

Deloitte.



True Price coffee bar
Q&A





Introduction and objective

Why true pricing?

True pricing is a movement willing to fix the broken global economy they see. Economic growth has produced prosperity for many but has also been a key driver behind some of the largest societal problems. Production and consumption have led to underpayment, child labour, climate change, declining biodiversity and many other so-called externalities. The true price movement believes a sustainable and inclusive economy is possible and recognizes that universal rights and collective action are the solution. A crucial step in realizing a sustainable and inclusive economy is true pricing. Deloitte and our caterer Hutten want to be part of this and partnered with 'True Price' to make this happen.

Who is 'True Price'?

True Price is an independently operating social enterprise with the mission to realize sustainable products that are affordable to all by enabling consumers to see and voluntarily pay the true price of products they buy. They envision a world where all products are sold for a true price. If a product is sold for a true price, then no damage is done to people or to nature: it is fully sustainable. If all products are sold for a true price, then the global economy is sustainable. The mission of True Price is to realize sustainable products that are affordable to all by enabling consumers to see and voluntarily pay the true price of products they buy.

True Price developed the first method worldwide to measure social and environmental costs in the value chain. The method is based on international conventions (e.g. UN UVRM, UNGP's, ILO Fundamental Principles, OECD guidelines for MNE) as a normative basis. True Price has done more than 60 true pricing projects ranging from SMEs to multinationals and a variety of important products. True Price is based on the work of Impact Institute (spin-off of True Price), which is a member of the Circular Economy 100 program of the Ellen MacArthur Foundation.

What does true price mean?

The true price is the price that should be paid for a product to make it completely sustainable, both environmentally and socially. The true price of a product is the selling price, including the costs to remediate all its social and environmental externalities. These consist of, among others: contribution to climate change, soil, water and air pollution, land use (including loss of biodiversity), underpayment of employees, underearning of farmers, child labor, forced labor and harassment. Visit www.truprice.org to view the complete list of externalities they take into account.

Why are we introducing the 'True Price coffee bar' at the Edge?

Global coffee production and consumption contribute to the loss of biodiversity, climate change, poverty and many more externalities. Deloitte, in close cooperation with its catering partner Hutten, aims to contribute to the sustainability of the coffee sector. It's a contribution to an already existing movement of true pricing, aiming to address the malfunctions of the food system as it is currently organized.

What is the potential impact of all this?

True pricing has the potential to transform our economy. True price information can be used to improve (decrease) the true price of products, by:

01. Providing market players with insight into the place in the value chain and the extent of the costs. Based on this, parties can reduce external costs through innovation.
02. Offering more transparency to market players so that they choose the more sustainable alternative.
03. Making consumers or other market parties pay the true price. The additional contribution will make it possible to repair the damage and reduce future external costs.

Moreover, it enables consumers to make more sustainable choices (products with a lower true price), which decreases the footprints of our consumption directly and incentivizes producers and farmers to prevent external costs as efficiently as possible. Moreover, it enables consumers to contribute to a more sustainable world through payments.

As it is a voluntary payment, it remains to be seen how much money we will collect by charging the true price. However, it will be monitored from the start and the impact will be communicated every two weeks on the screens in the office.

How is 'True Price' different from 'Fair trade'?

FairTrade is a label ensuring that parties in the supply chain follow some guidelines and meet certain minimum requirements. The true price of a product shows the social and environmental sustainability performance of a product and provides the price to remediate the costs.

Am I obligated to pay the true price?

No, paying the true price is voluntary as we do not want to force anyone to join this true price movement. It remains one's own decision whether one chooses to contribute or not. Moreover, in giving every customer the opportunity to make the decision themselves, we hope to encourage everyone to think about the true price and, in that way, create awareness on this topic.

What will be done with the true price payment?

By charging the true price, Deloitte and Hutten enable customers to reduce external social and environmental costs themselves. The true price payment is used for remediation: to restore or compensate for social and environmental damage (if repair is not feasible). For example: purifying polluted water. In addition, part of the contribution is used to prevent future damage. For example, by investing in a water treatment plant. True Price, Deloitte and Hutten have decided that the true price payments will be collected and paid to Fair Climate Fund (FCF), specifically their reforestation project in Peru.

FCF strives for a fair climate: a world in which those who contribute to climate change the most invest in CO₂ reduction projects. These projects benefit people who are most vulnerable to the effects of climate change. Their goal is to provide cleaner cooking solutions for half a million people and plant half a million trees by 2025, together with their partners, reducing a million tons of CO₂.

With this, Deloitte and Hutten give their visitors an effective instrument to contribute to a more sustainable world and – potentially in the future – products. In the future, True Price aims to increase the number of remediation providers, which enables Deloitte and Hutten to use the true price payments of their customers as effectively as possible for remediation.

Why do the prices include VAT / BTW?

The original true prices were calculated excluding tax. However, as it is charged at the counter of the coffee bar, it is fiscally speaking necessary to charge tax. As such, the full original true price can be transferred to the Fair Climate Fund.

Method and data

How is the true price being calculated?

The true price is calculated in 3 steps:

01. Assessing the entire value chain of a product;
02. Mapping the violations of human, sustainability and labor rights in the value chain;
03. Calculating the cost to remedy these violations. The remediation costs are the sum of repairing, compensating, preventing and possibly fining the violations.

What is included in the true price and why?

The true price takes into account the costs to remedy all social and environmental externalities in the complete value chain of a product. These consists of, among others: contribution to climate change, soil, water and air pollution, land use (including loss of biodiversity), underpayment of employees, underearning of farmers, child labor, health effects, forced labor and harassment. An externality is a breach of a human, sustainability or labor right that has not been included in the normal price.

For the true price of the coffees in The Edge, we took into account 8 externalities: contribution to climate change, air pollution, water pollution, water use, use of scarce materials, land use (including biodiversity loss), child labor and poverty (consisting of underpayment and underearning). These externalities were selected based on materiality and data availability. We considered multiple steps in the supply chain of the different products: cultivation (including the raw materials used at the farm), transport to and within the Netherlands and the use of energy at the coffee bar.

What is not included in the true price and why?

The externalities in a true price are selected based on international human rights, environmental rights and labor rights. Other potential externalities, like animal welfare, are not (yet) included in these frameworks and are, therefore, not in scope of a true price. In this project, we selected 8 externalities based on a materiality assessment and data availability.

What are the components of the value chain that have been calculated?

The most important material and feasible steps of the value chain have been included. This entails cultivation (including the raw materials used on the farm), transport to and within the Netherlands and the use of energy at the coffee bar. The true price scan also includes the process of roasting the coffee and processing of oats into oat milk. This means that other steps, like waste and the use of plastic or paper cups, are not included in the analysis.

The scope of the value chain consists of four parts. Each part contains different model components, in which different sets of impacts are estimated:

- *Production*: impact is estimated on the basis of datasets with footprints of the impact per kg per ingredient
- *Processing*: estimation of the impact related to energy consumption for further processing of the ingredient, if not already included in the production step
- *Transport to and within the Netherlands*: estimate of the impact for different means of transport from different countries
- *Coffee roasting & coffee bar*: estimation of the impact of energy consumption for the roasting of the beans at Hutten and the coffee machine in the coffee bar

What can we say about the level of exactness of the calculations?

The true price gaps in the coffee bar are country-average estimations, supplemented by specific calculations for transport and energy use in the coffee bar. They are calculated based on a combination of data from both national and international databases and primary data collection. Moreover, they reflect the true price gap estimations of products on average from the countries involved. They do not reflect the true price gaps of the specific suppliers of Hutten. The data, calculation model and process have been validated and meet the True Price standard©.

How reliable is the data on which the calculations are based?

Two types of data are used in the True Price Scan. The data reliability level is based on the level of detail of the data used to estimate the (monetary) size of the impact.

- *Product-country data*. The size of the impact is estimated based on product-country averages. This is more specific data and therefore gives more robust results. To illustrate: the size of the impact 'contribution to climate change' per kg of coffee from Colombia is based on the average GHG emissions per kg of coffee from Colombia.
- *Sector-country data*. The size of the impact is estimated based on sector-country averages. This is less specific data and therefore gives less robust results. To illustrate: the size of the impact of 'water pollution' per kg of oat milk from Sweden is based on the average amount of water pollution per kg involved in the cultivation of cereal grains from Sweden.

The two reliability levels are applied per product. Following the TP method, the best available data are used to quantify each impact. This means that the total estimated true price gap of coffee, for example, consists of six out of eight impacts estimated based on product-country data. The average confidence level per product is estimated at 3/4 stars. On the other hand, the total estimated gap of cow milk consists of four impacts that are estimated based on product-country and four impacts based on sector-country data. The average confidence level per product is estimated at 2,5/4 stars.

For a true price scan, public datasets are used as much as possible. These may be supplemented with specific data for the add-ons. The True Price Scan is based on scientific studies or datasets from renowned organizations. For parts of the add-ons of the model, specific data was collected at Deloitte and Hutten. When selecting the data, we preferred meta-analyses and larger datasets to ensure consistency and good data quality. However, due to limited data availability for the products in scope, we used different sources for different products, and hence comparability cannot be guaranteed. As a consequence this means that not all data that we incorporated is the most recent data available. In other words, the most recent developments in agriculture may not have been taken into account in the results.

Outcomes

Why is the water usage component so low, whereas one often comes across articles saying that the use of water for coffee exceeds 100L per cup?

Coffee production is often linked to high water use. The relative low price of water use in this analysis can be explained by the fact that this analysis only takes into account blue water use (and leaves grey and green water use out of scope).

Blue water refers to fresh surface and groundwater, specifically, the water in freshwater lakes, rivers, and aquifers (Hoekstra et al., 2011). Green water is defined as 'the precipitation on land that does not run off or recharge the groundwater but is stored in the soil or temporarily stays on top of the soil or vegetation. Eventually, this part of precipitation evaporates or transpires through plants. Green water can be made productive for crop growth' (Hoekstra et al., 2011). Grey water, in the context of water footprint, refers to the amount of water that would be required to safely dilute water pollutants which can be associated with the production of a product over its full supply chain (Hoekstra et al., 2011). Green and grey water are not connected to the impact of scarce water use

In other words: the total amount of water used for a kilogram coffee can potentially be high, however as 98% of this water originates from the air this is not directly problematic. According to the sources used, not much blue water is used in the production of coffee in Colombia. Moreover, water is not as scarce in Colombia as it might be in other countries (e.g., countries closer to the equator). Scarcity determines the 'price' of blue water.

Why is the true price gap of Mint tea S and Mint tea L equal?

The main difference between a S and a L cup of mint tea is determined by the amount of water. As the water is tapped at the Egde, the difference in true price is negligible.

Next steps

What are the next steps?

The true price scan provides a solid basis which can be expanded by, for example, including more products and bars or by improving the calculations. Based on the effect and impact of this first initiative, discussions will be held to weigh different options and decide on expansion. Therefore, we cannot say anything about commitment to true price initiatives for the future.

Deloitte's purpose statement is making an impact that matters. So why do you open a True Price coffee bar in only one office?

Opening this true price coffee bar is a first start and mainly an experiment to see what impact we can make. Based on the effect and outcomes of this first initiative, discussions will be held to weigh different options and decide on expansion.

Is the True Price coffee bar permanent? If not, why so?

The True Price coffee bar is initially established as a pilot. The decision to continue this initiative will be based on the outcomes.

The world's first true price coffee bar will be opened in Breukelen, the Netherlands. But it is going to be more than just a coffee bar; it will also be a living lab: A testing ground in which a diverse group of parties work together on innovative solutions. Will Deloitte join the Living lab?

Currently there is no cooperation with the Living Lab, however this might be established in the future

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