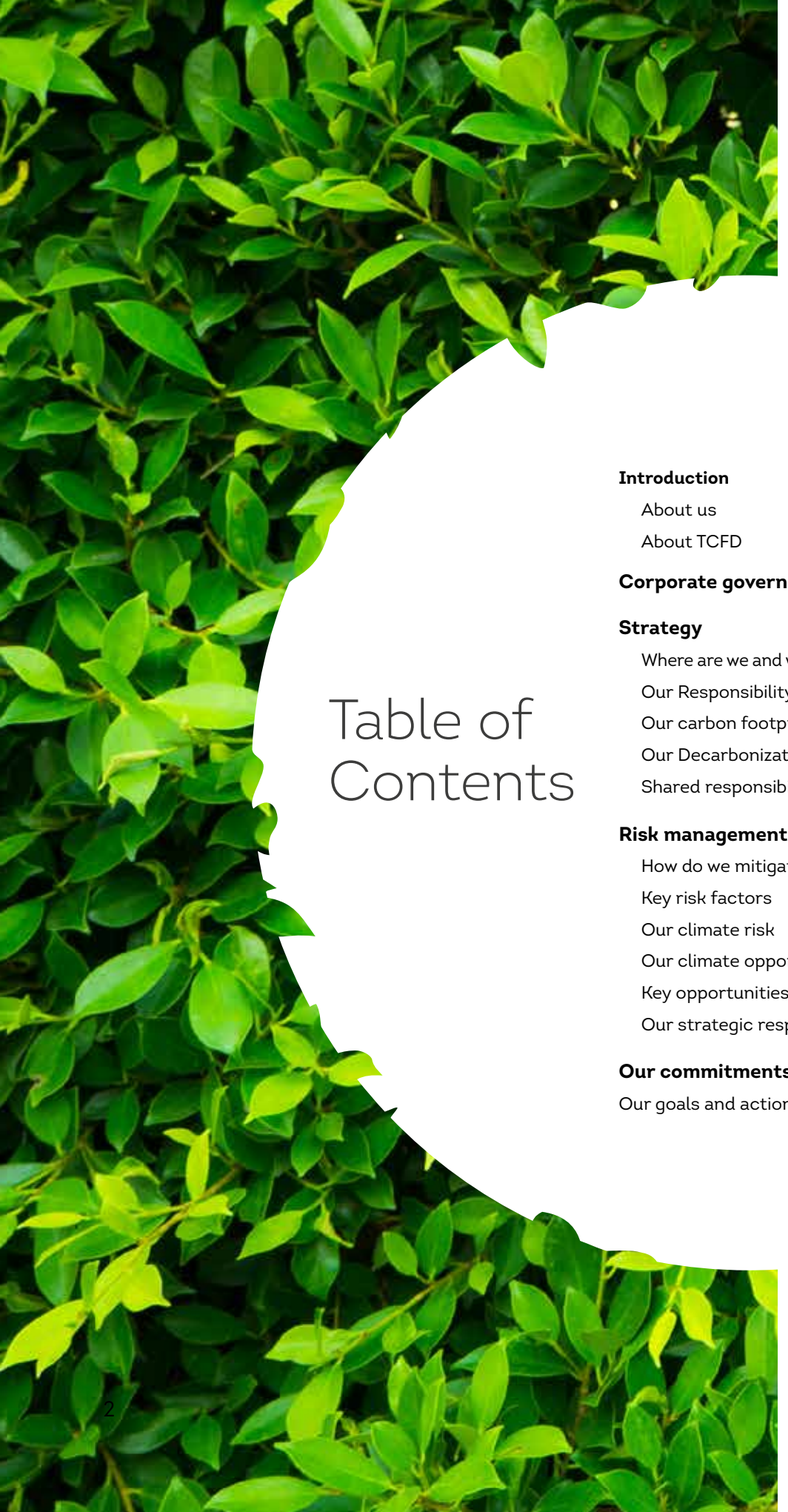
żabka

Climate Report

Żabka's 2020 Task Force on Climate-related Financial Disclosures (TCFD) Report



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Introduction

We are all responsible for the environment and combating the climate changes. For real changes for the better to happen, the action of a single company or organization, even the biggest one, is not enough - coordination on both a local and global level is needed. Żabka supports the most important initiatives that aim to save the future of the entire planet.

By the end of 2025 Żabka will achieve climate neutrality in its own operations, thus contributing to the implementation of the most ambitious provisions of the Paris Agreement, which aim to limit the increase in global temperatures to 1.5°C. We conduct our climate actions in accordance with the guidelines of the Science Based Targets initiative (SBTi), which defines and promotes the best, science-based methods for determining levels of greenhouse gas reductions. We joined the SBTi as The first Food&Staples Retailing Central and Eastern Europe. Żabka's decarbonization goals are also in line with the guidelines of the United Nations Global Compact, of which we have been a member since 2020.

At Żabka, we have learned to treat the environmental care as one of the key element of our decisions. Announced in the summer of 2021, the Responsibility Strategy („Green Planet" is one of its pillars) is fully integrated with our business strategy. The Decarbonization plan and Energy Policy are also in place throughout our organization. According to these documents, over the next few years Żabka will completely switch to energy from renewable sources, we will also green our value chain, in particular by involving our business partners, including franchisees and key suppliers. We want to be a leader in addressing the climate change. We hope to become an inspiration for other small and large enterprises - we wish to prove that positive and real environmental changes are possible and worth implementing. We also believe in cooperation - mutual support of business partners and involvement of customers, franchisees, employees and other stakeholder groups. At Żabka, we convince that when it comes to protecting the planet, it is the actions of each of us, that count.

Being aware that together with our stakeholders we are embarking on a journey in the area of the climate change and defining an effective response to those risks and opportunities, we are committed to continuous improvement of the data collection methods used to disclose information in our external financial and non-financial reports.

We invite you to read the Climate Report of Żabka Polska sp. z o.o. for 2020. This is our first publication which incorporates the recommendations of The Task Force on Climate-related Financial Disclosures (TCFD). We have fully complied with recommendations to provide credible information related to business climate impacts and climate change impacts on our business in the context of strategic commitments.

About Us

We are the European leader in creating convenience solutions for customers.

We are the first CEE retail food chain and the first in Poland with GHG emissions reduction targets independently validated by the Science Based Targets initiative (SBTi).

We joined the Business Ambition for 1.5°C, a coalition of the UN and companies that have established a climate neutrality goal in line with the ambition to halt the rise in global temperatures at 1.5°C.

This is our first Climate Report with **11 TCFD recommendations.**

Our mission:

„We create value by simplifying people's lives"

Our values:

RESPONSIBILITY

OPENNESS

CREDIBILITY

AMBITION

Key numbers in 2020:

6899 Żabka stores operating at the year end

we opened **1000** new stores

2,500,000 customers on the average visited Żabka stores every day

48.4 k MWh energy consumption in own operations

energy consumption in the stores **368 k MWh**

-7% - Decrease in total GHG emissions intensity (Scope 1, 2, 3), per sales revenue as compared to 2019.

Direct emissions **(Scope 1)**	13,261 tCO_2e
Indirect emissions **(Scope 2)**	10,885 tCO_2e
Indirect emissions, downstream and upstream **(Scope 3)**	2,458,630 tCO_2e

Scope 1: All direct emissions associated with operations. For Żabka, emissions include natural gas consumption, vehicle fuel consumption, and refrigerant process losses.

Scope 2: Indirect GHG emissions resulting from the consumption of purchased electricity in office premises and own logistics chain assets.

Scope 3: Indirect GHG emissions across the value chain, not included in Scope 2. Includes franchise stores, purchased goods and services, investment goods, external transportation, waste, business trips, and use of products sold.

About TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB). Its purpose was to develop voluntary, consistent recommendations for climate-related disclosures. Published in 2017, as part of the TCFD's final report, the recommendations are now the leading global standard supported by 2,000 organizations.

With their universal structure, the recommendations are applicable to corporations and investors operating in a variety of sectors and markets. The recommendations included in the final report consist of a total of 11 principles related to four areas: governance, strategy, risk management, and metrics and targets.

The Climate Report is our first publication that attempts to address all 11 recommendations of the TCFD. We are committed to continually improving the ways in which we collect data for climate disclosures and incorporate these data into our reports on the company's operations and into our financial and non-financial reports.

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impact of climate-related risks and opportunities on the organization's operations, strategy and financial planning, if such information is relevant.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, if such information is relevant.
Recommended Disclosures			
Describe management's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities.	Describe the climate-related risks and opportunities the organization has identified in the short, medium, and long term. Describe the impact of climate-related risks and opportunities on the organization's operations, strategy and financial planning. Describe the resilience of the organization's strategy given various climate-related scenarios, including a 2°C or lower scenario.	Describe the organization's processes for identifying and assessing climate-related risks. Describe the organization's processes for managing climate-related risks. Describe how the processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in accordance with the risk management strategy and process. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against the targets.

Corporate governance

THE MANAGEMENT BOARD

As of the date of this Report, the Management Board consisted of:

Tomasz Suchański
CEO

Jolanta Bańczerowska
Member of the Management Board, Chief People Officer

Anna Grabowska
Vice-President of the Management Board for Consumer Strategies, Chief Commercial Officer

Tomasz Blicharski
Vice-President of the Management Board, Managing Director of Żabka Future

Adam Manikowski
Vice-President of the Management Board, Managing Director of Żabka Polska

Marta Wrochna-Łastowska
Member of the Management Board, Chief Financial Officer

A Board of Franchisees, made up of 14 Franchisees elected in a universal vote, is an advisory and opinion-making body supporting the managerial staff.

Oversight of climate risks and opportunities and implementation of ESG* targets, including climate-related, is the responsibility of the Management Board.

Anna Grabowska, Vice-President of the Management Board for Consumer Strategies, is responsible for direct oversight of the ESG area, including oversight of climate risks and opportunities. The position of ESG Director, reporting directly to her, was created in 2021.

The responsibilities of this function include day-to-day control and oversight of the management of climate risks and opportunities, and monitoring of the implementation of the Responsibility Strategy, including the achievement of climate-related targets.

The Green Officer is directly responsible for the implementation of strategic activities covering any climate issues as defined under the Green Planet pillar. Oversight of the Strategy and results of the strategic and short-term targets implementation is carried out on an ongoing basis by the ESG Director, who reports on the Strategy implementation to the Vice-President for Consumer Strategies responsible for the ESG area, including the climate, and more broadly to the company's Management Board, which, subsequently, reports to the Supervisory Board.

*) the targets set out in the Responsibility Strategy, a document that defines the material areas of action, ambitions, goals and activities in the area of sustainable development and business responsibility - ESG

Climate risk management is integrated within the Enterprise Risk Management (ERM) system, under the direct supervision of Marta Wrochna-Łastowska, Vice-President of the Management Board, Chief Financial Officer.

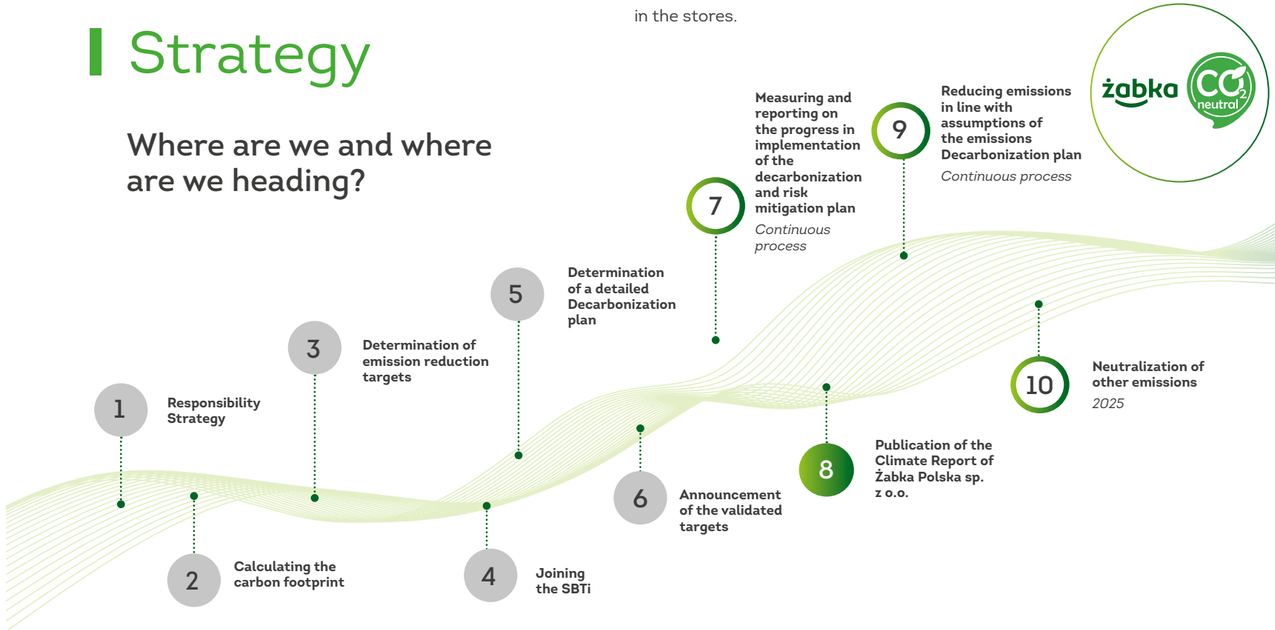
Żabka is committed to reporting the results of its strategy performance in the Accountability Report, which is published annually.

In 2021, the Management Board adopted the Decarbonization plan and the Energy Policy, which include, among other things, ambitious and systematic reductions in energy intensity and carbon intensity, including a complete transition to renewable electricity in the company's own operations (in Scope 2) and in the operations of the franchise stores (in Scope 3).

The management is committed to providing the necessary resources, developing competencies and supporting the implementation of the adopted plan and objectives of moving towards climate neutrality and reducing emissions intensity in the stores.

Strategy

Where are we and where are we heading?



1.
Responsibility Strategy

2.
Calculating the carbon footprint

3.
Determination of emission reduction targets

4.
Joining the SBTi

5.
Determination of a detailed Decarbonization plan

6.
Announcement of the validated targets

7.
Measuring and reporting on the progress in implementation of the decarbonization and risk mitigation plan (continuous process)

8.
Publication of the Climate Report of Żabka Polska sp. z o.o.

9.
Reducing emissions in line with assumptions of the emissions Decarbonization plan (continuous process)

10.
Neutralization of other emissions (2025)

Our Responsibility Strategy

In 2021, we announced our Responsibility Strategy, which sets out our ambitions and directions of actions for sustainability.

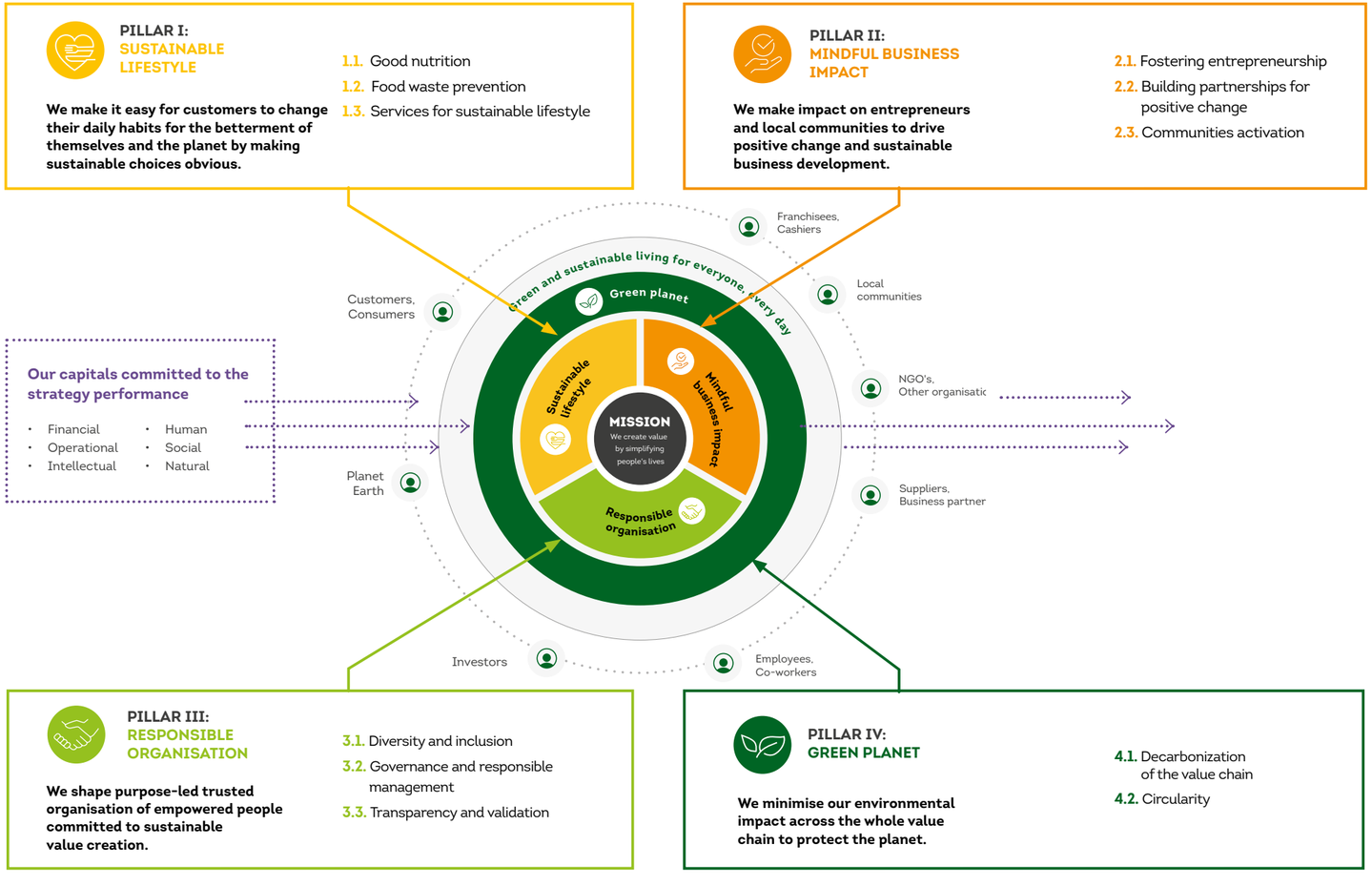
The Responsibility Strategy is fully integrated into our business strategy - each pillar contains long-term and medium-term commitments.

The strategy is made up of four pillars:

I Sustainable lifestyle,
II Mindful business impact,
III Responsible organisation,
IV Green Planet.

Pillar IV, Green Planet, sets out our ambitions in the area of decarbonization. It commits us to achieve climate neutrality in Scope 1 and 2 by 2025, and also to reduce the emissions intensity of Żabka stores (a part of Scope 3) by 70%, through such actions as a transition to renewable electricity in the franchise network and initiatives that reduce energy consumption and other sources of emissions.

For each of the short-term targets, key performance indicators (KPIs) were defined so that we can monitor progress towards the targets on an ongoing basis and communicate them transparently.



Strategic objective	Short-term objectives (base year 2020)	Execution date (Years end)
We will achieve climate neutrality (in terms of the GHG emissions in Scope 1 and 2) by 2025.	We will join SBTi and publish decarbonization objectives.	2021 r.
	We will reduce electricity consumption intensity (MWh/ PLN1m) by 5%.	2023 r.
	All our offices and logistics centers will be powered by Renewable Energy Sources (Scope 2).	2023 r.
	We will reduce total greenhouse gas emissions at least by 10% in Scope 1 and 2.	2023 r.
	We will reduce total greenhouse gas emissions by 25% in Scope 1 and 2.	2026 r.
We will reduce greenhouse gas emissions intensity in the stores by 70% by 2026 (Scope 3, tCO2/PLN1m).	We will involve our business partners responsible for 75% of our product and service purchasing spend in setting science-based reduction targets.	2026 r.
	We will reduce greenhouse gas emissions intensity in the stores by 30% (Scope 3, tCO2/PLN1m).	2023 r.

Read more about our objectives and how to achieve them on page 26.

Our carbon footprint

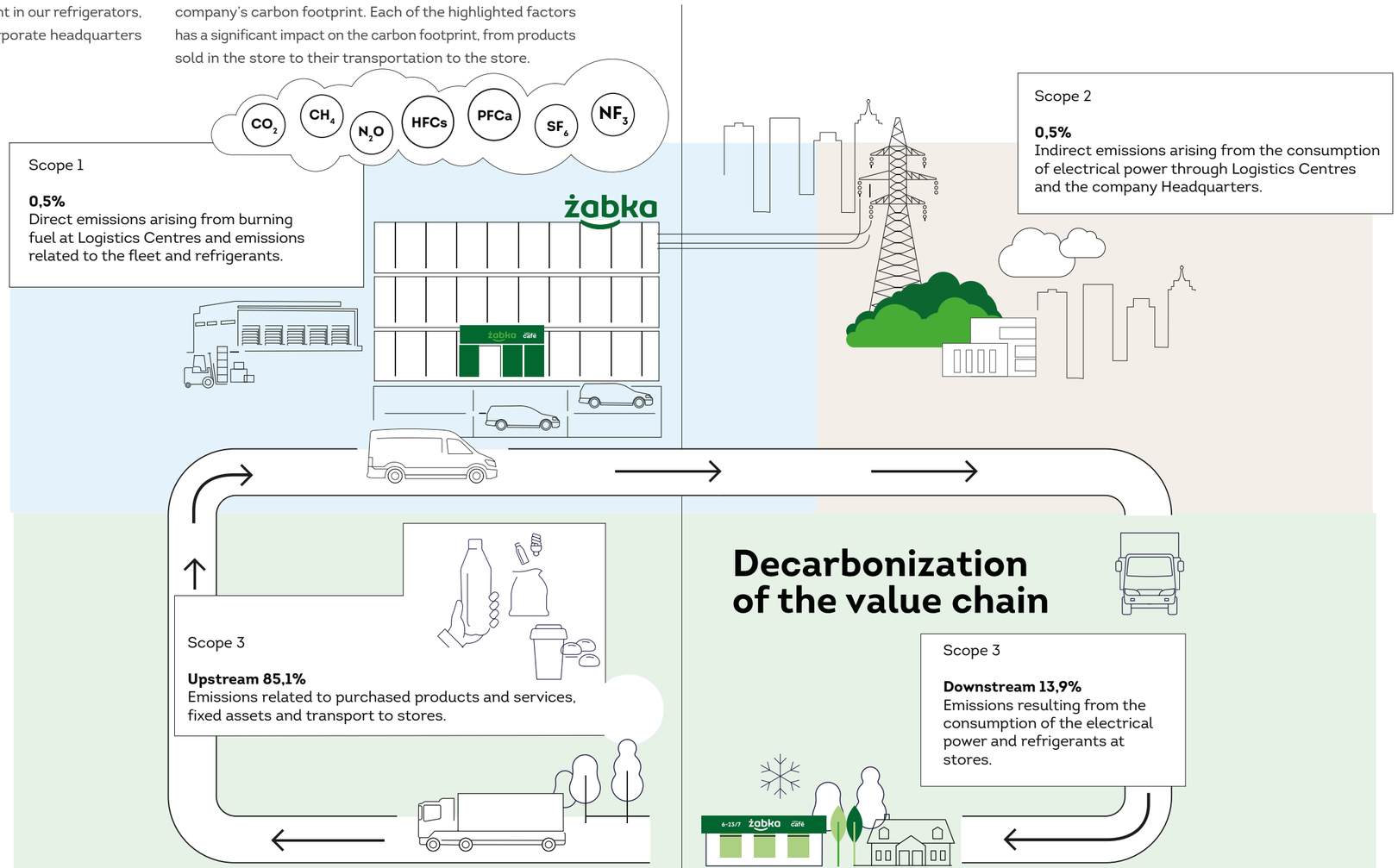
In 2020, we undertook a comprehensive calculation of our Scope 1, 2 and 3 carbon footprint in accordance with the international GHG Protocol Corporate Accounting and Reporting standard. We have consolidated the volume of emissions in each Scope according to an operational control criterion. Our direct greenhouse gas emissions (Scope 1) were 13 $ktCO_2e$ - just over 0.5% of our total emissions. These consist of fuel consumption for heating and cooling, emissions associated with the use of company vehicles, and the emissions associated with the release of refrigerant in our refrigerators, coolers and air conditioners at our corporate headquarters and logistics centers.

Indirect emissions, resulting from the energy purchases in a location-based terms, amounted to 11.2 $ktCO_2e$ in 2020, and in a market-based terms: 10.9 $ktCO_2e$.

We analyse not only the emissions directly related to our operations, but also the emissions of our partners and franchisees. Based on the GHG Protocol methodology, we have calculated that indirect emissions related to Żabka's operations amount to over 2.4 million tCO_2e and they constitute 99% of the company's carbon footprint. Each of the highlighted factors has a significant impact on the carbon footprint, from products sold in the store to their transportation to the store.

The GHG emissions for fuels were calculated using emission factors from the DEFRA database (Department for Environment, Food & Rural Affairs, UK). For the GHG emissions associated with refrigerants, GWP factors were derived from the DEFRA database or refrigerant data sheets. For the GHG emissions associated with purchased network heat, emission factors were derived from the DEFRA database.

When calculating the GHG emissions using the average-data method for purchased products (62% of products), emission factors from the EcoInvent database were used, as well as from other scientific, publicly available sources. The GHG emissions from purchased products calculated with the spend-based method (38%), as well as purchased services, investment expenditures and business travel, were calculated with the EEIO (Environmentally extended input--output) calculation model, using Exiobase. The emission factors for WTT (well to tank), transport and distribution and waste management were derived from the DEFRA database.



For the calculation of the GHG emissions for electricity, with both location-based and market-based methods applied, KOBIZE and DEFRA data were used. For the GHG emissions associated with purchased network heat, emission factors were derived from the DEFRA database.

For the GHG emissions associated with refrigerants, GWP factors were derived from the DEFRA database or refrigerant data sheets. For the calculation of the GHG emissions for electricity, with both location-based and market-based methods applied, KOBIZE and DEFRA data were used.

Our Decarbonization plan

Our overarching goal is to achieve climate neutrality in 2025 in terms of the greenhouse gas emissions in Scope 1 and 2. We plan to achieve this in two stages. The first is to reduce emissions by 25% (according to the guidelines of the Science Based Targets) by 2026, as compared to 2020, the base year. This will mean such changes as completely eliminating emissions from electricity purchases by switching to renewable energy sources and replacing a part of our vehicle fleet. In a second step, we will reduce and neutralize other sources of emissions. This will mean achieving climate neutrality in Scope 1 and 2 by the end of 2025.

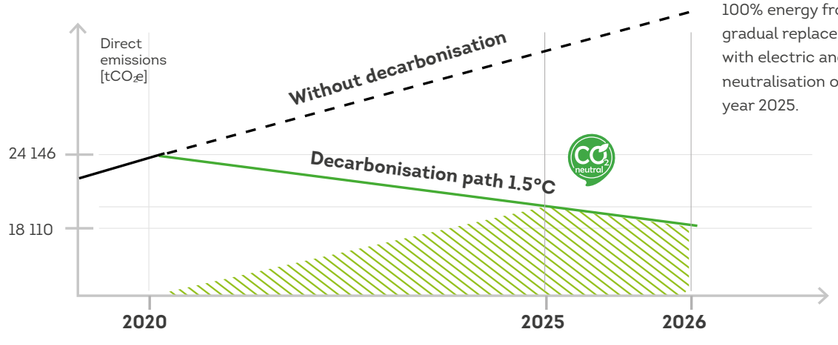
Moreover, we are committed to decarbonise our value chain in Scope 3. We have set two objectives in Scope 3 - in the area of emission intensity reduction in Żabka stores and in the area of engagement of key business partners in joint actions aimed at reducing carbon footprint (including definition of own decarbonization strategies and targets).

We have defined our targets using the Science Based Targets (SBTi) methodology - an initiative of the CDP (formerly known as the Carbon Disclosure Project), United Nations Global Compact, World Resources Institute (WRI) and WWF. SBTi defines and promotes best practices for setting GHG reduction targets based on the latest scientific knowledge. It also independently verifies reported emission reduction targets. The climate targets we have set, as assessed by SBTi, are in line with the most ambitious provision of the Paris Agreement that assumes global warming limitation to 1.5°C as compared to the pre-industrial era.

1 Achieving Scope 1 and 2 **climate neutrality** by 2025.

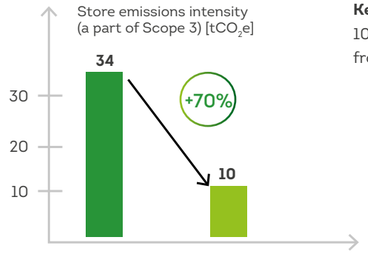
By 2026, reduction of Scope 1 and 2 emissions by **25%** from base year 2020.

Key actions:
100% energy from renewable sources, gradual replacement of the existing car fleet with electric and hybrid vehicles, and neutralisation of residual emissions starting from year 2025.



2 By 2026, reduction of store emissions intensity by **70%** from base year 2020.

Key actions:
100% energy in the stores from renewable sources.



Images - own work, 2021.

Shared responsibility

Value chain emissions (upstream and downstream according to the GHG Protocol methodology) account for 99% of our total emissions. Approx. 70% of these emissions are the carbon footprint of raw materials and packaging of the products we buy, transport and distribute. These emissions are beyond our direct control, hence the need to involve our business partners in joint efforts to reduce our carbon footprint.

In 2021, we initiated discussions in which we and our key business partners commit to take coordinated action to reduce emissions, in line with the SBTi methodology.

The program provides a collaborative platform through which we will implement and develop joint projects to reduce carbon and energy intensity, enhance our knowledge and competencies in this area and improve communication and climate data reporting processes.

At the same time, we are implementing the Code of Conduct for Business Partners, to which we have committed ourselves as a part of our Responsibility Strategy. The Code contains clearly defined requirements for our business partners in the area of environmental protection, including climate protection and reduction of greenhouse gas emissions.

3 Involving business partners responsible for **75%** of product and service purchasing spend in setting science-based reduction targets.

STAGE I

Gathering of data and defining ambitions

- Collection of value chain emissions data.
- Collection of information on current emissions reduction targets and timelines.
- Identification of potential partnerships and joint initiatives.

STAGE II

Adaptation period and definition of objectives

- Full calculation of Scope 1 and 2.
- Setting decarbonization targets consistent with the assumptions of the Science Based Targets initiative.
- Implementation of joint decarbonization initiatives and projects.

STAGE III

Full implementation period and monitoring of progress

- Monitoring of GHG emissions in the value chain.
- Continued implementation of joint decarbonization initiatives and projects.

Own work, 2021

Risk management

How do we manage climate risk?

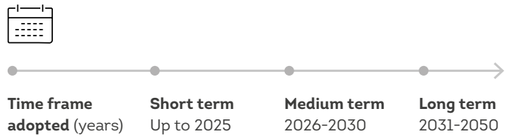
Żabka's climate risk management is integrated into our Enterprise Risk Management (ERM) system. We performed similar procedures as for other key risks in all areas of our Business with a difference required by TCFD in the climate risk assessment which is the longer time perspective of the risk..

In addition, we conducted a scenario analysis to identify risks and opportunities arising from different global greenhouse-gas emission pathways. The scenario analysis is based on hypothetical global greenhouse-gas emission pathways, allowing us to assess the resilience of the business strategy depending on the effects of a changing climate.

The assessment of risks and opportunities was conducted based on two scenarios: RCP 2.6 assuming an increase in the global temperature below 2°C and RCP 8.5 assuming an increase up to 4°C. The process has been prepared using the TCFD recommendations in this regard.

The conclusions of the analysis, presented on the following pages, are an important input in evaluating our strategic directions and assumptions. The strategy adopted is to minimise risks and maximise opportunities. The risk management process is continuous - we are committed to continuous improvement.

We have adopted a scenario-based approach to climate risk assessment. In accordance with the TCFD guidelines, we have defined them in three time perspectives - by year 2025 (short term, strategic perspective), by year 2030 (medium term) and by year 2050 (long term).



STAGE 1

Adoption of the assumptions contained in the Representative Concentration Pathways (RCP) scenarios:

<2°C Scenario
IPCC RCP 2.6 - an emissions pathway that assumes a temperature increase of +/-1.5°C by the end of 2100, including:

- Rapid technological development, including green technologies
- Coordinated actions taken by countries to reduce emissions
- Peak in greenhouse gas emissions in the 2020s.
- Moderate population growth

- **4°C Scenario**
  IPCC RCP 8.5 - an emissions pathway that assumes a temperature increase of about 4°C by the end of 2100:
  Low rate of technological development
- Lack of coordinated actions by countries to reduce emissions
- No peak in greenhouse gas emissions this century
- High demographic growth

STAGE 2

We superimposed the local context on the assumptions in the global emissions pathways. In terms of transformational risks, we relied, among other things, on the Nationally Determined Contributions (NDCs) from Parties to the Paris Agreement.

We took into account, among others:

For the region of Central Europe:
- Existing and expected regulations
- Macroeconomic factors
- Available technologies
- Maturity of markets
- Impact of chronic and sudden weather changes

For Żabka:
We took into account the specifics of our business and sector, including but not limited to:
- Our business model
- Strategic plans
- Financial and investment plans
- Market trends, including consumer attitudes
- Business environment, including activities of competitors
- Expectations of our stakeholders, including customers, franchisees, investors and business partners

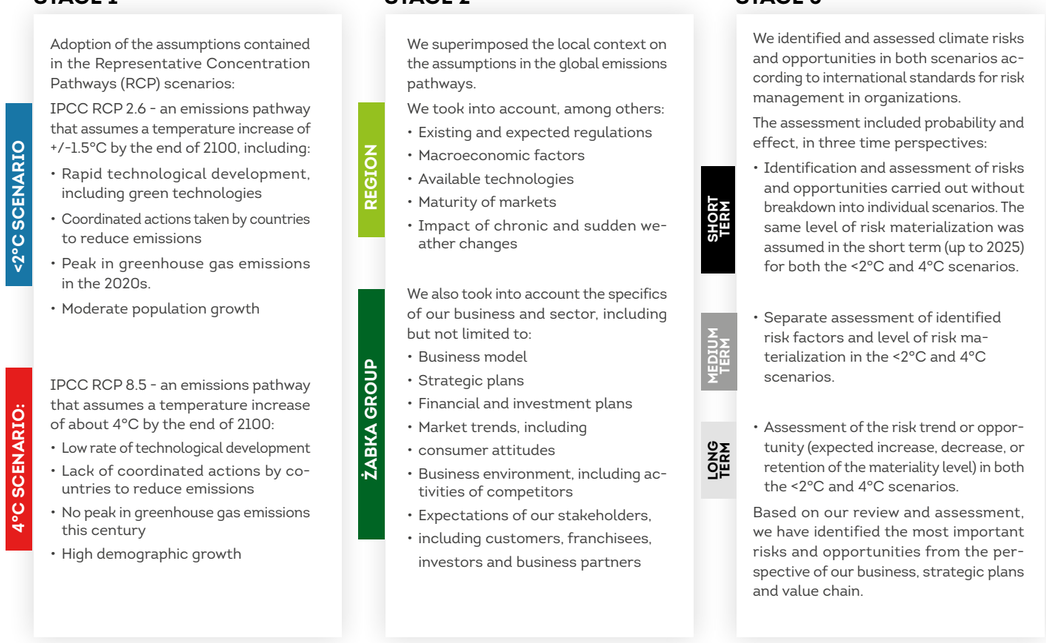
STAGE 3

We identified and assessed climate risks and opportunities in both scenarios according to the risk management standards. The assessments were performed using qualitative and quantitative methods (where data were available). Probability and effect were assessed in 3 time perspectives:

- Identification and assessment of risks and opportunities carried out without breakdown into individual scenarios. The same level of risk materialization was assumed in the short term (up to 2025) for both the <2°C and 4°C scenarios,

- Separate assessment of identified risk factors and level of risk materialization in the <2°C and 4°C scenarios,

- Assessment of the risk trend or opportunity (expected increase, decrease, or retention of the materiality level) in both the <2°C and 4°C scenarios.



The analysis included climate risks and opportunities across all TCFD categories. Based on this, we conducted a detailed review, which resulted in the identification of the most important risks and opportunities from the perspective of our business, strategic plans and our value chain.

The approach taken is consistent with our Enterprise Risk Management (ERM) Model.

RISKS

Transformational Risks

Regulatory and Legal
- Emissions pricing and reporting obligations
- Regulation of product solutions
- Exposure to litigation

Technology
- Replacement of existing products and services with lower-emission options
- Failed investments in new technologie

Market
- Changing customer behaviour
- Uncertainty in market signals
- Increased cost of raw materials

Reputation
- Changing consumer preferences
- Increased stakeholder concerns/negative feedback
- Stigmatization of the sector

Physical risk
- Extreme weather events
- Changing weather patterns and rising average temperatures and sea levels

OPPORTUNITIES

Resource Efficiency
- Use of more efficient modes of transportation as well as production and distribution processes
- Use of recycling
- Use of more efficient buildings
- Reducing water consumption

Energy sources
- Use of low-emission energy sources
- Use of supportive incentives
- Use of new technologies
- Participation in the carbon market

Products and services
- Development of low-emission goods and services
- Development of solutions for climate adaptation and insurance risk
- Development of new products or services through R&D and innovations

Markets
- Access to new markets
- Use of public sector incentives
- Access to new assets and locations requiring insurance coverage

Resilience
- Participation in renewable energy programs and adoption of energy efficiency measures
- Resource substitutes / diversification

ERM CRITERIA

Qualitative and quantitative assessment in terms of probability and impact.

Financial impact (quantitative / financial criteria) and non-financial impact (qualitative criteria / impact on stakeholders and reputation)

Risk Matrix — Top Risks

Probability		1 Negligible	2 Small	3 Moderate	4 Large	5 Very large
Almost certain (76-100%)	5	Medium	Medium	Very high	Very high	Very high
Likely (51-75%)	4	Low	Medium	High	Very high	Very high
Moderate (26-50%)	3	Low	Medium	Medium	High	Very high
Unlikely (6-25%)	2	Low	Low	Medium	Medium	High
Negligible probability (0-5%)	1	Low	Low	Low	Medium	High

Consequences/Impacts — Severity of Consequences / Influences

Opportunities Matrix — Top opportunities

Probability		1 Negligible	2 Small	3 Moderate	4 Large	5 Very large
Almost certain (76-100%)	5	Medium	Medium	Very high	Very high	Very high
Likely (51-75%)	4	Low	Medium	High	Very high	Very high
Moderate (26-50%)	3	Low	Medium	Medium	High	Very high
Unlikely (6-25%)	2	Low	Low	Medium	Medium	High
Negligible probability (0-5%)	1	Low	Low	Low	Medium	High

Consequences/Impacts

RELEVANCE TO ŻABKA

Selection of key risks and opportunities for TCFD disclosure – identification and discussion of impact of risks relevant to financial and non-financial probability and impact.

Risks

Opportunities

Risk identification and assessments were conducted in three steps:

Step 1: Identification of risks and opportunities according to the TCFD categorization

Step 2: Evaluation of risks and opportunities according to risk assessment criteria consistent with the ERM Model of Żabka

Step 3: Identification of key risks and opportunities for the needs of the Climate Report

Key risk factors

As a result of the scenario analysis, we have identified the key climate risk factors for our business over three time horizons.

The overall level of climate risk for Żabka in the short term (in the current strategic horizon to year 2025) is lower than in the medium and long term. This is primarily due to the more predictable environment, the decarbonization and pro-efficiency measures we have already taken - the adopted Responsibility Strategy and reaffirmed ambitions in the context of climate targets, and the anticipated increased regulatory pressure related to meeting climate targets at the EU level.

In the short term, the greatest impact on Żabka will come from transformational risks, in particular regulatory ones. The key risks identified in the perspective to year 2025 are related to the potential occurrence of restrictions on deliveries by internal combustion engine vehicles in the centers of certain towns and cities, a significant increase in energy purchase costs and limited availability and profitability of investments in renewable energy and other pro-climate projects. These may impact our operations, downstream supply chain and investment plans.

In the medium and long term, this relevance is maintained in the <2°C Scenario, while it decreases in the 4°C Scenario, which assumes less regulatory pressure. In the medium term, the most significant risk factor in both scenarios is the increase in energy purchase costs. This is primarily related to our business model, in which energy purchases are an important cost item in our own operations as well as in the value chain, and which is linearly correlated with the growth of our franchise store network.

We have also identified risks associated with meeting our emissions reduction targets, particularly under the 4°C Scenario - which assumes a lower-than-expected rate of green technology development as a result of lower regulatory and market pressures than in the baseline (2°C) scenario.

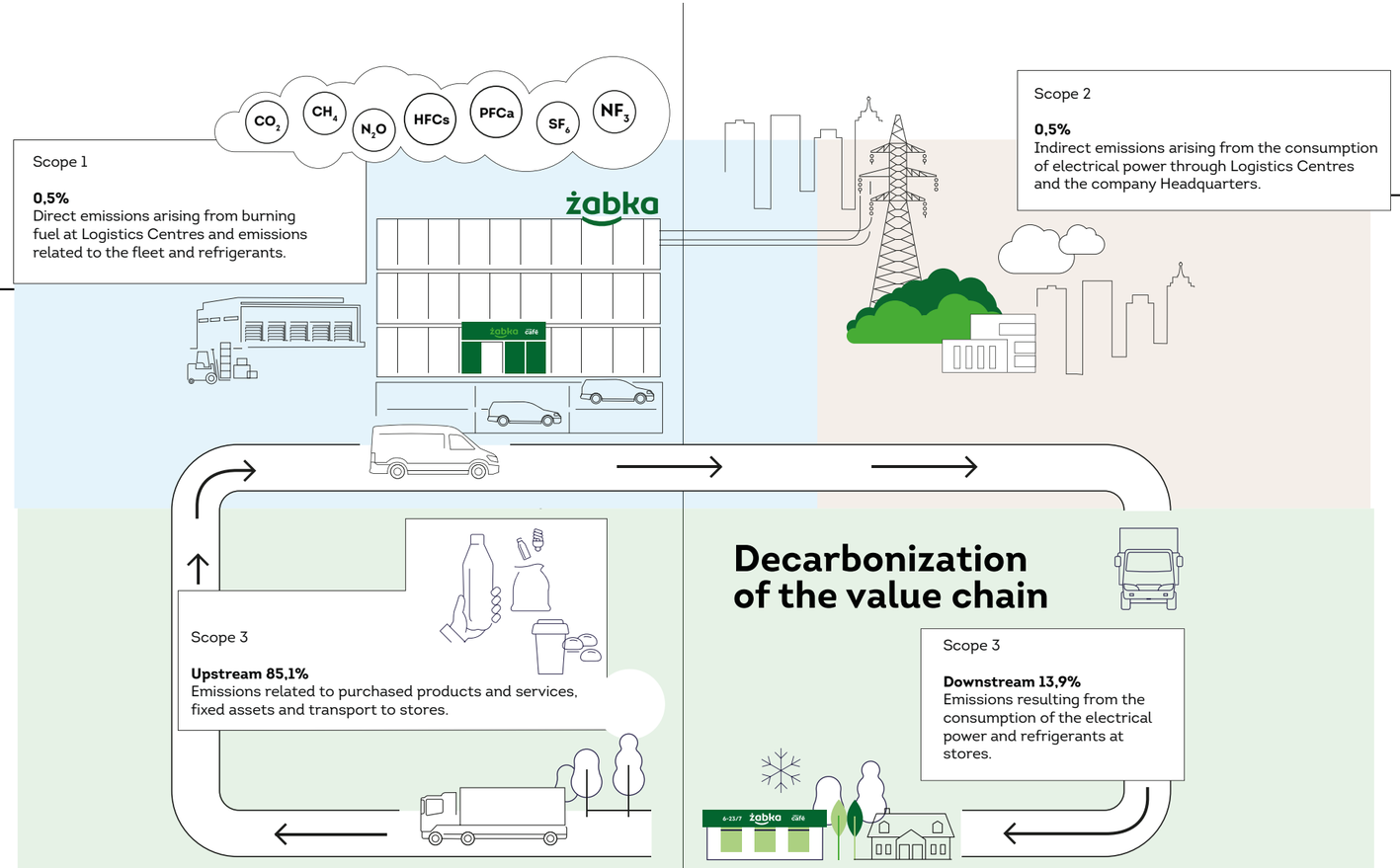
Our climate risk

Among the more than a dozen identified climate risk factors, we have identified the most important ones that affect our performance and growth potential over the strategic horizon (to year 2025). We are taking urgent steps to minimize their probability and potential impact within the framework of the Enterprise Risk Management (ERM) Model.

○ medium risk level ●● high risk level ●●● very high risk level

RISK	**Regulatory** Risk of restrictions on deliveries made by internal combustion vehicles in city centers.	**Regulatory** Risk of impact of changes in climate-related regulations on own operations.	**Market** Risk of increase in energy purchase costs.	**Market** Risk of lack of availability of RES to meet strategic objectives.	**Market** Risk of limited availability and profitability of investments in pro-climate projects.
Assessment in the short term (2025)	●●	○	●●	●●	●●
Assessment in the medium term (2030)	<2°C ●●● / 4°C ○	<2°C ●●● / 4°C ○	<2°C ●●● / 4°C ●●●	<2°C ●● / 4°C ●●●	<2°C ○ / 4°C ●●●
Trend up to 2050.	<2°C ↑ / 4°C ↓	<2°C ↑ / 4°C =	<2°C = / 4°C ↑	<2°C ↓ / 4°C ↑	<2°C ↓ / 4°C ↑

Key areas of impact of climate risks on the value chain of Żabka



Scope 1

0,5%
Direct emissions arising from burning fuel at Logistics Centres and emissions related to the fleet and refrigerants.

Scope 2

0,5%
Indirect emissions arising from the consumption of electrical power through Logistics Centres and the company Headquarters.

Scope 3

Upstream 85,1%
Emissions related to purchased products and services, fixed assets and transport to stores.

Decarbonization of the value chain

Scope 3

Downstream 13,9%
Emissions resulting from the consumption of the electrical power and refrigerants at stores.

<2°C SCENARIO

Regulations

Possible significant impact of tightening climate regulations on Żabka and its chain of values, resulting in:

- reduced business efficiency due to climate-related regulations;
- introduction of restrictions on urban transport, in particular for vehicles with combustion engines;
- increasing the level of investment expenditures required.

4°C SCENARIO

Development of green technologies

There is a risk of underperformance in the return on the Żabka's investments in RES and other pro-climate investments due to the immaturity of the selected technologies for the implementation of the carbon footprint reduction strategy.

BOTH SCENARIOS

Energy prices

The risk of rising energy prices on Żabka and its value chain. This could result in a significant increase in the cost of doing business for the company, franchisees and key business partners responsible for providing products and services.

Our climate opportunities

Among all the climate opportunities identified, the following ones have been recognised as the most important. We have taken a number of actions to fully exploit their financial and non-financial potential to build value and resilience in our business model.

OPPORTUNITY															
Resource efficiency Opportunity to reduce energy consumption through pro-climate initiatives.		**Resource efficiency** Opportunity to increase employees' and business partners' motivation by meeting climate objectives.		**Energy sources** Opportunity to improve the profitability of Żabka's involvement in RES investments.		**Products and services** Opportunity to increase demand for low- or zero-emission products.		**Market** Opportunity to increase loyalty of climate-committed customers.		**Market** Opportunity to derive employer branding benefits due to climate engagement.		**Resilience** Opportunity to increase value chain resilience due to pro-climate initiatives.	
Assessment up to 2025															
●●		●		●		●●		●●		●		●			
Assessment up to 2030															
<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C		
●●●	●	●●	●●	●●	●	●●●	●●	●●●	●●	●●●	●●	●●	●		
Assessment up to 2025															
<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C	<2°C	4°C		
↑	↓	↑	↑	↑	=	↑	↑	↑	↑	↑	↑	↑	↓		

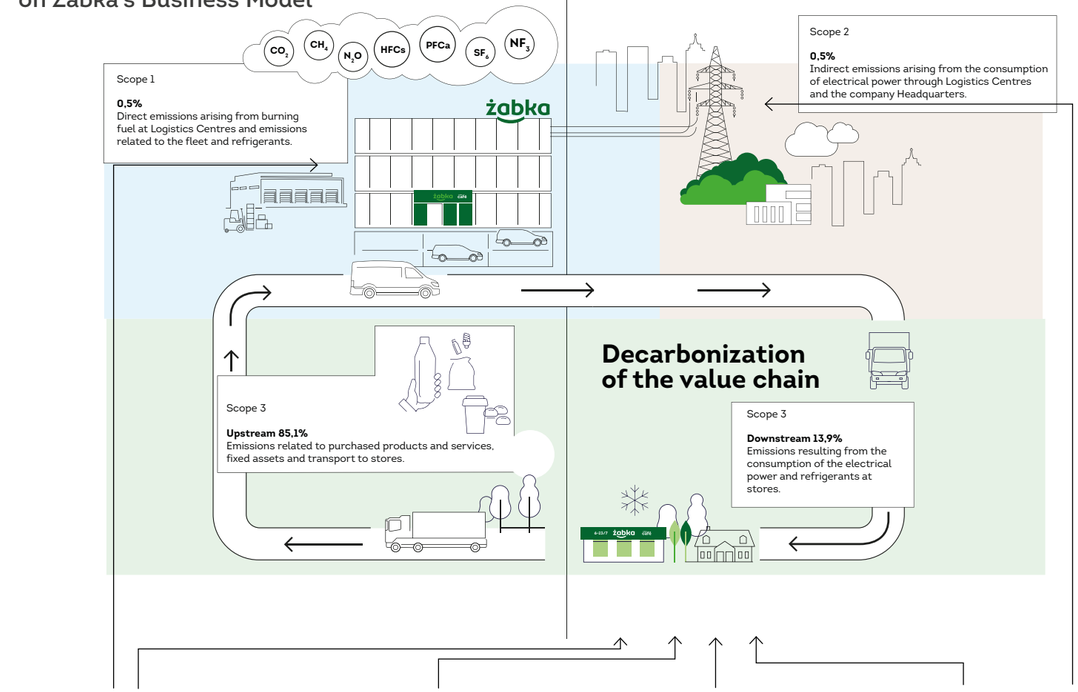
● medium probability ●● high probability ●●● very high probability

Key climate opportunities

In parallel with the risk management process, we conducted a process aimed at identification and evaluation of climate opportunities. The most important opportunities identified in the short term (up to 2025) relate to the marketing of products with a low carbon footprint and to the development of favorable customer perceptions of our emission reduction activities. The benefits of increasing energy efficiency, especially in Żabka stores, are also an important area.

In the medium term (up to 2030), we also see a great potential in the benefits of Żabka's perception as a green organization – this applies to all key stakeholder groups. In the general overview, significantly greater climate opportunities were identified in the <2°C scenario than in the 4°C scenario.

Key areas of impact of climate opportunities on Żabka's Business Model



<2°C SCENARIO

Image and reputation

Impact on Żabka and its value chain of having an ambitious ESG strategy that responds to the objectives of the Paris Agreement and that influences positively:

- commitment and motivation of employees and co-workers,
- recruitment of new franchisees and improving the quality of cooperation with current franchisees,
- employer branding and staff acquisition.

<2°C SCENARIO

Resilience

Positive, long-term impact on Żabka and its value chain of thoughtful and coordinated pro-climate actions resulting from the adopted strategy, which translates into:

- increased operational efficiency,
- improved risk management mechanisms, including business continuity.

<2°C SCENARIO

Customers and products

Positive, long-term impact on Żabka and its value chain of the adopted climate strategy resulting in:

- increased satisfaction and loyalty of existing and new customers,
- increased revenues and profits from operations.

<2°C SCENARIO

Energy efficiency

Impact on Żabka and its value chain of adopted energy efficiency strategies and initiatives, which results in:

- reduction of energy costs and increased efficiency in Żabka's value chain,
- increased effectiveness of business conducted by franchisees and their satisfaction with the cooperation.

Our strategic response

In response to the identified risks and opportunities, we defined actions aimed at maximizing the values we create.

With respect to key risks and opportunities, owners from relevant business units are assigned to each action and they are responsible for its implementation in the organization. These actions are subject to regular assessment and verification, in accordance with defined indicators and in the process of ERM risk supervision.

Climate risks and opportunities management at Żabka is also done on an organization-wide level - at all levels and in all business units. As a part of strengthening our risk and opportunity management culture, we conduct education and training activities to raise employees' awareness about climate change and its impact on our business model, strategy and value chain.

Climate-related topics are treated with the utmost care and ambition. We have made a commitment in line with the Science Based Targets (SBTi) methodology to reduce our own impact on climate change in line with the decarbonization pathway defined by the Paris Agreement (limitation of warming to 1.5 °C).

We have indicated our response to risks and opportunities, as described by the major categories identified, according to the TCFD. These categories are complementary to the standard categories used in the Risk Management Model applied by Żabka.

Our response to the following risks:

1) Regulatory Risk: in 2020, we established the ESG Department (Environmental, Social, Governance), which oversees the implementation of the objectives contained in the Responsibility Strategy, including climate-related objectives. The legal and regulatory environment is monitored. Moreover, we count and transparently disclose our carbon footprint in all three scopes in accordance with the international Greenhouse Gas Protocol standard. We transparently disclose our impact on the environment, including the climate, in accordance with the leading standards of the Global Reporting Initiative.

2) Market-related Risk: in line with our Energy Policy, we have started to analyse the possibilities of obtaining renewable energy in a cost-effective and technologically optimal way. The analysed solutions will ensure stable conditions of green electricity supply in all our locations – offices, logistics centers and terminals.

Our response to opportunities

1) Energy Efficiency: we have made the decision to include the ESG factor impact analysis as a part of the significant business decisions we make.

2) Energy Sources: we have conducted a comprehensive analysis of the potential for a full transition to renewable energy in our own operations. We have also established the Energy Policy in which we committed to implementing a package of solutions to mitigate price risk and RES availability in our operations related to power generation and to retrieving new climate-neutral power generation sources.

3) Products and Services: we are systematically expanding our range of low-emission, plant-based products for customers looking for meat and dairy substitutes. We have launched our first Plant Hunter products - the first 100% plant-based private label. We have also introduced the Wegger - a 100% plant-based burger - to our range of products. Additionally, we undertook to calculate and reduce the carbon footprint of selected private label products.

4) Market: we participate in educational events and we exchange knowledge on best practices related to climate protection. Moreover, we periodically publish our non-financial disclosures and communicate how we implement the ESG measures through various channels.

5) Value Chain Resilience: we have initiated a programme to work with our business partners on sustainability and decarbonization in order to increase the resilience of the entire value chain. See page 15 for details.

Our commitments

Our goals and actions

Our emission reduction targets are supported by the establishment of short-term objectives, with key performance indicators assigned to them. We assess progress against each target on an ongoing basis as a part of our strategy monitoring process.

STRATEGIC OBJECTIVE	SHORT-TERM OBJECTIVES	EXECUTION DATE (YEAR'S END)	BASE VALUE (2020)	TARGET VALUE	STATUS OF ACTIONS IN 2021	ACTIONS TAKEN (2020-2021)
We will achieve climate neutrality (in terms of the GHG emissions in Scope 1 and 2) by 2025.	We will join SBTi and publish decarbonization objectives.	2021	-	-	**Completed**	Actions taken: - Żabka Polska's decarbonization targets have been confirmed by SBTi.
	We will reduce electricity consumption intensity (MWh/PLN1m) by 5%.	2023	37,7	35,8	**Pending**	Actions taken: - tests of energy-saving solutions in the incubator of environment-friendly solutions in the store at Lewandów Street in Warsaw, - investments in modern refrigeration, e.g. freezer cabinets.
	All our offices and logistics centers will be powered by Renewable Energy Sources (Scope 2).	2023	1,4%	100%	**Pending**	Actions taken: - purchase of guarantees of energy origin for logistic centers, - a project on investment in a photovoltaic farm in the new logistics center in Radzymin near Warsaw.
	We will reduce total greenhouse gas emissions at least by 10% in Scope 1 and 2.	2023	24 146	21 732	**Pending**	Actions taken: - further investment in our own fleet with alternative propulsions and charging infrastructure, - purchase of guarantees of energy origin for logistic centers, - a project on investment in a photovoltaic farm in the new logistics center in Radzymin near Warsaw.
	We will reduce total greenhouse gas emissions by 25% in Scope 1 and 2.	2026	24 146	18 110	**Pending**	
We will reduce greenhouse gas emissions intensity in the stores by 70% by 2026 (Scope 3, tCO_2/PLN1m).	We will involve our business partners responsible for 75% of our product and service purchasing spend in setting science-based reduction targets.	2026	29%	75%	**Pending**	Dialogue with business partners initiated. Identification of common actions for 2022 and beyond.
	We will reduce greenhouse gas emissions intensity in the stores by 30% (Scope 3, tCO_2/PLN1m).	2023	34	10	**Pending**	Actions taken: - tests of energy-saving solutions in the incubator of environment-friendly solutions at Lewandów Street in Warsaw, - investments in modern refrigeration, e.g. freezer cabinets.


żabka