



## **Report on Measures Implemented by RGC Coffee to Prevent and Reduce the Risk of Forced Labour and Child Labour in the Supply Chain**

**Report Date: May 27, 2024**

**Reporting Period Start: January 1, 2023**

**Reporting Period End: December 31, 2023**

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Revised by: Angela Maria Pelaez – RGC Coffee’s Sustainability Director

### **About this Report**

This report summarizes the due diligence systems and processes implemented by RGC Coffee to prevent and avoid causing adverse human rights impacts directly linked to its operations. It communicates how risks are addressed in alignment with RGC Coffee's commitment to responsible business practices in the coffee industry.

The activities described here were undertaken during the period from January 1<sup>st</sup>, 2023 to December 31, 2023.

Based on the OECD Due Diligence Guidance for Responsible Business Conduct, this report describes the due diligence process, supporting measures carried out, and the 2023 results. Special emphasis is placed on measures taken to reduce the risks of forced labor and child labor, in accordance with the requirements of Bill S-211, particularly section 11.

### **Requirement (a) - About RGC Coffee Inc: Structure, Activities and Supply Chain**

RGC Coffee Inc. is a Canadian company with over 55 years of experience in green coffee trading. The company purchases green coffee (washed arabica, natural arabica, and robusta) from suppliers in various countries, including Colombia, Peru, Brazil, Honduras, Nicaragua, Ethiopia, and others. The suppliers are responsible for delivering the green coffee to departure ports at origin, from where RGC transports it through outsourced shipping services. Upon arrival at the destination, the product is stored in subcontracted warehouses and then distributed to clients in Canada, the USA, and Europe. RGC does not perform any processing or transformation of the product.

The company is headquartered in Montreal, Quebec, Canada, and has two subsidiaries: RGC Americas in Bogota, Colombia, and RGC USA in Los Angeles, California. The company globally has 34 employees, 20 of them works in the Canada’s Office, 2 in the USA’s office and 12 in RGC Americas in Colombia.

As part of its corporate strategy, RGC Coffee's mission is to make the coffee business a vehicle for development and welfare in the communities where it operates. Drawing upon 55 years of knowledge gained through collaboration with partners from origin to destination, including



customers, suppliers, coffee communities, and NGOs, RGC Coffee impacts millions of people, from rural workers to consumers.

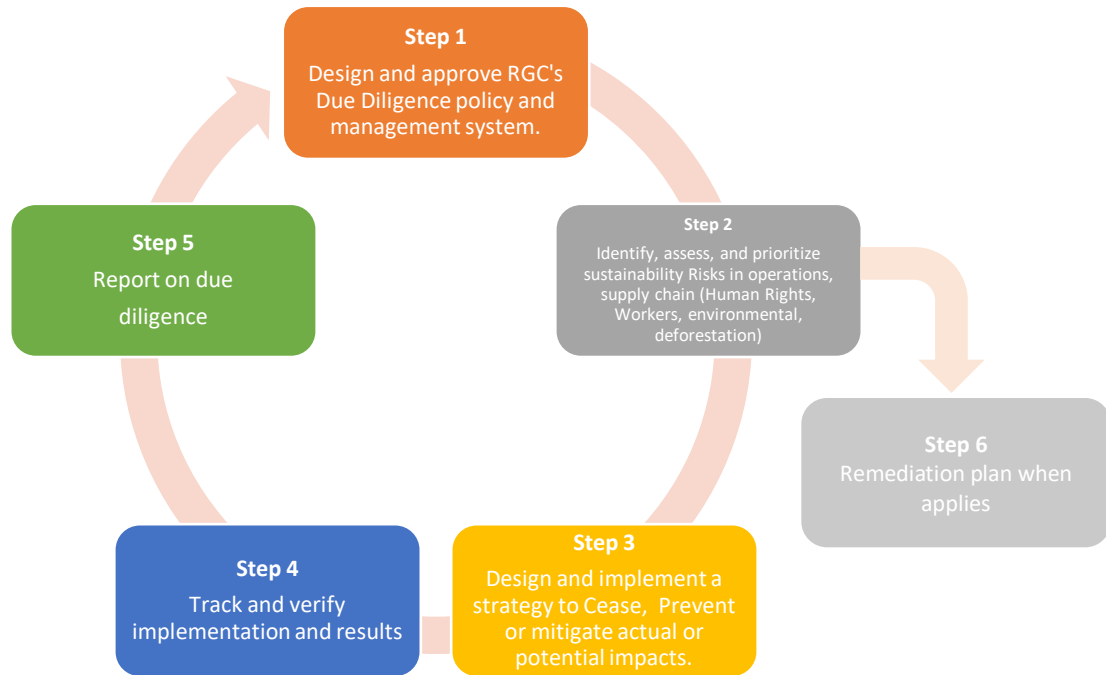
This experience has allowed the company to understand firsthand the most important social, environmental, and economic challenges. For this reason, RGC Coffee's 3E® Sustainability Framework—Elevate, Empower, and Educate—defines and guides corporate decision-making to ensure actions support thriving communities, individual prosperity, and regenerative agricultural practices.

### **Requirement (b) - RGC Coffee's Due Diligence System: Policy, Process for Impact Identification and Assessment, Prevention, and Mitigation**

RGC's due diligence policy is based on the OECD Due Diligence Guidance for Responsible Business Conduct, recognizing that the company's business activities can result in adverse impacts related to workers, human rights, the environment, bribery, consumers, and corporate governance.

The purpose of this policy is to implement a due diligence process, detailing RGC's efforts to address and protect human rights, workers, and environmental risks. This includes specific measures to identify, prevent, mitigate, and define appropriate mechanisms for remediation. Regardless of where it operates, RGC strives to act in accordance with the law. When local laws are less stringent than the criteria included in the 3E® by RGC scheme, RGC will operate in accordance with its own scheme to address actual and potential adverse impacts of its operations, business relationships, and supply chain.

Below is a summary of RGC's due diligence system based on the five steps described in the OECD Guidance:



*Figure 1: RGC Coffee's Due Diligence Process*

To respond to real and potential adverse impacts of RGC's activities throughout its supply chain, the company has defined the above Due Diligence system, supported by the following steps:

- RGC has reviewed and updated its existing social policies, including the Human Rights Policy, Code of Ethics and Values, Deforestation Policy, and the 3E® by RGC Sustainability Scheme for sustainability verifications, to ensure alignment with the OECD Guidelines. This is to address potential sustainability risks and support responsible supply chains.
- RGC strictly prohibits all forms of child and forced labour.
- These policies were approved by RGC's President, Nathalie Gabbay.
- RGC has established the RGC 3E Committee to serve as a communication channel, handling reports, evaluation, follow-up, and communications on issues related to human rights issues.
- The updated set of policies has been communicated to all RGC employees and suppliers.
- A training plan for employees has been developed, including initial staff orientation.

- The policy will be reviewed and updated annually, if necessary, to account for findings, new supply chains, and evolving regulations.
- A Grievance Policy has been developed, defining complaint procedures for workers, suppliers, and communities to raise issues related to human rights and the 3E® by RGC assessment results.

### Requirement (c) Forced Labour and Child Labour Risks Identification, Assessment and Prioritization

#### RGC's activities Mapping

- RGC scrutinized all business operation activities and mapped its supply chains, including identifying the geographical sources of green coffee and the key actors involved in producing, transforming, sourcing, transporting, and storing it.

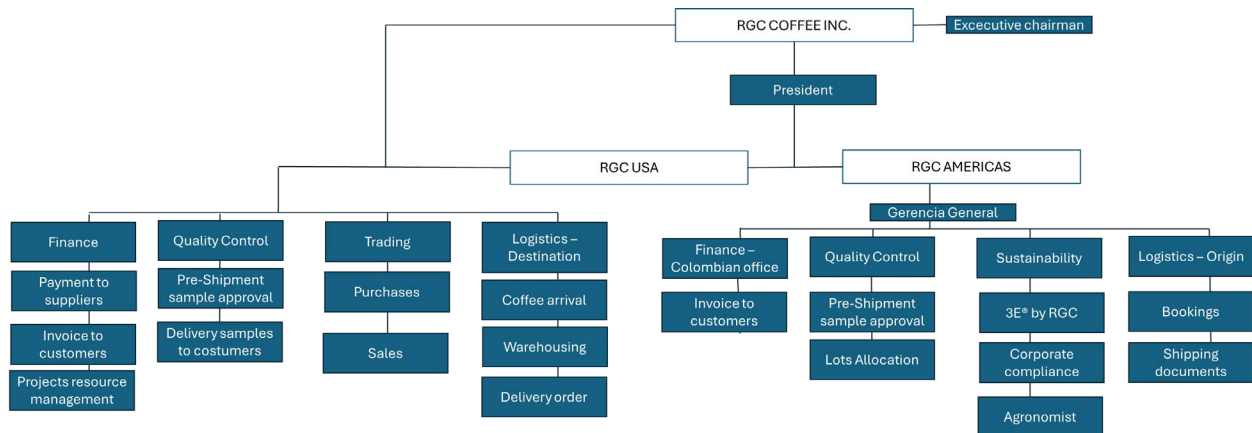


Figure 2: RGC Coffee's Activity Mapping

- After mapping RGC's activities, a human rights assessment was conducted to identify existing or potential risks in its business activities. The RGC 3E committee carried out a collecting qualitative data on human rights impacts that may result from the activities performed in each department. The result was the following risk map:

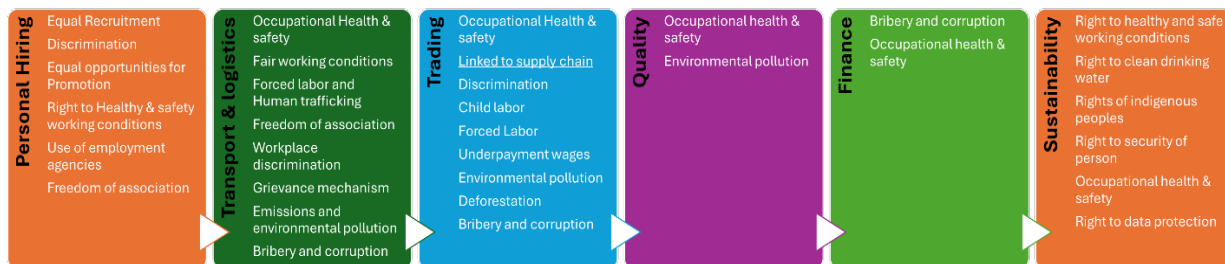


Figure 3: RGC's Risk Map Resulting from Company Operations

- Based on the human rights issues listed above, a risk assessment was conducted to prioritize the most relevant and viable risks. This assessment considered the severity of the potential impacts, considering vulnerability, magnitude, and irremediability.



Figure 4: Human Rights Assessment Results

- Negative impacts on human rights were not identified on RGC’s operations.

### RGC’s Supply Chain Mapping

Raw material	Coffee collecting point	Processing	Exporting	Importing	Commercialization	Marketing
<ul style="list-style-type: none"> <li>Individual Coffee producers</li> <li>Cherry Coffee</li> <li>Parchment Coffee</li> <li>Coffee producer groups</li> </ul>	<ul style="list-style-type: none"> <li>Central milling station</li> <li>Purchases station (parchment Coffee)</li> <li>Associations</li> <li>Cooperatives</li> <li>Informal market</li> </ul>	<ul style="list-style-type: none"> <li>Dry mills (to convert parchment to green Coffee)</li> </ul>	<ul style="list-style-type: none"> <li>Exporters</li> <li>Shipping lines</li> </ul>	<ul style="list-style-type: none"> <li>Warehousing</li> <li>Distribution</li> </ul>	<ul style="list-style-type: none"> <li>Roasters</li> <li>Other Traders</li> </ul>	<ul style="list-style-type: none"> <li>Coffee shops</li> <li>Retailers</li> <li>Supermarkets</li> <li>E-Commerce</li> <li>Final consumer</li> </ul>

Figure 5: RGC Coffee’s Supply Chain Mapping

According to the traceability system implemented by RGC, it is possible to identify all direct suppliers RGC has relationships with. In some purchase contracts, particularly those linked to



coffee sustainability certifications and 3E® by RGC projects, the company can trace suppliers up to Tiers 2 and 3.

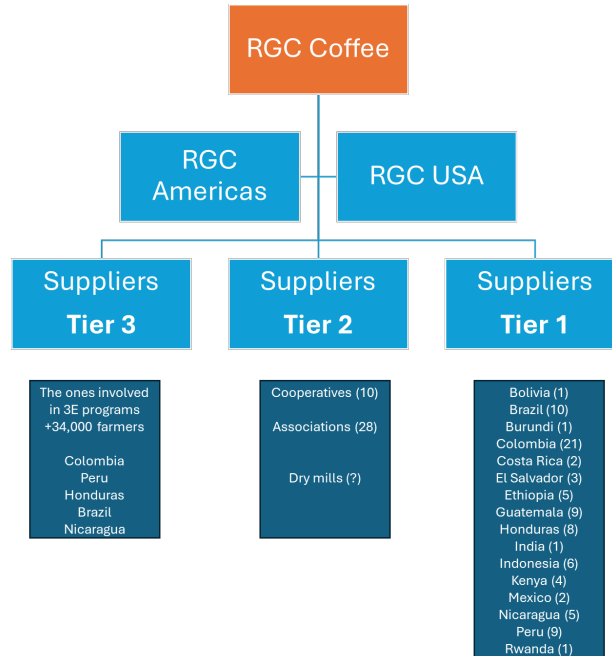


Figure 6: RGC's Key Actors Mapping

For human rights identification and assessment, RGC Coffee relies on public reports from the coffee industry, highlighting human rights issues based on the geographical source of the coffee.

Given that coffee is listed by the US Department of Labour (USDOL) as a commodity produced by child labour or forced labour in over 16 countries, this report served as the primary reference for classifying supplier countries. This classification process focused on the countries from which RGC purchases 60% of the volume it trades, resulting in the following classification of supplier countries:

Country	Child Labour	Forced Labour
Brazil	X	X
Colombia	X	
Honduras	X	
Peru	X	
Nicaragua	X	

Reference: U.S. Department of Labor. 2018 List of Goods Produced by Child Labor or Forced Labor. 2018. [https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods?items\\_per\\_page=All&combine=coffee](https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods?items_per_page=All&combine=coffee)



Impacts are assessed every two years for suppliers using the 3E® by RGC Sustainability Scheme. This recognized company scheme serves as a valid risk assessment tool, including evaluations related to environmental protection, land use rights, labor rights, third-party rights, forest-related rules, human rights, transparency, gender analysis, labor conditions, and climate resilience at suppliers and farm levels.

The 3E® by RGC scheme is divided into three sections. The second section focuses on the well-being of farmworkers and evaluates the practices implemented in supplier operations and supply chains, with a major emphasis on protecting fundamental human rights and labour practices. Key indicators related to Forced Labour and Child Labour include:

3E® by RGC – Human Rights Criteria - Indicator 5.1	
Major indicator Practices	Assessment Orientation
Does your organization have a Social Policy/Declaration that guarantees compliance with human rights and is aligned with national legislation, both internally and for your supply chain?	<p>The policy should include the following elements:</p> <ul style="list-style-type: none"> <li>• No discrimination of any kind</li> <li>• No human trafficking</li> <li>• Freedom of association and organization of producers and workers</li> <li>• No retaliation against union or worker representatives</li> <li>• No forced labour</li> <li>• No restriction of movement</li> <li>• Equal treatment</li> <li>• No forced eviction</li> <li>• Protection of children</li> <li>• No child labour</li> <li>• Promoting schooling for children under 15 years of age</li> </ul>
3E® by RGC – Labor Rights Criteria - Indicator 6.1	
Major indicator Practices	Assessment Orientation
Does your organization have a policy that guarantees compliance with national labor legislation and OIT conventions within the organization and for its supply chain.	<p>The policy should include the following topics:</p> <ul style="list-style-type: none"> <li>• Compliance with applicable laws and relevant standards in relation to workers' rights and conditions</li> <li>• Signing of labour contracts</li> <li>• Payment of minimum wages on a regular basis and guaranteeing equal remuneration for permanent and temporary employees</li> </ul>

	<ul style="list-style-type: none"> <li>• Prevention of child labour for children under the age of 15 and ensuring compliance with national regulations</li> <li>• Prevention against the worst forms of child labour</li> <li>• No retention of documentation</li> <li>• No withholding of wages as a form of threat or disciplinary action</li> <li>• No forced labour to pay debt</li> <li>• Voluntary overtime work and payments in accordance with legislation</li> <li>• Respect and compliance with the laws of indigenous people</li> <li>• Compliance with legal requirements for hiring permanent, temporary, foreign, and immigrant workers</li> </ul>
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Since 2020, RGC has conducted three assessments of suppliers from Colombia, Peru, Brazil, and Honduras. These assessments ensure suppliers meet key indicators related to worker health and well-being, traceability, transparency, access to drinkable water, human rights, labour legislation, and natural resource protection. However, they also identify sustainability gaps related to climate change and carbon footprint management. RGC’s 3E® assessments can be consulted in the sustainability reports publicly available at <https://www.rgccoffee.com/sustainability-reports/>

Same as Suppliers, at the farm level, the 3E® scheme assesses compliance with human rights, prohibiting discrimination, forced labour, and child labour, and ensuring freedom of association, no withholding of wages or documents, and no forced eviction. It also mandates that workers must be of legal working age.

**Requirement (d) - Remediation Measures**

In the case forced labour or child labour is identified, a remediation protocol is included in the 3E® by RGC validation scheme. Non-conformities identified on mandatory indicators refer to violations of critical sustainability criteria, including child labour and forced labour. The remediation protocol defines a clear procedure, with a maximum period of 30 calendar days to submit evidence to the RGC 3E® Committee. However, the supplier or the group of farms will be commercially sanctioned until the non-conformity is closed. For critical non-conformities that generate negative and irreversible effects on the supply chain, such as human rights violations or unethical business practices, RGC will block any commercial link and avoid delivering coffee from that supplier to its customers.





### **Requirement (e) - Measures to Remediate the Loss of Income**

Since no cases of child labour or forced labour have been identified in our supply chain, RGC has not taken measures to remedy the loss of income for the most vulnerable families. If a case of forced labour or child labour is identified, RGC will evaluate the root cause of the impact, assess the vulnerability of the affected family, and design a specific remediation plan tailored to the situation. If necessary, RGC will hire external experts to evaluate how to compensate and remediate properly. RGC will also support suppliers in strengthening and improving their practices to address risks and avoid future adverse impacts on forced labour and child labour.

### **Requirement (e) Training provided to Employees on Forced Labour and Child Labour**

Based on the supply chain risk map, each department of the company is trained to identify actions to strengthen procedures and ensure compliance with human rights. The training, conducted by the Corporate Compliance Officer, includes:

1. Explanation of human rights, specifically child labour and forced labour.
2. Identification of activities with potential risks and how to strengthen due diligence processes.
3. Steps to be taken if a potential or actual impact on human rights is identified.
4. Handling complaints related to human rights, tracking responses, and communicating how impacts are addressed.

### **Requirement (g) Assessing effectiveness in ensuring no forced labour or child labour**

RGC has a tracking system to ensure comprehensive information gathering and demonstrate practices supporting its operations. The tracking system includes:

1. A procedure to follow up on complaints and claims, ensuring corrective actions and preventive measures.
2. The 3E® by RGC validation scheme, tracking human rights compliance in main coffee supply chains through second-party or third-party verification.
3. A remediation protocol for non-conformities, with a maximum period of 30 days to submit evidence to the RGC 3E® Committee. Non-compliance may result in commercial sanctions or a negative assessment decision, preventing the issuance of RGC 3E® recognition.
4. RGC's sustainability strategy also aims to promote the purchase of sustainably certified coffees, such as Rainforest, Fairtrade, 4C, and others. The company's Compliance team is responsible for continuously monitoring the validity of sustainable coffee certifications within RGC's supply chains to ensure compliance with labor practices.



**Final Approval and Attestation**

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 listed above.

Jonathan Gabbay  
Managing Director

Date: May 27, 2024

Signature:     *J Gabbay*    

Statement: "I have the authority to bind RGC Coffee Inc."