

This publication is an outcome of our desire to report the objectives that shape our vision for sustainability. We wanted it to follow internationally established standards and so we have prepared it bearing in mind the recommendations of the 2002 Global Reporting Initiative guidelines for preparing annual reports on sustainability.

We have set our goal and our company strategy based on sustainability in its three dimensions: environmental, social and economic.



Victor Janovich
Signed: CEO, State Street Coffee Holdings, SSCH

3. STATE STREET NICARAGUA, S.S.N, S.A.

STATE STREET NICARAGUA, S.A. (SS Nicaragua) was incorporated on November 15, 1999, through Public Instrument No. 52, and registered in the Public Commercial Registry of Matagalpa, Nicaragua. Geographically, it is located in the department of Matagalpa, the second largest high-altitude coffee producing zone in Nicaragua, where coffee growing has long been the main impulse for the region's production and economic development.

3.1. OBJECTIVES, MISSION & VISION:

SS Nicaragua is an agricultural export company with long experience, a world leader that focuses on producing coffee on company-owned farms with a total area of 1,701.13 mz. It also has departmental agencies devoted to stocking the green coffee, wet and dry processing mills with advanced, clean technology and an area devoted to export, with an estimated annual production of 4,000,000 lbs. of coffee, whose principal destinations are the U.S. and European (mainly German, Italian and French) markets.

Since it began operations, SS Nicaragua has been working towards the following **objectives**:

- a. Using technology in coffee production to obtain a gourmet product.
- b. Raising production yields on all its properties.
- c. Maintaining and improving quality in all areas, from its plantations to its customers and consumers.
- d. Building an international market image of a quality coffee producer and exporter.
- e. Improving the quality of life of its workers.
- f. Preserving and enriching the environment.

To meet these proposed objectives, SS Nicaragua has made "Sustainability Projects" part of its production strategy and has invested much effort into discovering and maintaining a cost/efficiency balance within its strategy, in which the risks and rewards of each group of results will be synchronized with others to establish an optimum base production cost.

Our *mission* is to encourage and promote sustainability in the growing, processing, marketing and roasting of coffee.

Our *vision* is to create a project and model company in which:

- **the efficient management of natural, financial and human resources,**
- **the use of appropriate technology and**
- **direct investments**
-

are undergoing **continual improvement**, to guarantee a quality product and the sustainability of coffee growing.

We want our Stakeholders (“**Groups of Interest**”) to be satisfied, and therefore we are encouraging their participation in an ongoing dialog as we go through the process of strategic improvement.

Through proper environmental, ethical and corporate conduct, in SS Nicaragua we seek to assure:

- our **investors** that our business will be profitable and our activities consolidated;
- **public and private institutions** that we will comply with tax, environmental and corporate laws and regulations;
- our **suppliers** that we will pay fair prices and that we will provide training and financing services;
- our **customers** that we will provide quality, a good reputation and food safety;
- the **Community** where we are located that we will ensure social welfare and create new jobs;
- and our **employees** that we will provide a working environment where they can develop their potential and grow in every way, so that ours is a great place to work

3.2 OPERATING STRUCTURE OF STATE STREET NICARAGUA.

3.2.1 COMPANIES

State Street Agropecuarias, (SS Agropecuarias) which administers the company-owned coffee plantations and oversees the production cycle, from the nursery to the bagging. It has everything for processing coffee, the necessary facilities and technology for washing and drying, thus guaranteeing the best quality conditions.

Exportadora Nicaragüense de Café S.A., (ENICASA) which is engaged in purchasing coffee and financing many small growers in the area, purchasing their crops and preparing the beans for export at the company’s drying plant. It also handles shipping information, monitoring of the international market, customs, and transportation to the port of departure, coverage and insurance.

BENEFICIO SAJONIA: This Company’s basic purpose is to process coffee coming from the producer companies, stockers and buyers, large, medium and small producers and coffee-growing cooperatives.

3.2.2 FACILITIES

-STATE STREET AGROPECUARIAS (FARMS)-

SS Agropecuarias administers a total of five farms with a total area of 1,701.13 *Manzanas* (mz) which contain the following areas:

- a) Area planted to coffee
 - b) Forested Area
 - c) Infrastructure Area
 - d) Area of plots of land
 - e) Area allocated to the teak reforestation project
- a) A total area of 1,105.74 mz planted to coffee, of which 456.11 are under development, 467.84 are fully productive and 181.79 mz are undergoing technological recovery.
 - b) The forested area covers a total of 518.91 mz, of which 206.93 are actual forest (diverse hardwoods and flora and fauna native to the area), 272.46 are brush (areas with forest potential), 2.09 are undergoing regeneration and 37.43 are gallery forest.
 - c) The infrastructure area consists of a total of 15.67 mz, comprised of houses for resident workers, camps, kitchens/dining rooms, elementary schools, wet processing mills, warehouses and offices.
 - d) The plots of land are areas designated for planting basic grains and general crops. They total 12.68 mz
 - e) An area of 47 mz is allocated to the teak reforestation project.

Farms: Santa Emilia, Alianza, Campinas, Guadalupe and Montecristo

Total Area: 1,701.13 mz

Cultivated Area:

Area in Coffee: 1,105.74 mz **Production Area:** 467.84 mz

Area in Development: 456.11 mz **Technological Recovery:** 181.79 mz

Estimated Harvest: 16,666.67 quintals of green/mz: 35.62 quintals

Varieties: Caturra 80%, Maragogipe 5%, Pacamara 10%, Bourbon 5%

Forests

In regeneration: 2.09 mz **Forest:** 206.93 mz

Gallery: 37.43 mz **Forestry Project:** 28.36 mz

Brush: 370.14 mz

Other Areas

Infrastructure: 15.67 mz **Farm plots:** 52.15 mz

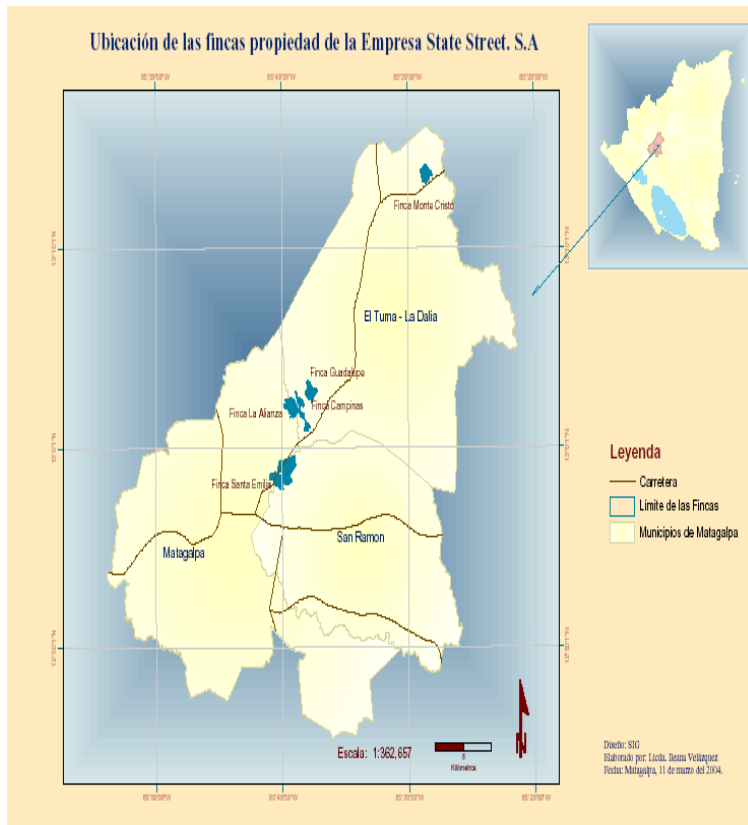
House plots: 12.68 mz



Photo Above (left/right):
Mr. José Ángel Arauz,
Administrator Alianza Farm
Mr. Rafael Rivera, "Capataz"
Alianza Farm
Mr. José Antonio Castellón, Ing.
Photo Below:
Mr. Antonio Sequeiro, Ing.

AREA PER FARM

FARMS	Coffee in Production	Technological Recovery	0-1 year	1-2 years	2-3 years	3-4 years	TOTAL mz in production	TOTAL mz
Sta. Emilia	146.43	17.20		34.00	9.50	185.61	392.74	747
Monte Cristo	78.91	32.09	55.00	20.00	47.00		233.00	239
Campinas	48.50	20.00	19.00	20.00	13.00		120.50	175.13
Guadalupe	61.00	50.00	10.00				121.00	227
La Alianza	133.00	62.50	15.00	12.00	16.00		238.50	313
TOTAL	467.84	181.79	99.00	86.00	85.50	185.61	1,105.74	1,701.13



**Mr. José Esteban McEwan,
 Administrator and co-owner
 Santa Emilia Farm**

PROCESSING PLANT: BENEFICIO SAJONIA

Beneficio Sajonia is located at Km. 117 on the Managua-Matagalpa highway, in the community of Quebrada Honda.

Today, Beneficio Sajonia has the following installed capacities and qualities:

1. **Receiving Capacity:** 2000 to 2500 quintals of parchment coffee per day.



2. **Natural Drying Capacity under normal drying time conditions:**

	CAPACITY IN QUINTALS	
2.1 Concrete slabs (10.000 m ²)	Coffee Spread to Dry 5,000.00	Dry yield / day 550.00
2.2 Trays and/or Screens (450 trays)	585.00	50.00
2.3 Black Plastic Sheets (8000 m ²)	10,400.00	800.00
	TOTAL: 15,985.00	TOTAL: 1,400.00

3. **Storage Capacity – Warehouse**

3.1 Roof and walls (Sheds and Silos)	60,000.00 quintals dry parchment
3.2 Roof only (Sheds)	20,000.00 quintals dry parchment
	TOTAL: 80,000.00 dry parchment



4. **Preparation / Packing / Shipping Capacity**

Type of Preparation	Historical	Present
Conventional/Ordinary	125 - 175 bags / day (2 shifts)	250 - 350 bags / day (2 shifts)
Special/Brands	25 - 30 bags / day (2 shifts)	55 - 65 bags / day (2 shifts)

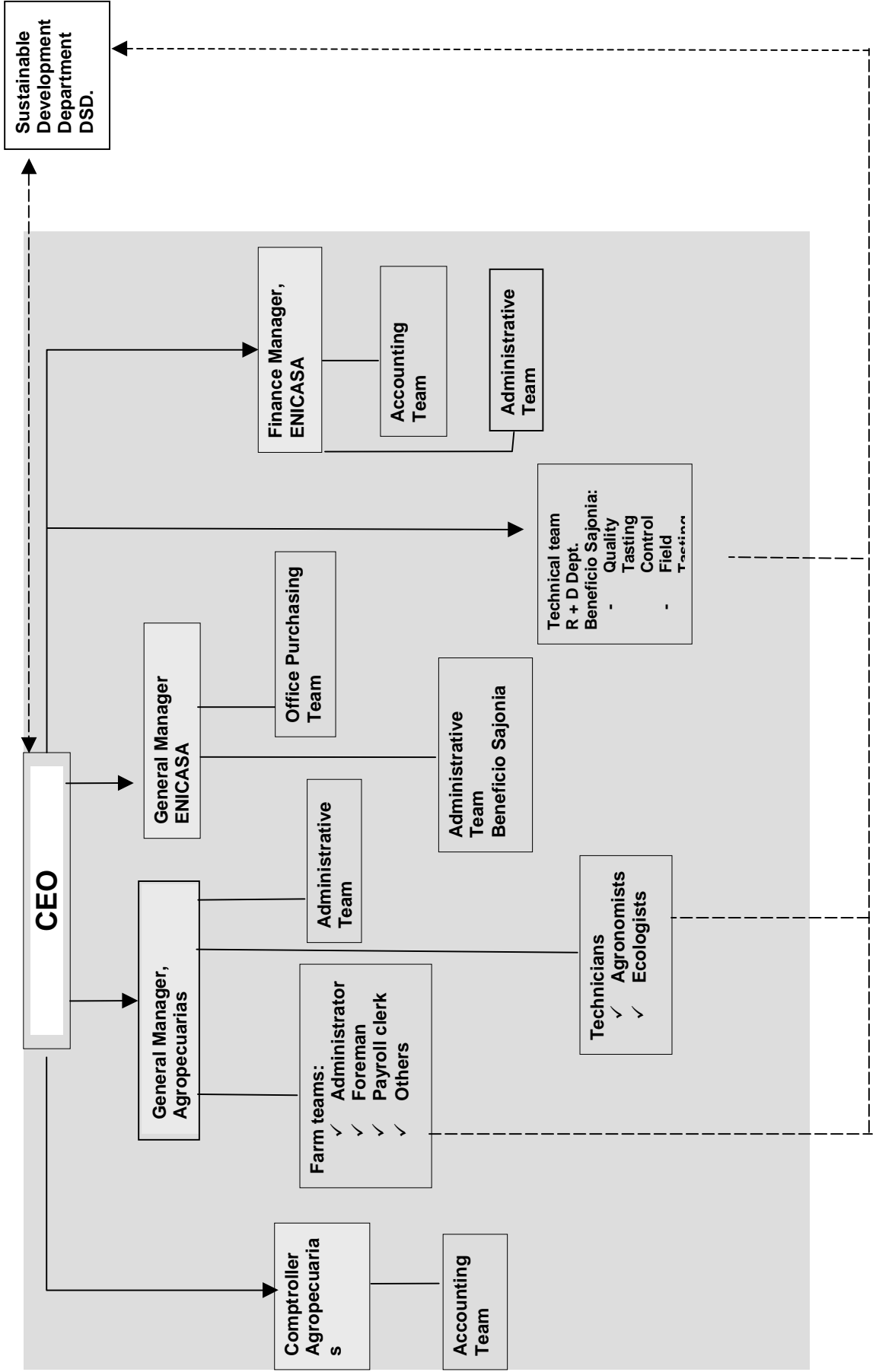
ENICASA

ENICASA has three branches, located in Matagalpa, Jinotega and Ocotal, and eleven agencies distributed throughout its three branches, through which it buys and stocks coffee and provides technical and financial aid to the small and medium producers for pre-cutting and cutting work.

STATE STREET COFFEE EXCLUSIVE BRANDS
LAJAS
CAVALLINO
GAVILAN
ALIANZA



3.3 ORGANIZATIONAL CHART



3.4 BASIC ECONOMIC DATA

All the financial and accounting information is available in the financial audits (Headquarters, Matagalpa).

NET INCOME :	USD 144,974.83
ACTIVE:	USD 16,414,120.55
TOTAL HA:	1,700.00 MZNAS (1,188.81 HA)

STATE STREET NICARAGUA, S.A.
Production, Purchases, Exports, Budgets and Investments
State Street Agropecuarias, ENICASA y Beneficio Sajonia
CROP 2003/04
Proyections CROP 2004/05

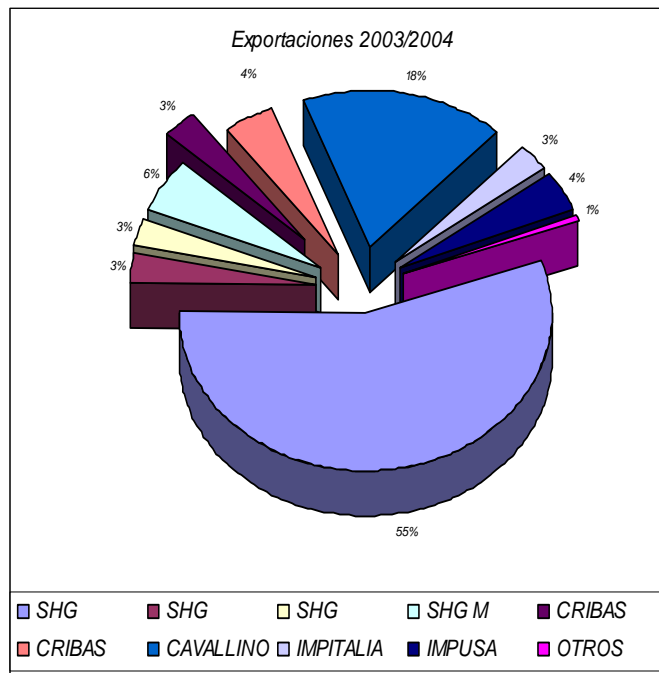
I. PRODUCTION, PURCHASING AND PROCESSING

CROP 03/04			
SS AGROPECUARIAS (PRODUCTION)	P.O.A QQ (PERGAMINO OREADO) (WET PARCHMENT)	ORO BRUTO QQ (GREEN COFFEE GROSS VALUE QQ)	OBSERVATION*
Alianza Farm	6,075.57	3,543.70	*Green Coffee Gross Value 2,368.89 QQ are Broza y Pelota
Montecristi Farm	7,272.84	4,155.43	
Campinas Farm	5,005.56	2,875.21	
Guadalupe Farm	2,312.93	1,296.06	
Santa Emilia Farm	8,715.16	4,844.78	
TOTAL:	29,382.06	16,715.18	

PROYECTION 04/05			
SS AGROPECUARIAS (PRODUCTION)	P.O.A QQ (PERGAMINO OREADO) (WET PARCHMENT)	ORO BRUTO QQ (GREEN COFFEE GROSS VALUE QQ)	OBSERVATION*
Alianza Farm	3,480.03	1,670.41	* 637,90 mz are in technological recuperation a total area of 181,79 mz
Montecristo Farm	5,531.50	2,655.12	
Campinas Farm	1,014.44	486.93	
Guadalupe Farm	1,332.64	639.67	
Santa Emilia Farm	12,090.64	5,803.51	
TOTAL:	23,449.25	11,255.64	

ENICASA (PURCHASE)	QUANTITIES QQ	IMPORT	AVERAGE PRICE (USD)
Wet Parchment	12,781.65	320,605.00	25.08
Dried Parchment	9,000.74	511,012.00	56.77
Green Coffee	12,205.37	849,428.00	69.59
TOTAL:	33,987.76	1,681,045.00	

Exports 2003/2004			
	QQ	COUNTRY	%
SHG	26,325.00	USA	64.39%
SHG	825.00	ITALIA	2.02%
SHG	825.00	FRANCIA	2.02%
SHG M	1,950.00	FRANCIA	4.77%
CRIBAS	1,237.50	USA	3.03%
CRIBAS	1,237.50	ITALIA	3.03%
CAVALLINO	4,875.00	ITALIA	11.92%
IMPITALIA	825.00	ITALIA	2.02%
IMPUSA	2,625.00	USA	6.42%
OTHERS	156.00	USA	0.38%
Total	40,881.00		



BENEFICIO SAJONIA (PROCESSING)	P.O.A QQ (WET PARCHMENT PERGAMINO OREADO)	ORO BRUTO QQ (GREEN COFFEE GROSS VALUE)QQ	OBSERVATION*
Clients: - State Street Agrop. - ENICASA - Others	29,384.00 12,313.60 39,083.04	16,715.18 6,203.28 19,645.42	* During the crop period 03/04 handled 3,854.54 QQ of exportable Coffee equivalent in Broza y Pelota
TOTAL:	80,780.64	42,563.88	

II. COSTS

ENICASA	
ITEM	AMOUNT USD
Operating Expenses:	
- Matagalpa	56,555.58
- Jinotega	21,611.26
- Transportation	13,581.26
- Selling of Coffee	92,359.86
Administrative Expenses:	
- Matagalpa	280,819.44
- Jinotega	52,760.23
TOTAL:	USD 517,687.63

SS AGROPECUARIAS	
ITEM	AMOUNT USD
-VARIABLE COST OF EXPORTATION	3,714.80
-FIXED COST OF PRODUCTION	5,429.50
-FIXED COST OF ADMINISTRATION & FINANCING	204,441.34
-OTHERS	4,740.15
TOTAL	USD 218,325.79

BENEFICIO SAJONIA	
ITEM	AMOUNT USD
- Administration Expenses	43,859.41
- Variable cost of Production	87,585.08
- Fixed cost of Production	168,541.03
- Others	634.06
TOTAL	USD 300,619.58

III. PROPERTIES

SS AGROPECUARIAS	
ITEM	AMOUNT USD
1. Montecristo Farm	2,026,628.51
2. La Alianza Farm	2,355,429.28
3. Campinas Farm	1,213,766.01
4. Guadalupe Farm	708,120.03
5. Santa Emilia Farm	4,846,499.00
TOTAL	USD 11,150,442.83

BENEFICIO SAJONIA	
ITEM	AMOUNT USD
PROCESSING PLANT	1,300,803.45
TOTAL	USD 1,300,803.45

IV. INVESTMENTS

BENEFICIO SAJONIA	
ITEM	AMOUNT USD
- Cupping Laboratory	8,380.00
- Office/Warehouses/b\Buildings	149,082.53
- Machinery	231,203.63
- Installations	98,322.79
- Software	32,959.80
TOTAL	USD 519,948.75

SS AGROPECUARIAS	
ITEM	AMOUNT USD
I. Agricultural Investments: 642.00 Manzanas	1,235,691.61
II. Farms-Infrastructures:	
1. Montecristo Farm	111,549.06
2. La Alianza Farm	81,063.85
3. Campinas Farm	63,994.12
4. Guadalupe Farm	19,201.23
5. Santa Emilia Farm	354,662.52
6. Installation: Cupping/Field Labs	3,000.00
III. Department of Sustainable Development, DSD:	
- Socio-economic studies	13,680.00
- Training y Software	10,158.00
- Environmental Studies	18,578.63
Total	USD 1,911,578.39

ENICASA	
ITEM	AMOUNT USD
- Cupping Lab	11,250.00
- Software	34,130.60
TOTAL	USD 45,380.60

TABLE OF UNIT OF MEASUREMENT EQUIVALENTS

Units of weight:			
1 ton	equals:	2,200	pounds
1 kilogram	"	2.2	pounds
1 quintal	"	100	pounds
1 pound	"	454.54	Grams
Units of area:			
1 hectare	"	1.42	manzanas
1 hectare	"	2.47	acres
1 manzana	"	1.74	acres

3.5 BASIC HUMAN RESOURCE DATA

Labor legislation

In compliance with Law 185, Chapter IV (Obligations of Employers), Article 16 and following, of Nicaragua's Labor Code, the company provides its workers with the following benefits;

Vacations: 15 days off for each semester worked or a proportionate equivalent.

Bonuses: An additional one month's wages per year.

Insurance: All workers have medical insurance under the Nicaraguan Social Security Institute

Life insurance for permanent workers through Nicaragua's insurance institute, INISER.

Work day: Eight hours, in compliance with the regulations under Article 19 of the Labor Code.

In hiring temporary employees, the company complies with the regulations for hiring categories stipulated by Article 24 and the regulations established by the Nicaraguan Ministry of Labor. Temporary employees are registered with the Nicaraguan Social Security Institute, under the IVM category (to receive disability, retirement and death benefits).

SS Nicaragua respects and supports labor legislation and all conventions signed between Nicaragua and the International Labor Organization (ILO).



Human Rights

SS Nicaragua is committed to respecting and protecting the fundamental human rights established in the United Nations' Universal Declaration of Human Rights, as well as the provisions established by the ILO and Nicaraguan legislation.

Our principal goal is to ensure full elimination of child labor from the agricultural work, by offering learning and education alternatives and training for the workers' children, mainly on the company farms and in neighboring communities. The company has absolutely no forced or mandatory labor.

With regard to gender equality, the company hires women to work in coffee bean selection at the Beneficio Sajonia processing mill and on a smaller proportion on the farms for harvesting the coffee. About 18.6% of the permanent administrative employees are women.

STAFF SS AGROPECUARIAS:

Photo Above (left to right):

Mrs. Fátima Álvarez, Manteinance; Mr. Rodolfo Rodríguez, Accounting; Mr. Hildrebando Martínez, Accounting; Mr. Yader Estrada, Ecologist; Mr. Noel Altamirano, Accounting; Mr. Victor Robelo, Manager Agropecuarias
Mr. Felipe Jarquim, Contralor; Mrs. Sarvia Hernández, Gral. Ser.; Mr. Mario Robelo, Adminstrator Montecristi Farm
Mrs. Yvania Matamoros, Accounting; Mrs. Ileana Velásquez, Ecologist

STAFF ENICASA:

Photo Below (left to right):

Mrs. Maria Elena Granados, Recepcionist; Mrs. Griselda Gutiérrez, Conserje; Mr. Marlon Jarquim, Accounting;
Mrs. Brenda Chavarria, Accounting; Mr. William Castillo, Financial Manager; Mrs. Janette Martinez, Accounting;
Mr. Sergio Mairena, Computer Systems; Mr. Wilbert Vallecillo, Computer Systems; Mr. José Espinosa, Driver; Mr. Boanerger Osejo, Agency Responsible

Occupational Health and Safety

On-the-job accidents occur most often on the farms and principally consist of cuts and fractures. The company has been developing actions to ensure the highest possible safety conditions for the workers, including:

- New equipment for protection against pesticides
- Reduced use of pesticides
- First aid kits

In other areas of the company, the number of on-the-job accidents is minimal due to the characteristics of the work: purchasing and selection of beans, etc., and there is closer supervision.

Farm	Average Accidents	AVERAGE WORKERS Permanents/Temporary
Santa Emilia	56	200 P/ 800T
Guadalupe	4	64 P / 150 T
Campinas	5	100 P / 200 T
Alianza		120 P/ 450 T
Montecristo	25	100 P/ 500 T



STAFF BENEFICIO SAJONIA:

Photo Above Right (left to right): Mr. Enoc Pravia, Manager Beneficio Sajonia; Mr. Alonso Herrera, Supervisor ENICASA; Mr. Florentino Aguilar, Accounting; Mr. Julio Herrera, Computing; Mrs. Francisca González, Administrative; Mrs. Celia Huertado, Maintenance; Mrs. Daysi Castro, Gral. Ser.;

Mr. Renan Zelaya, General Manager ENICASA; Don Guillermo Balladares, Asistant Supervisor ENICASA; Mrs. Luisa Montenegro, Estadigrafa; Mr. Rodolfo García, Accounting; Mrs. Hazell Montenegro, Assistant Stadistics; Mrs. Francisca González, Administrative; Mr. Jairo Cruz, Production Responsable.

DEPARTAMENT R+D QUALITY AND CUPPING CONTROL PROGRAM:

Photo below Left: Mr. Ricki Martin, Coordinator Field Labs.

Photo below Right (left to right): Mr. Ricardo Castro, Cupping; Mr. Reynaldo Castro, Cupping; Mr. Carlos Barreto, Coordinator Dep.; Mr. Javier

JOB TRAINING

INATEC (National Technical Institute)	People
Course in Analyzing/Interpreting Financial Statements (accountants)	2
Updating, preparing and monitoring accounting systems (accountants)	2
“Microcomputer Operator” (receptionist and finance assistant)	2
THROUGH THE COMPANY	
Five seminars on the Tax Equity Act (accountants)	2
Training at EXCAN and the Chamber of Commerce (accountants)	8
English course for employees in the central offices (in progress)	2
International Accounting Standards (accountants)	2
Training on the Bioterrorism Law, held at CEI (General Services employees)	Administration
Seminar on exporting (Finance Manager’s Office and General Services employees)	Administration
Internal tasting seminars (personnel of SSN, Enicasa & B. Sajonia)	Administration
Tasting training for younger personnel in the farm laboratories	4
Coffee quality training for the purchasers	Purchasers
Workshops for producers concerning quality and production assistance	
Training on handling anaerobic biodigesters, CICAPE, C.R.	2 DSD
Forum on payment for environmental services, ESTELI, NICARAGUA	1 DSD



At SS Nicaragua, we support the professional development of our people, guaranteeing opportunities for personal growth and taking steps to assure employment of workers who have a desire for growth and advancement..

In the implementation of our Sustainability Strategy, we are launching Improvement Projects in which our people are our most important resource.

**Photos (above/below):**

1. Pedro y Eliezer, farm workers that have been trained in the installation and maintenance of the bio-systems for the treatment of waste water
2. Aura, employee at the farm's shop in Campinas Farm, now working as teacher at the school and attending classes at the University with the support of the company.
3. Juana Maria, teacher at the school and our link with the community .

3.6 BASIC ENVIRONMENTAL DATA

The SS Nicaragua company strengthens sustainable development and guarantees economic development with equity, meeting the provisions and requirements of Nicaragua's environmental legislation:

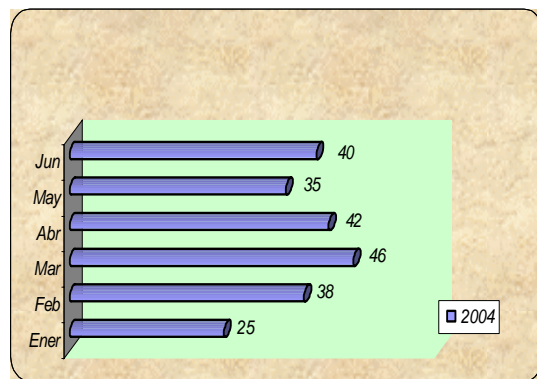
- Law 432 concerning industrial contamination. In the dry processing areas, the company has improved the coffee processing infrastructure, to minimize contamination, in compliance with this law.
- Decree 33-95, which sets the maximum permissible values or ranges for the dumping of liquids generated by domestic, industrial and agricultural areas. The company is developing a mechanism for disposal of solid and liquid waste from the coffee processing, in order to ensure that the water meets the parameters established in Decree 33-95, Article 38.²

Nicaragua's Ministry of the Environment and Natural Resources is fully informed of all our activities.

ENERGY consumption KWH	
Áreas	Primer Semestre 2004
Jinotega	1254
Sajonia	92389
Alianza	3940
Campinas	1326
Mte cristo	2690
Sta Emilia	6988
SSN/Enicasa	17965

WATER CONSUMPTION

Consumption in m3 at the headquarters in Matagalpa.



INSTITUTIONAL RELATIONS WITH THE MINISTRY OF THE ENVIRONMENTAL

Proambiente and the Ministry invited SS Nicaragua, to participate in the training sessions on standardized inventories of economic activities in Nicaragua, specifically in the area of coffee, because the company has made improvements in its environmental and social performance, serving as a model for other coffee producing companies.

The purpose of an inventory of activities is to:

- Train the participants in how to direct and maintain an inventory of economic activities that is designed to gather relevant and sufficient data to determine the environmental performance of the activities. Coffee, tobacco, rice and dairy are some examples.

Following the two training sessions for inventorying coffee activities, the participants visited the wet processing mill at the Alianza farm and the dry processing mill at Beneficio Sajonia to validate the company's experiences in this activity.

Those who will use the inventory are:

Mayors' Offices, producers, NGOs, businesses, SINIA, public institutions, cooperatives, etc.

SS Nicaragua has a fleet of vehicles comprised of trucks, tractors and light vehicles. These are used for both administration tasks and coffee production and processing.

Transport	Fuel	Area
Pick Up Dodge	Diesel	CEO
Pick Up Toyota D. Cabina	Diesel	Enicasa
Pick Up D. Cabina Toyota	Diesel	Matagalpa Agency
Pick Up Chevrolet D. cabina	Diesel	Cupping
Pick Up Toyota	Diesel	A. Jinotega
Motorbike Yamaha	Gasoline	A. Dalia
Pick Up Toyota	Diesel	Office SSN
Pick Up Toyota	Diesel	Office SSN
Jeep Suzuki	Gasoline	Office SSN
Motorbike Yamaha	Gasoline	Office SSN
Pick up Nissan	Diesel	Mill
Truck Mercedes Benz	Diesel	F.Guadalupe
Truck Mercedes Benz	Diesel	F.Campinas
Squad Yamaha	Gasoline	F.Campina
Truck MB	Diesel	F.Mte. Cristo
Truck M.B	Diesel	F.Mte. Cristo
Pick Up Nissan	Gasoline	F.Mte. Cristo
Truck M.B	Diesel	F. Alianza
Tractor	Diesel	F. Alianza

FUEL:

Locations	Diesel (gal.)		Gasoline (gal.)	
	2003	2004	2003	2004
Enicasa	1564	1748	205.8	321.38
Beneficio	2400	2400	1560	1560
A.Jinotega	245.8	343.4		
Sta. Emilia F.	3037.2	2988.8	889.3	273.18
Mte. Cristo F.	1571.4	2365	555.8	190
Alianza F.		1530.4		145.7
Campinas F.	775	1270.7	98	60
Guadalupe F.				550