

## Lavazza North America, Inc.'s Fighting Against Forced Labour and Child Labour in Supply Chains Report (2023)

### 1. About this Report

Lavazza North America, Inc. (“**LNA**”) 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

LNA is a manufacturer of ground and whole bean roasted coffee and other drink products and is a supplier of ground and whole bean roasted coffee, espresso coffee and capsules and espresso and drip coffee equipment.

LNA is a wholly owned subsidiary of the Lavazza Group. The Lavazza Group is committed to develop its business in a sustainable way. Lavazza Group adopts a holistic approach to sustainability based on the values that have guided the group’s development for more than 125 years. Transparency, quality, innovation, attention to the environment, respect and promotion of human rights are the pillars on which we base our approach to sustainability. We are therefore committed to combat slavery and human trafficking.

As part of the Lavazza Group (the “**Lavazza Group**”), LNA 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. LNA's Structure, Activities & Supply Chains

#### ***Our Structure***

LNA is a coffee roasting company incorporated under the laws of State of Delaware and is headquartered in West Chester, Pennsylvania, USA.

By way of acquisition and subsequent name changes and mergers, LNA has been a proud part of the Lavazza Group since 2018 and is a wholly owned subsidiary of our parent company, Luigi Lavazza S.p.A., an Italian coffee roasting company owned by the Lavazza family, headquartered in Turin, Italy.

## ***Our Business***

LNA is organized into one business unit covering business channels across Food Service, Away-From-Home, E-Commerce, and Office Coffee Services. We sell, roast and ground coffee in Canada and the United States of America. LNA has approximately 400 employees who are all based in various locations throughout the USA and Canada.

## ***Our Supply Chains***

LNA's supply chain is based on raw materials such as coffee (the predominant product), tea, cocoa, packaging and machine components supplied by third party suppliers, located around the world, and licensed brands.

LNA supply chain is for the vast majority based on the coffee supplied by the parent company Lavazza. Lavazza purchases the green coffee from producing countries and transports it by sea. The coffee is then kept in stock in a number of Italian and US warehouses and transported to the manufacturing plants for production. The coffee distributed within the Canadian market is roasted in 3 factories, 2 located in Italy (Torino, Gattinara) and 1 in West Chester, Pennsylvania, USA. The coffee is decaffeinated in a factory located in Pozzilli (Italy).

The other products commercialized by the LNA come from a variety of sources, with a significant component of coffee machines produced in Italy, Poland and China.

The distribution is organized with 3 major logistics centers in Italy and 3 third-party warehouses in the USA. All transfers between warehouses are performed with saturated means of transport and relying on intermodal transport whenever possible. Secondary distribution is entrusted to specialized logistics operators.

## **4. Our Policies and Due Diligence**

### ***Policies***

As part of the Lavazza Group, LNA is bound by the Lavazza Group's global policies set out below. LNA 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 accept the Supplier Code and act in compliance with its provisions.

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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.

The Lavazza Group has been undertaking a significant journey towards Corporate Social Responsibility's topics. The first updated version of the Lavazza Group Supplier Code of Conduct has been drafted with the fundamental contribution of Lavazza's reputable partners, specialized on topics of Sustainability and Human Rights:

- ITC ILO (International Training Centre of the International Labour Organization);
- Oxfam Italia Onlus;
- Save the Children Italia Onlus;
- OECD (Organisation for Economic Co-operation and Development).

In 2023, Lavazza Group reviewed the Supplier Code of Conduct for the second time, with the aim of update topics on the base of the Group's Values (Authenticity, Passion for Excellence, Responsibility and Inventiveness) and to deepen the spirit of cooperation and mutual standards in terms of impacts on all stakeholders. On this basis, the Lavazza group is fully committed to preventing forced labour and have zero tolerance policy to slavery and human trafficking. To ensure all those in our supply chain and contractors comply with our values we require our suppliers to acknowledge and comply with the provisions of the Lavazza Code of Ethics and the Lavazza Supplier Code of Conduct.

In addition, in order to verify the ability of our suppliers to actually comply with the principles of the Lavazza Group Supplier Code of Conduct, we have implemented supplier's assessment and monitoring programmes on sustainability topics. In 2020, green coffee suppliers were involved in an analysis aimed at understanding how sustainability issues are addressed by the actors of the supply chain: an assessment on socio-ethical and environmental topics was carried out by sending a targeted questionnaires to the main traders. In addition, Lavazza started using an external system to monitor the sustainability performance: EcoVadis platform. Through this platform companies can monitor and evaluate the sustainability performances of their suppliers by customized questionnaires based on the four main sustainability pillars: ethics, environment, human and labour rights (including modern slavery and human trafficking) and sustainable procurement.

Finally, Lavazza acts in accordance with internal purchasing policies and procedures, in which sustainability criteria were formalized as fundamental parameters for assessing Lavazza Group's suppliers.

### **Code of Ethics** (the "[Code](#)")

LNA 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:

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- 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. 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 strives to engage directly with them and undertake to create shared values and to generate a positive impact socially, economically and environmentally.

This approach is reflected in our commitment to contribute to the achievement of the 17 Sustainable Development Goals of the United Nations' Agenda 2030 and in our adherence to the United Nations' Global Compact. Since 2015, year of the first publication of our Sustainability Report, the Company has sought to embark on a journey to gradually integrate sustainability into all business activities. For a more incisive integration of corporate objectives and Sustainable Development Goals ("SDGs"), we identified the SDGs that are most impacted by our activities. The result is the 4 "Priority Goals",

i.e. the four main SDGs directly linked to corporate objectives and that the Group pledges to develop as part of the business strategy:

- Goal 5, gender equality
- Goal 8, decent work and economic growth
- Goal 12, sustainable consumption and production
- Goal 13, climate action.

Referring to the Priority Goal 8, we focus our attention also on the target 8.7, which commits to take immediate and effective measure to eradicate forced labour, end modern slavery and

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human trafficking and prohibit and eliminate the worst forms of child labour. Furthermore, as part of our initiatives to identify, assess and mitigate risk areas in our supply chains (including the risk of slavery and human trafficking) we perform certain audits regarding those aspects on our suppliers, starting from supplier of machinery. Lavazza Group intends to expand these audits to other material, including raw materials, we are supplied with.

### **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. The internal implementation for Lavazza of the platform was completed in 2022. LNA began data mapping and gathering for use of 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, LNA, in an effort 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.

### ***Potential Risks in Our Activities***

At LNA, we consider the risk of forced and child labour occurring within our activities to be low. All of our approximate 400 employees live and work in the USA and Canada. Out of 160 countries, the USA and Canada are ranked among the top 50<sup>th</sup> 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***

LNA 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.

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 growing plants on plantations, which are managed by producers of various sizes, from the smallest (managing around a hectare) to larger, more organised operations. 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, agents and international traders themselves. The coffee is then unloaded in the ports of importing countries.

As LNA'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

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chain that can act as an engine of progress and innovation, spreading shared value for all the people involved in our business.

In order to make our commitment to these issues more concrete, the Lavazza Group has implemented specific projects along the supply chain in close cooperation with suppliers. In 2018 Lavazza started a partnership in China with its major coffee machine suppliers and Save the Children in order to develop a child labour prevention program, as well as initiatives to support migrant workers and young workers in our supply chain. With reference to green coffee suppliers, another project in collaboration with Save the Children was launched in Vietnam in 2019, focusing on children's rights and continuing the Lavazza Group's commitment to adopting the Children Rights and Business Principles. The project aims to contribute to raise and increase awareness of child rights with a focus on child protection and right to education. A second project is taking place in Colombia, with a stronger focus on human rights and workers' rights and in collaboration with the no-profit organisation Oxfam. The objectives of the study are to assess the actual and potential human rights impacts at the production stage of the value chain in Colombia and to implement corrective actions to fill any gaps identified. At Lavazza Group we are strongly convinced that multi-stakeholder approach of our Group and our Foundation is the main way of working to ensure the effectiveness of our development projects and policies: individual action is not enough.

Furthermore, the Lavazza Foundation is taking part in a Global Coffee Platform project on the theme of modern slavery, specifically addressing labour problems in Brazil. The multi-stakeholder project will last four years, and it aims at improving working conditions and preventing and providing remedies to labour abuses at field-level.

### **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. Those in leadership roles also take part in training focusing on Anti-corruption and Antibribery.

In addition to that, a training course on sustainability topics was implemented for the purchasing team at Lavazza, together with a specific course on the 2030 Agenda and the 17 Sustainable Development Goal available to all employees.

Moreover, Lavazza has been a partner of the organization "Save the Children" for 20 years. In 2017 a number of Lavazza employees from different Departments (Public Relations, Marketing, Purchasing, Human Resources, Legal) engaged with the organization in a training workshop about "Children Rights and Business Principles" focusing on the importance of integrating human rights issues in the daily business activities. On the basis of this workshop, many different programs have been developed between Save the Children and Lavazza departments in order to concretely put in practice the Children Rights and Business Principles.

With reference on training activities, Lavazza Group has created a digital environment named "Sustainability Academy", for employees of the Group who wants to clarify their ideas and learn more about sustainability issues. Through a series of courses, research materials and training pills, employees of the Group will be guided clearly and quickly through the main challenges

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related to Sustainability issues, every department in carrying out its work can contribute to the responsible development of the Group by adding the sustainability perspective to the activities we carry out.

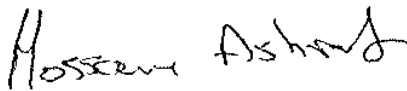
### 7. Assessing Our Effectiveness in Combating Forced Labour and Child Labour

LNA 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 LNA's Board of Directors of LNA 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.



Hossam Ashraf  
President  
May 30, 2024

I have the authority to bind Lavazza North America, Inc.