



Kicking Horse Coffee Co. Ltd.'s Fighting Against Forced Labour and Child Labour in Supply Chains Report (2023)

1. About this Report

Kicking Horse Coffee Co. Ltd. ("**Kicking Horse Coffee**") has prepared this report (the "**Report**") being submitted pursuant to Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") for the financial year ended December 31, 2023 (the "**Reporting Period**").

This Report describes the steps taken to enhance the transparency in our supply chains during the Reporting Period to prevent and reduce the risk that forced, or child labour is used at any step of the production of goods in Canada or elsewhere, or of goods imported into Canada. This has been done in accordance with the mandatory reporting criteria outlined in Sections 11(1) and 11(3) of the Act.

2. Introduction

Kicking Horse Coffee was founded in 1996 in Invermere, BC and since its inception has been committed to developing its business in a sustainable and ethical way. Transparency, quality, innovation, attention to the environment, and respect for and promotion of human rights are the pillars on which we base our approach to sustainability. We are, therefore, committed to preventing and reducing the risk of forced labour and child labour in our supply chains throughout the world.

As part of the Lavazza Group (the "**Lavazza Group**"), Kicking Horse Coffee is included in and contributes to the Sustainability Report issued by Luigi Lavazza S.p.A. ("**Lavazza**") on an annual basis. Accordingly, our approach to sustainability is guided by the Lavazza Group and creates a common culture based on responsible innovation, passion, integrity and competence that serves as a guide for continuing to offer superior quality coffee while remaining focused on the social, economic and environmental sustainability issues that are at the heart of our industry.

3. Kicking Horse Coffee's Structure, Activities & Supply Chains

Our Structure

Kicking Horse Coffee is a coffee roasting company incorporated under the British Columbia *Business Corporations Act* and is headquartered in Invermere, British Columbia.

Kicking Horse Coffee has been a proud part of the Lavazza Group since 2017 and is a wholly owned subsidiary of our ultimate parent company, Lavazza, an Italian coffee roasting company owned by the Lavazza family, headquartered in Turin, Italy.

Our Business

Kicking Horse Coffee is organized into one business unit covering business channels across Retail and Café services, with our flagship café located in Invermere, BC. We sell roast and ground coffee in Canada and the United States of America. Kicking Horse Coffee has 120 employees who are all based in various locations throughout Canada.

Our Supply Chains

Kicking Horse Coffee has proudly produced 100% certified Fairtrade and certified organic certified coffee for well over 20 years. Kicking Horse Coffee uses only 100% certified Fairtrade coffee, as Fairtrade helps farmers run smart, successful and sustainable businesses. This improves the standard of living for farmers and their communities. Further to our commitment to sustainability, the livelihoods and standards of living of the farmers and their communities is something we at Kicking Horse Coffee care about. More about our Fairtrade certification can be found [here](#).

We purchase our green coffee from Fairtrade cooperatives in Central and South America, Africa, and Indonesia. Specifically, we buy beans from certified Organic and Fairtrade cooperatives in Colombia, Democratic Republic of Congo, East Timor, Honduras, India, Nicaragua, Peru, Sumatra, and Uganda.

The beans are then transported by sea to Vancouver where our beans are then kept in stock in a warehouse in Vancouver, until they are transported by a Canadian transport service to Invermere.

Many of the Importers from which Kicking Horse Coffee buys green coffee have developed systems for tracking and monitoring their respective supply chain's sustainability performance. These systems along with the Fairtrade reporting provides key indicators of environmental impact (carbon footprint, land use and impact on water); employee health and safety; and social issues linked to the engagement of women and young people. This allows roasting companies to collaborate with their own suppliers to make the coffee supply chain increasingly more transparent.

The other raw materials used in our business come from a variety of suppliers, mainly based Canada and the United States, and are stored in our warehouse facility in Invermere. These materials include cardboard boxes, packaging rollstock, coffee valves, and ad hoc machinery for production.

The finished product is manufactured in our production facility in Invermere. The decaf coffee produced by the company is decaffeinated in Vancouver by Swiss Water Process

4. Our Policies and Due Diligence

Policies

As part of the Lavazza Group, Kicking Horse Coffee is bound by the Lavazza Group's global policies set out below. Kicking Horse Coffee is committed to fully implementing the compliance policies set forth by the Lavazza Group, and this work is continuously ongoing. By aligning ourselves with the compliance objectives of our parent company, we aim to maintain trust with our stakeholders and uphold the reputation of our organization.

*Supplier Code of Conduct (the "**Supplier Code**")*

The Lavazza Group understands that its values can be fully respected only if they are shared with all its partners and stakeholders and fostered in the company's daily activities. As a common Lavazza Group goal, suppliers are fully aware of the Group's values by requesting that they sign and accept the Supplier Code and act in compliance with its provisions.

Further suppliers are expected to act in compliance with the Supplier Code and ensure that their sub-contractors (if any) as well as any other third party working on their behalf act in full compliance with the Supplier Code. This expectation extends to respecting and complying with all applicable labour laws and human rights.

Kicking Horse Coffee reserves the right to ask its suppliers to demonstrate that they substantially respect the International Labor Organization's standards on Forced Labour, Freedom of Association, and Child Labour, which can be found [here](#).

*Code of Ethics (the "**Code**")*

Kicking Horse Coffee strives to avoid causing or contributing to adverse human rights impacts through our own activities. We believe that the way we do business is no less important than the results we achieve: in no case shall the fulfilment of company objectives override legal or ethical standards.

For this reason, as formally stated in the Code, our counterparts can always expect from us:

- Maximum respect to people, nature and environment;
- Commitment to always perform to the best of our knowledge;
- Openness to learn, to listen and to cooperate;
- Moral rectitude and integrity; and
- Transparency and impartiality.

We are aware that any success also depends on our ability to build with all our suppliers, fair and honest relationships based on an open dialogue and resulting in mutual benefits. Accordingly, we embrace opportunities to promote a broader understanding of human rights and values that speak to our approach to sustainability.

Whistleblower Policy

Through the Lavazza Group, we have and provide access to an established reporting line and email where any current, former or prospective employee, contractors, consultants, interns, and persons with functions of administration, management, control, supervision, or representation may report violations, or well-founded suspicions of violations, as well as conduct aimed at concealing violations.

The reporting lines are anonymous, if requested by the employee, and we encourage the reporting of all potential violations. We do not tolerate punitive or retaliatory action taken against any employee for making a report in good faith.

Due Diligence Processes

As a global company, the Lavazza Group operates in a significant number of countries and is an integral part of many communities. It is driven by a deep sense of responsibility in the regions in which it operates, particularly where there are coffee producers. The Lavazza Group engages directly with them and undertake to create shared values and to generate a positive impact socially, economically and environmentally. Kicking Horse Coffee maintains an entirely distinct supply chain from the Lavazza Group. This delineation encompasses all aspects of procurement, including the comprehensive Fairtrade sourcing of green coffee.

FLOCERT and ECOCERT

Kicking Horse Coffee has always demonstrated a deep sense of responsibility towards the communities with whom we purchase of green coffee from, striving to create shared value while always keeping the social and environmental implications in mind. This is why we are committed to being 100% Fairtrade and Organic, certified by FLOCERT and ECOCERT respectively.

Within our supply chains we deem that the purchase of our green coffee from regions across the globe are the highest risk within our supply chain of forced and child labour, that is why beginning in 1997 we become 100% Fairtrade to make sure we were not contributing to forced or child labour and supporting organizations that not only pay their employees a fair wage, but also invest in those direct communities and improve the lives of everyone who is involved in the production of green coffee.

Fairtrade works in supply chains where the risk of child labour is high, which is precisely where our work is most needed. The Fairtrade approach to child labour mitigation and remediation is human rights-based and inclusive, and targets direct root causes.

Fairtrade support efforts by farmer organisations, plantations and other organisations using hired labour to utilise a community-centred approach to identify, mitigate, prevent and remediate abuse and exploitation of children. Fairtrade also seeks to facilitate dialogue among producer organisations, governments, traders and civil society organisations, so that solutions generated at the local level can be scaled up.

When child labour is found, Fairtrade acts to protect the affected person(s), working with national agencies, NGOs and the producer organisation towards the remediation and prevention of further cases. If child labour or related non-compliance with Fairtrade Standards is found via an audit, the independent Fairtrade auditor, FLOCERT, also agrees on corrective actions and checks their implementation.

Through rigorous control and audit procedures, grievance mechanisms, and collaboration with stakeholders to implement effective solutions, Fairtrade provides us with solid support in implementing our due diligence responsibilities. From risk identification to monitoring and reporting, Fairtrade helps us to prevent and mitigate the potential harm and risks associated with forced and child labour in our supply chains.

See [here](#) and [here](#) for more information about FLOCERT and ECOCERT, respectively.

ECOVADIS

The process of creating a full-fledged vendor rating system started in 2020 when the Lavazza Group adopted the EcoVadis platform. This external platform was first adopted to monitor the sustainability performance of suppliers and propose improvement plans with regard to respect for the environment, human rights, ethics and sustainable procurement. Kicking Horse Coffee began implementation on the Ecovadis platform in 2023.

Through ad-hoc questionnaires prepared on the basis of specific indicators (number of workers, country of origin and product category) and the responses received, suppliers are assigned an overall score resulting from the weighted average scores obtained in each area examined: environment, working practices, human rights, ethics and sustainable purchasing.

See [here](#) for more information about EcoVadis.

5. Potential Risks in Our Activities and Supply Chains

Steps Taken to Prevent and Reduce the Risk of Child and Forced Labour in 2023

In 2023, Kicking Horse Coffee took the following steps to prevent and reduce the risk of child and forced labour being present at any step of its supply chains:

- Partnered with EcoVadis, which is a platform that works by engaging, rating, and training organizations across global supply chains, in an effort to help drive systemic change and support businesses in improving their social and environmental practices toward a just and regenerative world. Working with EcoVadis reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to prevent and reduce the risk of forced and child labour in our business and supply chains.
- Kicking Horse Coffee continued to be 100% Fairtrade certified. As a Fairtrade certified entity, we strive to prevent, mitigate, cease, and remedy the negative impacts of our activities on human rights by maintaining fair purchasing practices and promoting long-term trading relationships in order to provide decent wages and incomes, safe working conditions, and development opportunities for the farmers and workers involved in our supply chains. We actively seek to prevent the use of forced labour and child labour in our supply chains, and to avoid causing or contributing to negative human rights impacts, in line with the UN Guiding Principles on Business and Human Rights.

Potential Risks in Our Activities

At Kicking Horse Coffee, we consider the risk of forced and child labour occurring within our activities to be low. All 120 of our employees live and work in Canada. Out of 160 countries, Canada is ranked among the top 20 lowest risk countries in terms of prevalence of modern slavery, which by definition includes child and forced labour, by the Global Slavery Index produced by [Walk Free](#).

Potential Risks in Our Supply Chains

Kicking Horse Coffee operates in the coffee supply chain as a roaster. Coffee is grown on about 12.5 million farms across the “bean belt” – a band of land on either side of the equator with suitable climate and soil conditions spanning more than 50 countries.

Roughly 95% of coffee farms are smaller than 5 hectares, or 7 football pitches. These small farms produce about three-quarters of the world’s coffee. The remaining quarter is produced by large coffee estates. Fairtrade works with smallholder coffee.

Though they produce significant volumes, smallholders have little negotiating power in coffee supply chains that are dominated by large roasters and traders. Just five coffee traders-controlled half of global green coffee in 2019, while more than a third of the world’s coffee was roasted by the top 10 roasters. Smallholder coffee farmers struggle to earn enough for a decent standard of living. Research suggests that among the ten largest coffee producing countries in 2018-2019, only farmers in Vietnam and Brazil were on average earning enough from coffee to escape poverty. Child labour has been reported in coffee production in 17 countries.

Many coffee growing areas are among the most biodiverse ecosystems in the world. But this biodiversity is at risk as climate change pushes coffee farms to new areas. By 2050, major coffee producing countries are predicted to lose 30-60% of the land fit for coffee cultivation.

It takes concrete collaboration among all the companies in coffee supply chains, governments, and civil society to address these risks and root causes.

The process begins with coffee plants grown on Fairtrade farms which are managed by producers of various sizes. Smaller growers often join cooperatives or associations and work with local intermediaries, which for some countries not only handle the logistics chain, made complex by insufficient infrastructure, but finance the production and/or even purchase the raw material. Once coffee reaches the port, local exporters load the raw material onto container ships for buyers, including roasters, importers, and international traders themselves. The coffee is then unloaded in the ports of importing countries, such as Canada.

As Kicking Horse Coffee's business is carried out in this fragmentary context with several players there are multiple interrelated challenges: increasing coffee yields and profitability, encouraging the young entrepreneurs, promoting women's empowerment and protecting human rights within the communities, safeguarding biodiversity, combating deforestation, integrating new technologies for a resilient agriculture, mitigating the effects of climate change, and developing strategies to adapt to said effects.

Mitigating these Potential Risks

We are aware of the extent of our business, the breadth of our supply chain and the number of direct and indirect impacts, whether actual or potential, that these can have both on local communities and on people's lives. This is why our goal is to turn our supply chain into a value chain that can act as an engine of progress and innovation, spreading shared value for all the people involved in our business.

Being a proud Fairtrade member allows us to impact coops and growers more significantly. For Fairtrade commodities, there is a **Fairtrade Minimum Price** which is set by product and region to cover the cost of sustainable production. This acts as a vital safety net for farmers and workers and protects them from drops in the market prices of the products they grow for a living. This protection allows them to depend on a stable income and plan for their future. The Fairtrade Premium is an additional sum of money that goes into a communal fund for workers and farmers to use to improve their social, economic, and environmental conditions. Producers determine what is most important to them; whether this is education or health care for their children, improving their business, or building vital infrastructure such as roads and bridges for their community. To support the farmers and support a strong and ethical supply chain. Kicking Horse Coffee has contributed \$26.5 million dollars to the source of our green coffee based on our Fairtrade premiums since 2021.

The Fairtrade Standards are designed to support the sustainable development of small producer organizations and agricultural workers around the world. They incorporate a holistic blend of social, economic, and environmental criteria. The Standards contain both core requirements for certification, and development requirements that encourage producers to continuously improve, and to invest in the development of their organizations and their workers. The entire Fairtrade supply chain is independently audited to ensure compliance with the Standards.

6. Training

To ensure a high level of understanding of the risks of forced and child labour in our supply chains our procurement employees have taken EcoVadis training, as well as are actively involved in Fairtrade audits.

7. Assessing Our Effectiveness in Combating Forced Labour and Child Labour

Kicking Horse Coffee is committed to fully respect internationally recognized human rights, international and national labour laws and environmental principles. We engage in a continuous dialogue with our suppliers to share the ethical values characterizing our way of doing business along the entire supply chain. As our integration into the Lavazza Group continues, we will continue to consider metrics to assess our effectiveness, where necessary.

8. Approval and Attestation

This Report was approved by Kicking Horse Coffee's Board of Directors of Kicking Horse Coffee pursuant to section 11(4)(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year 2023.



Cedric Malaga

Chief Executive Officer

May 31, 2024

I have the authority to bind Kicking Horse Coffee Co. Ltd