

HAND-ROASTED COFFEE

7A South Crescent, London E16 4TL, UK

Telephone +44 (0)207 474 8990 Facsimile +44 (0)207 511 2786 <u>www.unionroasted.com</u>

voice@unionroasted.com

Document Details		
Purpose of document	To set the foundation for Union	
	Hand-Roasted commitment to respect human	
	rights in all aspects of business activity	
Document version number	4.1	
Document status	Approved	
Prepared by	Head of Ethical Sourcing	
Date approved	25 January 2024	
Approved by	Board of Directors	

Version History		
Version number	Reason for change	Date approved
4.1	Annual revision	January 2024
3.1	Bi-annual revision	January 2023
	Including identification of salient issues.	
2.1	Include reference to commitment to UN Guiding Principles and Human Rights	November 2020
1.1	First version	October 2018

About this statement

Since the creation of Union Hand-Roasted Coffee (Union) in 2001, our commitment to being the UK leader for sustainable sourcing of specialty coffee has been unwavering.

In 2003 we joined the Ethical Trading Initiative (ETI) which promotes respect for workers' rights around the globe. We adopted the ETI base Code as an integral part of Union Direct Trade our responsible sourcing model.

In 2022 Union obtained B Corp certification, a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.

Purpose

This policy outlines human rights principles we expect to be in place throughout our supply chains to protect human rights and to comply with our legal and moral obligations, especially in consideration of the UK Modern Slavery Act 2015. It further outlines our approach to trading fairly: Union Direct Trade.

Scope

Union Hand-Roasted Coffee policies and processes operate in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs). Throughout all our activities, at every layer of our organisation and in all the relationships we maintain.

We expect each employee to act lawfully toward other employees, colleagues and business partners.

We have an opportunity to positively impact the protection of human rights within our sphere of influence. Therefore, we encourage and support our suppliers in their efforts to act in accordance with internationally recognised human rights standards. We expect our business partners which includes suppliers and customers, to share our commitment to respect human rights.

An Introduction to the coffee industry

The problem

Coffee trading is a form of commodity trading that involves buying and selling contracts for coffee beans to speculate on the market's high price volatility. Coffee is one of the most traded commodities worldwide. Arabica coffee is traded using options and futures contracts on the Intercontinental Exchange (ICE) in New York. The traded price, defined as the C-Price, is influenced by supply and demand and is disconnected from the true cost of production or capacity to earn a living wage experienced by farmers and their workers.

As a result, the C-price is often below the cost of production, or at best break-even, not allowing farmers to earn a living wage or a living income. Selling below the cost of production might drive farmers to reduce their overheads in ways that harm workers or the environment.

If we want our coffee farmer partners to respect human rights they have to be paid a price for their coffee that enables them earn a sufficient amount to provide satisfactory working conditions for workers.

In simple terms, each coffee producing country is categorised into a price band, called a differential. When the C Price is high, roasters seeking cheaper coffees can switch their supply to countries with a low differential. This is because commodity coffee, through its very nature of being a commodity, has

no discernible feature identifying its origin. From a quality perspective, the flavour of commodity coffee is at best neutral, enabling roasters to switch supplier without the consumer identifying any noticeable difference in taste. Further, in many cases commodity coffee is untraceable, which means it is impossible to verify no presence of human rights abuse in this supply chain.

Around 200 billion US dollars is earnt from coffee each year. But the 12.5 million coffee farmers who grow coffee have no control over the selling price and many can barely make ends meet. When there is no money available to invest in their businesses, they are unable to take intervention on their farms to mitigate against the impact of climate change. As a result, harvests may fail more often and farmers fall further into a low income spiral.

Union wants to reward farmers for the quality of coffee they produce, enabling them to make a good living from their coffee and future-proof their business. This is the only way to make coffee production an attractive activity for the next generation of farmers.

The solution

Coffee farmers can take greater control of their livelihoods by not producing coffee for the price-volatile, commodity market, but taking an entrepreneur approach and focussing on growing higher-value coffee that has an intrinsic value; this is called specialty coffee. There are three elements that can contribute towards farmers achieving a sustainable livelihood.

Specialty Coffee

Coffee that is not a commodity but has unique sensory attributes, characterised by sweetness and complexity of aroma and flavour. These attributes are created from specific interventions undertaken at the farm from harvesting and processing through to craft roasting. Coffee of this quality commands a higher price than commodity coffee enabling farmers to earn a sustainable livelihood. The widely accepted definition of specialty coffee is coffee scoring 80 points or above on the 100-point scale used on the Specialty Coffee Association Cupping form.

Direct and long term relationships

The production of specialty coffee requires farmers to invest in their farms for the future. Building our direct long-term trading relationships with farmers creates stability and strengthens confidence that investment is worthwhile because we are committed for the long-term.

Fair and transparent price

The price we pay for coffee beans should reward quality, recognise the true cost of production which includes equitable working conditions and enable farmers to reinvest in their farms and their families. With farmers, farmer organisations and exporters we discuss openly where costs are incurred, and how we can best create shared value throughout the value chain.

Our approach to Human Rights

We understand that human rights issues can be systemic and require long-term sustainable improvements to address root causes and drive change. We also recognise the limitations of relying solely on voluntary initiatives like certification and verification programme's because these are not sufficient to solve human rights violations in global supply chains. Union has complex supply chains that involves sourcing coffee from 14 countries, in many cases accommodating a bespoke approach to each supplier.

The coffee industry is dominated by smallholders, with 60% of the global coffee market supplied by smallholders with less than 5 hectares (Coffee Barometer, 2020). Farms between 5 and 50 ha produce a further 19% of world supply. Of the 12.5 million smallholder coffee farmers, Enveritas (an organisation that provides sustainability verification) estimate that at least 5.5 million live below the international poverty line of \$3.20 a day.

Both environmental and social challenges threaten the livelihoods of coffee producers, and smallholder farmers are likely to suffer the highest pressure.

We acknowledge the relationship between human rights, and the environment linked to climate change, deforestation, pollution and land-use. We recognise that smallholders and their workers are often vulnerable groups who are at greater risk of human rights abuses based on characteristics such as gender, age or being a member of marginalised groups such as migrant workers or ethic minorities. We place greater emphasis to identify, manage and monitor these risk through our policies including Union Direct Trade. It is our intention to identify and confront the risks of human rights abuses, wherever they occur.

We use the ETI Human Rights Due Diligence framework help prevent and manage human right risk. Our risk assessment aligns with the UN Guiding Principles and look at risk through the lens of risk to people, not the business, as the starting point. We recognize that where risks to people's human rights are greatest, there is strong convergence with risk to the business.

We work closely with farmers, visiting them on a regular basis as engagement, negotiation and collaboration is an effective way to achieve successful outcomes.

How we mitigate the risk of human rights abuses in our supply chain.

Governance: Union is a mission driven business built on strong principles and sound governance, with clear roles and responsibilities established at different levels of the company. As a B-Corp we have made a legal commitment by changing our corporate governance structure to be accountable to all stakeholders, not just shareholders, and achieve benefit corporation status.

Mission

"To make the world discover the joy of speciality coffee, from farmers to coffee lovers, we enrich life through our relentless focus on great quality, sustainable sourcing and sharing the culture of delicious coffee."

Vision

"A future where everyone from farmers to coffee lovers share the joy of better coffee."

Price and Premiums: We pay a price above the cost of production, ensuring people can co-invest in human rights and environmental work at farms and local communities. We believe that paying producers above cost of production is a vital step in eliminating human rights violations. Farmers and their organizations benefit most from stable, predictable markets that allow them to negotiate good terms of trade and plan for the future. We strongly believe that the volatile C-market for commodity coffee is both the direct and indirect cause of increased risk of human rights violations.

Direct and Long-term partnerships: We want to give farmers income security and enable them to make effective choices regarding investments and recouping costs. Through our long-relationships we aim to create an environment where all supply chain participants from farmworker, farmer, miller or exporter are free to talk about issues concerning human or labour rights and have confidence that Union Hand-Roasted Coffee is a constructive partner when exploring solutions and implementing corrective actions.

Policy commitments: We incorporate human rights into our corporate policies and have commitments to make them operational. Union has policies and processes relating to modern slavery and human rights in our supply chain. These include but are not limited to:

- Union Hand-Roasted Modern Slavery
- <u>Union Hand-Roasted Code of Conduct</u>
- Union Hand-Roasted Annual Risk Assessment
- Union grievance mechanism
- Annual Impact Report
- Whistle blowers policy

These standards are designed to deepen the respect for human rights and the environment among producers and other supply chain actors. They are revised regularly, through inclusive processes, to raise their effectiveness.

Code of Conduct The basis of Union Code of Conduct is the ETI's Principles of Implementation which define the commitments, management practices and behaviours required of corporate members to implement the ETI Base Code in their supply chains. The ETI Base Code is founded in the conventions of the International Labour Organisation (ILO) and is an internationally recognized code of labour practice and forms the framework of our Code of Conduct for Ethical Sourcing, with respect to workplace issues. The Code of Conduct was last revised in December 2023.

- Employment is freely chosen
- Freedom of association and the right of collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- · Living wages are paid
- Working hours are not excessive
- No discrimination is practiced
- No harsh or inhumane treatment is allowed

The base code principles apply to all suppliers we source from.

Risk and impact assessments: Our annual risk-assessment that explains how we prioritize salient risk per country, sector and worker risk in specific supply chains.

The risks of human rights abuses arising in our business activities are continually assessed, monitored and reviewed. This provides a clear understanding of the landscape and allows us to proactively manage risk and address impacts. At high-risk suppliers sites, visits will include careful investigation of the ILO's 11 indicators of forced labour¹.

Identification of salient issues: Salient human rights issues are those which stand out because they are at risk of the most severe negative impact through the company's activities or business relationships. This concept of salience uses the lens of risk to people, not the business, as the starting point, while recognising that where risks to people's human rights are greatest, there is strong convergence with risk to the business.

Grievance mechanisms: A key part of addressing human rights issues is ensuring grievance mechanisms are available to rights holders. We have an open-door policy to access managers, directors and founders. In addition, we have an anonymous grievance mechanism for suppliers and workers to report issues of concern through voice@unionroasted.com.

Counselling mechanism: Union employees have 24 hour access to a help-desk and a confidential whistle-blower reporting system.

Auditing and verification:

- On-the-ground first-party audits by Union staff members (with training on Social Auditing) to review farms' social and environmental conditions.
- Second party assurance by Enveritas is planned for 2024
- Third party assurance, part of our supply chain is certified Fairtrade and/or organic

Training and Support: Union offers farmers and workers training and advice on their rights, agricultural practices and quality standards. We can also assist farmers with corrective action plans. However, we believe that local staff are best suitable to provide farmers and workers with the right

¹ ILO 11 indicators of forced labour in no particular order • Abuse of vulnerability • Deception • Restriction of movement • Isolation • Physical and sexual violence • Intimidation and threats • Retention of identity documents • Withholding of wages • Debt bondage • Abusive working and living conditions • Excessive overtime

advice. Therefore our main focus is paying sustainable prices which enable farmers organizations to hire competent staff.

Stakeholder engagement: We collaborate with a wide range of stakeholders to get global and local insights into our human rights performance to help us make greater impact. In 2020 we partnered with SHIFT, who reviewed Union's approach to human rights. We regularly visit farmers and conduct social audits where relevant. We also conduct an annual supplier survey. Since 2003 we have been a member of the Ethical Trading Initiative who provide year round guidance on human rights

Advocacy We spread the word on how specialty coffee can positively impact the lives of farmers across the world. We communicate our values through attendance at trade-shows, through our presence in retail, foodservice and direct to consumer market channels, Unionroasted.com and social media.

Accountability We publish an annual impact report since 2021 and comply with the ETI Transparency framework.

Collaboration & Partnerships The Ethical Trading Initiative (ETI) is an alliance between companies, trade unions, and nongovernmental organizations (NGOs) with one main objective: to commit to a global initiative to improve working conditions in global ETI focused on people who make or grow consumer goods. We are a member since 2003.

Certified B-Corp: By achieving a score of 103.4 (2023) 23.4 points above the minimum we demonstrate a high social and environmental performance. We exhibit transparency by allowing information about performance measured against B Lab's standards to be publicly available on the B Corp Profile.

World Coffee Research: We support World Coffee Research which unites the global coffee industry to drive science-based agricultural solutions to urgently secure a diverse and sustainable supply of quality coffee today and for generations to come.

This statement was approved by the board on January 25th 2024