

6-23/17

zabka

zabka
café



zabka group

**Climate
Report**

2021

Conveniently
and Responsibly

zabka

zabka
café

Nano

zappka


Maczfit

Dietly

zabka
jush!

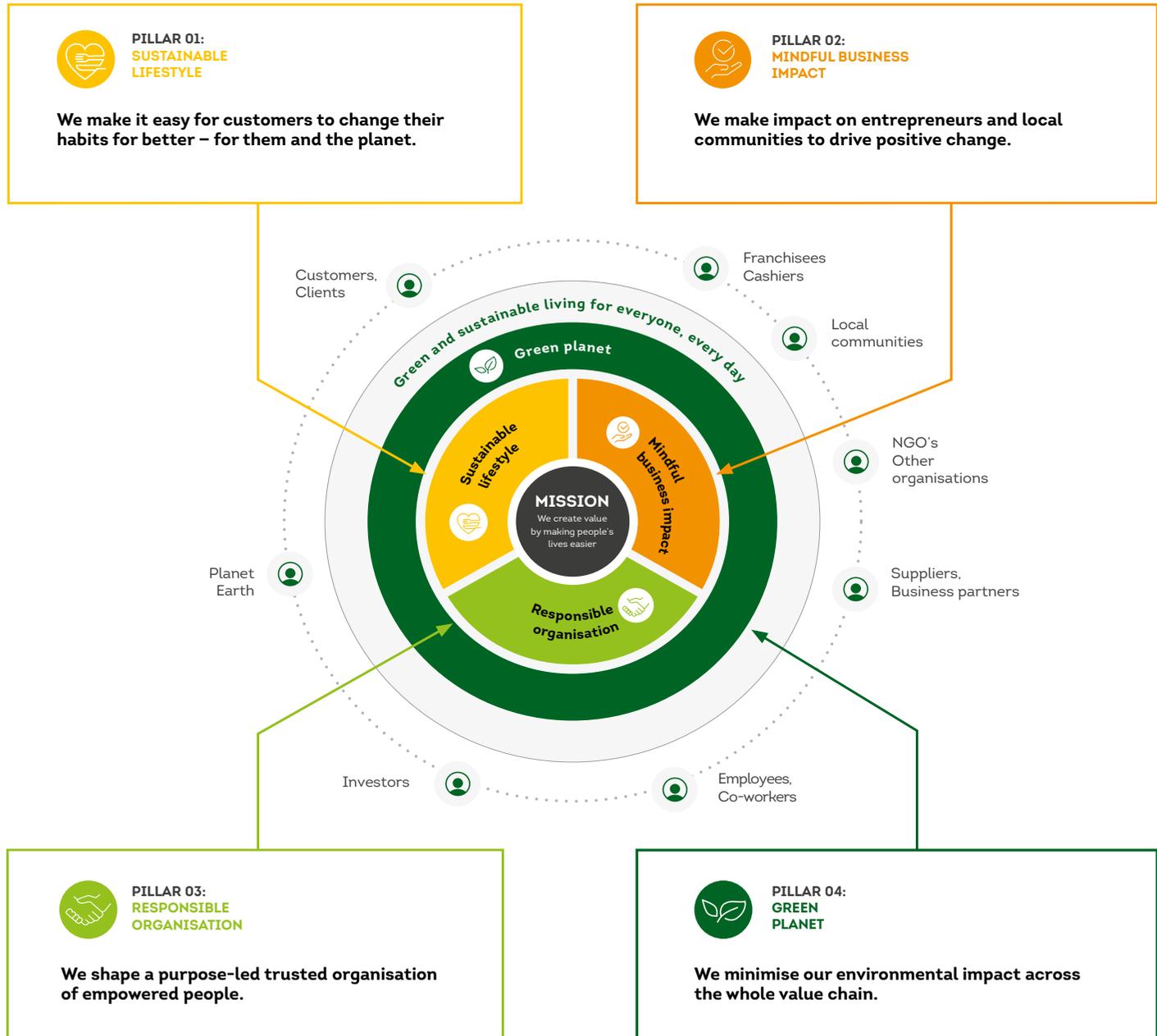
delio

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Zabka Group's Responsibility Strategy for 2021-2025

We create value by making people's lives easier and by allowing them to free up their time, while promoting green and sustainable living for everyone, every day.



Business model

The Żabka Group is a unique ultimate convenience ecosystem comprising solutions designed for customers valuing their time and comfort. We respond to their various needs, and our services are available both via physical and digital channels. Our strategy aims at continuously improving solutions supporting a modern and sustainable lifestyle. It is also important for us to develop services responding to the customers expectations seeking to meet their needs at a single location, close to where they live or work (“Modern on-the-go convenience”), as well as online, with the use of mobile devices (“Modern anywhere convenience”).

Żabka Polska is the Group’s largest business unit. It manages Żabka’s physical store locations and oversees the activities of teams tasked with operating the chain: from expansion, through adaptation, supply chain, all the way to product range and communications. Żabka Future, established in 2021, is another important unit as well. Its primary responsibility is searching and creating businesses and technology-based tools that aim to develop Żabka Group, as well as to supervise the Group’s new entities (such as Maczfit, Dietly, Lite). As part of the organisational structure, three divisions were identified to support the development of the Group: consumer strategies, human resource management as well as finance divisions.

In 2021, the Group was joined by brands that play a key role in expanding the convenience ecosystem. These include: Maczfit – the leader of dietary catering in Poland, Dietly – an e-commerce platform allowing to

compare, select and manage box diet orders, start-ups Żabka Jush! and Delio – developing q-commerce and e-commerce services, and Żabka Nano – focusing on an autonomous store format.

We owe our position of a leader in creating convenience ecosystem thanks to the fundamental transformation that focused on three key areas: evolution of modern convenience format, digital evolution and transformation of responsibility. To be closer to our customers, we are constantly expanding to new locations and developing the store formats to match new types of locations and ambitious expansion goals. We respond effectively to the needs of customers through an innovative product offering that is tailored to their needs, along with attractive promotional campaigns. Moreover, we create value by seeking, creating and developing innovative services, new sales channels, and technological tools of the future. We improve our working tools, provide solutions that support store management processes, rely on technology for effective communication within the company and with customers, and implement artificial intelligence when making business decisions like pricing or store location.

In 2021, Żabka adopted a comprehensive Responsibility Strategy (ESG). It is integrated with the Group’s business strategy, defines its objectives and indicates the directions in which the Group intends to be heading. The Responsibility Strategy proves the company’s commitment to creating conditions allowing green and sustainable living for everyone, every day

and enabling our customers to make more responsible choices.

The ESG Strategy is composed of four pillars. Each of them defines an area of our activities, along with quantifiable and qualitative goals thanks to which we come closer realising our mission, which is the creation of value through making peoples’ life easier by allowing them to free up their time. Through this, we simultaneously promote responsible product choices and the fostering of relationships with customers, franchisees, business partners and the wider environment.

Pillar Green planet defines our ambitions in the area of decarbonisation. We have committed to reach climate neutrality in scopes 1 and 2 by the end of 2025, along with limiting emission intensity at Żabka stores by 70% by switching to electricity from renewable sources in the franchise chain and implementing initiatives that limit the energy consumption and emissions from other sources. We have identified key performance indicators (KPIs) within each of these short-term goals which allow us to monitor the progress and ultimately communicate results achieved.

Business context

Research shows that Poles approach the matter of climate change more seriously and no longer consider it as a future challenge. As many as 68% of Polish society is concerned that changes will have a negative impact on the future of their children, and 78% of Poles believes that the current state of the Earth is urgent and requires immediate action.¹ The changing expectations of consumers and their growing awareness influence the progress of environmentally sustainable solutions, having a positive influence on both people and planet. Climate change also affects the introduction of new regulations in the field of sustainable development - their number and complexity are increasing. These measures have a direct influence on enterprises. More frequently, companies undertake efforts to protect the environment, understanding the importance of building business resilience in a changing world.

We are aware of our obligations towards the natural environment, therefore we combine the implementation of strategic priorities with corporate responsibility. We find ourselves in the 1% of companies in the world that best integrate ESG factors in their strategies and operations (according to EcoVadis). In 2021, we reduced greenhouse gas emissions in our own operations by 29%, and we also decreased emission intensity by 8% in scope 3. We are committed to creating long-term value in an environmentally sustainable manner.

Therefore, taking into account various time perspectives and climate scenarios,

we measure the impact of opportunities and risks on the activities of our Group. To ensure our organisation's resilience to the upcoming changes, we have clearly defined our climate-related targets. We want to achieve climate neutrality in our own operations by the end of 2025 and continue the decarbonisation of our value chain. To realise this, we are reaching for the most reliable, scientifically proven guidelines: the Science Based Targets initiative (SBTi).

We engage our business partners and franchisees in activities aimed to limit impacts on the climate and reduce emissions. We share our knowledge with other participants on the market and support external initiatives. We continuously improve data collections methods aimed at revealing information related to the climate. This report is our second publication responding to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

By this report, we fulfill the recommendations regarding the provision of reliable information related to the impact of business on the climate and the impact of climate change on our operations in the context of strategic commitments. Through our daily decisions, Żabka Group strives to prove that actions contributing to the mitigation of environmental impact are not only possible, but also worth taking. Our ambition is to become a leader in combating climate change and protecting the natural environment.

Żabka Group in numbers

Over
8,300
stores

Nearly
PLN 12.4 billion
in sales revenue

Almost
3 million
customers using Żabka Group
services daily

Almost
8 million
Żappka app downloads

More than
7,000
franchisees

More than
45,400
jobs maintained by Żabka Group
and franchisees

Żabka in the
1%
of companies in the world efficiently
integrating ESG according to EcoVadis

29%
reduction in CO₂e emissions
generated in own operation

8%
reduction in CO₂e emissions
intensity generated in scope 3

100%
renewable sources of electric
power in own operations

Recycled
100%
plastic in our own brand products
and store materials

¹ Kantar, United Nations Global Compact Poland: <https://ziemianieatakuja.pl/>

ESG Governance

Climate-related Governance

Compliant corporate governance ensures the compatibility of internal policies with regulations, standards and good practices in the field of non-financial metrics (ESG). In addition, it provides

human and financial resources to implement adopted commitments and climate policies, and supports the implementation of plans to reduce the energy consumption and emissions of the organisation.

Żabka Group is managed by experts in various fields and by highly experienced managers who are supported by the company's Supervisory Board.

Supervisory Board



Krzysztof Krawczyk
Chairman of the Supervisory Board



Jean-Rémy Roussel
Member of the Supervisory Board experienced in risk management, supervises the implementation of the Responsibility Strategy



Stephan Schäli
Member of the Supervisory Board



István Szöke
Member of the Supervisory Board



Jacques de Vaucleroy
Member of the Supervisory Board experienced in the retail sector

Management Board



Jolanta Bańcerowska
Member of the Management Board, Chief People Officer



Anna Grabowska
Executive Vice-President of the Management Board, Chief Commercial Officer



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



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



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

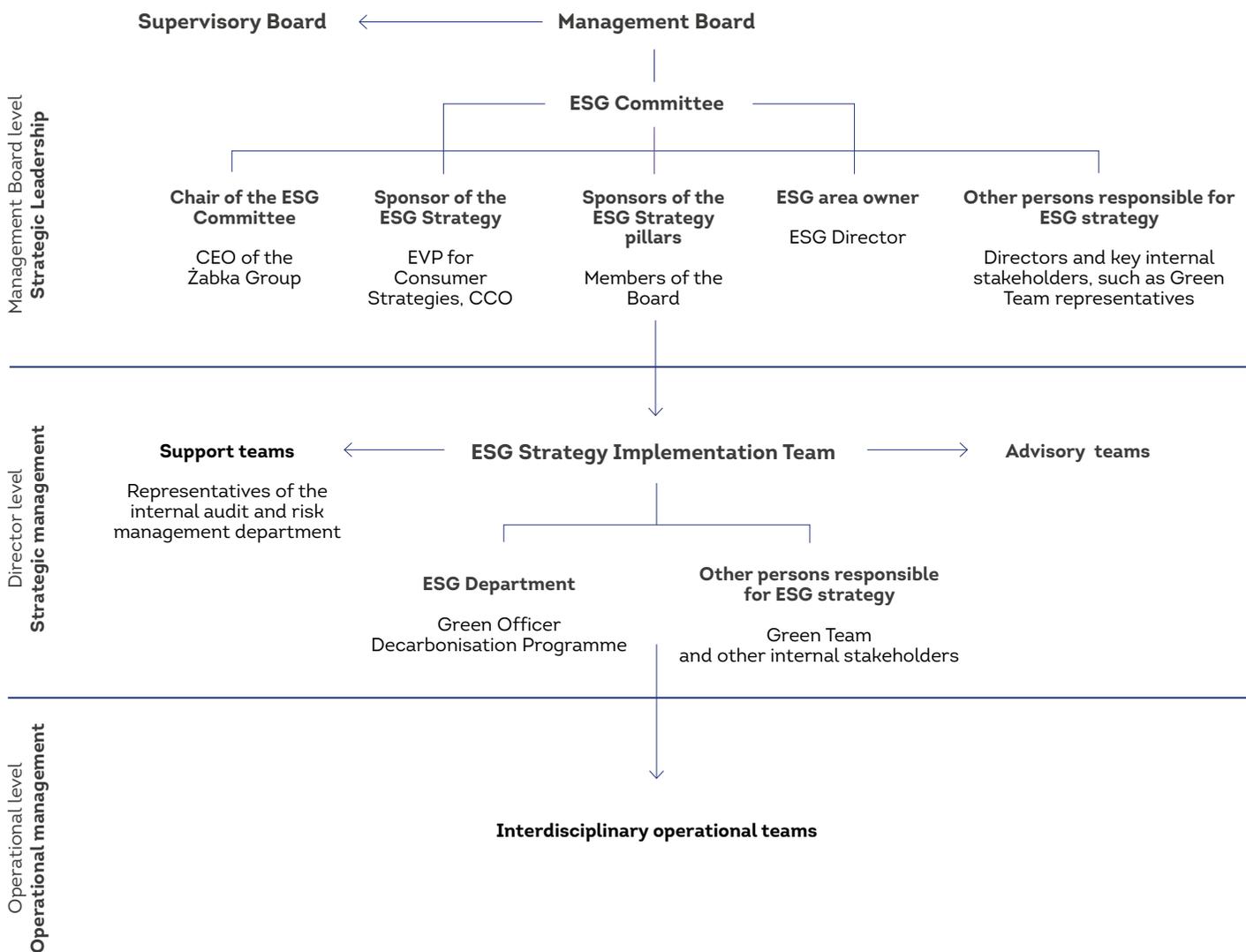


Tomasz Suchański
CEO of the Żabka Group

We believe that effective management is the core of Žabka Group's Responsibility Strategy and is necessary to fulfill the obligations towards company stakeholders. Our approach to managing climate-related issues is based on the structure established during the development of the Responsibility Strategy and is directly related to the management structure within the ESG area. Climate variability issues have been included in the environmental

section (Pillar Green planet), maintaining an integrated structure that combines the supervision of the Management Board and senior management with the substantive knowledge of members of executive teams. ESG objectives, including those related to climate, have been integrated into the employee performance assessment, which is linked with a variable compensation scheme. Management of the ESG area, including climate risks and opportunities,

takes place on three levels: strategic leadership (Management Board level), strategic management (Directors' level) and operational management. In 2021, a quarterly system for monitoring, verifying and reporting ESG issues was established, based on which further decisions related to the development of the Responsibility Strategy are made.



Climate-related Governance

Strategic leadership

Leadership in the area of ESG, including climate-related risk management and identification of climate-related opportunities, is a task of the Management Board. The Board is also in charge of strategic planning and supervising the implementation of the Group's business strategy. Objectives defined in the Responsibility Strategy are assigned to individual members of the Management Board, cascaded down to the Group's structure and assessed during the annual employee evaluation process.

The ESG Committee, chaired by the CEO of the Żabka Group, is a body that supports the monitoring of the manner in which the strategy is implemented. All members of the Management Board, the ESG Director and, where necessary, other internal stakeholders are present during ESG Committee meetings. Such meetings are intended to assess the degree of implementation of the Responsibility Strategy, and are a venue at which recommendations are made regarding future prospects which are then considered in the Board's key decisions. Anna Grabowska, Executive Vice-President of the Management Board in charge of Consumer Strategies, has been managing, since January 2021, a team tasked with identifying the company's future growth plans. Its activities focus on building a strategic approach to relations with consumers, building strategies for the brand and for affiliated brands, as well as direct supervision over the effective implementation of the Responsibility Strategy, including climate-related activities. The management of ESG-related risks is fully integrated within the corporate risk management system (ERM), under the supervision of Marta Wrochna-Łastowska, Chief Financial Officer. The Supervisory Board consists of members selected by two investment funds being the main

shareholders of the Żabka Group: CVC Capital Partners and Partners Group. Members of the Supervisory Board and the Management Team are appointed based on their skills and knowledge relevant to the organisation's impact on the economy, environment and society. In 2021, the Supervisory Board adopted the Responsibility Strategy proposed by the Management Board, including defined climate-related ambitions, and actively supervising its implementation in the Group. The supervisory process is supported by monthly summaries presenting the status of initiatives, by debates on the Group's sustainable development held at the Supervisory Board meetings, and by processes during which the ESG reports are reviewed and approved. The annual summary of the objectives defined in the Responsibility Strategy is an element of the performance assessment process of the Management Board performed in a given year, as performed by the Supervisory Board, and impacts the Team's remuneration. In 2021, six meetings of the Supervisory Board were held, during which climate issues were discussed.

Strategic management

Strategic management is a process that is coordinated at the Directors' level. In 2021, the position of an ESG Director was created. The ESG director reports directly to the Executive Vice-President of the Management Board in charge of Consumer Strategies. The scope of the Director's responsibility includes ongoing control and supervision over the implementation of strategic objectives defined in the Responsibility Strategy, including strategic and operational climate-related targets. The Director also manages the work of the ESG Department which oversees the operational activities of the individual departments. The Green

Team, made of employees representing substantive areas, is involved in operational activities related to climate issues. The Green Officer is directly responsible for strategic activities related to climate issues defined under the Green planet pillar. Green Officer's duties include: development and implementation of a decarbonisation strategy as part of own operations and in the value chain, supervision, and monitoring of strategic decarbonisation projects, and motivating internal and external stakeholders to take action to combat climate change and its impacts. The ESG objectives have been integrated into the employee performance assessment, which is linked with a variable compensation scheme. In 2021, a quarterly system for monitoring, validating and reporting ESG-related matters was established, serving as a basis for taking decisions regarding the development of the Responsibility Strategy.

Advisory teams, including the Board of Franchisees, participate in the process of strategy implementation with support teams from the Finance, HR and Communication Department. Each of the pillars of the Responsibility Strategy has been assigned business owners of goals and initiatives. Ongoing monitoring and supervision over the management of climate risk and opportunities, key to the TCFD perspective, is exercised by the Director of the Risk and Internal Audit Department.

Operational management

The operational level consists of implementation teams, such as managers, product owners, project managers, initiative leaders. They were involved in the process of defining our climate risks and opportunities and assessing their effects on the resilience of our business model and strategy implementation.

Managing climate-related risks

Considering best practices in risk management, in 2021 we implemented an ERM (Enterprise Risk Management) model covering the full spectrum of risk management tasks as well as defining risk management methods and processes in place in the organisation. The model considers the impact of a given risk on the implementation of the strategy, accounts for financial and non-financial results and introduces specific risk measurement tools. It is integrated with strategy, the planning process and our business objectives, and reflects organisation's current governance needs and its specific cultural factors.

Management of climate risk and opportunities in Žabka takes place at all levels of the organisations, and in all business units. In 2021, a Risk and Compliance Committee was established, which includes members of the Management Board and representatives of top management. The committee meets at least once a quarter, with important issues in the areas of risk, internal audit and compliance discussed. In our organisation, the Risk Management Procedure defines our approach to managing risk management. Its purpose is to ensure a uniform, consistent and effective approach to managing risks and opportunities in the Group. Additionally, in order to strengthen the culture of managing risk and opportunities, we conduct educational and training activities that raise employees' awareness of climate change and its impact on our business model, strategy and value chain.

In the context of the climate, the adopted approach is consistent with the ERM Model, which allows the Group to:

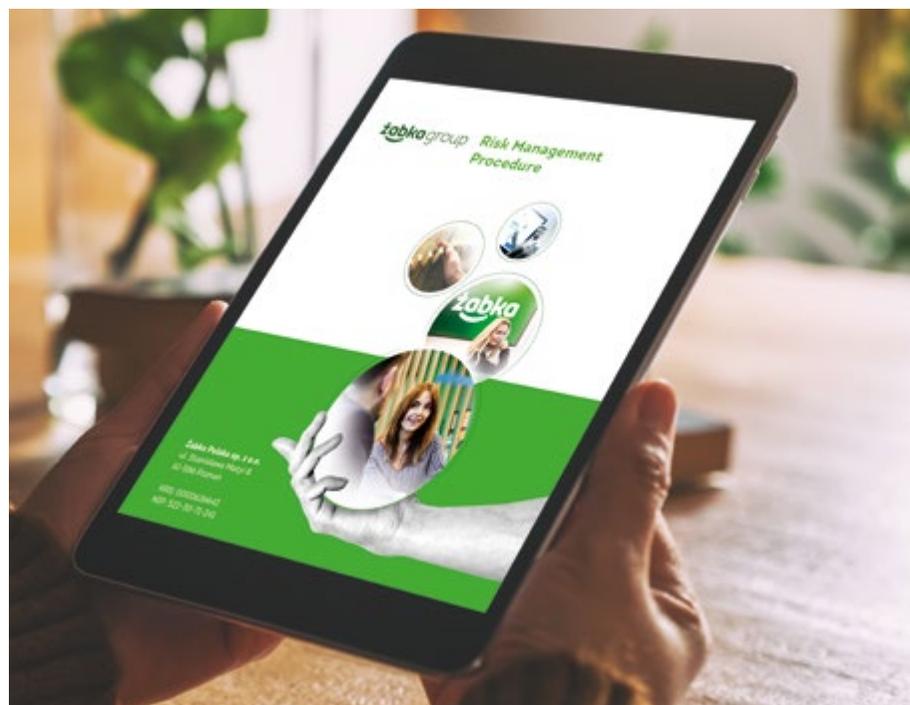
- choose an appropriate risk response,
- reach a level of risk that is acceptable

by the adopted strategy,

- increase its ability to identify potential risks and determine responses,
- minimise the number of unexpected events and consequent costs or losses,
- take advantage of emerging opportunities,
- effectively respond to interrelated risks as well as create a coherent response to multiple unrelated risks.

According to the Risk Management Procedure, risk is identified, the Business Owner of a given risk is determined, and a risk assessment is conducted based on the established criteria. The level for risk tolerance and an appropriate response to the given risk are identified. The procedure also involves the preparation of internal and external risk communication methods. Strategic risks are identified by the Management Board, while area risks are identified by Business Owners. The process of identifying risks and opportu-

nities is supervised by the Risk Manager who reviews the list in accordance with the risk management process schedule. Risk Manager also initiates activities related to periodic risk monitoring and reporting. When assessing the climate risk, the procedures applied in the Žabka Group are similar to the assessment of other key risk factors in all areas of our business. The only significant difference in the methodology of climate risk assessment is a longer term of risk consideration that is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It takes into account the specificity of the phenomenon, reaching beyond the time frames adopted in strategic planning and used in the ERM risk management model.



Climate-related risks and opportunities

Key climate-related risks

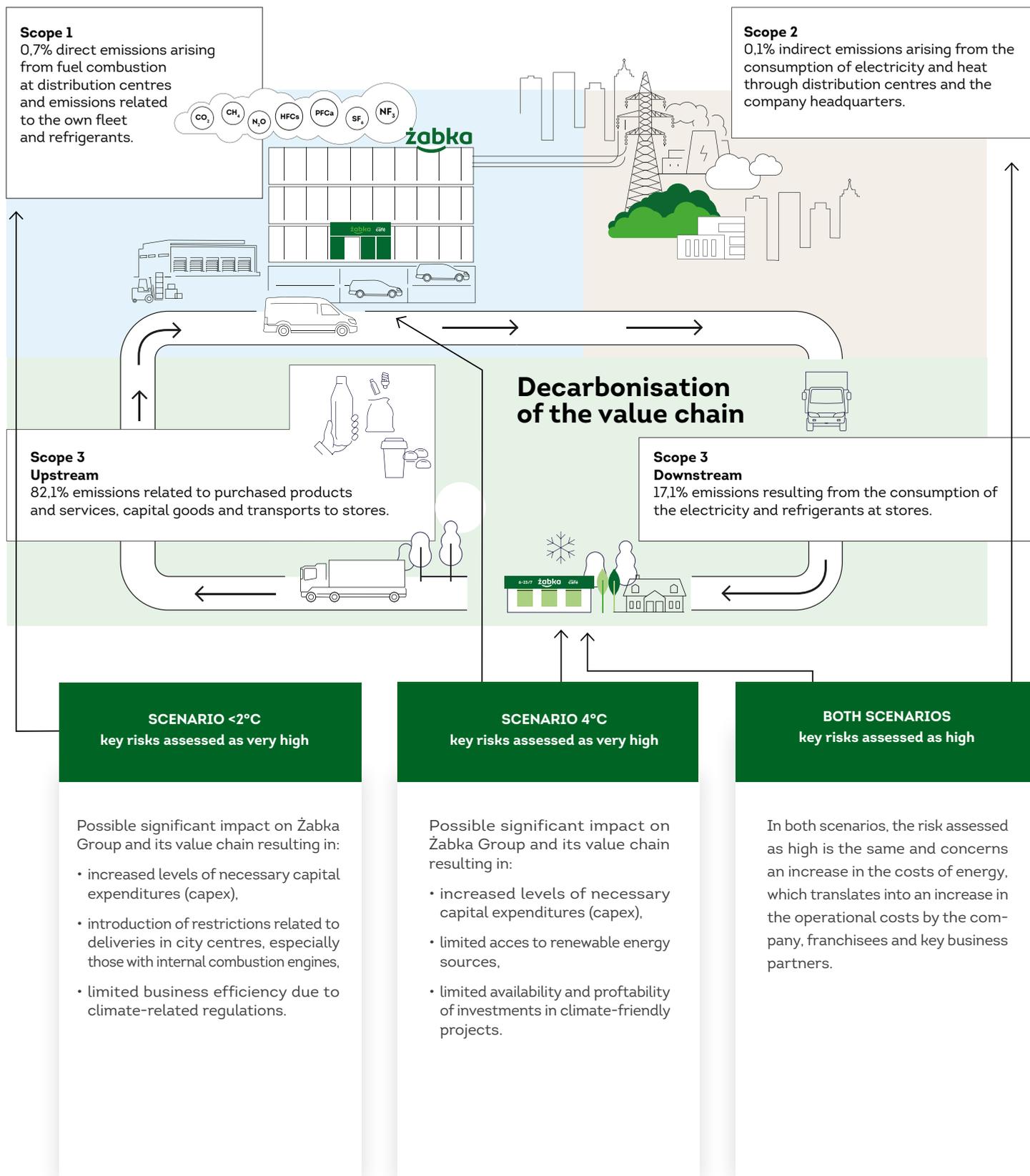
The overall level of Žabka's climate risk in the short term (at the current strategic perspective up to 2025) is lower than in the medium- and long-term perspectives. This is caused primarily by the greater predictability of surroundings, decarbonisation activities and preemptive actions taken by us, along with the adoption of

the Responsibility Strategy and confirmed ambitions in the context of climate-related goals, in addition to the predicted increase in regulatory pressure related to the attainment of climate-related goals at the level of the European Union. The following table shows a list of key identified climate risks which can significantly

influence results and the potential of the Group's further development. The risks have been defined according to the methodology presented in the chapter *Methodology for identifying risks and opportunities* (p. 24).

Risk	Short-term score (2025)	Medium-term score (2030)		Trend to 2050	
		<2°C	4°C	<2°C	4°C
Increased costs of energy	●	●	●	=	↑
Lack of access to renewable energy for achieving strategic goals	●	●	●	↓	↑
Restrictions for internal combustion vehicles deliveries in city centres	●	●	●	↑	↓
Limited access and profitability of investment in projects related to renewable energy sources	●	●	●	↓	↑
Impact of regulatory changes in the area of climate on own operations	●	●	●	↑	=

Risk score according to ERM methodology: ● Medium ● High ● Very high



Key climate-related opportunities

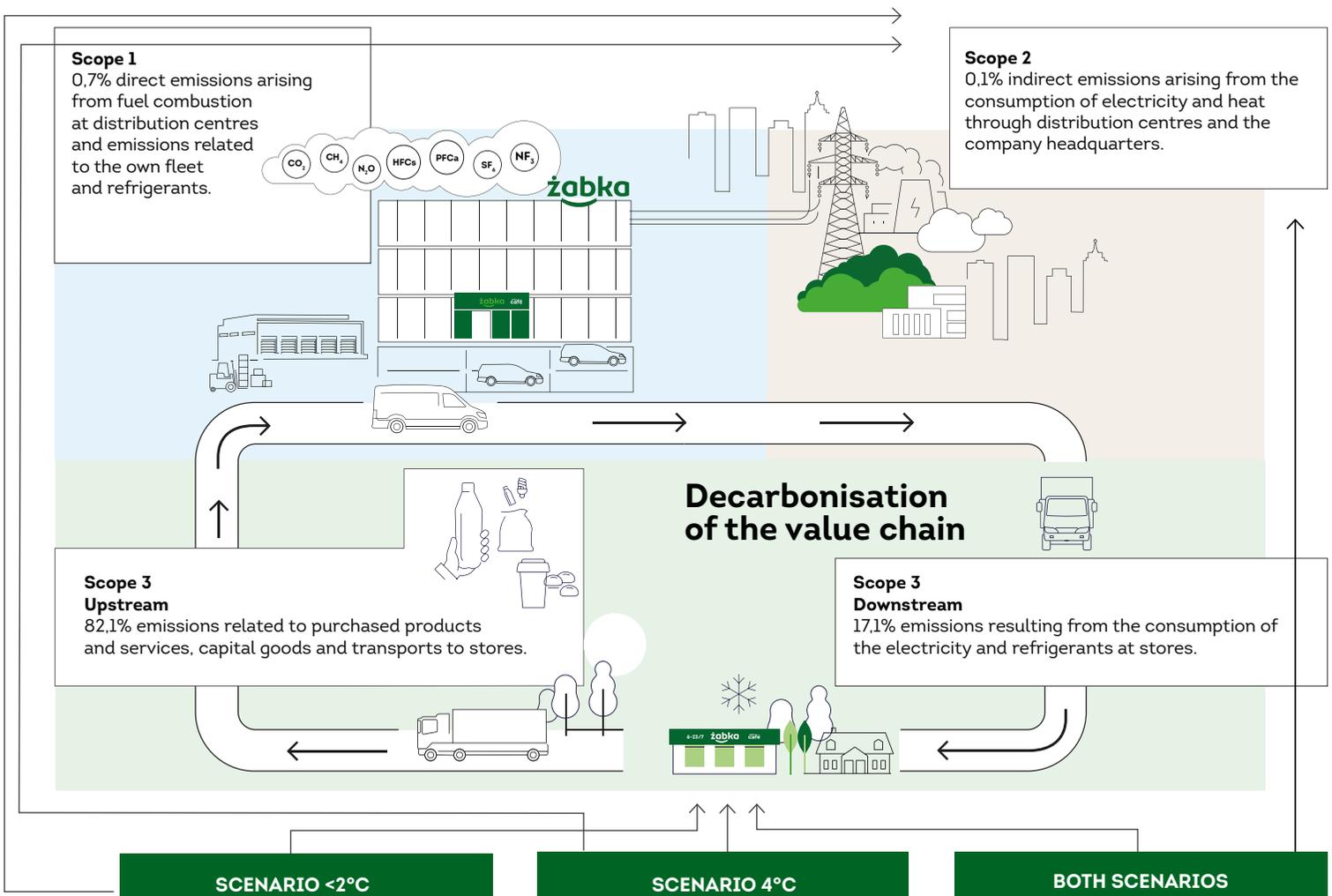
Parallel to the risk management process, the process of identifying and assessing the key climate-related opportunities was carried out. The most important opportunities identified in the short-term period (up to 2025) are related to

the launch of products that have a low carbon footprint, along with customers' positive perception of actions we take to reduce emissions. Another relevant area is also the advantages of increasing energy efficiency, especially in Žabka stores. In

the medium-term (to 2030), we see an equally large potential resulting from the perception of Žabka as an organisation that minimises its impact by caring for the protection of the natural environment and combating climate change.

Opportunity	Short-term score (2025)	Medium-term score (2030)		Trend to 2050	
		<2°C	4°C	<2°C	4°C
Reduction of energy consumption through climate-friendly initiatives	●	●	●	↑	↓
Increase in loyalty of environmentally-involved customers	●	●	●	↑	↑
Increase in demand of low- or zero-emissions products	●	●	●	↑	↑
Strong employer branding due to climate engagement	●	●	●	↑	↑
Increased motivation of employees and business partners through achievement of climate-related goals	●	●	●	↑	↑
Improvement of the profitability of Žabka's involvement in renewable energy investments	●	●	●	↑	=
Increase resilience in the value chain due to climate-friendly initiatives	●	●	●	↑	↓

Opportunity score according to ERM methodology: ● Medium ● High ● Very high



SCENARIO <2°C
key opportunities assessed as very high

Positive long-term impact on Žabka Group and its value chain resulting in:

- lower energy costs and increased efficiency in the value chain,
- increased satisfaction and loyalty of current and new customers,
- improvement of business performance,
- recruitment of new franchisees and improved quality of cooperation with current franchisees.
- retainment and acquisition of new staff.

SCENARIO 4°C
no opportunities assessed as very high, the following key opportunities assessed high

Positive long-term impact on Žabka Group and its value chain resulting in:

- increased satisfaction and loyalty of current and new customers,
- improved business performance,
- committed and motivated employees and business partners,
- recruitment of new franchisees and improved quality of cooperation with current franchisees,
- retainment and acquisition of new staff.

BOTH SCENARIOS

In both scenarios, the opportunities assessed as high and medium are the same and represent, among others, new market opportunities and profit from energy efficiency, along with the creation of opportunities for development of new products and services.

Strategic response to climate change

Strategy and goals

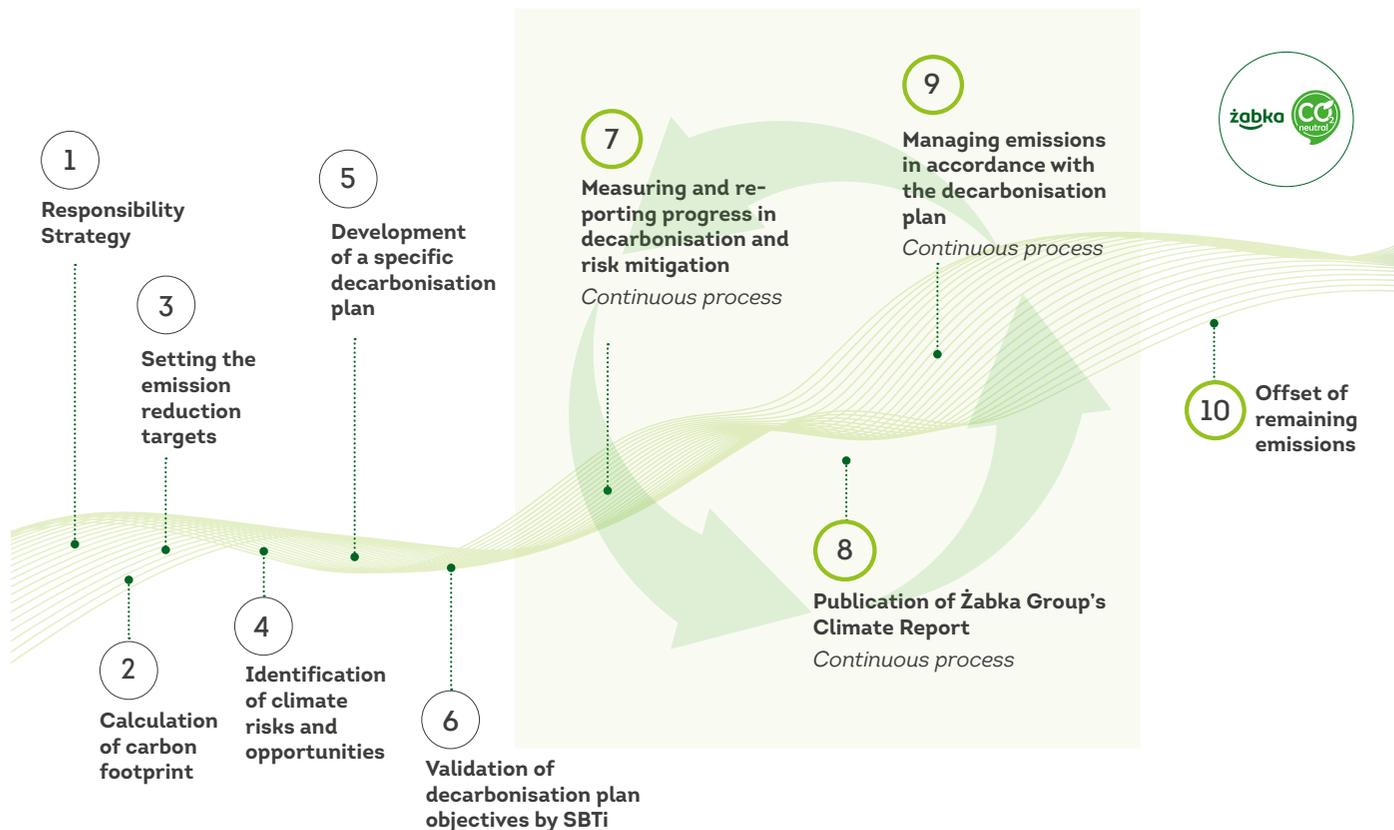
The Responsibility Strategy of the Žabka Group announced in 2021 sets our ambitions and directions of activities in the area of sustainable development and is fully integrated with our business strategy. One of our priorities is to reduce the carbon footprint of both direct and indirect emissions. Considering this goal, we monitored our carbon footprint along the entire value chain for the first time in 2020.

The next step on our decarbonisation pathway was to identify the climate risks and opportunities. Based on the analysis, in 2021, we approved a detailed decarbonisation plan with the Supervisory Board, including measures that will allow us to gradually reduce our carbon footprint in all three scopes.

Being aware of strategic obligations, we joined the Science Based Targets initiative (SBTi), under which we defined measurable decarbonisation targets in line with the

goals proposed by the Paris Agreement. The targets validated by SBTi cover 85% of the greenhouse gases emissions in scopes 1, 2 and 3.

Together with our stakeholders, we are intensifying our actions to combat climate change and are defining an effective response to these risks and opportunities. We are committed to continuous improvement of data collection methods used to disclose information in our external financial and non-financial disclosures.



Validated SBTi targets assume a 25% reduction in total greenhouse gas emissions in scopes 1 and 2 by the end of 2026 compared to the base year 2020 and a 70% reduction in the greenhouse gas intensity

at stores by 2026 (scope 3, tCO₂e/mPLN) in the same timeframe. In addition, by the end of 2026, we aim to involve business partners who are responsible for 75% by spend in the area of products and servi-

ces in establishing scientifically proven reduction targets. The targets have been integrated to the Responsibility Strategy.

Goal	KPI	Base value 2020
We aim to become climate-neutral in terms of greenhouse gas emissions related to scopes 1 and 2 by the end of 2025.	Climate neutrality in own operations	24,273 tCO ₂ e
We aim to reduce greenhouse gas emissions intensity at stores (scope 3) by 70% by the end of 2026 taking 2020 as the base year. 	Greenhouse gas emission intensity in stores per mPLN of sales revenue	34 tCO ₂ e/mPLN
We aim to reduce electricity consumption intensity by 5% (MWh/mPLN) by 2023 from a 2020 base year.	Intensity of electrical energy consumption per mPLN of sales revenue	37.7 MWh/mPLN
All our offices and logistics centres will be powered by renewable energy sources (scope 2) by 2023.	Share of electricity from renewable energy sources in total energy consumption in own operations	1.4%
We aim to reduce greenhouse gas emissions in scope 1 and 2 by 25% by the end of 2026 taking 2020 as the base year. 	Climate neutrality in own operations	24,273 tCO ₂ e
We aim to involve 75% our business partners by spend, covering Purchase Goods & Services, on science-based targets setting by the end of 2026. 	Share of involved business partners by spend	29%
We aim to join SBTi and will publish our decarbonisation targets in 2021.	Joining SBTi and publishing targets	-



The goal in the strategic perspective approved by the SBTi.

Decarbonisation plan

Our strategic commitments are realised through the Decarbonisation plan, formed in 2021. As part of an inclusive and comprehensive process, we have developed commitments in the area of decarbonisation based on the Science Based Targets initiative (SBTi) guidelines. SBTi defines and promotes best practices in setting GHG emission reduction targets based on the latest climate science. It also independently verifies committed

emission reduction targets. The decarbonisation targets established by the Žabka Group have been scientifically defined, verified and approved by the Target Validation Team, operating as part of SBTi. According to the assessment of this organisation, our goals are in line with the most ambitious provision of the Paris Agreement to limit of global warming to 1.5°C compared to the pre-industrial era. In this way, we have confirmed the path

we have chosen to reduce greenhouse gas emissions and the commitments we have made. The Žabka Group's goals include a 25% reduction in total scopes 1 and 2 greenhouse gas emissions by 2026 and a 70% reduction in the greenhouse gas intensity in stores compared to the base year 2020. Moreover, by the end of 2026, we plan to involve 75% suppliers by spend covering Purchase Goods & Services, on science-based targets setting.

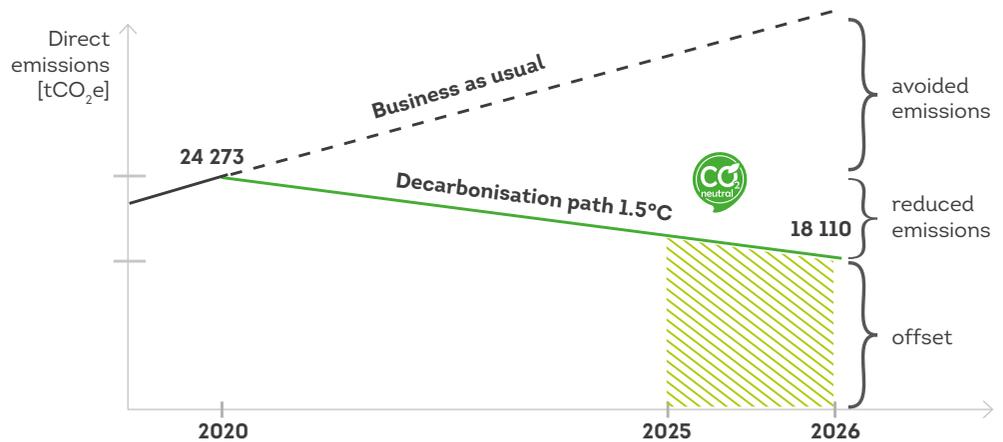
Climate neutrality

Our approach to this goal is comprehensive, as we are carrying out decarbonisation activities in two stages. The first stage, in accordance with guidelines set by the Science Based Targets initiative, is a reduction of emissions by 25% by 2026 compared to the base year 2020. This includes switching from conventional energy to renewable energy, investments in low-emission logistics and the gradual replacement of the car fleet with vehicles powered by alternative engines - hybrid or electric. At the same time, we are undertaking modernisation activities, including in refrigeration, where we are gradually replacing refrigerants with low global warming potential (GWP) solutions. Lastly, we will offset remaining emissions. This will allow to achieve climate neutrality within scopes 1 and 2 by the end of 2025.

Goals:

We aim to become climate-neutral (in terms of greenhouse gas emissions related to scopes 1 and 2) by the end of 2025.

We aim to reduce greenhouse gas emissions in scope 1 and 2 by 25% by the end of 2026 taking 2020 as the base year.



Flagship programmes 2020 – 2026:

- ensure 100% electric energy comes from renewable sources,
- exchange of own fleet to electric and hybrid cars,
- construction of a low-emission logistics centre,
- modernisation of cooling installations and replacement of refrigerants.

Decarbonisation in Żabka stores

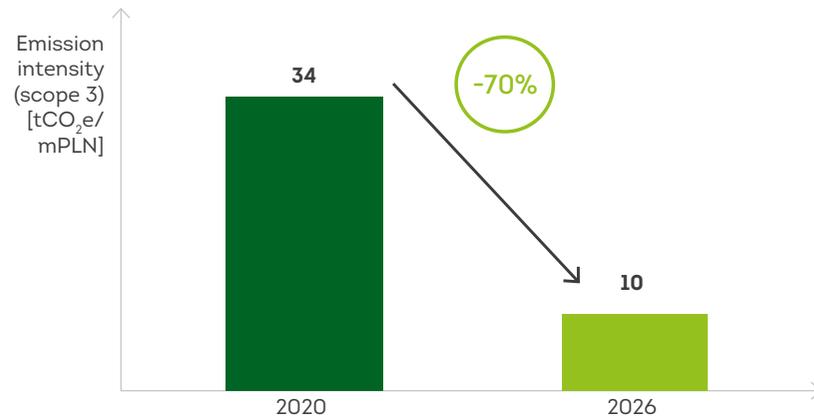
Together with franchisees, we are working to reduce emission intensity in stores by 70% by 2026. For this reason, we have implemented the Energy Policy, an important element of which is to emphasize the role of education and improvement of competences of our employees and other stakeholders in reducing energy consumption and, therefore, emissions. We invest in modern, low-emission solutions and are gradually increasing the amount of energy from renewable sources. Additionally, we test solutions in the areas of green energy, transport, clean air and circular economy.

Business partners engagement

Value chain emissions (scope 3), both upstream and downstream² according to GHG Protocol guidelines, account for more than 99% of our total emissions. About 68% of these emissions come from the carbon footprint of purchase goods and services. We have initiated dialogue in which, together with our key suppliers, we plan to undertake coordinated actions to reduce emissions, in line with the SBTi methodology. Together, we are building a suppliers' engagement programme for cooperation, thanks to which we will implement and develop joint projects to reduce emissions and energy consumption, expand our knowledge and competences in this area, and improve communication and climate data reporting processes.

Goal:

We aim to reduce greenhouse gas emissions intensity at stores (scope 3) by 70% by the end of 2026 taking 2020 as the base year.

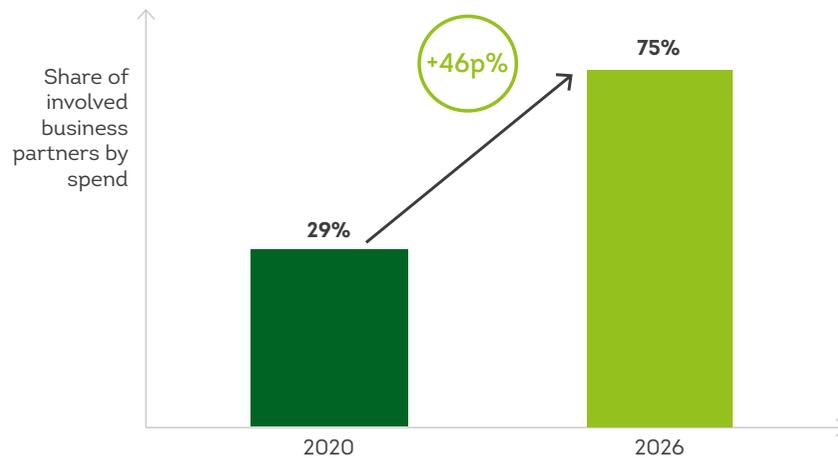


Flagship programmes 2020 – 2026:

- continuous improvement of energy efficiency in stores,
- gradual replacement by refrigerants with a lower GWP,
- providing 100% electricity from renewable sources in stores.

Goal:

We aim to involve 75% our business partners by spend, covering Purchase Goods & Services, on science-based targets setting by the end of 2026.



Flagship programmes 2020 – 2026:

- launching a suppliers' engagement programme,
- implementation of the Supplier Code of Conduct.

² Upstream processes occur before entering the company's area of operation. Downstream processes take place after the end of product or service delivery

Response to climate-related risks

We implement our response to key climate risks and opportunities according to the most important categories identified, in accordance with the TCFD guidelines. These categories are complementary to the standard categories used in the Žabka Risk Management Procedure. Regarding

key climate risks and opportunities, each activity has been assigned owners from corresponding business units responsible for the implementation of suitable activities in our organisation. These initiatives are regularly assessed based on pre-defined indicators and supervised through the

process of periodic updates of the risk management system. Our strategic response is comprehensive and concerns both the activities undertaken by the Group and the broader actions initiated in cooperation with our partners.

Category	Risk	Goal	Strategic Response
Regulations	Restrictions for internal combustion vehicles deliveries in city centres		<ul style="list-style-type: none"> We are working on a Transport Policy consistent with other strategic documents of the Group. We are gradually switching to vehicles that meet the standards of at least EURO 5. We monitor the legal and regulatory environment.
	Impact of regulatory changes in the area of climate on own operations		<ul style="list-style-type: none"> We have established the ESG Department, which supervises the implementation of climate-related targets. We have established a Green Team consisting of representatives of key operational areas, who supervise the implementation of the decarbonisation plan and monitor the risks at least once per quarter.
Market	Increased costs of energy	 	<ul style="list-style-type: none"> We have created an Energy Policy. We have analysed options for obtaining renewable energy sources at our locations. We have purchased the guarantees of origin for 2021 covering 100% of scope 2 emission.
	Lack of access to renewable energy for achieving strategic goals	 	
	Limited access and profitability of investment in projects related to renewable energy sources	 	



Goal 1: We aim to become climate-neutral in terms of greenhouse gas emissions related to scopes 1 and 2 by the end of 2025.



Goal 2: We aim to reduce greenhouse gas emissions intensity at stores (scope 3) by 70% by the end of 2026 taking 2020 as the base year.



Goal 3: We aim to involve 75% our business partners by spend, covering Purchase Goods & Services, on science-based targets setting by 2026.

Response to climate-related opportunities

Although we perceive climate change as one of the key risks for the Žabka Group, we understand that it also creates an opportunity for business development for companies that operate in a competitive environment. Climate action can save

energy and resource costs, meet new customer needs, improve a company's reputation, and attract and retain talent. As a conscious company, we recognise that mitigating our environmental impact not only helps us achieve our climate-related

targets, but also creates opportunities for efficiency, innovation and development, thereby reducing operating costs and reducing our exposure to risk.

Category	Opportunity	Goal	Strategic response
Resource efficiency	Reduction of energy consumption through climate-friendly initiatives		<ul style="list-style-type: none"> • We test low-emission solutions in our incubator for environmentally friendly solutions. We cooperated with 17 partner companies. • We constantly conduct educational activities for employees and franchisees, including as part of the Razem magazine, both on the intranet and newsletters.
	Increased motivation of employees and business partners through achievement of climate-related goals		
Energy sources	Improvement of the profitability of Žabka's involvement in renewable energy investments		<ul style="list-style-type: none"> • We conduct dialog with financial institutions. • We analysed the possibility of ensuring renewable energy in a cost-effective and technologically optimal manner.
Market	Increase loyalty of environmentally-involved customers		<ul style="list-style-type: none"> • We conducted research with customers which allowed us to identify their needs and effective way of communication. • We conduct educational activities on social media. • We constantly monitor the position of the Žabka Group against the competition.
	Strong employer branding due to climate engagement		
Products and services	Increase in demand of low- or zero-emissions products		<ul style="list-style-type: none"> • We calculated the carbon footprint for selected own brand products. • We conduct educational activities on social media.
Resilience	Increase resilience in the value chain due to climate-friendly initiatives		<ul style="list-style-type: none"> • We announced decarbonisation targets at the annual Business Partner Meeting. • We conduct individual strategic planning sessions with key partners on joint activities.

Metrics and targets

Carbon footprint analysis results

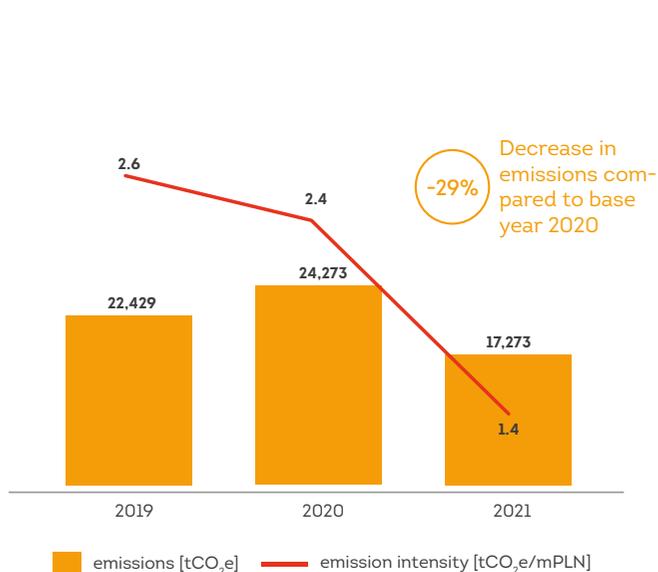
At the Żabka Group, we calculate the carbon footprint in accordance with the international standard GHG Protocol Corporate Accounting and Reporting. We measure our emissions in three scopes. Emissions related directly to the Group's operation are measured, as well as those related to the value chain, including business partners and franchisees. In 2021, direct greenhouse gas emissions (scope 1) were 16,932 tCO₂e – just over 0.7% of our total emissions. They include fuel consumption for heating and cooling,

emissions related to the use of own fleet and emissions related to refrigerants. Indirect emissions (scope 2), resulting from the purchase of electricity and heat at the headquarters and logistics centres, amounted to 14,620 tCO₂e in 2021 according to the location-based approach, and 341 tCO₂e in the market-based approach.

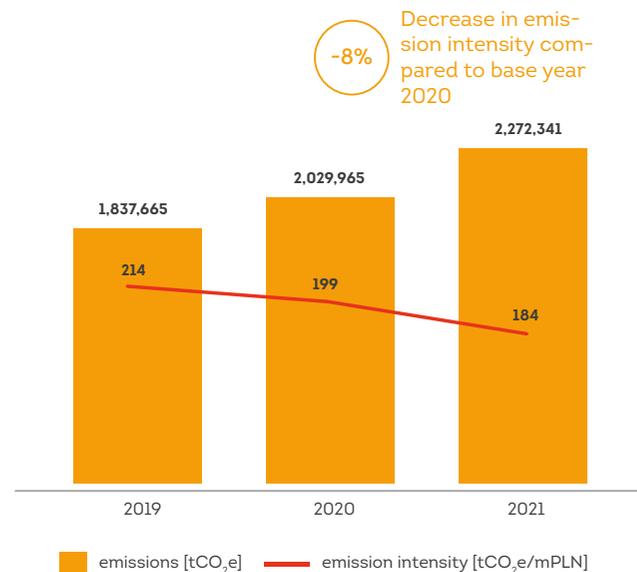
As a result of the Decarbonisation plan, we reduced emissions in scope 1 and 2 by 29%. We are analysing both the emissions related directly to our business, as well as

the emissions in the value chain. Based on the GHG Protocol methodology, we have calculated that the remaining indirect emissions (scope 3) related to the Group's operations is almost 2.3 million tCO₂e, which represents over 99% of the company's carbon footprint. In 2021, we achieved an 8% decrease in emissions intensity, maintaining a 21% increase in revenues, with an emission in scope 3 increase of 12%.

Scope 1 i 2 – emissions in own operations



Scope 3 – indirect emissions in the value chain



Flagship initiatives in 2021

While implementing the decarbonisation plan, we have undertaken a number of activities to support us in achieving our targets – both our strategic goals and short-term commitments. We approach

the challenge in a comprehensive manner: we are looking for low- and zero-emission energy sources and we are working on improving energy efficiency. We search for environmentally-friendly solutions

and involve our key stakeholders in joint activities related to the definition and implementation of decarbonisation goals.

Scopes 1 and 2 – emissions in own operations

Energy Policy

We defined two goals for the Energy Policy. The first is to reduce the intensity of electricity consumption by 5% through testing, development and implementation of initiatives aimed at reducing energy consumption and emissions. The second is to supply own operations with a 100% renewable energy. An important element

of the Policy is to emphasise the role of education and improve the competences of our employees and other stakeholders in the area of reducing energy consumption and emissions. One of the effects of implementing the Policy is the reduction of the electricity consumption intensity ratio, which in 2021 amounted to 36.3

MWh/mPLN and was lower by almost 4% for last year. In addition, due to the supply of all own operations and partial supply of stores run by franchisees with electricity from renewable energy, we reduced emissions by 31.5 thousand tCO₂e.

Low-emissions distribution centre

The new logistics centre near Radzymin by Warsaw is being built with minimal environmental impact, creating a new standard for our warehouses. By implementing the tri-generation system will significantly increase the process

efficiency of generating energy needed to power heat, cool and ventilate the building. The low emission of greenhouse gases will be guaranteed by photovoltaic panels installed on the roof of the building. The warehouse will be powered 100% by

electricity from renewable sources and will be commissioned to be put into use in the second half of 2022. In the future, renovation of some of the remaining distribution centres is planned in the following years.

Electric vehicle fleet in the pilot phase

We are implementing a pilot phase of the programme under which heavy goods vehicles will be procured in a partnership with two business entities. Since 2019, we have been testing zero-emission commercial vehicles in cooperation with the Volkswagen Group. We use four ABT electric transporters and two e-Crafter vans. We have also invested in our own charging stations for electric

cars in distribution centres in Nadarzyn and Plewiska, and in the headquarters. In 2021, we started cooperation with Volvo Polska, testing a zero-emission refrigerated Volvo FL Electric truck. It is used for delivering goods to stores in the Silesia region. It is the first fully electric distribution truck in Poland that was for working in the city. We are also gradually modernizing our fleet of passenger cars

and conducting tests aimed at replacing combustion engine vehicles with their electric and hybrid counterparts. New electric and hybrid cars reduce greenhouse gas emissions and noise levels in cities, so that they can be successfully used in clean transport zones.

Flagship initiatives 2021

Scope 3 – indirect emissions in the value chain

Testing green solutions in our stores

Our store in the Warsaw's Białoleka district serves as proving grounds for solutions aimed at reducing our environmental impact. We are testing solutions in the areas of green energy, transport, clean air, and circular economy. The store uses photovoltaic panels, the quantum dots technology, a kinetic floor that transforms steps into energy and anti-smog paving bricks supplemented by a green

wall absorbing dust and smog. Innovative cooling equipment and refrigerants with low greenhouse effect potential are used in the store. An EKomat machine and an electric car charging station are located in front of the store as well. The store is 100% powered by renewable energy. Based on experience from pilot programmes conducted at the Warsaw store, we have introduced new solutions

to our chains, including freezer cabinets with the zero-heating doors technology, adaptive lighting, as well as new refrigerators with lower global warming potential. Thanks to the initiatives introduced, we have reduced greenhouse gas emissions by more than 1,300 tCO₂e, and we have also reduced electricity consumption by almost 261 MWh.

Involvement of suppliers

In 2021, we initiated strategic planning sessions in which, together with our key suppliers, we agreed to undertake coordinated actions to reduce emissions based on the SBTi guidelines. We are creating a suppliers' engagement programme

through which we will implement and develop common guidelines to reduce energy consumption and greenhouse gases emissions in scope 3, expand knowledge and competences related to this scope, and improve communication

and reporting processes for climate data. In 2021, we held 22 meetings with key business partners, one of them was climate neutral – we purchased an offset to neutralise their footprint

Supplier Code of Conduct

The aim of the document is to build a sustainable value chain based on the idea of partnership and shared responsibility. The Code is a set of principles that constitute the basis for cooperation and set standards, as well as define the ambitions and directions of development that we want to implement in cooperation

with suppliers. We are also working on the introduction of a supplier verification system and risk analysis in the supply chain. In the pilot phase, approximately 190 suppliers who are responsible for over 30% of the turnover are assessed. For this process, we are using the global SMETA platform, designed to exchange

information about production standards within the supply chain. Suppliers are assessed in five areas, and the result of the verification is an assessment of the risk of cooperation with a given company.

Summary results

Goal	2020 base value	2021 results	Target value	2021 status	Flagship initiative
We aim to become climate-neutral in terms of greenhouse gas emissions related to scopes 1 and 2 by the end of 2025.	24,273 tCO ₂ e	17,273 tCO ₂ e 29% reduction vs. 2020	0	●	<ul style="list-style-type: none"> • Further investments in own fleet replacement and charging infrastructure. • Guarantees of origin for distribution centres, terminals and headquarters. • A project to invest in a photovoltaic farm in a new distribution center in Radzymin near Warsaw.
We aim to reduce greenhouse gas emissions intensity at stores (scope 3) by 70% by the end of 2026 taking 2020 as the base year. 	34 tCO ₂ e/mPLN	31.7 tCO ₂ e/mPLN 6% reduction vs. 2020	10 tCO ₂ e/mPLN	●	<ul style="list-style-type: none"> • Gradual increase in the amount of energy from renewable sources. • Gradual replacement of refrigerants with solutions with a low global warming potential (GWP). • Tests of pro-ecological solutions and investments in modern technology, including refrigeration system.
We aim to reduce electricity consumption intensity by 5% (MWh/ mPLN) by 2023 from a 2020 base year.	37.7 MWh/mPLN	36.3 MWh/mPLN 4% reduction vs. 2020	35.8 MWh/mPLN	●	<ul style="list-style-type: none"> • Tests of pro-ecological solutions and investments in modern technology, including refrigeration system.
All our offices and logistics centres will be powered by renewable energy sources (scope 2) by 2023.	1.4%	100%	100%	●	<ul style="list-style-type: none"> • Purchase of energy origin guarantees for distribution centres, terminals and headquarters. • A project to invest in a photovoltaic farm in a new distribution centre in Radzymin near Warsaw.
We aim to reduce greenhouse gas emissions in scope 1 and 2 by 25% by the end of 2026 taking 2020 as the base year. 	24,273 tCO ₂ e	17,273 tCO ₂ e 29% reduction vs. 2020	18,110 tCO ₂ e	●	<ul style="list-style-type: none"> • Further investments in own fleet replacement and charging infrastructure. • Purchase of energy origin guarantees for distribution centres, terminals and headquarters. • A project to invest in a photovoltaic farm in a new distribution centre in Radzymin near Warsaw.
We aim to involve 75% our business partners by spend, covering Purchase Goods & Services, on science-based targets setting by 2026. 	29%	56.3%	75%	●	<ul style="list-style-type: none"> • Strategic planning sessions with business partners. • Identification of joint climate-related activities for subsequent years.
We aim to join SBTi and will publish our decarbonisation targets in 2021.	-	Publication of decarbonisation targets confirmed by SBTi	Publication of decarbonisation targets confirmed by SBTi	●	<ul style="list-style-type: none"> • Scientific verification and approval of decarbonisation goals by SBTi.

Legend: ○ expectations for 2021 not met ◐ expectations for 2021 partially met ● expectations for 2021 met



The goal in the strategic perspective approved by the SBTi.

About the report

Publication information

As part of the Responsibility Strategy, we have committed ourselves to the transparent reporting of our progress in terms of climate impact, using the best practices and standards available on the market.

This is our second Climate Report in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) and responds to all 11 of the Group's recommendations.

The report was published in June 2022 and contains data for 2021.

Methodology for measuring the carbon footprint

We measure our emissions in three scopes, in accordance with the international GHG standard. All entities described in the report are included in the consolidated financial statement. When calculating GHG emissions of fuels, the emission factors used came from the DEFRA database. For refrigerants, the GWP coefficients were taken from the DEFRA database or data sheets for refrigerants. For the GHG emission related to the purchased district heat, the emission factors were obtained from the DEFRA database. We adopted the criterion of operational control, accounting for the influence of individual entities on the key areas of activity defined. This was the basis for including entities in the reporting process.

When using the methodology of average data to calculate GHG emissions for purchased products (65.8% of products) emission factors from the EcoInvent

database and other scientific, publicly available sources were used. The value of GHG emissions from purchased products, calculated using the spend-based method (32.7%) as well as purchased services and capital expenditure (capex), were calculated using the EEIO (Environmentally extended input-output) computational model and using the Exiobase database. The remaining 0.5% was calculated using real emissions. The emission factors for WTT (well to tank) as well as transport and distribution were derived from the DEFRA database.

When calculating GHG emissions for electricity, both by location-based and market-based methods, National Centre for Balancing and Management of Emissions (KOBIZE) and DEFRA data were used. We report the emissions of Žabka Group in accordance with the GRI standard, using the GRI 305-1, 305-2, 305-3 indicators.

The listed GRI indicators included in the Responsibility Report were subject to independent verification (limited assurance engagement) in accordance with the ISAE3000.

The Verification Letter forms part of the Žabka Group Responsibility Report and is available on the Group's corporate website in the Responsibility tab.



For more
please read
Responsibility
Report

Methodology for identifying risks and opportunities

We identify climate risks and opportunities in accordance with the TCFD recommendation and the Enterprise Risk Management (ERM) matrix. The analysis of scenarios allows us to examine their impact on the activity in various time

perspectives. Based on identified risks, the Group assesses the resilience of its business strategy and defines quantitative and qualitative goals that bring us closer to the implementation of our mission. The diagram below presents the suc-

cessive stages of the process leading to the consideration of key climate risks and opportunities in the ERM Matrix of Žabka Group.



Identification of climate risks and opportunities

As a result of the workshops conducted, we defined a list of risks and opportunities in the ESG area, also including climate risks and opportunities. The identification process was carried out in accordance with TCFD guidelines, broken down into two types of risks: transition risk related to the transformation to a low-carbon economy, and risk related to the climate change.

Assessment of climate risks and opportunities

The assessment of climate risks and opportunities, in accordance with the Risk Management Procedure approved in 2021, took into account the probability of occurrence as well as its impact on the organisation. The qualitative assessment, with quantitative elements in terms of probability and effect, was carried out using a five-point scale. The process included the assessment of the probability and impact of a risk or opportunity materialisation (taking into account the overall

consolidated impact). The analysis took into account potential events from the entire forecast period. When assessing the impact, both the financial consequences in line with the criteria set out in the procedure were taken into account, as well as non-financial consequences related to reputation, health and safety at work and environmental impact. The assessment was made using the risk and opportunity matrices applicable in the Žabka Group, presented on the next page.

Methodology for identifying risks and opportunities

Risk matrix

Almost certain (76-100%)	Probability	●	●	●	●	●	Top risks
Likely (51-75%)		●	●	●	●	●	
Medium (26-50%)		●	●	●	●	●	
Unlikely (6-25%)		●	●	●	●	●	
Negligible (0-5%)		●	●	●	●	●	
Consequences/Impact		Negligible	Minor	Moderate	Significant	Severe	

Risk assessment: ● Low ● Medium ● High ● Very high

Opportunity matrix

Almost certain (76-100%)	Probability	●	●	●	●	●	Top opportunities
Likely (51-75%)		●	●	●	●	●	
Medium (26-50%)		●	●	●	●	●	
Unlikely (6-25%)		●	●	●	●	●	
Negligible (0-5%)		●	●	●	●	●	
Consequences/Impact		Negligible	Minor	Moderate	Significant	Severe	

Opportunity assessment ● Low ● Medium ● High ● Very high

Scenario analysis

For the purposes of analysing the resilience of the business strategy, based on the assessment of climate-related risks and opportunities, we conducted a scenario analysis resulting from different global paths of greenhouse gas emissions.

Assumptions of scenario analysis

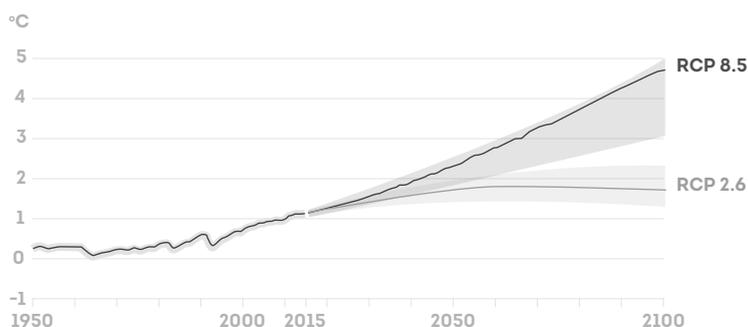
The risk analysis was modeled on prepared scenarios and paths AR5 IPCC RCP 2.6³, which assume an increase in global temperature below 2°C, and AR5 IPCC RCP 8.5, assuming an increase to 4°C.

The macroeconomic assumptions in the context of Poland were confirmed using a tool visualising the projected impact of climate change on GDP per capita, developed by the Stanford University⁴.

Each of the scenarios was adjusted to local conditions and potential impact on the retail sector was assessed along three time horizons, in accordance with the TCFD guidelines: by 2025 (short term, perspective of the Responsibility Strategy), by 2030 (medium term) and by 2050 (long

term). In line with the IPCC's findings on the impact of climate change in the short term, the differences in temperature rise up to the year 2035 for both RCP scenarios are negligible. These findings were confirmed in the context of Poland, using the World Bank's modeling tool, based on the scenarios used by the IPCC. For both scenarios, the following parameters were analysed: increase in average monthly temperatures, amount of precipitation and the number of hot days in a year (>35°C).

Predicted dynamics of global average surface temperature change:



Physical risks dominate
Long-term, global instability, severe climate impacts

Transition risk dominate
Short-term, stranded asset risk, longer-term sustainability

Source: Own study based on the IPCC Report (Fifth Assessment Report, Working Group 1, Summary for Policy Makers).

We have superimposed the local context on the principles contained in the global emission paths. In terms of transformation risks, we relied, among others, on the obligations of the parties to the Paris Agreement, established at the country level⁵.

For the Central European Region

The assumptions included:

- applied and expected regulations,

- macroeconomic factors,
- available technologies,
- maturity of markets,
- impact of chronic and sudden changes in weather.

For Żabka Group

We accounted for the specificity of our business and sector, including:

- our business model,
- strategic plans,

- financial and investment plans,
- market trends, including customer attitudes,
- business environment, including activities of competitors,
- expectations of our stakeholders, including customers, franchisees, investors, and suppliers.

³ Representative Concentration Pathways (RCP)

⁴ Based on study by Burke, Hsiang i Miguel (2015, RCP 8.5)

⁵ Nationally Determined Contributions (NDC)

Methodology for identifying risks and opportunities

Assumptions of climate scenarios

	<2°C Scenario compliant with Paris Agreement (RCP 2.6)	4°C Scenario (RCP 8.5)
Probability and scale of transformational risks (in the medium- and short-term)	Higher	Lower
Achievement of EU's targets on emission reduction in 2030 – 2050	Achieved	Not achieved
Adoption and achievement of the target of climate neutrality	Poland adopts and achieves the goal of climate neutrality, or achieves it with a slight delay.	Poland does not pursue the goal of climate neutrality or differing significantly from it.
EU Regulations	Entry into force of all regulations declared by the EU (such as expanding EU ETS).	Entry into force of all regulations declared by the EU, with possible derogations regarding deadlines for achieving individual decarbonisation targets within the economy and individual sectors or industries.
Increase in energy prices	Significant	Gradual
Emission costs	Significant	Moderate
Increase in the efficiency of RES technology	More rapid than previously	Slower than previously
Consumer eco-awareness	Significant increase in consumer eco-awareness, greater demand for low-carbon products.	

We have identified and assessed the risks and climate opportunities in both scenarios, in accordance with the international standards of risk management within the organisation. The assessments were made in compliance with the criteria of the qualitative and quantitative methods (if data is available).

Probability and effects were assessed in three time perspectives:

- identification and assessment of risks and opportunities carried out without dividing into individual scenarios, with assumption of the same level of risk materialisation in the short term (by 2025) for both scenarios <2°C and 4°C;

- separate assessment of identified risk factors and the level of risk materialisation in scenarios <2°C and 4°C;
- risk and opportunity trend assessment (expected increase, decrease or maintained significance) in both <2°C and 4°C scenarios.

Implementing key climate risks and opportunities in the ERM

The scenario analysis allowed us to identify the most important climate-related risks and opportunities for our business in three time perspectives. Key risks have been incorporated into the Enterprise Risk Management Process. The tools in this area, including the policy and

procedure, allow us to effectively manage the impact of the climate on our organisation.

With regard to key climate risks and opportunities, each action is assigned Business Owners from the relevant business units responsible for their implementation in

the organisation. Activities are regularly assessed on the basis of defined indicators and supervised during the process of periodic reviews and updates of the risk management system.

TCFD

content index

Area	Disclosure	Page
Governance Disclose the organisation's governance around climate-related risks and opportunities.	Describe the board's oversight of climate-related risks and opportunities.	[6-8]
	Describe management's role in assessing and managing climate-related risks and opportunities.	[7-9]
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	[10, 12]
	Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning	[10-13, 18-19]
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	[25-28]
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks.	[9]
	Describe the organisation's processes for managing climate-related risks.	[9, 28]
	Describe how processes for managing climate-related risks are integrated into the organisation's overall risk management process.	[25-28]
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	[20-23]
	Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	[20]
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	



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This report takes into account the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Detailed information on the document and reporting requirements are available on the organisation's website: www.fsb-tcfd.org/recommendations.

Please send any questions related to the information contained in this report to the ESG department, which coordinated the process of creating this publication:



Anna Gorączka
 Green Officer
goraczka.anna@zabka.pl



Rafał Rudzki
 ESG Director
rudzki.rafal@zabka.pl



Nano

zobko

zobko

Głodni
zdrowia
Maczfit

jush!

zobko group