



NKG Supplier Code of Conduct





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Message from the Board of Management

We are pleased to present to you, our valued business partners, the NKG Supplier Code of Conduct. The main goal of this document is to clearly state our core values and standards and how we want to act as corporate citizens wherever we conduct business in the world of coffee.

Ever since our foundation, Neumann Kaffee Gruppe (“NKG” or “we”) has been committed to a sustainably growing coffee industry. Everyone at NKG is required to uphold high ethical, social and environmental standards in their business operations and beyond and to strive to tackle the challenges of climate change.

We expect our Suppliers to share these values and our principles of honesty, integrity and transparency, which are reflected in this Code. Against this background, it is important to us that Suppliers support these values by conducting their business in compliance with this Code’s principles and applicable local and international laws, rules and regulations.

To fulfill this commitment, we seek cooperative partnerships and active, meaningful dialogue with our Suppliers to continuously improve social and environmental standards over the long term. As a group of globally active companies, we are well aware that local customs, conditions and business practices may vary across countries. Still, we uphold our core values and ethical principles wherever we operate.

The principles and requirements to be followed in this Code are 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.

Sincerely,

Neumann Gruppe GmbH Board of Management

Hamburg, August 2022



Scope

This Code applies to all organizations, cooperatives, companies, persons or other entities providing goods or services to NKG, hereinafter referred to as “Suppliers” in this Code.

Suppliers are expected to effectively communicate this Code’s principles internally to their Representatives¹ as well as to their business partners in NKG supply chains. They shall have adequate measures in place to ensure that their Representatives and, where applicable, their business partners act in compliance with this Code.



Respecting Human Rights & Labor Rights

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 below principles derived from core ILO conventions and standards and prevent exploitation within their operations and their supply chains.

This includes the following:

I. No Child Labor

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. 138².

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 work³ 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. 182⁴ 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).

II. No Forced Labor

All forms of forced, trafficked, slave or otherwise involuntary labor are prohibited. Work or service must be offered voluntarily with the free and informed consent of the employees and workers. Any use of violence, physical punishment or intimidation must be refrained from. (ILO Conventions Nos. 29, 105)⁵

III. Use of Security Personnel

If suppliers use private or public security personnel as part of their security arrangements for protection of their business operations, the use **shall not be in violation of the prohibition of torture and cruel, inhumane or degrading treatment, damage life or limb or impair the right to organize or the freedom of association.**⁶

IV. Protection from Discrimination and Harassment

Suppliers need to **encourage equality and protect their employees and workers from discrimination, harassment or less favorable treatment** based on the employees' and workers' gender, age, physical or mental disability, sexual orientation, race, color, nationality, ethnic origin, religion, belief, caste, marital status, political opinion or membership in workers' organizations. This applies in particular to hiring, compensation, access to training, promotion and termination.

V. Freedom of Association and Collective Bargaining

Suppliers shall respect the employees' and workers' right to freedom of association and collective bargaining in line with local laws, regulations and habits. In countries where trade union activity is unlawful or where free and democratic trade union activity is not allowed, Suppliers shall allow employees and workers to freely elect their own representatives with whom the company can enter into dialogue about workplace issues.

VI. Working Hours

Regular and overtime **working hours shall comply with applicable laws, industry standards and collective agreements, whichever is stricter.** In any case, employees and workers shall not be required to work in excess of the requirements stipulated by national law or by ILO Conventions.



Overtime should always be voluntary and shall be compensated according to national law. **Rest days and paid annual leave must meet applicable legal requirements.** In absence of such requirements, employees and workers shall be offered with at least one free day following six consecutive days of working and be able to enjoy public holidays.

VII. Remuneration

Suppliers must provide **fair wages and benefits** that are in accordance with applicable laws, industry standards, sector and collective agreements to all their employees and workers (including migrant, seasonal, piece rate and other contract labor). Wages and benefits shall cover basic needs while also providing some discretionary income. Employees and workers should be paid regularly and no less than monthly. No deductions from contractual wages are to be made for disciplinary purposes.

VIII. Safe Working Environment

Suppliers have to act in accordance with local health and safety standards. They shall take all reasonably practical steps to establish a safe and healthy working environment for all employees and workers. To prevent accidents and injuries, the workplace must be equipped appropriately and, where needed, employees and workers are to be provided with personal protective equipment at no cost. Employees and workers need to be updated and regularly trained on applicable health and safety regulations. Access to potable water and clean sanitary facilities must not be denied.



Respecting Land Rights of Local Communities

With reference to international best practices including the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, **suppliers shall recognize and respect all legitimate land tenure and land rights of indigenous peoples or other local communities** in all forms, including customary and communal land rights.

If changes in local land ownership or land use occur as a part of business activities, Suppliers shall respect the rights of all affected parties, ensure their free, prior and informed consent and implement proper grievance and dispute resolution mechanisms. In this regard, Suppliers shall pay special attention to the needs of vulnerable groups such as indigenous peoples, women and the poor in order to promote the livelihoods of local communities and to prevent any adverse health or safety impacts.

Ensuring Legal Compliance & Ethical Business Practices

NKG expects its Suppliers to act in accordance with the principles of this Code and to set a positive example for other businesses in the coffee sector by complying with all applicable local and international laws, rules and regulations in the countries and jurisdictions in which they operate. These include, but are not limited to, regulations regarding international trade, sanctions, export controls, reporting obligations, food safety, data protection, confidentiality and privacy, intellectual property and antitrust and competition laws.

We do not tolerate any unethical practices such as bribery, corruption or money laundering. We expect our suppliers to declare conflicts of interest in any business dealings with NKG and to actively seek to avoid them.



Protecting the Environment

To ensure the long-term availability of coffee supplies and to safeguard the future of our industry, NKG expects its Suppliers to be mindful of their effects on the environment and willing to work collaboratively toward responsible agricultural practices. It is a prerequisite that Suppliers abide by applicable national and international environmental laws and hold all required registrations, licenses and permits. They shall continuously strive to minimize and mitigate any adverse environmental impacts that arise from their business operations and promote environmental solutions. This includes the following:

I. Efficient Use of Resources

Wherever possible, **Suppliers shall minimize and optimize the use of natural resources** (e.g., water, fossil fuels, soil) within their operations and reduce greenhouse gas emissions.

II. Safe Use of Hazardous Substances and Product Safety

Suppliers are responsible for the safe handling, storage and disposal of hazardous substances, chemicals or materials for pest, weed and disease control and must ensure that these are not polluting the environment or causing harmful soil changes or harm to human beings, flora or fauna. Agrochemicals that are not legally registered for commercial use in the country of operation must not be used. Employees and workers need to receive training on the appropriate handling of hazardous substances on a regular basis.



Suppliers shall also ensure that coffee supplied to NKG is free from genetic modification. Notwithstanding contractual obligations, any residues in or on green coffee beans must be in line with applicable laws and certification requirements of the country of production and/or destination.

III. Responsible Waste Management

Waste should be prevented or reduced where possible. Wastewater, solid waste or any other kind of waste must be prevented and/or reduced whenever possible and treated properly prior to discharge in accordance with applicable laws and standards. Wherever possible, materials should be reused, composted, recovered or recycled.

IV. Protection of Forests and Ecosystems

Suppliers must ensure that there is no loss of forests⁷ as a result of conversion for coffee production or processing from 1 January 2014. The protection **of protected areas⁸ must be considered in any business decision** as defined by international conventions and local regulations.

V. Reduction of Emissions and Limiting of Global Warming

NKG encourages Suppliers to have business models and strategies that are compatible with the **transition to a sustainable economy and the limiting of global warming** and that include emission-reduction objectives in their business plans and strategies.



Implementation and Continuous Improvement Approach

Suppliers are expected to have due-diligence processes and controls in place that are appropriate to the size of their company and the circumstances they operate in, and to identify, prevent and mitigate any adverse impacts on human or environmental rights that arise from the Suppliers' business operations or supply chains.

Suppliers accept NKG's right to assess compliance with this Code at any time during the business relationship. Suppliers recognize and accept that assessments can be performed through questionnaires, on-site audits or other verification mechanisms performed by NKG or contracted independent third parties. In the case of an on-site audit being carried out, NKG will notify the Supplier with reasonable notice and comply with applicable confidentiality and data-protection laws without, when possible, disrupting operations.

If Suppliers become aware of non-compliances with any aspect of this Code, within their business operations or supply chains, they commit to inform NKG without undue delay and to adopt corrective measures. The corrective measures will be developed in close collaboration with NKG to ensure continuous improvement. NKG will offer dialogue and reasonable efforts within our possibilities to help Suppliers to comply with this Code, without waiving any rights, claims or defenses under this Code, existing contracts or applicable laws.

Within a reasonable timeframe, Suppliers will provide to NKG a summary including factual circumstances surrounding the non-compliance, the investigations and corrective actions that have been conducted.

Suppliers are expected to follow the procedure as described above. Should this not be the case, or if any non-compliance is severe and/or adopted corrective measures have evidently proven inefficient, we reserve the right to terminate existing contracts and the business relationship with the respective Supplier.



Grievance Procedure

Suppliers, their employees and workers, as well as third parties, are encouraged to bring any legitimate concern regarding potential or actual violations of the principles in this Code and/or applicable laws in NKG’s own operations and supply chains to the attention of NKG by using the reporting platform integrity.nkg.net. NKG guarantees that every complaint will be treated with the highest degree of confidentiality and respect and in accordance with applicable policies, laws and regulations.

Suppliers shall maintain an adequate operational-level grievance mechanism or encourage their representatives to participate in the NKG reporting platform in order to effectively address, prevent or remedy any adverse impacts regarding the principles in this Code that may occur in connection with their business activities.

This Code will be reviewed and updated on a regular basis to reflect changes in applicable standards, laws, rules and regulations. This version has been issued on August 26, 2022.

Supplier Commitment

I, as a Supplier to NKG, have read and understood this Code and commit to having risk-based due diligence processes and controls in place, appropriate to the size of my company and the circumstances it operates in, to comply with the principles in this Code.

Supplier commercial name

Name of authorized company representative

Title of company representative

Date

Signature



Endnotes

- 1** “Representatives” means, with regard to Suppliers, shareholders, partners, officers, directors, agents, employees and workers of any of those Suppliers (including permanent, temporary, contract agency and migrant workers). This includes all workers providing work at a Supplier location, such as under an employment agency or service provider.
- 2** ILO C138 – Minimum Age Convention, 1973 (No. 138)
- 3** **Permissible Light Work:** Children younger than the minimum age may perform activities considered as light work under national law, at the hours and under the circumstances determined by national law, if the requirements of ILO Convention No. 138 for permissible light work are met. Permissible light work is defined as work that does not interfere with children’s schooling, or their ability to benefit from it, and that is not harmful. For countries that set the minimum age at 15, children aged 13-14, and for those that set it at 14, children aged 12-13 may engage in light work as per above definition.
- 4** ILO C182 –Worst Forms of Child Labour Convention, 1999 (No. 182)
- 5** ILO C029 – Forced Labour Convention, 1930 (No. 29), ILO C105 –Abolition of Forced Labour Convention, 1957 (No. 105)
- 6** UN Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment, 1987
- 7** **Forest definition:** Land spanning more than 0.5 hectares with trees higher than 5 meters in situ and a canopy cover of more than 10%. It does not include land that is predominantly under agricultural or other land use. The focus is on preventing the conversion of natural forests. (Modified from the Accountability Framework Definition).
- 8** **Protected area definition:** A protected area is a clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values. (IUCN Definition 2008). Examples: wetlands, savannahs and peatlands and their biological diversity, including wildlife. Local regulations apply.