (KPIs) and collect data to pinpoint process improvement areas;
- ❖ Assess various energy strategies to determine the most viable for the facility, including solar, biofuels, and even carbon offsets;
- ❖ Locate and map degraded, vacant property for community garden re-purposing;
- ❖ Develop and continuously refine community hiring and training program through targeted community outreach and feedback loop;
- ❖ Re-assess production processes at designated intervals (e.g. monthly or quarterly)

Project Financial & Governance Costs

- ❖ The integration of efficient production processes that coincide with the development of Saxbys’ new roastery will require intensive training and continuous monitoring. Energy installations and equipment modifications will have significant associated upfront capital costs.
 - New staff and training requirements (e.g., six-sigma consultant, energy efficiency engineer, etc.);
 - Substantial capital costs for new/modified equipment and facilities;
 - Creation of a platform to monitor and derive insights from KPIs;
 - Continuous monitoring/evaluation of “identified project metrics”

Project Financial & Governance Benefits

- ❖ Complete ownership of its production process will enable Saxbys to fully-integrate sustainability measures into its company ‘DNA’. Additionally, operational efficiencies and lean production lead to reduced costs.
 - Potential tax benefits for substantial investment in city delineated opportunity zones;
 - Operational cost savings that result from a lean production process and efficiency



Saxbys targets deployment of its first CSO run café by 2020, and has established some ambitious 5-year sustainability goals

5-Year Targets

10

Saxbys Circular Locations



100%

Beans from sustainable farms



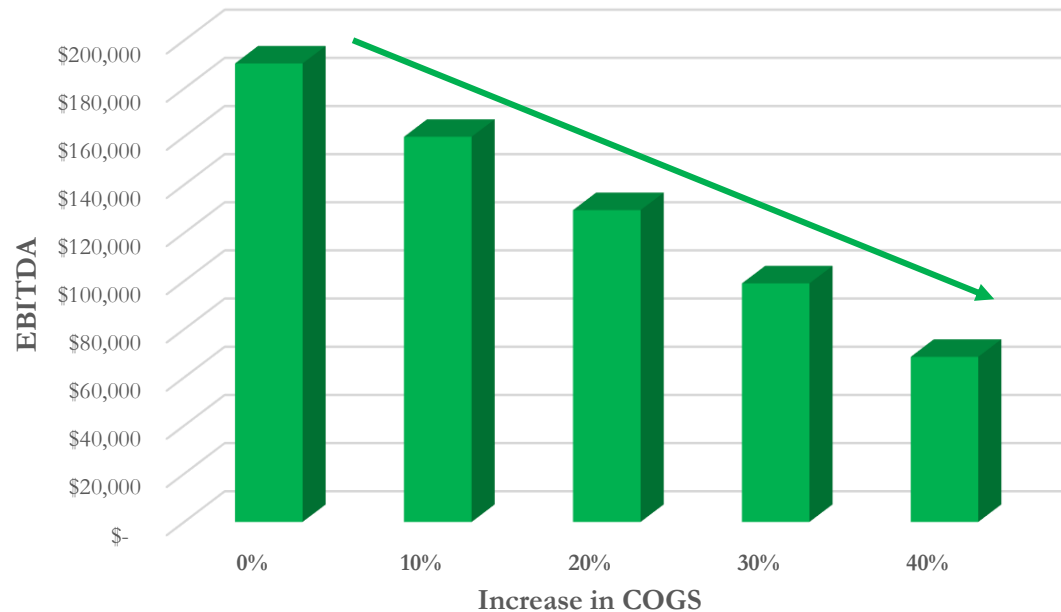
30%

Reduction in Water Volume Usage

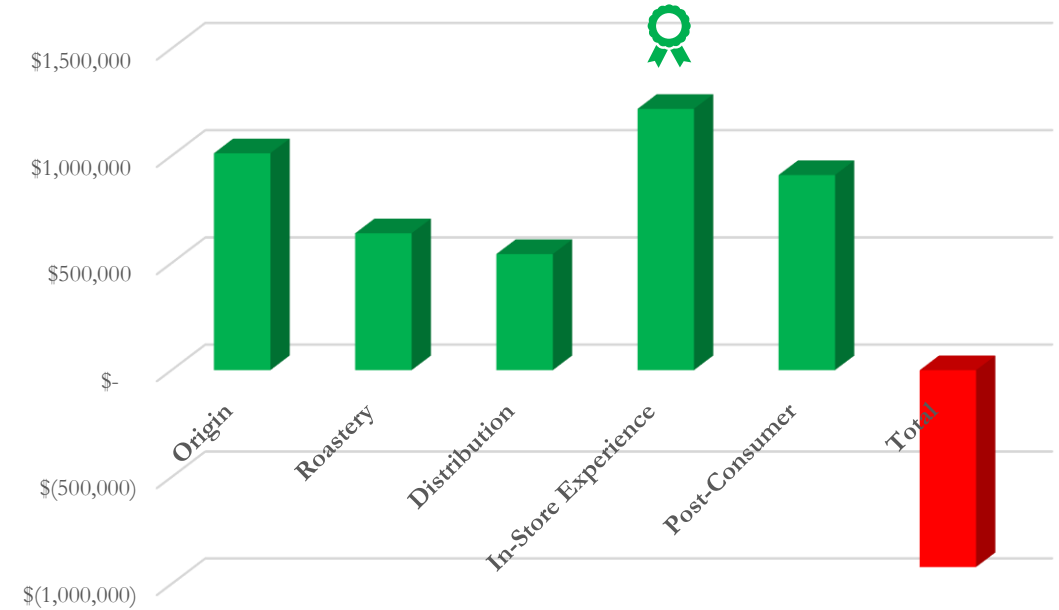


Implementation will require significant upfront capital costs, but could create cost savings and potentially drive revenue

EBITDA Sensitivity to COGS



5 Year EBITDA Project Sensitivity



Implementation of a Saxbys Circular would immediately meet evolving needs of multiple stakeholder groups



Education



Business



Consumer



Environment



Saxbys should perform additional due diligence before implementing any plan, but Saxbys should prioritize:

- ❖ Add sustainability to core corporate mission
- ❖ Hire sustainability operations manager / corporate champion
- ❖ Create go-to-market Saxbys Circular university strategy
- ❖ Experiment w/ origin project idea



A special thank you to all those that made this project possible!!!



Dr. Deborah Gallagher
MP Advisor



Nicholas Bayer
Saxbys CEO



Haley Samsi
Saxbys Director of Development





Saxbys Circular

A photograph of two white ceramic coffee cups filled with latte, featuring intricate latte art designs. The cups are placed on matching saucers and are set on a dark wooden table. The lighting is soft and focused on the coffee, creating a warm and inviting atmosphere. The background is slightly blurred, emphasizing the coffee in the foreground.

Appendix





Core Sustainability Strategy

- ❖ Starbucks has a comprehensive sustainability strategy divided into ‘Source’ and ‘Retail’ business segments
- ❖ SBUX aims to reduce wasteful consumption across all retail stores, with aspirations of converting all stores to LEED certified building standards and by substantially improving recycling methods and making all in-store operations more efficient
- ❖ Starbucks has emerged as an industry-leader in sustainability measures and markets success

FY17 Metrics*

99%

Ethically Sourced Coffee

62%

Renewable Energy Power

24,302

Coffee Farmers Trained

\$22.3M

Invested in Local Farmers

1,400

Green Stores

46,737

Opportunity Youth Hired

FY18 Key Initiatives

Greener Cup

- 10% post-consumer recycled paper cups
- Reusable cup promotion effort

Farmer Support Centers

- Share research and resources with the entire coffee community in source countries

Greener Energy Retail

- 10% installing energy management systems to optimize heating and cooling in stores

Sustainable Coffee Challenge

- Joint initiative to make coffee the first sustainable agricultural product



“We have always believed Starbucks can – and should – have a positive impact on the communities we serve. One person, one cup, and one neighborhood at a time.”

*Source: <https://www.starbucks.com/responsibility/environment>





Core Sustainability Strategy

- ❖ La Colombe focuses on ethical trade by sourcing and aiding partner farms with best practices across the entire supply-chain
- ❖ The company strives to elevate the well-being of all those impacted by the coffee's journey from seed to cup, with a particular emphasis on the people impacted
- ❖ Water continues to receive more priority from the corporate level, and the company emphasizes its commitment to water by raising awareness about water initiatives

FY17 Metrics*

12+

Hectare Demonstration Farm

1

Champion Partner:
Clinton Foundation

30

Locations w/ Sustainable Practices

10

Unique Flavors with Unique Sourcing Needs

FY18 Key Initiatives

Fairness

- No strike price is to be negotiated below that established by the Fair Trade Organization

Haiti Coffee Academy

- Supports coffee farmers in the southeast region of Haiti through education, training, materials, and market access

Longevity

- Long-term commitments are to be established with all coffee sources where possible

Neighborhood

- Provides free coffee to farm neighborhoods and financially support community centers



“All this while the world’s demand for high-grade heirloom ecologically sound and directly sourced coffee is massive and growing bigger each year.”



Core Sustainability Strategy

- ❖ Keurig has set ambitious 2020 targets that covers the sustainability spectrum but focuses on bringing waste and water consumption to net zero
- ❖ The company has challenged itself to improve the lives of 1 million people in coffee communities across the world
- ❖ R&D and innovation around packaging and manufacturing processes have earned the company global recognition; it will continue to invest sizable resources in these functions

FY17 Metrics*

485,000+

Lives improved

100%*

Renewable Energy Operations

85%

Traceable Coffee

27%

GHG Emissions Reduction

5x

More Material Diverted

31%

Responsibly Sourced

FY18 Key Initiatives

Water

- Restore 100% of water used by k-cups through funding restoration projects

Landfill

- Target zero waste to landfill from manufacturing and distribution facilities

Recyclable Pods

- Switch to polypropylene material in K-cups to increase recycling efficacy

Auto-Off

- Creating brewing machines which reduce energy consumption



“Coffee is unique in that it touches so many parts of the globe. We have an opportunity to make a real difference — but we have to act now.”





Core Sustainability Strategy

- ❖ Counter Culture’s sustainability strategy splits the supply-chain into ‘Origin’ and ‘Internal’, and has adopted numerous programs in each area that predominantly focuses on sustainability measurement
- ❖ Despite being private, Counter Culture produces a robust ‘transparency report’ on an annual basis to disclose its sustainable business progress to stakeholders
- ❖ Counter Culture emphasizes the human partnerships it forms in its business strategy,

FY17 Metrics*

48%

Ethically Sourced Coffee

548,928Kwh

Wind Energy Purchased

1,976

Green Samples Analyzed

50K

New Trees Funded

\$31K

Producer Partner Grants

120

Ton Increase in Carbon Footprint

FY18 Key Initiatives

Sustainability Scorecard

- Developing holistic scorecard far more encompassing than current certification standards

Green Fund

- \$500 matching program for employees engaged in sustainable projects

Seeds Program

- Grants for local producers to implement sustainability practices

Climate Change Adaption

- Research in best practices for farmers to adapt to climate change and reduce carbon footprint



“We strive for measurable environmental, social, and fiscal sustainability in everything we do. We value continuous improvement, pushed through supply chain partnerships that are built on communication and transparency.”

*Source: <https://counterculturecoffee.com/transparency-report>



The Colombia trip revealed opportunities for Saxbys to implement sustainability initiatives across its value chain

