

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.

Methodology for identifying risks and opportunities



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

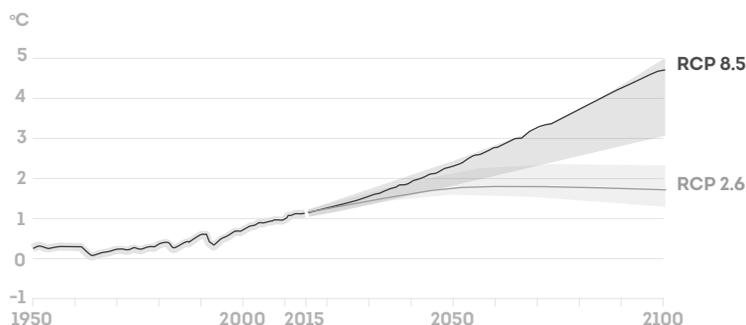
The risk analysis was modeled on prepared scenarios and paths AR5 IPCC RCP 2.6³, which assume an increase in global temperature below 2°C, and AR5 IPCC RCP 8.5, assuming an increase to 4°C.

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.