Daisy Mae Coffee Company

Sustainability Statement (E1) 2023

Background to Daisy Mae Coffee Company

Headquartered in Liège, Daisy Mae Coffee Company owns and operates a network of just over 5,000 coffee shops across Europe and North America. In 2023, Daisy Mae Coffee reported net revenues of EUR 1.54 billion. Just over two-thirds of revenues comes from the company's operations in Europe. Daisy Mae Coffee works with farmers and cooperatives in several coffee-producing countries (most notably Peru, Colombia, Kenya, Uganda and Tanzania). The company roasts its own coffee for sale in its shops. Shares in Daisy Mae are traded on the Brussels Euronext exchange.

For reference: Daisy Mae Coffee Company falls under NACE Section C (Manufacturing), category 10.83 (processing of tea and coffee). As such, the company operates in a *high climate impact* sector (this has been taken into account in the disclosures below).

Please note: Daisy Mae Coffee Company is **entirely fictitious** and has been created purely for the purposes of this sample Sustainability Statement.

Statement contents
This sample Statement relates to **ESRS E-1 (Climate Change)** only. Disclosures are based on Daisy Mae Coffee Company's double materiality assessment, conducted in 2023. This assessment identified '*growing effects of climate change on green coffee production*' as one of its material topics. Based on this, the company has chosen to disclose against all requirements under ESRS E-1:

- E1.1 (climate transition plan)
- E1.2/E1.3/E1.4 (policies, targets and actions)
- E1.5/E1.6/E1.7/E1.8/E1.9 (metrics and targets).

DAISY MAE
COFFEE COMPANY

ESRS-E1
Climate change

Material topic: Effects of climate change on green coffee production

Materiality
Please refer to the appendix for more details of our Double Materiality Assessment (DMA) methodology and results (IRO-1).

Impacts, risks and opportunities
Below, we have provided details of the main impacts, risks and opportunities associated with Climate Change, derived from our internal risk assessment and market analysis. These impacts, risks and opportunities affect essentially our upstream operations (securing supplies of green coffee for our roasters) and are related mostly to physical, rather than transition, risk.

Impacts (SBM-3)
- Changing pattern of coffee production worldwide (resulting from rising temperatures, excessive or insufficient rainfall, extreme weather events etc.). Long-term.
- Increased risk of pests, invasive species and disease affecting coffee trees. Medium-term, long-term.
- Potential loss of income, particularly for small-scale farmers, mainly as a result of lower yields. Medium-term, long-term.
- Increased eco-consciousness among coffee drinkers, loyal to more sustainable brands. Short-term, medium-term.

Risks
- Growing insecurity of supply as farmers switch to subsistence or alternative cash crops (physical risk)
- Increased prices for green coffee, particularly for origins most affected by climate change (physical risk)
- Loss in quality as a result of changes in growing conditions or increased incidence of pests and/or disease (physical risk)

Opportunities
- Introduce more sustainable farming practices to improve yields and resilience to climate change
- Open up new areas of production (becoming more suitable for coffee cultivation because of climate change)
- Promote new more pest and disease-resistant or higher-yielding varieties
- Protect the environment, particularly forest areas, to support future coffee production

Note on relevance to our strategy and business model
We believe climate change will have a significant impact on our business in the years ahead, especially as high temperatures and changes in rainfall patterns reduce areas suitable for coffee growing worldwide. To support continued expansion of our network of Daisy Mae coffee shops, it's important that we work closely with farmers and cooperatives to secure sustainable, long-term supply of good quality coffee – itself crucial to maintaining reasonable prices for customers in our coffee shops. To achieve this, we are encouraging more sustainable farming practices in countries where we are already active as part of the 'Sustainable Communities' pillar of our Daisy Mae 2030 strategy. We are also supporting local communities through our crop diversification, micro-insurance and reforestation programmes, as well as investing in new production areas and varieties. Work on climate change will strengthen our reputation as a sustainable business, help us attract growing numbers of 'eco-conscious' customers to our shops and strengthen our resilience to climate risk.

Our approach to climate change is based on annual climate risk assessments; the latest of these was conducted in 2023, covering both physical and transition risk at all Daisy Mae operations worldwide (shops, industrial facilities, warehouses and offices). See E1-9 for results of our 2023 assessment. We do not conduct a separate climate resilience analysis.

ESRS-E1
Climate change

Effects on our cash flow and financial performance
To date, climate change has not adversely affected our financial performance. We don't expect significant financial effects in the years ahead, partly because of the long-term nature of climate change. Additional investment will be required to support our 'Sustainable Communities' initiatives, though this will be funded through current operating expenditure and sustainability-linked financing. Prices for coffee – or particular origins – may increase because of climate change, or one-off climate events. Thanks to our hedging programme, we are able to absorb significant price increases without these impacting our profits. In case of insecure supply, we may need to raise stock levels, which could lead to an increase in financing costs, given current high interest rates – though this has not occurred so far, and we don't anticipate any need to increase stock levels in the next 2-3 years at least.

Integration of climate-related performance in incentive schemes (GOV-3)
For Executive Board members and other senior management[1] :
20% of annual variable pay is based on sustainability performance criteria, including:
- Progress in implementing our Climate Management Plan (CMP)
- Reductions in carbon emissions (scopes 1, 2 and 3, based on a three-year rolling average)
- Gender diversity at senior management level
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Each of these contributes one-third to the calculation of variable pay*.

Progress against our CMP is based on an annual assessment, carried out by an independent third party in collaboration with our Supervisory Board Remuneration Committee. The remaining 80% of variable pay is based on financial and personal performance criteria.

For our Head of Sustainability:
- 75% of annual variable pay is based on the same sustainability performance criteria as above, with the remaining 25% based on financial and personal performance criteria.

Payments are made according to whether company performance is 'ahead of target', 'on target' or 'below target'. All payments must be approved by the company's Supervisory Board (following recommendations from the Supervisory Board's Remuneration Committee). Under our Remuneration & Compensation Policy, variable pay may not exceed 50% of an individual's fixed annual salary. This Policy has been approved by the Annual General Meeting of Shareholders (AGM); any future changes must also be approved by the AGM.

Please note: Our Supervisory Board members receive fixed attendance fees; they do not receive any salaries or variable performance-related payments. For more information, see disclosures under ESRS 2.

*For Executive Board members and senior managers, 6.7% of variable pay is therefore directly linked to climate-related performance criteria.

1 Members of Global Management Team (GMT), drawn from across the company's operations. At the end of 2023, the GMT numbered 35 senior managers (not including members of the Executive Board).

E1-1

Transition plan for climate change mitigation

Material topic: Effects of climate change on green coffee production

Our Climate Management Plan
We have had a Climate Management Plan (CMP) in place for the past three years. This plan is aimed at reducing emissions across our business and supply chain in line with the Paris climate objectives and our commitment to the Science-Based Targets initiative (SBTi). The CMP is embedded in our overall company strategy under the 'Sustainable Communities' pillar (covering both people and environment), and has been approved by both the company's Executive and Supervisory Boards.

Targets and initiatives under the CMP
As part of the CMP, we have set targets to reduce combined scope 1 and 2 emissions (from our own operations) by 85% by year-end 2030. Over the same period, we aim to reduce scope 3 emissions from our wider supply chain by at least 50%. These emission reductions will be achieved mainly by increasing energy efficiency and use of renewable sources, as well as by encouraging more sustainable farming practices among our suppliers. We will compensate the remaining scope 1 and 2 emissions – approximately 15% of our 2021 baseline – through carbon credits and removal programmes (see E1-7, below), allowing us to achieve net-zero in our own operations by 2030.

Our Executive Board reviews progress against the CMP each quarter. Emission targets use a baseline of 2021; this baseline will be updated again in 2026. During the first three years of our CMP (2021-2023), our initiatives enabled us to reduce scope 1 and 2 emissions by just over 42% and scope 3 emissions by 21%, putting us on course to meet our 2030 targets (for further details, see E1-4).

As part of the CMP, we are also looking to reduce carbon intensity in our supply chain – i.e., the amount of CO_2-equivalent required to produce each kilogramme of coffee. By doing so, we will be able to meet our emission targets, while still growing our business in the years ahead in line with our broader corporate strategy.

Note on locked-in emissions
At our own operations, we have 'locked-in' emissions, primarily through buildings, plant and equipment; these account for less than 1% of our total greenhouse gas emissions. Over time, we plan to reduce these locked-in emissions by improving energy efficiency at our shops and industrial sites, and by systematically replacing old, diesel-powered plant and equipment where possible.

Approach to investments under the CMP
To support our climate management plan, we have set aside EUR 220 million to fund investments over five years (2021-2025). Of this amount, approximately half is already committed. We expect considerable returns on these investments in terms of savings on energy costs, generally higher yields among coffee farmers over the next 5-10 years and income from new production areas. Investments will be funded partly from operating expenditure, partly through a EUR 150 million sustainability-linked loan, agreed with our creditors in 2021. As a matter of policy, we conduct environmental impact assessments for all capital projects, worth EUR 50,000 or more.

E1-1
Transition plan for climate change mitigation (cont.)

Reference to EU Taxonomy and Paris-aligned investment benchmarks
We have a number of activities corresponding to the environmental objectives set out in the EU's Taxonomy for Sustainable Activities:

Activity	Corresponding environmental objective(s)
Energy efficiency programmes and increased use of renewables at our shops and industrial facilities	Climate adaptation
Encouragement of more sustainable farming practices through Daisy Mae Farm Improvement Programme	Climate adaptation
Use of cleaner, alternative fuels in shipping and road transport	Climate adaptation
Development of climate-resilient coffee varieties and investment in new production areas, less affected by climate change	Climate adaptation
Support for reforestation programmes in coffee-growing areas in Latin America	Climate adaptation Protection & restoration of biodiversity & eco-systems
Estimated % of operating expenses from these activities (2023)	12%
Estimate % of capital expenditure from these activities (2023)	22%
Estimated % of net revenue from these activities (2023)	0%

Notes to table
For details of activities listed above, see E1-3 below.

To our knowledge, Daisy Mae Coffee is not excluded from any EU Paris-aligned investment benchmarks[1].

1 Companies may be excluded from these benchmarks if it is found that they significantly harm one or more of the environmental objectives, set out in the EU taxonomy.

E1-2 (MDR-P)
Policies related to climate change mitigation and adaptation

We have several policies in place relating to management of climate change. Together, these policies ensure that employees take climate issues into account when making business decisions and that we comply with all relevant laws, regulations and internal standards.

Code of Conduct
Scope: applies to all employees
Contents: based on company's values, the Code of conduct contains provisions relating to environmental sustainability (including our 'minimum environmental impact' principle, and rules on waste, water management and energy use within our shops, offices and processing & roasting facilities)
Relevant international standards: UN Global Compact, OECD Guidelines for Multinational Enterprises
Most senior manager accountable for implementation: CEO
Alignment with the EU's Taxonomy for Sustainable Activities: Climate adaptation, Energy efficiency, Renewable energy deployment

Health, Safety & Environment Policy
Scope: applies to all employees
Contents: includes minimum standards on environmental management (in line with ISO 14001), provisions relating to mandatory and timely reporting of incidents that may cause pollution and 'restitution' of the local environment and/or biodiversity in case of damage.
Relevant international standards: UN Global Compact (principles 7-9)
Most senior manager accountable for implementation: Head of Human Resources/ Head of Sustainability
Alignment with the EU's Taxonomy for Sustainable Activities: Climate mitigation

Risk management policies
Scope: applies to all employees
Contents: identifies Climate & Environment as a 'strategic risk' as part of our risk taxonomy and mandates regular climate risk and impact assessments at our industrial facilities, as well as for all capital projects worth over EUR 50,000.
Relevant international standards: NA
Most senior manager accountable for implementation: Chief Risk Officer
Alignment with the EU's Taxonomy for Sustainable Activities: Climate mitigation

Ethical Coffee Policy
Scope: applies to all suppliers (including farms, cooperatives and coffee exporters)
Contents: sets out minimum social and environmental standards to which suppliers must adhere (covering issues such as water conservation, waste management, consideration for biodiversity). Standards are supported by an extensive verification programme, including regular audits of lead suppliers (carried out with the support of a third party, Verisafe).
Relevant international standards: UN Global Compact, UN Guiding Principles on Business & Human Rights, International Labour Organisation (ILO) standards, OECD Guidelines for Multinational Enterprises
Most senior manager accountable for implementation: Chief Procurement Officer/ Head of Sustainability
Alignment with the EU's Taxonomy for Sustainable Activities: Climate adaptation, Climate mitigation

Implementation of these policies
To ensure compliance with these policies, we provide extensive training to our employees; this includes mandatory training on our Code of Conduct. In addition, Internal Audit monitors compliance and reports any (suspected) violations to the Executive Board. Compliance with internal standards and policies are also included in our approach to risk management. We require all suppliers to adhere to our Ethical Coffee Policy and work with them closely on implementation. Policies are regularly reviewed and updated (in part, to take account of changes in laws and regulations).

Consideration of stakeholder interests
The purpose of our policies is to protect the interests of our stakeholders, as well as meeting legal requirements, industry regulations and international standards. Stakeholder interests are taken into account as part of our compliance process. Stakeholders are regularly consulted on the effective working of our policies. Their views are also considered whenever policies are updated, or new policies introduced.

E1-3 (MDR-A)
Actions and resources in relation to climate change policies

Over the past year, we have taken significant steps to execute our CMP; these include measures to increase energy efficiency at our shops and industrial facilities, the continued roll-out of the Daisy Mae Farm Improvement Programme and using cleaner fuels in our shipping and road transport. As part of the CMP, we have earmarked EUR 220 million to finance these initiatives; for more details, please see E1-1 above.

Summary of actions to support climate policies and transition plan

Within our operations:

Actions	Progress and implementation
Energy efficiency programmes in place at Daisy Mae coffee shops (including insulation, switch to more energy-efficient machines and boilers, installation of smart meters etc.).	Currently, just over 40% of our shops have an energy efficiency plan in place. Our aim is to extend this to 100% by the end of 2026. Together, we expect these plans to deliver around 80% of our targeted reduction in scope 1 and 2 emissions by 2030; the remainder will be delivered by increasing our use of renewables and making our industrial processes more efficient (see below).
Increasing use of renewable energy by: · Switching contracts where possible to wind and/or solar power · Installing solar panels at shops and other sites	Most of our shops have now switched to renewable power; in some cases, this is not possible because of local supply constraints (accounting for no more than 5% of all locations). Solar panels have now been installed at shops in Belgium, Switzerland and Italy; this will be expanded to four other countries in 2024: France, Netherlands, Austria and Canada.
Making our processing & roasting facilities more energy-efficient (by increasing use of digital technologies, and introducing greener, more efficient machinery)	We have now conducted energy risk and efficiency assessments at all processing facilities. These will act as the basis for energy action plans, to be rolled out over the next seven years (2024-2030). During 2023, we began pilot testing a new system for storage (which over time will reduce energy consumption) and new, more energy-efficient grinding and blending equipment.

Within our supply chain

Actions	Progress and implementation
Daisy Mae Farm Improvement Programme to encourage more sustainable farming practices, including: · Water conservation (water collection, trenches etc.) · Use of shade trees and cover crops · Avoiding overuse of potentially harmful fertilisers	This programme was developed in cooperation with Coffee Research & Development Centre. It is now in operation in four producing countries: Peru, Colombia, Uganda and Tanzania. We plan to extend it to a fifth (Kenya) by 2025. We expect the programme will result in better overall yields, higher quality and 'lower carbon' coffee over the next 5-10 years. The programme will deliver approximately 60% of the expected reduction in scope 3 emissions by 2030, with the rest coming from the introduction of new coffee varieties and use of cleaner fuels in transport. Projections for scope 3 emissions are inherently more uncertain, however – and the impact of our Farm Improvement Programme, in particular, will depend on farmer uptake and prevailing growing conditions.
Switching to cleaner, alternative fuels by: i. Introducing biodiesel in trucks used to transport coffee between ports, processing facilities and shops ii. Studying possible use of eco-fuels in shipping green coffee from origin countries	New biodiesel trucks have been introduced in several countries (using HVO 100), including the Netherlands and Belgium (for transport of coffee from ports at Rotterdam and Antwerp). Our plan is to extend use of these trucks over the next seven years. By 2030, we expect at least 70% of our coffee (by weight) will be transported using biodiesel trucks. In addition, we are currently in discussion with three shipping companies to switch to eco-fuels when shipping coffee on our behalf, significantly reducing emissions from transport. We expect these arrangements to take effect from 2025.

E1-3 (MDR-A) .

Actions and resources in relation to climate change policies (cont.)

Actions	Progress and implementation
Supporting reforestation in coffee-growing areas through our partnership with the Friends of the Forest	In 2023, we supported Friends of the Forest's reforestation initiative in Peru, Colombia and Brazil. The aim of this initiative is to restore around 300,000 km^2 of forest and move local coffee plantations to new, more suitable sites. The initiative won't have a direct effect on our scope 3 emissions, but will provide additional carbon removals.
Introducing new varieties of coffee, more resistant to pests, disease and changes in climate	During 2023, we launched two pilot programmes in Colombia to introduce new coffee varieties. We expect the first results from these pilots in 2025. If successful, we will extend the programmes to other locations in Colombia and Peru. Eventually, these varieties could have significant impact on emissions – but, as pilots, they have not yet been included in our emission projections.
Diversifying our purchases of green coffee and potentially investing in areas of new production, less affected by climate change	We have plans in place to source more coffee, over time, from producing areas less likely to be affected by climate change. Our aim will be to establish long-term relations with farms and cooperatives where we can be sure of quality and supply. By 2030, we expect to source around 15% of our coffee from these areas. From 2022, we have also been investigating the possibility of converting new land to coffee production. So far, we have identified approximately 2,000 ha in Colombia and south-east Brazil for this purpose. We expect to make a final decision on investment before year-end 2025. Initial results suggest his land is less vulnerable to climate change, or may even benefit from expected changes in rainfall patterns. If approved, this land would not enter production before 2029 at the earliest.

Key: Decarbonisation levers

- Energy efficiency
- Supply chain
- Nature-based solution
- Switching fuels
- Renewable energy deployment

E1-4 (MDR-T)
Targets related to climate change mitigation and adaptation

To support our CMP, we have set clear targets on emission reductions from both our own operations and our wider supply chain. In addition, our aim is also to reduce the carbon intensity of our coffee. Current targets relate to 2030; we plan to publish new emission targets by year-end 2025, covering the period 2030-2050[1].

Targets set in 2021 replaced our previous five-year targets, introduced in 2016. Between 2016-2021, we reduced emissions from our own operations (scopes 1 and 2) by just over 34%, above our 2021 target of 30%. Our target for supply chain emissions (scope 3) applied only from 2021.

1 Separate interim targets will be published for five-year intervals between 2030 and 2050 (i.e., 2035, 2040 and 2045).

Emission reduction targets, 2030

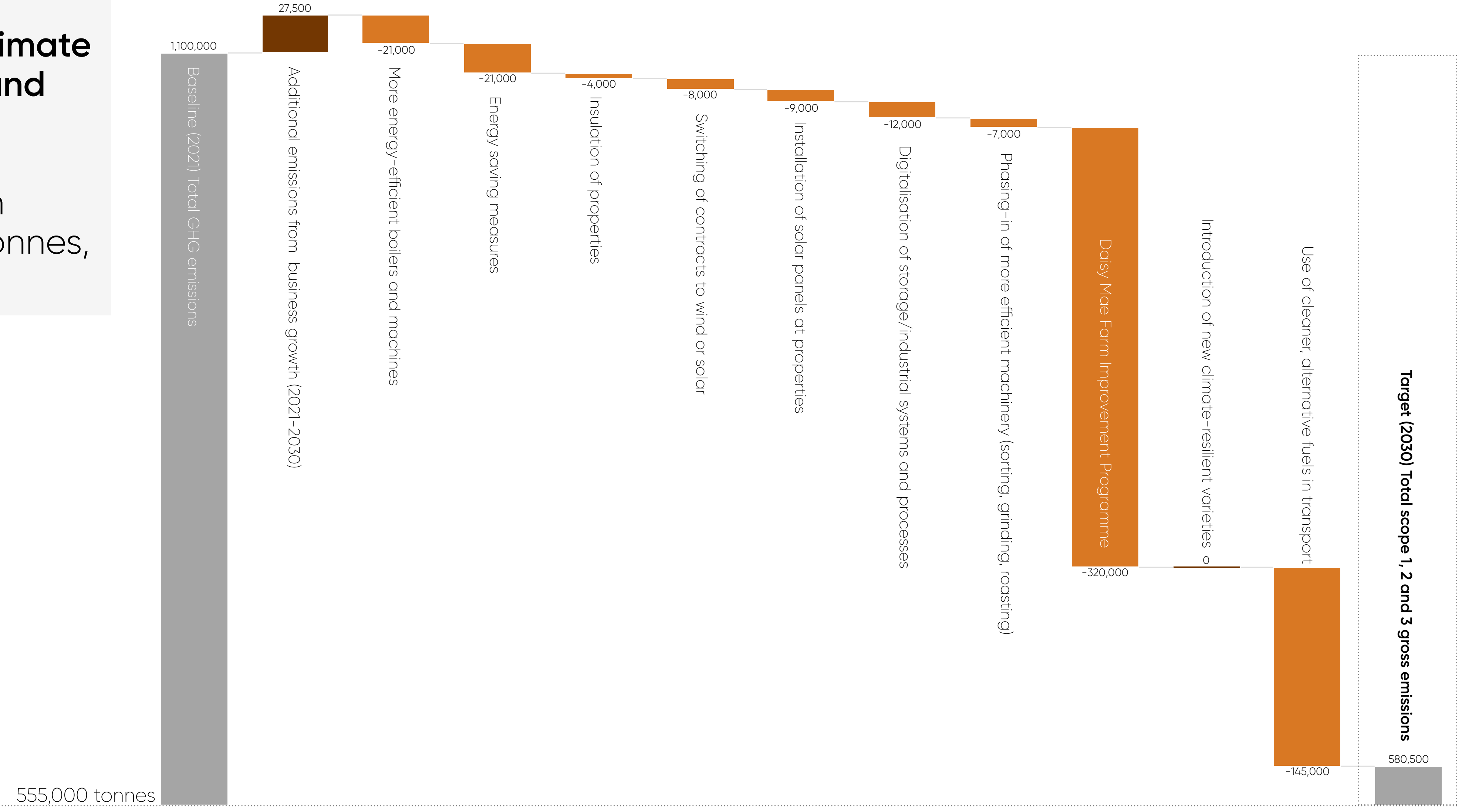
	2021 baseline	2023 emissions	% change 2023 vs. 2021	2030 target vs. 2021 baseline	Progress
Gross emissions from our own operations (scope 1 and 2)	688,500	481,650	-30%	-46%	
Gross emissions from our wider supply chain (scope 3)	411,500	303,350	-26%	-50%	
Carbon intensity (kg CO_2-equivalent for each kg of green coffee produced)	0.2	0.4	-50%	-75%	

Ahead of schedule   On schedule   Behind schedule

E1-4 (MDR-T)

Targets related to climate change mitigation and adaptation (cont.)

Pathway to emission reduction targets (tonnes, CO2-equivalent)



Notes to data

- Figures shown above are estimates and have been rounded to the nearest ,000. Additional emissions from business growth reflect the planned 5% expansion in our network of coffee shops, included in our Daisy Mae Coffee 2030 strategy. Our targets are based on a +1.5°C warming scenario (in line with the Paris climate objectives), as well as internal projections for expected business growth and future purchases of green coffee. To set our targets, we used a science-based methodology as part of our commitment to the SBTi. All targets have been approved by our Executive Board. In implementing our targets, we are working closely with several external stakeholders, including suppliers (farms and cooperatives), Friends of the Forest and the Coffee Research & Development Centre.
- If warming exceeds +1.5°C, we would expect the impact of climate change on coffee production to become progressively more acute, which may slow or even prevent further future expansion in our business, particularly if temperatures advance beyond +2.5°C . At present, our targets are not assured externally; however, we will introduce independent third-party assurance from 2025, covering both our targets and progress towards them.
- Please note this table provides figures for gross emissions only; for details of our carbon credits and removals, see E1-7 below. For scope 1, 2 and 3 emissions, we have used definitions from the Greenhouse Gas Protocol (see ghgprotocol.org). Our calculation for scope 3 emissions is based partly on third-party data (where primary data was not available). We estimate that this relates to no more than 6% of our total scope 3 emissions. To calculate emissions, we have used emission factors published by the International Energy Agency (IEA). Scope 3 upstream-emissions are calculated on a pro rata basis, by weight (i.e., total emissions from our suppliers, farms and cooperatives divided by total tonnage purchased during the reporting year).

E1-5
Energy consumption and mix

Below, we have provided a breakdown of our energy consumption by source. As part of our CMP, we have been progressively reducing our use of fossil fuels; these currently account for just over a third of our total energy consumption. We expect to be able to reduce this to just 10% by 2030.

Energy consumption by source (MWh)

	2023	2022
Coal and coal products	25,000	35,450
Crude oil and petroleum products	97,250	110,500
Natural gas	27,800	31,500
Purchased power from fossil fuels	253,550	265,400
Total fossil fuels	403,600	442,850
Nuclear	0	0
Renewable sources	377,600	318,000
Purchased power from renewable sources	478,000	225,000
Self-generated renewable energy	1200	780
Total renewable sources	856,800	543,780
Share of renewables (%) in total energy consumption	68%	55%
Energy intensity (consumption by net revenue)	1.2	0.8

*For total net revenue, see page 203, Statement of Income for 2023 (Financial Statements).

E1-6

Gross scopes 1, 2 and 3 and total greenhouse gas (GHG) emissions

The table below shows data for scopes 1, 2 and 3 GHG emissions. For scope 3 emissions, we have also provided a breakdown by category (under the GHG protocol) as a high climate impact sector[1].

Total gross GHG emissions (all figure in tonnes of CO2-equivalent)

	Baseline (2021)	2022	2023	Target (2030)
Scope 1				
· Gross emissions	550,000	465,000	361,500	275,000
· % from regulated emission trading schemes	45%	49%	57%	95%
Scope 2				
Gross emissions				
· Location-based	67,500	54,550	57,000	51,000
· Market-based	71,000	61,900	63,150	47,500
Scope 3				
Gross emissions, of which:				
· Purchased goods & services (3.1)	98,000	108,000	82,400	62,000
· Capital goods (3.2)	77,200	79,100	57,500	52,000
· Upstream transportation and distribution (3.4)	67,450	55,000	42,000	33,000
· Waste generated in operations (3.5)	17,200	16,500	18,000	2,000
· Business travel (3.6)	22,000	22,000	17,200	15,200
· Employee commuting (3.7)	4,300	5,700	6,500	2,000
· Downstream transportation (3.9)	97,500	89,000	64,500	33,000
· Processing of sold products (3.10)	9,850	5,050	3,900	1,500
· Use of sold products (3.11)	11,875	12,500	8,350	2,000
· End-of-life treatment of sold products (3.12)	6,075	11,000	5,000	1,500
Total gross emissions				
· Location-based	450,000	375,000	322,000	255,000
· Market-based	650,000	605,500	463,000	325,500
Emissions intensity (emissions by net revenue)	1.1	0.95	0.78	0.5

1 Daisy Mae Coffee Company falls under NACE Section C (Manufacturing), category 10.83 (processing of tea and coffee). As such, the company is regarded as operating in a high climate impact sector.

Notes to table above

Figures for scope 3 emissions include most significant categories only. Together, we estimate these categories account for more than 95% of our total scope 3 emissions. There are five minor categories for which we have not disclosed figures: Fuel and energy-related activities (3.3), Upstream leased assets (3.8), Downstream leased assets (3.13), Franchises (3.14), and Investments (3.15).

E1-7
Greenhouse gas removals and mitigation projects financed through carbon credits

As part of our CMP, we purchase carbon credits to compensate for emissions we cannot currently avoid. These credits – certified by AllCarbon – are used to finance solar-powered cooking stoves for rural communities in Kenya, Tanzania and Uganda, reducing the need for wood-burning and benefiting both human health and the local environment. By 2030, we expect these carbon credits to account for approximately 15% of our total scope 1 and 2 emissions. Along with other emission reduction measures, this will allow us to become net-zero within our own operations. In the wider supply chain, we are working with Friends of the Forest to reforest areas that had been cleared for coffee production in Peru, Colombia and Brazil. Our contribution will help relocate coffee farms in these areas, provide farmers with new, more productive trees, and assist in crop diversification to support long-term livelihoods (see also E1-3, above).

Total carbon removals (tonnes of CO_2-equivalent)

Removals	2023	2022	% change (year on year)
Purchase of carbon credits	15,700	13,400	+17.2%
Reforestation programme (jointly with Friends of the Forest)	25,000	10,000	+150%
Total removals (within value chain)	40,700	23,400	+73.9%
Total removals (outside value chain)	0	0	
Share of removals across value chain:			
· Upstream	41%	43%	
· Own operations	39%	57%	
· Downstream	0%	0%	

E1-8
Internal carbon pricing

We introduced internal carbon pricing in mid-2022. We apply our internal carbon price to all capital projects or acquisitions above EUR 500,000. The price is also applied, within Daisy Mae Coffee, to determine priorities under our CMP. We use a system of shadow pricing – our prices are based on industry benchmarks and regulated carbon prices in our operating markets, where available.

Internal carbon pricing helps us allocate resources efficiently – and strengthens our approach to managing climate risk. Our internal carbon price covers all geographies (in which the company is active), as well as all scope 1, 2 and 3 carbon emissions. We set our shadow carbon price for 2024 at EUR 60/tonne of CO_2 equivalent (unchanged from 2023 and slightly below the market average for the year of EUR 62.15). Our internal carbon price is subject to annual review and approval by the company's Executive Board; it will next be reviewed in November 2024 (our new price will apply from January 2025).

E1-9

Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

Assets at risk
In 2023, we conducted an extensive climate risk assessment, covering both our own operations (shops, processing and roasting facilities etc.) and our exposure to physical climate risk regarding future supplies of green coffee from farms and cooperatives. The assessment covers various warming scenarios between +1.5°C and +3.5°C .

Within our own operations
In our assessment, we did not identify any significant physical risk to either our shops or industrial facilities from climate change. All our locations have insurance against extreme weather events and take steps to mitigate risk in this area (flood defences where necessary, sprinkler systems, cooling mechanisms in case of extreme heat etc.)

Within our supply chain
Our assessment identified coffee production areas most at risk from climate change (primarily rising temperatures and lower rainfall). Currently, we source just over 40% of our green coffee from these areas, assuming warming of +1.5°C (though this rises to 45% at +2.5°C and 55% at +3.5°C). These 'most-at-risk' areas are located mainly in Colombia, Peru, Uganda and southern Tanzania; suppliers in Kenya are less affected.

Mitigation measures would compensate some, though not all, potential climate-related losses (this becomes progressively less the case beyond +2.5°C). We have focused our Daisy Mae Farm Improvement Programme on areas most at risk from the effects of climate change. We estimate that our current mitigation efforts cover approximately 60% (by production) of the farms and cooperatives identified as at 'most at-risk' (this estimate includes future purchases from producing areas less affected by climate change).

Anticipated financial effects

Operating expenses
We expect energy efficiency measures to generate approximately EUR 120 million in cost savings over the period 2024-2030, with most coming after 2026. This represents around 15% of our total operating expenses. These savings will be offset, to some degree, by scheduled repayments on our sustainability-linked loan[1].

Capital investment
As stated above, we have set aside EUR 220 million to finance our CMP through to 2025. Around half of this amount has still to be committed, but we expect it to be so by year-end 2024. Investments will be funded through a combination of current income and a sustainability-linked loan; we expect this to have no significant effect on our debt leverage ratios.

Net revenue
Our CMP is fully aligned with our broader Daisy Mae 2030 strategy, which sets out plans for a 5% increase in the company's overall net revenue (to be achieved mainly through an expansion in our network of coffee shops). We don't expect measures to reduce climate risk in our supply chain to affect net revenues – though these measures should lead to longer-term improvements in both quality and yield. Purchasing coffee from new sources – or investing in new areas of production – are designed primarily to compensate for potential losses in supply elsewhere from climate change.

Climate-related opportunities
- Develop new areas of coffee production, less vulnerable to climate change (E1-3)

1 This loan attracts favourable interest rates, providing we meet pre-agreed performance targets (including scope 3 emission reductions).

E1-9

Anticipated financial effects from material physical and transition risks and potential climate-related opportunities (cont.)

- Improve yields and coffee quality through more sustainable farming practices (E1-1, E1-3)
- Achieve significant cost savings through increased energy efficiency and more efficient industrial processes (E1-1, E1-9)
- Strengthen reputation as a sustainable business and win over eco-conscious customers (E1-1)
- Diversify sources of supply, reducing risk from external shocks, including climate change (E1-3)

Reconciliation to Financial Statements:

- For total net revenue and operating expenses, see page 203, Consolidated Statement of Income for 2023
- For capital investment, see page 235, Notes to the Consolidated Annual Financial Statements (note 7.4)

About this Sustainability Statement

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We created this sample Sustainability Statement purely for illustration purposes. We wanted to show what a Sustainability Statement might look like under the new ESRS, how this Statement might be structured and what information it should contain. Daisy Mae Coffee is an entirely fictitious company. Details of its climate strategy, its approach to climate risk management, its various programmes and initiatives, are all fictitious, as is the data in the Statement. We did, however, draw on our knowledge of the ESRS and our experience of working with reporting companies to make the Statement as 'realistic' as possible.

About Kōan Group
We're one of very few companies to specialise in sustainability reporting. Based in Amsterdam, we have a professional, committed and creative team that helps companies get to grips with sustainability reporting – everything from double-materiality assessments and CSRD compliance to bespoke reports on topics such as climate change, biodiversity and mental health. If you'd like to know more about what we do, please contact us at info@wearekoan.com

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