



Child Labor Due Diligence Report 2023

Re: Art. 964j-k of the Swiss Code of Obligations and the Swiss Ordinance on Due Diligence and Transparency in Relation to Minerals and Metals from Conflict-Affected Areas and Child Labour





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Introduction

This report relates to the due diligence and reporting obligations covering child labor required by Art. 964j-k of the Swiss Code of Obligations and the Swiss “Ordinance on Due Diligence and Transparency in Relation to Minerals and Metals from Conflict-Affected Areas and Child Labour”. It covers the period January 1, 2023, to December 31, 2023.

[Bernhard Rothfos Intercafé AG](#) (BRIC) is a leading coffee supply company in Switzerland and a member of the globally active green coffee service group [Neumann Kaffee Gruppe](#) (NKG), headquartered in Hamburg, Germany. BRIC was founded in 1979 and is based in Zug, Switzerland.

Child Labor and coffee supply chains

Before consumers can enjoy their beloved cup of coffee, drinking one of three billion cups per day, around 125 million workers and farmers around the world have to plant, harvest, process and transport the green coffee on the ground. Unfortunately, adults are not the only ones working in coffee supply chains. Growing coffee is a family business in many countries and therefore children and young people are often involved in the work. A broad, collaborative approach against child labor is therefore key in the coffee industry.

According to the [International Labour Organization](#) (ILO), child labor has increased for the first time in 20 years. After a continuous decline of child labor since 2000, the number of children in child labor has risen from 151.6 million to 160 million compared to the last ILO survey in 2016. Seventy percent of child labor occurs in agriculture, where it is both an effect and cause of poverty. Exact figures on child labor in the coffee industry are not available.

The causes of child labor are complex and vary from country to country. They are linked to specific economic, social, and cultural issues that affect entire communities. Child labor is systemic in several countries and extends beyond the coffee sector. In many countries, entire families are involved in coffee farming. To help their families, children often drop out of school. In addition, many families cannot afford to pay school fees. Child labor is often considered socially acceptable, and some families are unaware of the importance of education. In some countries, special school holidays are traditionally granted for students to participate in the harvest. Of course, these are just a few examples of the causes of child labor; depending on the country, there are several other reasons why children are forced to work.



Another challenge is that coffee as a tropical agriculture product can only be grown in a specific climate of equatorial regions, the so-called „coffee belt“. Many of those regions are located in countries that face unstable political or economic conditions. In addition, the political, social, economic, cultural and religious conditions in the coffee-producing countries differ immensely, so again each country and region must be considered individually. Coffee is grown in socially challenging areas, but these as a rule are not amongst the poorest rural areas in the producing countries or areas, coffee has for decades and centuries brought relative prosperity and development to the areas in which it is grown.

Supply chains of tropical agriculture products like coffee are complex and can vary from one country to another as well. That also very often entails challenges when it comes to issues like child labor. Around 12.4 million of the world's 12.5 million coffee farms are owned by smallholder farmers who cultivate areas of less than one hectare up to 10 hectares and produce correspondingly low yields. They sell their beans to local middlemen or are organized in cooperatives of up to thousands of producers, who then sell on larger quantities to companies of NKG, for example. The branching and small-scale nature of this part of the supply chain is a key problem. On the one hand, it makes it difficult to trace the coffee back to individual small farms, and on the other, it means that a group of companies such as NKG only has limited direct access to the coffee producers.

Efforts to reduce child labor in the coffee sector must address several factors, including enforcement of labor laws, improved access to education, and a living income. These targets must be achieved through industry-wide initiatives, public-private partnerships, and increased traceability.

ILO Definition on Child Labor:

“Child labour refers to children working below the country’s minimum age (excluding children in light work) and to children in the worst forms of child labour, namely hazardous work, or in commercial sexual exploitation, forced labour or illicit activities.

What is the minimum age to work?

It varies from country to country, but international labour standards set the limit at no younger than 15 years old. Some countries may exceptionally have a minimum working age of 14 years old.

What is hazardous work?

Any activity or occupation that has adverse effects on the child’s safety, physical or mental health, or moral development. Hazards can come from excessive workloads, the physical conditions of work, and/or the duration or hours of work even where the activity is known to be “safe”. Hazardous work is considered to be one of the worst forms of child labour.”

Our Commitment

NKG positions itself unequivocally against forced and child labor. We are committed to eliminating forced labor, child labor and any other form of labor rights violations within our sphere of activity. NKG does not tolerate any form of human rights violations such as child labor, forced labor, including human trafficking and slavery-like practices. This is an integral part of our Code of Conduct since its inception in 2017 and an important part of our fundamental convictions since long before that.

NKG is dedicated to creating transparency and sustainability in our coffee supply chains enabling us to identify risks of forced and child labor and engage with suppliers to remediate and mitigate these risks where they occur.

Due to the branched structure of the supply chain, we rely on our local presence on the one hand and on partnerships on the other.

In the following chapters of this report, we will explain how we are fulfilling this commitment in practice by addressing how we [assess and mitigate the risk of child labor](#) in our own operations and beyond. Our report refers, among other content, to our global programs [NKG Verified](#) and [NKG Bloom](#), which include no worst forms of child labor, no child labor, no forced labor and school attendance as integral parts of the requirements.

Further, we will introduce our [Supply Chain Integrity Program](#) (NKG SCIP). The program takes a systematic approach to working with our key suppliers on fair labor conditions in the country of origin.

In addition, we will outline our [partnerships and collaborations](#) with other stakeholders, as we are convinced that child labor can only be eliminated with a joint effort by the entire industry.

Continuous improvement

Despite our efforts, we recognize that improving working conditions in the coffee industry is a long-term process and needs commitment of all parties involved along the supply chain. We work closely with our customers, suppliers and other stakeholders and are constantly striving to improve working conditions within our sphere of influence. As NKG, we are committed to critically reviewing our own actions, improving or adapting them where necessary, and maintaining constant communication with our suppliers and customers.



NKG's and BRIC's Policies on Child Labor in Supply Chains

NKG Code of Conduct

Through our Code of Conduct, we commit ourselves to compliant and responsible business conduct in accordance with our ethical standards and applicable laws and regulations. As part of our commitment to respecting and promoting basic rights, our Code of Conduct establishes that NKG is strictly against exploitative child labor and ensures that there is absolutely no child labor on our farms, in our coffee mills, or in our offices. We adhere to the minimum age requirements as set out in the respective ILO conventions or as defined by local legislation, whichever is higher. We understand that our ability to stop child labor along the supply chain is limited. Thus, together with other companies in the coffee sector, government agencies, NGOs, and other stakeholders, NKG is working on improving the living conditions of coffee farmers and is committed to the rights and well-being of their families.

NKG Supplier Code of Conduct

To meet our human rights due diligence obligations, we further established our Supplier Code of Conduct (SCoC) in 2022, in which we formulated our values and expectations of our suppliers. Our SCoC acknowledges that our suppliers are important partners in our efforts to respect human rights along the coffee supply chain. Therefore, it is essential that suppliers comply with the principles derived from core ILO conventions and standards and prevent exploitation within their operations and their supply chains.

With regards to child labor, our SCoC stipulates that,

- There shall be no use of exploitative child labor. The minimum age for admission to employment is 15. If local law stipulates a higher age for admission to employment or mandatory schooling, the higher age applies. Exceptions under local law resulting in lower minimum age requirements may apply, provided that they are in accordance with the developing country exceptions defined under ILO Convention No. 138.
- If the local minimum age requirement for admission to employment is 14 years, in accordance with developing country exceptions under ILO Convention 138, the lower age applies.

- Children may engage in permissible light work or help their family at their family's farm, provided that the work does not jeopardize their schooling or health and that it is in line with applicable legislation and ILO Conventions Nos. 182 and 138.
- Moreover, the minimum age of 18 years must be respected for hazardous work, which may harm the health, safety or morals of young people (e.g., work with heavy loads, hazardous substances, dangerous machinery, long hours during the night or night shifts).

NKG's SCoC has been actively communicated to our key suppliers. Suppliers are encouraged to communicate the SCoC to sub-suppliers as well.

The full version of our SCoC can be found at <https://www.nkg.net/responsibility/>

BRIC's Supply Chain Policy on Due Diligence and Transparency relating to Child Labor

In June 2024, the board of management of BRIC adopted and published its Supply Chain Policy on Due Diligence and Transparency relating to Child Labour ("Policy"). In consideration of the applicable requirements under Swiss law, the Policy outlines the processes and instruments used to identify, assess, eliminate, or mitigate risks of child labor in BRIC's supply chains. At the same time, BRIC, as part of Neumann Kaffee Gruppe (NKG), has aligned this Policy with the group's Responsible Business Program (RBP) which was set up in consideration of principles derived from internationally recognized standards, such as the UN Universal Declaration on Human Rights, the 2011 United Nations Guiding Principles on Business and Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. As essential parts of the requirements, a tool for reporting concerns about potential or actual child labor incidents and for following up on any reported concerns as well as a process of adopting appropriate measures to avert or mitigate negative effects are described in the Policy. Relevant and up-to-date information on this Policy is communicated to internal and external stakeholders, including employees, suppliers and the public. Through alignment of the Supplier Code of Conduct with the core due diligence approach and principles in this Policy, it is ensured that the core provisions of this Policy, concerning BRIC's Suppliers, are gradually integrated into the contracts and agreements with suppliers.



Assessing and Mitigating Child Labor Risk in Our Own Operations and Beyond

Addressing Child Labor Risks in Our Own Operations: NKG Integrity Risk Assessments

At NKG, we perform regular internal risk analyses to identify our group-wide exposure to compliance risks and mitigate them accordingly. In 2023/24, we carried out a global risk assessment for all companies of NKG. The UNICEF Children's Rights in the Workplace Index served as the baseline for the child labor segment of the group-wide risk assessment. To this end, comprehensive desk research was conducted covering industry-specific as well as country-specific risks including those related to child labor. Our import and export companies then completed self-assessment questionnaires, of which the results were discussed in in-depth follow-up interviews.

In all our own operations, the minimum age for hiring employees is 18. Exceptions to this rule are employment for training purposes or internships. During the risk assessment, no child labor risks were identified that are not already covered by existing measures for prevention, mitigation and elimination of child labor.

NKG's Supply Chain Risk Management for Direct Suppliers (Tier 1): Supply Chain Integrity Program

To promote responsibility for fair labor conditions and the protection of human rights, we introduced our Supply Chain Integrity Program (NKG SCIP) for our direct suppliers. In 2022/23, SCIP was launched in Brazil, Vietnam, Colombia, Honduras and Uganda. The program will be successively expanded to other NKG export countries over the next years.

As integral part of SCIP, key suppliers are required to confirm the Supplier Code of Conduct (SCoC). Further, key suppliers are obliged to complete a Third-Party Questionnaire including questions on compliance with core ILO labor standards on the prohibition of child labor. Through our external screening platform, our key suppliers are then screened and continuously monitored against sanction lists and other public lists, for example, the Lista Suja from Brazil. The so-called "dirty list" publishes companies that exploit workers under slave-like conditions. This due diligence process is an important step in implementing regulatory compliance as well as responsible sourcing practices.

Next to our SCoC and business partner due diligence process, the performance of Human Rights Risks Analyses (HRRAs) is another central pillar of SCIP. These HRRAs are important tools to proactively assess human rights risks in our value chains and implement mitigating measures accordingly.

Identifying and Mitigating Child Labor Risk in Indirect Suppliers (Beyond Tier 1)

Human Rights Impact Analyses

To gain a better understanding of potential and actual human rights risks in our indirect suppliers, we partnered with an experienced external, independent local and international consultant team to conduct a Human Rights Impact Assessment (HRIA) between December 2021 and April 2022 for one major supply chain in Honduras. Based on the knowledge gained, we realized similar assessments in Brazil, Colombia, Uganda and Vietnam in 2022 and 2023. The independent service providers were familiar with the local context and fluent in the local languages, enabling them to engage different stakeholders in the assessment process. In line with the findings, recommendations for improvement measures and action plans including the topic of child labor were defined and are continuously monitored for progress.

NKG's Global Programs: NKG Verified and NKG Bloom

Finding solutions that benefit both its customers and producers is key for NKG. As part of the company's active commitment to integrity and responsibility throughout the coffee supply chain, we have created NKG Verified and NKG Bloom.

NKG Verified aims to bridge the gap between coffee growers and buyers. Launched in 2021, NKG Verified aims to improve traceability and transparency along the supply chain for green coffee buyers.

NKG Bloom focuses on improving smallholders' livelihoods and also offers supply chain traceability. NKG Bloom aims to ensure the future of green coffee supplies by offering smallholder farmers and farmer groups the opportunities and resources they need to run their farms at full potential, optimize their incomes for long-term success, and enter pathways out of poverty.

Both initiatives have been recognized as Coffee Sustainability Reference Code equivalent, second party assurance and offer customers traceable coffees that are produced on farms that meet key sustainability criteria which are developed following the Coffee Sustainability Reference Code.



[CSRC CoffeeSustainabilityReferenceCode OCT21.pdf \(globalcoffeeplatform.org\)](#).

These criteria span across economic, environmental, and social dimensions. Critical criteria include, among others, compliance with no worst forms of child labor, no child labor and school attendance. Entities – from farm to export level – that want to qualify for NKG Verified, must comply with the following requirements regarding child labor:

- Children below the age of 18 years are not engaged in work which could jeopardize their health, safety or morals.
- Children’s participation in work is only accepted as part of light family work, outside school hours for children below 15 years old, and they are not performing hazardous work.
- Children under the age of 15 (or legal school age as per local regulation) attend compulsory school.

Additionally, the sustainability criteria address factors via improvement plans indirectly linked to child labor risks. Wages, for example, must comply with existing national minimum wages or sector agreements including seasonal and piece rate workers. Regular working hours of workers and employees must be limited to 48 per week, or less if provided by national law. Contractual agreements must be respected, and workers must know their rights, duties and benefits.

NKG Verified – Traceable Coffees and Sustainability Compliance

According to our 2nd party assurance model, the NKG Verified criteria are assessed through annual internal audits and through third-party audits every three years on a sample of entities from farm to export level that form the supply chain. The internal audits are conducted by the staff of the NKG exporting companies. Findings on critical criteria lead to exclusion unless they can be remediated within 60 days. The entire remediation process is continuously monitored. Based on the findings on improvement criteria, NKG exporting companies jointly with the supply chain actors and with the support of the Sustainable Business Unit develop improvement plans.

NKG Verified was first established in Brazil in 2021 by NKG Stockler. In 2023, NKG Verified coffee is available from 10 countries reaching over 30,000 farms. Our objective in 2024, is to consolidate the existing supply chains with improved sustainability actions.

NKG Bloom – Coffee Sourcing with a Purpose

NKG Bloom is an initiative of NKG to ensure the future of green coffee supplies by offering smallholder farmers and farmer groups through established Farmers Services Units (FSU) the opportunities and resources they need to run their farms at full potential, optimize their incomes for long-term success and enter pathways out of poverty, a critical root cause of child labor.

Farmers Services Units (FSUs) are permanent NKG Bloom teams set up within NKG export companies that elect to implement the initiative in their country. FSU members work closely with farmers and farmer groups to understand their needs and design custom services packages. These packages can include fertilizers, seedlings and access to markets, infrastructure, information, trainings and — critically and uniquely — quick and simple financing.

Participating farmers are smallholders farming fewer than 30 hectares of coffee and farmer organizations largely comprised of producers with fewer than 30 hectares. These farmers agree to collaborate with FSUs, to run their farms as businesses, and to improve on prioritized social and environmental practices.

NKG Bloom coffees are traceable to either the region or farmer organization level. An NKG Bloom mobile app is used by field staff to efficiently share services and information along the value chain. In some NKG Bloom countries, farmer groups and field staff can also share digital payment information with farmers, access coffee delivery histories and pay farmers more quickly and accurately. The transition from paper records to mobile apps has created greater clarity into the participants in each coffee.

Countries that have already launched NKG Bloom are Uganda, Honduras, Kenya and Mexico. Until today, we have reached more than 80 000 farmers with our service offer bringing us a good step closer to our target of reaching 300,000 farmers by 2030.

Practice Example from Ibero Uganda, Uganda

The Education Advance Program initiated by Ibero Uganda is an illustrative example of the impact of NKG Bloom. Starting in 2021, our local exporter Ibero Uganda issues loans for school fees. The COVID-19 pandemic in Uganda necessitated the official closure of all educational institutions nationwide, resulting in numerous children being deprived of access to school. Despite this, the Ugandan government emphasized the importance of education and proposed utilizing the Internet, TV, or radio for distance learning. However, accessibility to these channels, particularly in rural areas, remained a challenge, leaving some children without educational opportunities for nearly two years. Responding to the needs of our clients, the FSU introduced the Education Advance program. Initially launched with only seven farmers, the program has since expanded to encompass over 700 farmers in 2023 who are successfully accessing and repaying their advances.



Company Programs addressing Child Labor

Children Daycare Centers at BECAMO, Honduras

During the 2022/23 harvest season, our exporting company Beneficio de Café Montecristo (BECAMO) in alliance with a partner launched two daycare centers in Honduras. These daycare centers offer a safe space for parents to leave their children, whom they are otherwise often forced to take with them to the coffee fields. They are designed as an educational and nurturing space that promotes the physical, cognitive, affective, and social development of children, in an environment characterized by cordiality and respect for their rights. 174 children aged 3 to 12 directly benefitted in this first cycle of the long-term project.

BECAMO through its Unit for Sustainable Services to Producers (USSP) execute the daycare project with the objective of providing attention and care to children through various activities. These activities are aimed at strengthening, for example, their motor skills and health. Age-appropriate educational-training programs further help to promote their integral development.

Coffee Clubs at City Coffee, Tanzania

In Tanzania, our exporter City Coffee has established Coffee clubs in high schools close to farmer groups that are part of their supply chain. The objective is to foster entrepreneurship and sustainable livelihoods by endowing youth with knowledge of agronomical practices and financial literacy. In the face of limited employment opportunities, the project provides young people with the skills and knowledge to make coffee farming a viable source of income.

Participating students establish a coffee nursery and demonstration farm at their school and are trained in agronomy practices, milling, quality control and accounting. This planting cycle, 23,547 coffee trees were planted in 12 schools. In addition, 111 avocado trees, 403 papaya and 70 mango trees were planted at two schools.

Thereby, the Coffee club projects address some issues faced in Tanzania, among them child labor and malnutrition. Through trainings as well as meals and trees to take home to plant in their own coffee plots, students are incentivized to attend school to be able to participate in the program. This keeps them out of other work options as they contribute to the family household by adding agricultural knowledge learnt at school and coffee trees for the farm. Further, while students do receive a meal at school, the nutritional value of these meals can sometimes fall short. By growing fruit trees on school premises, meals can be supplemented with freshly harvested fruit.

External Certification Schemes

The issue of child labor is also addressed in our third-party certifications.

In 2023, 17,5% of the coffee purchased by the BRIC was certified according to the standards of Rainforest Alliance, 4C, AAA Nespresso, Fairtrade, CAFÉ Practices, NKG Verified, NKG Bloom, and Bio Suisse, among others.

Rainforest Alliance, for example, is promoting sustainable agricultural practices, particular in, but not exclusively, the production of coffee, cocoa, tea, and bananas. Farms are inspected by independent auditors regarding their social, economic, and ecological sustainability. The fight against child labor is a fundamental criterion for this certification. In the 2020 certification program, Rainforest Alliance implemented a risk-based approach in assessing and addressing child labor.¹

Rainforest Alliance demands producers to sign a "Code of Social Conduct", which explicitly emphasizes the required minimum age for hiring as well as access to education. Producer groups certified under Rainforest Alliance are constantly trained on the issue of child labor. These trainings aim to increase awareness of the importance of this topic and to ensure that all members of the group are acquainted with the actions taken to address the risks. Additionally, signs are placed on the farms stressing the prohibition of child labor, forced labor, discrimination, violence, and harassment. It is also highlighted that, should anyone witness any of the aforementioned situations, they are encouraged to report them through a designated complaint box. In such instances, an investigative committee comprising various stakeholders takes over the investigation process.

¹ [2020 Zertifizierungsprogramm | Rainforest Alliance | Für Unternehmen \(rainforest-alliance.org\)](https://www.rainforest-alliance.org/de/2020-zertifizierungsprogramm-fur-unternehmen)

[Was bedeutet "Rainforest Alliance-zertifiziert"? | Rainforest Alliance | Für Unternehmen \(rainforest-alliance.org\)](https://www.rainforest-alliance.org/de/was-bedeutet-rainforest-alliance-zertifiziert-fur-unternehmen)

[Was Ist In Unserem Zertifizierungsprogramm 2020 Enthalten? Assess & Address \(Einschätzen und Ansprechen\) | Rainforest Alliance | Für Unternehmen \(rainforest-alliance.org\)](https://www.rainforest-alliance.org/de/was-ist-in-unserem-zertifizierungsprogramm-2020-enthalten-assess-address-einschatzen-und-ansprechen-fur-unternehmen)

[RACP User Manual for Farm Certificate Holders \(rainforest-alliance.org\)](https://www.rainforest-alliance.org/de/racp-user-manual-for-farm-certificate-holders)



Practice Example from ECC, Mexico

In 2023, Exportadora de Café California (ECC), our exporting company in Mexico, held a series of workshops for their Rainforest Alliance certified groups. One of these groups, for instance, comprises 450 producers and 811 growers in the states of Puebla and Veracruz. In 25 workshops with 30 participants each, they received training on the promotion of fair treatment, wages and protection of minors on coffee farms, as well as the Mexican Federal Labor Law for producers to improve the conditions for their workers and children.

At ECC, producers and farmers can utilize a grievance box should they discover cases of child labor. Up to this point, no reports of child labor have been received. Nonetheless, the company is aware of the risk of child labor and has implemented monitoring systems. Challenges arise especially during the harvest season and due to the size of the producer groups. This is why ECC constantly strives to reinforce awareness and preventive measures at every available opportunity.

Industry Partnerships Addressing Child Labor in the Coffee Industry

Addressing the root causes of child labor : joining efforts through the EU-funded CLEAR Supply Chains project under the leadership of the ILO Child Labour Platform

Given the multi-dimensional nature of child labor risks and the complexity of global supply chains, addressing child labor effectively requires collaboration among various stakeholders.

This is why, in 2023, we joined the ILO Child Labour Platform (CLP), joining efforts to address the root causes of child labor through the inter-agency project ["Ending child labour in supply chains: Addressing the root causes of child labour in supply chains through an area-based approach \(Clear Supply Chains\)"](#).

The CLP is a cross-sectoral, membership-based alliance of companies led by the ILO with the objective to promote stakeholder exchange, identify obstacles in the implementation of ILO Conventions, and strengthen cooperative programs against child labor.

In partnership with the European Union, the Food and Agricultural Organization (FAO), the International Trade Centre (ITC) and the United Nations Children's Fund (UNICEF), the ILO leads the CLEAR Supply Chains project which started in 2023. The project primarily targets the coffee supply chain in Honduras, Uganda, and Viet Nam where we as NKG have business activities as well.

The project aims to develop integrated and replicable intervention models to address the root causes of child labor, through the collaboration with companies from the coffee industry, UN agencies, key global and regional coffee networks, employers' and workers' organizations, civil society organizations, and other key actors.

The project strategy on coffee is built around three main result areas:

- "Knowledge": Knowledge base about the root causes of child labor will be strengthened and expanded.
- "Solutions": Tangible and replicable area-based solution models to eliminate child labor in the coffee supply chain will be developed for replication.
- "Partnerships": Partnerships to eliminate child labor in supply chains will be strengthened at national and global levels.

The project will primarily benefit children either involved in or at risk of child labor. However, it will also benefit other stakeholder groups, including young workers, women, agricultural workers, migrant workers, local businesses, cooperatives and farmers' groups at the community level, as well as government ministries, national coffee boards, employers' and workers' organizations at the national level.

In addition, NKG work in India is reflected under the CLP India Country Working Group through a cross-sectoral collaboration, and will be associated to the global component of the project.

ICO Coffee Public-Private Task Force

It was established in 2019 by the International Coffee Organization, following the signature of the "London Declaration" by 12 private sector companies, and upon the request of the International Coffee Council at its 125th Session. The Task Force is designed to build common ground for a global partnership between the coffee industry and governments, guided by the overriding vision of the sustainability of the sector and prosperity for grower communities. One of the key workstreams is "Prosperous and Living Income" which aims to close the income gap in at least 50% of the ICO producing countries by 2030. To jointly reach this goal, our roadmap which is already in implementation includes:

1. Complete living income benchmarks in different coffee producing countries including Honduras, Indonesia, Mexico, Peru, Vietnam and Ethiopia.



2. Conduct a living income gap analysis.
3. Work in partnerships to reduce the living income gap in selected countries.

With the above activities, we are contributing to addressing the root causes of low coffee incomes, such as volatile market prices, and lack of access to resources, which is essential for combating child labor in coffee-producing regions. Implementing initiatives aimed at improving farmer livelihoods, promoting sustainable farming practices, and ensuring fair prices for coffee can help reduce the economic vulnerability that drives child labor and unacceptable working conditions.

Supply Chain Traceability System

The supply chain traceability system of BRIC allows us to track the provenance of the coffee throughout the upstream supply chain.

The traceability system incorporates several steps to ensure comprehensive oversight. From the beginning of any commercial relation, all suppliers are registered with their name, address and country of origin along with the necessary documentation. Furthermore, rigorous checks are conducted, including cross-referencing with sanctions databases, to ensure compliance and integrity.

Our coffee purchases follow a tiered system:

- 1st tier: intragroup purchases, constituting 90% of our procurement. These transactions are conducted with NKG importer and NKG exporter companies. In these cases, the NKG entities maintain a registry of their suppliers.
- 2nd tier: direct purchases from coffee origins, comprising 10% of our procurement, involve transactions with cooperatives or individual farms. Our company's system diligently maintains updated records of the names and addresses of these coffee suppliers, further reinforcing our commitment to traceability and ethical sourcing practices.

Through our traceability system, we do not only prioritize transparency and accountability but also strive to mitigate the risk of child labor within our supply chains as identified in our risk assessments.



Cases of Child Labor in our Supply Chains

In 2023, five cases of child labor were identified at sites of our suppliers in Asia and Latin America. In the case of Asia, three adolescents were found working on farms with their parents and not attending school. Immediate measures were taken with the farmers including stricter controls on the hiring process and registry of date of birth as well as on the use of the already established childcare facilities when needed, ensuring that children of farm workers have access to appropriate care and are not involved in child labor. In Latin America, two cases of child labor were identified, our commercial relationship with the suppliers was terminated.

Our local companies make periodic visits to the farms to inspect the conditions and follow up on the actions agreed with the farmers. Farmers who fail to demonstrate willingness or agreement to address child labor issues are no longer part of our supply chains.

The identification of these cases was made possible through audits and reports from NGOs. In 2023, no case of child (or forced) labor was reported to us through our Integrity Reporting Platform: <https://integrity.nkg.net/setup>. Reports are documented internally.

Moving forward, we continue to leverage audits and collaborate closely with other partners to enhance our monitoring mechanism and promptly address any instances of child labor. Our commitment to responsible sourcing practices remains unwavering, and we will take decisive action to prevent and eliminate child labor, working collaboratively with our suppliers and stakeholders to uphold the rights and well-being of all individuals involved in our supply chains.

NKG Grievance Mechanism

As part of our ongoing efforts to promote a culture of integrity and accountability, we have established an Integrity Reporting Mechanism that provides employees and external stakeholders with accessible channels to report any potential or actual wrongdoing within NKG, caused by or linked to NKG which violates applicable laws, the NKG Code of Conduct or NKG Supplier Code of Conduct.

External stakeholders can utilize the following reporting channels:

- **Online Integrity Reporting Platform:** Our online Integrity Reporting Platform at <https://integrity.nkg.net/> is available to external stakeholders, allowing them to report concerns confidentially. The system is available in multiple languages and can be accessed from any device with an internet connection.
- **Contacting company management:** Though we encourage the use of the NKG Integrity Reporting Platform, if using the online Integrity Reporting Platform is not possible for the person wanting to issue a report, she/he may also contact local company management directly, e.g., using the post or making an appointment at the front desk.
- **Additional local reporting channels:** In addition to these two options, group companies might offer additional local reporting channels due to national legislation or because they might be more appropriate or accessible for certain stakeholder groups such as producers.

Transparency and Reporting

Our Code of Conduct, Supplier Code of Conduct, Grievance Mechanism Policy and Sustainability Report 2022 are publicly available on our website.

[Responsibility - Neumann Kaffee Gruppe \(NKG\)](#)