



Paper and Wood Policy



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Introduction

At Żabka Polska, we believe that sustainable living is possible for everyone and every day. One of the four pillars of our Responsibility Strategy is Green Planet. With an eye to protecting our planet, we strive to reduce our negative impact on the environment. One of the key areas of our activity is the search for circular operating models, including a concern for the optimal use of resources – such as wood and paper.

Achieving a high recycling rate is our priority. We are inspired by figures from the European Paper Recycling Council which state that in 2021, 71.4% of paper and cardboard was recycled in Europe. In response to these challenges, we are introducing a Paper and Wood Policy which emphasises the need to establish a closed-loop use of these raw materials. Our activities cover the entire life cycle of packaging: from designing packaging that is recyclable and, where possible, made from recycled materials, to giving it a second life.

We are fully aware that the transformation from linear to circular economy is possible: by designing packaging with its future recycling in mind. Our pursuit of the closed-loop material cycle reflects our deep environmental responsibility. We are guided by a set of clear principles (the Eco-Design Policy) aimed at reducing waste and promoting efficient use of raw materials as well as responsible, sustainable sourcing of materials, taking into account such factors as their impact on ecosystems. We believe that caring for the environment is not only our duty, but also a way of thinking and acting that contributes to a better tomorrow. Our commitment to environmental protection is reflected in the recognition of the importance of FSC (Forest Stewardship Council) and PFSC (Programme for the Endorsement of Forest Certification) certificates, which are seen as an effective tool to confirm responsible forest management and nature conservation.

We also aim to inspire our business partners to take similar steps. By introducing our Policy, we not only implement the principles set by Żabka Polska in our own operations, but also actively promote them among our stakeholders, including franchisees and suppliers of products of both our Private-label Brand and regular brands. We encourage them to adopt practices that support circular economy.

Art. 1 Subject matter and scope of the policy

1. The Paper and Wood Policy defines the principles we follow at Żabka Polska in the area of Circular Economy concerning unit, bulk and transport packaging within the framework of Private-label Brand Products offered by Żabka Polska.
2. The Policy applies to employees, associates, current and future business partners and franchisees of Żabka Polska.

Art. 2 Definitions and abbreviations

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|-----------------------------------|--|
| 1) Paper and Wood Policy | – this Paper and Wood Policy. |
| 2) Żabka Polska | – Żabka Polska sp. z o.o. |
| 3) Employees | – all persons employed by Żabka Polska under an employment relationship, regardless of the type of employment contract and working time; |
| 4) Associates | – individuals providing services to Żabka Polska or performing other services under cooperation agreements (i.e. a civil law contract, including a contract for the provision of services, a contract of mandate or a contract for specific work) or relevant powers of attorney. |
| 5) Franchisees | – individuals who operate a shop under the Żabka brand on the basis of the relevant agreements concluded with the Company. |
| 6) Business Partner | – natural or legal person with whom Żabka maintains a business relationship, excluding Employees, Associates and Franchisees, i.e. suppliers of goods and services. |
| 7) Responsibility Strategy | – a strategic document adopted in 2021, setting out the ambitions, directions of development and objectives in the area of responsibility (ESG) of Żabka Polska. The strategy consists of 4 pillars: Sustainable lifestyle, Positive impact on the environment, Responsible organisation and Green planet. |

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| 8) CLE | – Closed-Loop Economy, in the Policy equivalent to ‘circular economy’. Closing the loop is about using fewer and fewer primary raw materials and increasing the level of processing and reuse of resources and materials. |
| 9) UN | – United Nations |
| 10) Green circulation | – a model showing the areas of Żabka Polska's business where the Company initiates activities leading to responsible resource management in line with the idea of a circular economy. |
| 11) Private-label Brand Products | – products offered to the customer under the brand of the Żabka Polska network, understood as products manufactured by a given supplier, with properties specified by Żabka Polska, packaged in a manner indicated by Żabka Polska and bearing a trademark indicated by Żabka Polska, to which all intellectual property rights are held by Żabka Polska. |
| 12) Wood | – hard, fibrous material derived from trees and shrubs, consisting mainly of cellulose fibres, lignin and other organic compounds. |
| 13) Paper | – paper is a flat, thin material made mainly of plant-based cellulose fibres, such as wood, cotton or grass. |
| 14) Unit packaging | – packaging directly intended for the end consumer which enables purchase and use of the product without the need to open additional packaging. This type of packaging serves a number of functions: protective, informative, marketing and convenience. |
| 15) Bulk packaging | – used primarily during the storage and transport of goods, enabling more units of products to be managed efficiently. These packs have a protective function for groups of unit packs or groups of products, facilitating their storage, identification and distribution. |

- 16) Transport packaging**
- packaging designed to protect goods during transport, ensuring the stability and safety of the products being transported - both commercial (unit) and bulk packaging. It is a key element in creating efficient and safe loading units.
- 17) FSC®**
- Forest Stewardship Council certification
 - the certification ensures that the company only uses raw material sourced from sustainably managed forests. Hence, FSC certification provides customers with a guarantee that the company is using wood from forests whose managers care for their vitality and biodiversity.
- 18) PEFC™**
- The Programme for the Endorsement of Forest Certification
 - the wood used to manufacture the products has been sourced appropriately and the raw materials used to manufacture the products have been purchased only from certified suppliers who respect natural resources. PEFC gives priority to national timber certification regulations.
- 19) Biodiversity, biological diversity**
- the diversity of organisms living in each ecosystem and the diversity of the entire ecological systems of which those organisms are part; includes intra-species, interspecies and ecosystem diversity.

Art. 3 General context

Forests cover 30% of the Earth's land area, providing a spectrum of ecosystem services critical to human health and well-being and to the environment. Not only are they a key oasis for biodiversity, but they also play a critical role in mitigating climate change through their ability to absorb greenhouse gases. Nevertheless, one of the main factors contributing to global deforestation and forest degradation is the increasing demand for agricultural products which leads to farmland expansion.

However, in addition to agriculture, the significant demand for wood also contributes to the pressure on the world's forests. In this context, responsible management of wood resources becomes particularly important, especially in the packaging sector. The introduction of private label product packaging opens up new opportunities for companies to demonstrate environmental responsibility and sustainability. The use of paper and wood from certified sustainable sources can reduce the negative impact on forest areas.

Adopting sustainable practices in packaging production, such as recycling and waste reduction, can contribute to forest conservation. Thanks to innovation and new technologies, we have the opportunity to lead a transformation in the packaging of private label products, making them more environmentally friendly. In the Paper and Wood Policy, the importance of sourcing raw materials responsibly and promoting sustainable packaging production practices, as well as promoting appropriate handling of packaging waste among Consumers, becomes crucial. This is particularly important in view of the growing challenges of forest protection and sustainability, which requires concerted action from both businesses and consumers.

Increasing demand for wood is putting negative pressure on forest ecosystems. Uncontrolled logging contributes to deforestation and forest degradation, which leads to biodiversity loss, while contributing to climate change as well. Land deforestation is one of the most significant factors determining the extinction of animal, plant and mushroom species. In addition, this activity leads to carbon dioxide emission into the atmosphere, thereby contributing to the greenhouse effect. The outcome of deforestation is impaired water circulation in nature, which exacerbates extreme weather events while degrading the soil and threatening the quality of life of the people living in logging areas.

The European Union, in pursuit of efforts to reduce the risk of global deforestation and forest degradation, has undertaken a number of legislative and regulatory initiatives. One of these is the Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of

certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 - the so-called EUDR, published on 9 June 2023. The purpose of the EUDR is to regulate the import to and export from the EU of goods whose production contributes to global deforestation and forest degradation. This legislation will allow products and their supply chains to be recognised as 'deforestation free'. The EUDR establishes mandatory due diligence rules for all operators and traders who introduce, make available or export i.a. timber from the EU market. The legislation also covers derived products, such as printed paper. Operators who place on the market products containing i.a. timber will have to track the path of the harvested raw materials in order to obtain detailed information about the material, including the geo-location of the parcel from which it was harvested. Only goods produced in an area where there has been no deforestation or forest degradation after 31 December 2020 will be introduced into the EU market or exported from the EU.

The provisions of the EUDR will take effect from 30 December 2024. Today, the use of certified raw material in products guarantees that the wood comes from forest plantations managed in accordance with sustainable forest management principles established by the relevant certification bodies. This means that such plantations comply with ecological guidelines as effectively as with economic and social ones. Accredited certification schemes, such as FSC® or PEFC™, can be an important step in preparing for future due diligence rules for timber products.

The regulation that currently regulates the area of timber harvesting is the EUTR Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 (European Union Timber Regulation) aimed at combating illegal logging and trade of illegally harvested timber products within the EU. Thanks to the EUTR regulation, it is possible to precisely verify the origin of timber. This process is based on tracking the transport of each batch, from its source to its final point of use, using unique identifiers assigned to each transport. This approach not only increases supply chain transparency, but also contributes to the fight against illegal logging as a key element in the protection of the world's forest resources.

The EUTR requires companies that introduce timber and timber products in the EU market to take measures to ensure the legality of these products, as well as accurate traceability. The implementation of this regulation was important for the policy of sustainable forest management and environmental protection.

Nevertheless, an important aspect in the area under consideration is the use of paper as a primary raw material for packaging. In the EU, 50% of paper is dedicated to this type of

production. Increasing volumes of packaging produced in the EU market combined with low reuse and recycling rates are hindering the development of a low-carbon closed-loop economy. This is one of the reasons why, in November 2022, the European Commission proposed a draft Regulation of the European Parliament and of the Council on packaging and packaging waste, amending Regulation (EU) 2019/1020 and Directive (EU) 2019/904 and repealing Directive 94/62/EC - the so-called PPWR. The overarching aim of the PPWR under consideration is to reduce the amount of packaging waste generated. The draft introduces regulations that contribute to reducing unnecessary packaging, as well as promoting solutions based on the use of reusable packaging and refillable mechanisms. In this context, the following provisions on the definition of reuse and refill targets relating to operators using palletised transport packaging are relevant:

- from 1 January 2030 onwards, the entity shall ensure that 30% of such packaging used is reusable packaging compliant with the reuse system;

An equally important dimension of the draft PPWR is the introduction of regulations to help stimulate high-quality recycling. The goal is that by 2030 all packaging in the EU market can be recycled in an economically feasible way. To this end, the draft PPWR Regulation introduced i.a. a methodology for determining recyclability classes for packaging, prohibiting packaging with recyclability of less than 70% from 2030. From 1 January 2030, packaging will have to meet the Design for Recycling (DfR) criteria, and from 1 January 2035, the requirements will be further adapted to ensure that recyclable packaging is also sufficiently effectively collected, sorted and recycled ('large-scale recycling'). The methodology described above will be set out in delegated acts to be adopted by the European Commission.

In addition, recycling goals have been introduced for Member States in this respect, including:

- by 31 December 2025 at least 65% of all packaging waste must be recycled and by 31 December 2030 - at least 70%

whereby:

- by 31 December 2025, packaging waste made of:
 - paper and cardboard - must be recycled at a min. 75%,
 - wood - must be recycled at a min. 25%,

and by 31 December 2030 packaging waste made of:

- paper and cardboard - must be recycled at a min. 85%
- wood - must be recycled at a min. 30%.

Art. 4 - Principles and objectives of Żabka Polska

In view of the above, Żabka Polska, as a marketer of packaged products, feels obliged to minimise its environmental footprint in its own operations. As a Company:

1. We shall promote sustainable forest management by producing paper packaging for Private-label Brands products exclusively from FSC® or PEFC™ certified paper and wood, in line with our objectives. For brand manufacturers, on the other hand, these assumptions are directional. These certifications assure us that the packaging we use is sourced in an environmentally and socially responsible manner.
2. We shall fulfil regulatory obligations, but also look for new and effective solutions - testing them and, where appropriate, implementing and scaling them up.
3. We shall be targeting the introduction of recycled paper in the wrapping, packaging and transport of Private-label Brands by 2030.
4. We shall be directionally supportive of the measures that could potentially be imposed on Poland by the PWPR in terms of recycling: 75% of paper and cardboard and 25% of marketed wood by the end of 2025, and 85% and 30% respectively by the end of 2030.

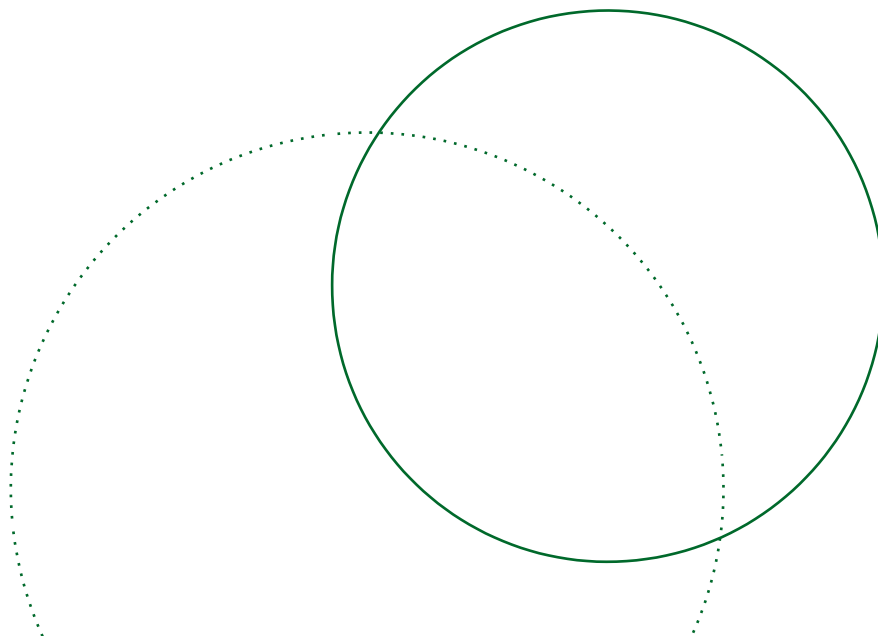
As part of our long-term sustainability strategy, we have set ambitious goals to achieve by the end of 2030. We aim to minimise our impact on the environment and promote responsible management of natural resources. Accordingly:

- By the end of 2030, 100% of the wrapping and packaging elements of Private-label Brand products shall be made of paper sourced from FSC® or PEFC™ certified raw materials.
- By the end of 2030, a 50% share of recycled paper in the wrapping and packaging elements of Private-label Brand products will be achieved.
- Within Private-label Brands, the amount of raw material marketed will be balanced.

In order to meet the above targets, all new products introduced to the range of Żabka Polska's Private-label Brands, in accordance with the guidelines, must be assessed in accordance with the

principles contained in the 'Ecodesign Policy' of Żabka Polska and according to the guidelines contained in the '9 Golden Rules of Ecodesign' developed by the Polish Plastics Pact, of which Żabka Polska is a member.

It is crucial that a total of 3 conditions expressing our standards are met for each product:



Art. 5 - Review and update of the policy

1. The Quality Standards & Climate Protection Director is responsible for ensuring that the Paper and Wood Policy complies with the generally applicable law and verifying any irregularities in its implementation or execution.
2. The Paper and Wood Policy is reviewed and updated by the Quality Standards & Climate Protection Director at least once a year.

Art. 6 - Final provisions

This Policy shall focus on different areas of activity, such as promoting recycling, investing in research of innovative materials as well as public education and raising awareness. This is the challenge we face to protect our planet and future generations.

The document shall be added as an annex to the trade agreement.

1. The Paper and Wood Policy was adopted by the Board of Directors of the Company on 13.06.2024.
2. The Paper and Wood Policy comes into force on 13.06.2024.

