



2022 ACCA Job Hunting Competition
X Think Ahead
全国就业力 × 未来商业创想大赛

2022 ACCA JOB HUNTING COMPETITION X Think Ahead
CASE FOR REGIONAL FINAL SELECTION

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Introduction and Company Background

BBK is a world-wide leading coffee and tea production and retail company for the last over 30 years. The mission of BBK is “Create a better life for many people via every cup and every community.” BBK own 20,000+ self-owned retail stores and 5,000+ franchised stores all over the world. Moreover, BBK has its own coffee and tea farms in Latin American, Asia, Africa to ensure the coffee bean and tea leaves production healthy and safety.

During the COVID-19 outbreak and resurgence period, BBK suffered dramatically sales drop because of togetherness scare of the customers at the public places such as restaurants, coffee and tea shops, department stores and supermarkets etc. Another reason for the dramatic sales drop is the late delivery of the raw material from the farms to the markets all over the world due to the logistic issues under COVID situation. Moreover, the uncertainty of the government regulation and quarantine policies of different markets is one of the obstacles for the BKK business recovery. The last but not the least, more and more competitors diluted the market share of BBK and the new entrants to the market with advanced technology for online sales and non-touchable pick up are becoming popular within customers, which is one of the pain points of BBK operation and sales highly relied on face-to-face connection with customers.

Although BBK experienced financial difficulties for the last two years under the COVID-19 negative impact, BBK still insists on its mission by doing its daily business and operation. BBK reinforces its environment, social and governance impact by continuing to deliver the determination to support the improvement of the environment, ecosystems and social communities through BBK global environment and social impact reports. Furthermore, a number of initiatives and goals are announced at BBK annual global environment and social impact reports to benefit the planet and all BBK stakeholders as well as the improvement of its business.

The following exhibits (1-6) provide information relevant to BBK as well as the company background above.

Exhibit 1: BBK Annual Financial Report – prepared by the Chief Financial Officer

Exhibit 2: Message from the President and CEO

Exhibit 3: Annual Sustainability Report of BBK

Exhibit 4: Transcript extracts from BBK Annual Global Environmental Impact Report of fiscal year 2021

Exhibit 5: Transcript extracts from BBK Annual Global Social Impact Report of fiscal year 2021

Exhibit 6: CEO Letter to Staff, Customers and All Stakeholders

Suppose you are the management consultant of BBK and you are writing the consultancy report for BBK with the objectives to assess the importance of the sustainability focus on environment, society under the financial difficulties with COVID-19 impact. The consultancy report requirements are as follows:

Task 1: Analyze the internal and external business environment in which BBK is operating. (20 pts)

Task 2: Based on the BBK company background and annual financial report prepared by the chief financial officer, please advise some suggestions on the financial reporting and information disclosure or any areas where relevant to cover the organization's entire value chain from strategy to operational level at your consultancy report. (25 pts)

Task 3: Why BBK involves and recognizes all of the stakeholders in a commitment such as becoming resource positive and giving more than take from the ecosystems and environment. (15 pts)

Task 4:

- 1) Assess the benefits and challenges of BBK announcement of committing to specific environmental goals such as carbon neutral green and water conservation at origins. (20 pts)
- 2) Evaluate how to approach to integrate finance and sustainability expertise into strategy/corporate governance/carbon neutral and water conservation operation and target setting etc. at your consultancy report. (20 pts)

Exhibit 1 – BBK Annual Financial Report (prepared by the Chief Financial Officer)

COVID-19 outbreaks in our fiscal year 2020 and tremendously changed our business more than ever. We faced numerous opportunities and challenges since then mainly on three areas as below:

Net Revenue Growth

Although below BBK company expectation (+3% in FY20 and +7% in FY21), We still have positive net revenue growth (+2.2% in FY20 and +5% in FY21) by expanding our online sales channels as well as opening new stores. However, different governments COVID-19 protection regulations and policies all over our world-wide markets have different impact to our business recovery after COVID-19 outbreak and resurgence.

Labor Cost

BBK suffered high labor cost increase pressure (25.3% of net revenue, 8.8% increase versus FY19) from new staff hiring from new store opening, annual salary merit increase, staff COVID nucleic acid testing fee and quarantine fee in FY20 and had some improvement in FY21 (22.6% of net revenue, 2.7% drop versus FY20) but cannot achieve to FY19 level due to COVID cases resurgence wave by wave all over the world.

Rental and Other Occupancy Cost

Rental and other occupancy cost is another burden to our cost structure. Most of BBK stores are operating fixed-rent leasing contract with landlord. During the COVID-19 outbreak in fiscal year 2020 and COVID cases frequent resurgence in fiscal year 2021, the net revenue growth is much less than the rental and other occupancy cost annual increase, which cause the rental and other occupancy cost percentage of net revenue significantly increase from 15.4% in FY19 to 23.8% in FY20, and even higher to 26.2% in FY21.

Appendix 1

Extracts from BBK Statement of Profit or Loss of fiscal year 2019 to 2021

	Fiscal Year 2019		Fiscal Year 2020		Fiscal Year 2021	
	\$ '000	% of Net Revenue	\$ '000	% of Net Revenue	\$ '000	% of Net Revenue
Revenue	32,560		33,280		34,930	
Cost of food and drink sold	10,940	33.6%	11,715	35.2%	12,610	36.1%
Food and drink wastage	814	2.5%	699	2.1%	629	1.8%
Gross Profit	20,806	63.9%	20,867	62.7%	21,692	62.1%
Labor Cost	5,372	16.5%	8,420	25.3%	7,894	22.6%
Rental and Other Occupancy Fee	5,014	15.4%	7,921	23.8%	9,152	26.2%
Depreciation	1,500	4.6%	1,590	4.8%	1,730	5.0%
Operating Profit	8,919	27.4%	2,936	8.8%	2,916	8.3%

Exhibit 2 – Message from David Bruce (President and CEO of BBK)

MESSAGE FROM DAVID BRUCE

Dear staff, customers, partners, and stakeholders:

As we provide our 15th annual global social impact activity, we also sit at a significant time in history that's requiring major changes to our business around the world as quickly and dynamically as possible to meet the needs of our staff, partners, customers and communities during the COVID-19 pandemic.

Each one of us at BBK is forever changed from this pandemic as are the communities we serve. It has underscored how important serving our customers and communities is to us, and it's brought new perspective that BBK has to make the world a better place. This time is historic, as many of our communities are coming together to protest racial injustice and emphasize the vast improvement necessary in the way society treats people of color. Clearly, current situations are showing us that executing our global social impact agenda successfully is now more important than ever.

Environment, Social Communities and Staff are the heartbeat of the corporate

BBK has developed an agenda of global social impact priorities for years ago. Our investments have focus on balancing our role as a for-profit company with the betterment of environment, social communities and staff. That means we invest in people – especially our staff, so they in turn can support customers in the communities we serve.

It also means we recognize healthy human lives depend on healthy ecosystems, so we work to improve our ecosystems. As a result, we now have a long-term aspiration to be a resource positive company – storing more carbon than we emit, providing more clean freshwater than we use, and eliminating waste.

We can be proud of our Global Social Impact progress in fiscal year 2021. We continued working to put staff first and create a culture where everyone is welcome, including conducting a first-time, third-party Civil Rights Assessment that we continue to consider and implement. We worked to strengthen the communities where BBK staff live and work. We invested heavily not only in supporting social communities and but also in the future of greener cups, packaging and retail, foreshadowing a much larger aspiration we announced in 2022.

As a testament to our increasing commitment to our environment, social communities and staff priorities, we were proud last year to hire our first global chief officer of sustainability, Michelle Kenya; our first global chief officer of diversity, Sharon Collins; and our first global chief officer of ethics and compliance, Allen Tucker.

THIS IS WHAT BBK ARE

Now in early 2022, the world has changed, the needs are even greater, and we continue to thoughtfully consider how BBK can most responsibly and constructively serve our social communities and our planet going forward.

During the pandemic, we've had to pause on allowing reusable cups. But we continue our commitment to shift to more reusable packaging as well as more fully recyclable and compostable packaging to ensure we do better to the ecosystems and social communities, staff and customers health as much as we can.

Because of our inspiring daily actions, I'm more optimistic than ever that we can overcome this global challenge and emerge with deeper perspective about the role we should be playing as a leader to make positive global environment and social impact.

David Bruce,

President and CEO of BBK

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Exhibit 3 – Annual Sustainability Report of BBK

AIM TO LEAD IN SUSTAINABILITY

BBK announced the goal to expand our excellent history in sustainability and developing the plan of creating a more sustainable future for coffee and tea by giving more than we take from the environment and ecosystems to become a resource-positive company.

Three strategies are outlined to move forward to achieve our commitments for the ecosystems, social communities and stakeholders including science-based preliminary target reductions of carbon, water and waste by 2030, shifting away from single-use to reusable packaging and finding better ways to manage our waste etc.

1. Ecosystems Benefit: Resources (coffee and tea) Sourcing

**99% ETHICALLY SOURCED COFFEE AND TEA;
Goal: 100% ethically sourced coffee and tea**

For the fifth year in a row in FY21, more than 99% of our coffee and tea was verified as ethically sourced under C.A.F.E. Practices. Although we are constantly striving for 100%, the last 1% is where some of our most important work happens, bringing on new farmers and cooperatives to help ensure the long-term future of coffee and tea by building the world's first sustainable agricultural product and improve the lives of at least one million people in coffee and tea communities around the world.

**60M TREES DISTRIBUTED SINCE 2015;
Goal: Provide 110M coffee and tea trees to farmers by 2025**

BBK has donated coffee and tea trees over the past six years to farmers in Mexico and Guatemala. These climate resilient trees replace ones that are declining in productivity due to age and disease and help improve the quality and yields of their harvests. As of June 2022, the next 23 million are being distributed, with close monitoring of potential complications related to COVID-19.

2. Social Communities Benefit: Environment-Protect Recycling Retail Material

**11% POST-CONSUMER FIBER
Goal: 18% recycled content in our hot cups by 2022**

BBK hot cups currently contain 11% post-consumer fiber, and we are working to almost double the recycled content to 18% as well as reduce the environmental impacts of sourcing virgin wood paper fiber we source.

**CONTINUED ROLLOUT OF SUSTAINABLE MATERIAL STRAWS
Goal: Eliminate single-use plastic straws globally by the end of 2022**

In 2021 BBK continued the expansion of light-weighted straw less lids for cold beverages, as well as rollout of alternative material straws. By the end of year 2022, we anticipate that all self-owned stores and the majority of licensees will have eliminated single-use plastic straws.

3. Stakeholders Benefit: Farmers and Staff

370K+ FARMERS TRAINED

Goal: Train 400K+ farmers by the end of 2022

Our Global Agriculture Center and Farmer Support Center in Costa Rica and our seven other Farmer Support Centers around the world provide open-source training and other resources to coffee and tea farmers. In FY21 alone, we trained nearly 91,250 farmers.

44% WOMEN IN SENIOR LEADERSHIP, 19% PEOPLE OF COLOR IN SENIOR LEADERSHIP

Goal: At the senior leadership level, 50% women and a 20% up in representation by people of color since 2018

In addition to our goals related to staff leaders, our board is currently comprised of 35 women, five of whom are members of minority groups. BBK respect the women and people of color by providing equal opportunities for career development and promotions as others.

Exhibit 4 – BBK Committed to Specific Environmental Goals

Extracts from BBK Annual Global Environmental Impact Report of Fiscal Year 2021

BBK committed to a resource-positive future, formalizing environmental goals to cut its carbon, water, and waste footprints by half. As a progression against those goals, the company commits to Carbon Neutral Green Coffee and Tea and to conserve water usage in green coffee and tea processing by 50%, both by 2030.

Carbon Neutral Green Coffee and Tea

BBK will work to meet its 2030 target of carbon neutral green coffee and tea, reducing greenhouse gas (GHG) emissions in coffee and tea at Origin then compensating for any remaining emissions, by deploying three primary strategies:



- **Decreasing carbon emissions in BBK supply chain by equipping farmers with precision agronomy tools.**

BBK is helping farmers understand the specific nutrients and fertilizer needed to increase farm productivity through Farmers Support Centers and a new soil scanning mobile app. With these custom, farm-specific solutions, farmers can target and decrease fertilizer use, which helps to decrease carbon emissions on their farms and increase farm productivity.

- **Promoting and distributing climate-resistant tree varieties.**

BBK shares research, seeds, and seedlings with farmers all around the world, helping farmers to adapt to climate change with open-source agricultural approach. These

climate-resistant varieties are rust-resistant and enable farmers to grow more coffee and tea on the same amount of land, which then helps to reduce overall carbon emissions.

- **Protecting and restoring at-risk forests in key coffee and tea landscapes.**

Land use change and deforestation are the greatest climate risks facing the coffee and tea industry. BBK will invest in forest and landscape protection and restoration programs in coffee and tea producing countries by working closely with international relative parties. These efforts will not only remove carbon and support the carbon neutral pathway, but also will benefit freshwater ecosystems and coffee and tea communities.

Water Conservation at Origin

Traditionally, coffee and tea producing is water intensive. BBK has an opportunity to conserve water by ensuring farmers have access to more environmentally friendly machines to achieve its goal of 50% conversion of water usage by end of 2030 by the following three actions.

- 1. Conserving water by directly investing in new ecological wet mills.**
- 2. Investing to make current water processing technology and machinery even more efficient.**
- 3. Developing water replenishment projects in coffee and tea communities.**

Exhibit 5 – Creating Opportunities in Social Communities of BBK

Extracts from BBK Annual Global Social Impact Report of Fiscal Year 2021

“Strong leaders lead by example and BBK is one of the strongest leaders in the fight for equality and inclusion” said by a famous sociologist.

We believe opportunities thrive every day in our stores. It’s deeply in our values, the benefits that we provide for our staff, and the way we work to make a difference in our communities and around the planet. It is rooted in our belief that it is possible to do well in the world and do well in business at the same time.

We hope to not just create opportunity, but equal opportunity. In September 2021 we announced we had achieved 100 percent pay equity for men and women and people of all races in the United States performing similar work along with a commitment to achieve gender pay equity in all self-owned markets globally.

We are investing in pathways to opportunity through employment, education and training. Since BBK began offering staff an online bachelor’s degree program State University with full tuition coverage, more than 3,200 staff have graduated and 10,000 more are currently enrolled. There is no requirement to stay with the company after graduation and staff are free to pursue their dreams wherever they take them.

We have made a series of hiring commitments to welcome disabilities from communities that may experience barriers to employment, with goals to hire 15,000 disable adults and 7,000 refugees; and 2,000 young adults not currently working or in school.

And we’re finding new ways to engage staff in meaningful initiatives. We recently completed a six-month pilot initiative program with 28 staff working 24 hours in their store each week while spending another 16 hours with a local non-for-profit activity. These models will inform how we catalyze our staff to build enduring change in our communities.

Exhibit 6 – CEO Letter to Staff, Customers and All Stakeholders

A Letter to Our BBK Staff, Customers and All Stakeholders:

BBK live our mission of inspiring and nurturing the human spirit every day through the power of coffee and tea. As CEO, I am joined by a leadership team privileged to govern our company into the future, staying true to this enduring mission, sharing success with our staff and leading with environmental consciousness. As many of you know, sustainability has been at BBK core since the beginning and consistent with our belief that we can build a great business that scales for good. Every day, our staff bring a sense of community and connection to our customers around the world. And every day, staff and customers take pride in our ethical and sustainable sourcing standards for coffee and tea and our long-time support for coffee and tea communities.

We know that leadership in sustainability takes commitment, investment, innovation, partnership and, of course, time. Today, more than ever, the world needs leadership in environmental sustainability. We agree with the consensus of scientific experts who note that without drastic action from everyone – governments, companies and all of us as individuals – adapting to the impact of climate change in the future will be far more difficult and costly, taking a toll on our supply chains, our business, and more importantly, the lives of all our stakeholders including coffee and tea farmers, our suppliers, our staff, customers and every community we serve.

BBK look ahead with a heightened sense of urgency and conviction that we must challenge ourselves, think bigger and do much more in partnership with others to take care of the planet we share. Today, I'm excited to be able to share with you our commitment to pursue a bold, multi-decade aspiration to become resource positive and give more than we take from the ecosystems and environment. This is an aspiration that we take on, recognizing it will come with challenges and will require transformational change. Like most things that are worthwhile, this will not be easy. It will require all of us to play a role, and so we invite you to join us.

With great appreciation,

David Bruce

President and CEO, BBK Coffee and Tea Company