

SUSTAINABILITY

REPORT 2022





SUSTAINABILITY
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EDITORIAL

DEAR VALUED STAKEHOLDER,

Every approach to sustainability in any business must begin with economic viability and shared responsibility in overarching topics. When we speak of the first, we mean that everyone involved in getting our wonderful product into the consumer's cup must be able to make a sustainable living from doing so and that especially the producers must be able to take decisions and ultimately choose coffee. The latter means that the entire coffee value chain must chip in in accordance with their possibilities to reach this goal while respecting the changing conditions that coffee is subject to – global warming, weather, politics and conflicts, the ongoing pandemic, market volatility and price-sensitive but demanding consumers. For all these issues, the past year has repeatedly shown us how challenging our times and how unforeseeable the future can be. At NKG, we are impressed by the many projects and programs the industry is developing, but much more is needed, and quickly.

Within NKG, we have seen great progress since the publication of our last Sustainability Report. In 2020, we reassessed our strategic approach to sustainability and developed our Responsible Business Program (NKG RBP) in close collaboration with numerous different stakeholders. It is intended as a guiding framework for all NKG companies worldwide, reaffirming our commitment for the future, and is being implemented constantly ever since.

A major milestone reached this year is the adaptation of our group-wide data collection of sustainability KPIs across twenty-five countries. Many colleagues and NKG operations worldwide have intensely collaborated in this process, ensuring common ground and understanding for our RBP and a baseline for future improvement. Based on this data, we calculated our Corporate Carbon Footprint, including Scope 1, 2 and 3 emissions, for the first time, which builds one of the focus topics of this report. Based on this understanding, we will formulate ambitious goals within our activities.

As a green coffee company, we are at the center of the coffee supply chain, connecting producers and customers worldwide through trade. We are aware of the responsibility that comes with this and take it very seriously. In addition to our initiatives



such as NKG Bloom, which have been successfully continued in the reporting period, NKG has recently finalized two new supply chain programs to increase traceability and compliance along the coffee supply chain – NKG Verified and NKG SCIP. While NKG Verified offers customers traceable coffees that meet key sustainability criteria, NKG SCIP is a program implemented to collaborate with our business partners worldwide and to set effective measures for the protection of human rights along the coffee supply chain.

With our NKG Sustainability Report 2022, we would like to give you an insight into our Responsible Business Program, show where we stand today and which milestones we have achieved so far. Knowing that there is yet a long way to go on the way to an equitable and sustainable coffee industry, we are yet proud of the progress we have made. Of course, all of this has only been possible due to the active participation of our colleagues worldwide, for which I would like to express my sincere thanks. It would of course be impossible without their knowledge on so many topics on the ground in so many places, each with their own set of challenges and, thus, opportunities.

We hope you enjoy reading the report and we are looking forward to any and all constructive feedback to make us better.

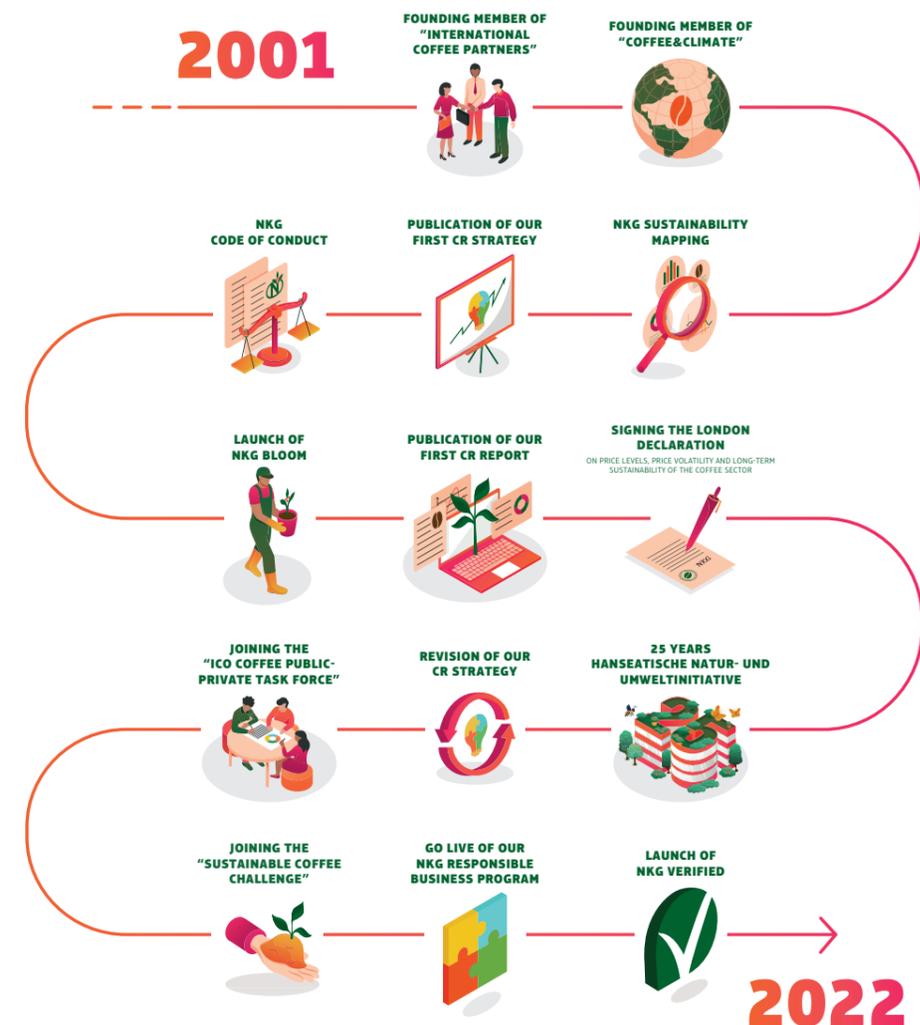
Sincerely,
For the Board of Management


David M. Neumann
Group CEO



MILESTONES

NKG's journey towards sustainability started many years ago and we have already achieved significant milestones:



RESPONSIBLE BUSINESS PROGRAM

Sustainability and responsible conduct have always been integral to our work at NKG, as coffee connects us with people, communities and their natural environments all over the globe. Their health and wellbeing are fundamental for our company's long-term success. Driven by this responsibility, our strong corporate values and the latest industry developments, we launched the NKG Responsible Business Program (RBP) in 2020. The RBP defines four focus areas and nine strategic objectives for our work, building a robust framework for our group's sustainability efforts. As our business environment is constantly changing, the RBP is reviewed on a regular basis to ensure that it matches with our long-term objectives and the needs of our stakeholders. For this purpose, we conducted a strategy workshop with a group of sustainability experts from different NKG companies and departments in the spring of this year. This open

exchange allowed us to narrow the topics that are most material to our business and has led to a revision of the RBP. All objectives of the RBP are fully supported by our Board of Management and the operative management of all NKG companies. While the program is led and coordinated by the holding Neumann Gruppe GmbH in Hamburg, the objectives are implemented in close collaboration with our colleagues worldwide and adapted to their national contexts and organizational set-ups.

HOW WE WORK

Our work on the RBP is based on three pillars that support the achievement of our objectives: innovation, partnerships and communication.

To use resources more efficiently, we need to continuously question the way we produce and trade coffee. Digitizing our operations in the field and beyond to enhance traceability and gain an even deeper understanding of our coffee supply chains is an important starting point. Beyond this, we pilot new technologies, such as handheld scanners for soil tests to optimize fertilization, and support producers in the rediscovery of traditional methods such as bio-input production.

OUR PEOPLE		1 Support a learning culture
		2 Increase diversity
		3 Promote responsible workplace practices
SUPPLY CHAINS		4 Enhance sustainability performance within our supply chains
		5 Improve transparency and ethical conduct in collaboration with direct suppliers
PRODUCERS		6 Improve farmer livelihoods through value-added services
		7 Bridge the financing gap
PLANET		8 Measure and enhance our environmental performance
		9 Promote environmentally friendly and resilient coffee farming practices

Moreover, we are convinced that sustainability benefits from different perspectives, skills and joint forces. For this reason, we do not only engage in multiple industry partnerships, but also rely on an interdisciplinary team of colleagues from various departments and with diverse backgrounds, which is working collaboratively on the implementation of the RBP. Lastly, we believe that holistic and transparent

communication should be at the core of any sustainability strategy. In this report we want to communicate the objectives we aim for, how we work on them, and where we still have potential to grow, improve and learn. Unless otherwise noted, all information refers to the reporting period January to December 2021. The content of the report has not been reviewed by an external party.

INDUSTRY PARTNERSHIPS

Through our Responsible Business Program we want to contribute to a more sustainable future in the coffee industry. However, solving major sustainability challenges will always require industry-wide approaches and the joint commitment of different players. NKG believes in the power of collaboration. We are a proud founding member of "International Coffee Partners" and "coffee & climate." Together with Hanns R. Neumann Stiftung as an implementing partner, we have been able to improve the livelihoods of more than 300,000 farmer households in 18 countries since 2001. Moreover, we actively engage in multiple other initiatives to enhance industry dialogue and to address complex sustainability topics that go far beyond our own supply chain.



SUSTAINABLE DEVELOPMENT GOALS

Motivated by our vision of a fair and sustainable coffee industry, we contribute to the following United Nations (UN) Sustainable Development Goals (SDGs) through our Responsible Business Program:





OUR PEOPLE

1

SUPPORT A LEARNING CULTURE

2

INCREASE DIVERSITY

3

PROMOTE RESPONSIBLE WORKPLACE PRACTICES

OUR PEOPLE

SUPPORT A LEARNING CULTURE

Offering our employees access to high-quality training on coffee expertise, skills and values is an important part of our daily business. Traditionally, we pass along our knowledge and know-how face to face, colleague to colleague, and firmly believe that this exchange is a vital part of NKG's learning culture.



In recent years, we have added opportunities for digital and online learning to the existing in-person learning spaces. Putting a stronger focus on online learning is meant to open new ways of learning for colleagues in other parts of the world and to build a library of training and know-how that is accessible from anywhere at any time.

to offer centralized training content to employees worldwide. The first use case was for our yearly Code of Conduct training, which you can read more about below.

LEARNING CULTURE AT NKG

In 2020, NKG established its learning management system NKG Learning, in an effort to centralize and strengthen digital and online learning within the group. The internal platform is open to all NKG employees who have a computer workspace and currently counts 1,307 active learner accounts.

NKG Learning is a flexible, multi-use space that offers the tools and infrastructure for many different needs. For individual NKG companies, it enables them to easily create and distribute training material for their local employees, for example trainings on hygiene when working with coffee samples or on Covid safety measures. Management in all NKG companies has access to NKG Learning to use it for local trainings. Beyond that, the platform is used

VOLUNTARY TRAININGS AND LEARNING TIME QUOTA

Based on an employee survey, NKG has recently expanded its use of NKG Learning by offering voluntary trainings on green coffee knowledge and personal growth to all employees. In the survey, employees could state their interest in different topics that may be offered as online trainings. Overwhelmingly, the interest in learning more about our own core business was the highest rated. Therefore, the NG Holding created a training program in which different stages and processes of the coffee business are explained. This training is created internally, drawing on the expertise of colleagues around the world. The first installment of this program was released at the start of 2022 and more will follow soon. Further, the survey showed that NKG employees



“ ALL EMPLOYEES WITH COMPUTER ACCESS MAY SPEND 12 PAID WORKING HOURS PER YEAR ON TRAININGS OF THEIR CHOICE ON NKG LEARNING.

are also interested in trainings on a vast range of personal and professional development topics. In response, NKG is offering a variety of personal growth trainings from 2022 on. These trainings are sourced from a professional online training provider and cover a broad range of topics from improving teamwork, over interesting inputs such as on design thinking, to health topics such as the importance of sleep.

To enable employees to participate in this offer of voluntary trainings, NKG companies set up a learning-time quota in 2022. All employees with computer access may spend 12 paid working hours per year on trainings of their choice on NKG Learning.

CODE OF CONDUCT TRAINING

Employee training is also an important way for us to increase awareness of and strengthen competence in relevant topics from the NKG Code of Conduct among our employees worldwide. The NKG Code of Conducts holds our core values and beliefs about how we want to act as corporate citizens in the world of coffee and provides NKG colleagues with best practices for responsible business conduct. Every year, it is accompanied by a new online training that focuses on key topics that remind us of our commitments and the need to transfer them to real-life examples and exercises.

SPECIALIZED TRAINING CONTENT

By now, it is fair to say that the Code of Conduct Online Training has a bit of a history at NKG, as it has already been carried out successfully for five years. In the past two years, the online training has been created in-house by NKG, to ensure that all topics and examples are relevant and applicable for our highly specialized coffee businesses all over the world. One focus point in the training development has been to make all our different colleagues feel addressed and included by the online training, which is why the trainings are led by illustrated characters that are representative of a majority of NKG employees.

TRAINING IN 2021

In 2021, the training had three different modules: Making good decisions, Our Business Partners, and Anti-trust and Fair Competition. The training was rolled out to 1,307 NKG employees using the NKG Learning online platform. The target group was employees who work in an office space and use a computer at work. Out of these employees, more than 95 % have successfully completed their Code of Conduct Training in 2021.

1,251
TOTAL NUMBER OF EMPLOYEES TRAINED THROUGH CODE OF CONDUCT TRAINING 2021

2.09 hrs
AVERAGE TIME PER EMPLOYEE SPENT ON ONLINE TRAINING

TRAINING CONTENT 2017-2021

Reporting integrity incidents
Respect in the workplace
Being a role model Preventing bribery and corruption
Bullying Antitrust and fair competition
Making good decisions
 Information security Use of company resources
Preventing fraud
Equality of men and women in the workplace

1,307
TOTAL NUMBER OF ACTIVE LEARNER ACCOUNTS

25
TOTAL NUMBER OF MODULES AVAILABLE

1,784
TOTAL NUMBER OF MODULE COMPLETIONS IN 2021



“MANY NKG COMPANIES HAVE **EMPLOYEES WHO WORK IN MILLS, WAREHOUSES OR ON FARMS, AND DON'T HAVE COMPUTER ACCESS. THEY ARE TRAINED IN CODE OF CONDUCT TOPICS IN OUR NKG AWARENESS DAY INSTEAD OF ONLINE.**”

OUR PEOPLE

INCREASE DIVERSITY

Operating in 26 countries and working with more than 2,900 employees from different cultural and educational backgrounds, we live diversity and mutual respect at NKG every day.



1,655
TOTAL NUMBER OF EMPLOYEES WHO RECEIVED REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW

LOCAL TRAININGS

In addition to content and training concepts that are available to the entire group, individual NKG companies have varied training opportunities for their employees. Unfortunately, many of these training activities were cancelled last year due to the Covid-19 pandemic and related restrictions worldwide. However, a total of 1,655 NKG employees received a performance and career development review in 2021. That equals 55.67 % of our workforce. Moreover, 873 of our employees participated in career- or skill-related training with an average duration of 23.27 hours. We hope that we will be able to reach even more NKG

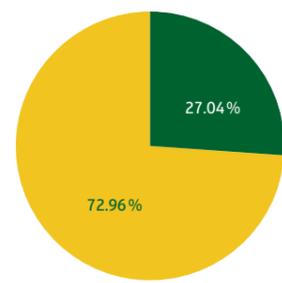
873
TOTAL NUMBER OF EMPLOYEES RECEIVING CAREER- OR SKILL-RELATED TRAINING

23.27 hrs
AVERAGE TIME SPENT ON CAREER- OR SKILL-RELATED TRAINING



colleagues in the upcoming years when external conditions allow us to come together again and to live our learning culture in the way we are used to.

As part of our Responsible Business Program, we aim to increase this diversity even further. Through our actions, we want to support a working environment free from discrimination and harassment. Our priority is to be an employer where all colleagues worldwide feel valued and appreciated regardless of their race, skin color, nationality, religion, gender, age, marital status, disability or sexual orientation. At NKG, we acknowledge the importance of diversity in all its facets.



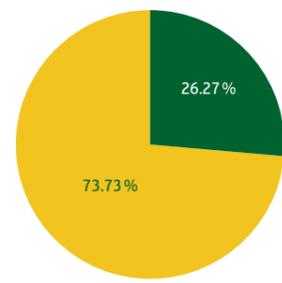
GENDER DISTRIBUTION GROUP LEVEL

Female
Male

DIVERSITY AT NKG: OUR STATUS QUO

As a basis for our actions, we conducted a group-wide collection of diversity KPIs in 2021.

Through this process, we identified that though diversity is deeply rooted in our company DNA, there is still more work to be done. As per December 31, 2021, only 27.04 % of all NKG employees worldwide were women – a number we want to improve by implementing specific initiatives to strengthen the position of women in the coffee industry.



GENDER DISTRIBUTION IN MANAGEMENT*

* Heads of departments or higher levels
To the company's knowledge, there were no employees of a gender other than male or female employed at NKG in the reporting year 2021. For this reason, the category "non-binary" was omitted from the report for readability.

RELATED SUSTAINABLE DEVELOPMENT GOALS



GENDER DISTRIBUTION BY REGION

	WORLD	AFRICA	ASIA	EUROPE	NORTH AMERICA	SOUTH & CENTRAL AMERICA	OCEANIA
Total number of employees	2,973	495	295	373	540	1,166	104
Thereof men	2,169 72.96%	366 73.94%	204 69.15%	206 55.23%	410 75.93%	909 77.96%	74 71.15%
Thereof women	804 27.04%	129 26.06%	91 30.85%	167 44.77%	130 24.07%	257 22.04%	30 28.85%
Total number of employees in management position	316	40	30	78	60	98	10
Thereof men	223 73.73%	29 72.50%	22 73.33%	53 67.95%	40 66.67%	81 82.65%	8 80.00%
Thereof women	83 26.27%	11 27.50%	8 26.67%	25 32.05%	20 33.33%	17 17.35%	2 20.00%

AGE DISTRIBUTION BY REGION

	WORLD	AFRICA	ASIA	EUROPE	NORTH AMERICA	SOUTH & CENTRAL AMERICA	OCEANIA
Total number of employees by age group	2,973	495	295	373	540	1,166	104
Under 30 years old	761 25.60%	135 27.27%	60 20.34%	57 15.28%	163 30.19%	320 27.44%	26 25.00%
30-50 years old	1,621 54.52%	313 63.23%	175 59.32%	173 46.38%	272 50.37%	633 54.29%	55 52.88%
Over 50 years old	591 19.88%	47 9.49%	60 20.34%	143 38.34%	105 19.44%	213 18.27%	23 22.12%
Total number of employees in management position by age group	316	40	30	78	60	98	10
Under 30 years old	18 5.70%	10 25.00%	0 0.00%	3 3.85%	2 3.33%	3 3.06%	0 0.00%
30-50 years old	167 52.85%	23 57.50%	20 66.67%	33 42.31%	38 63.33%	48 48.98%	5 50.00%
Over 50 years old	131 41.46%	7 17.50%	10 33.33%	42 53.85%	20 33.33%	47 47.96%	5 50.00%



THE NECESSARY AND LONG-OVERDUE WORK OF BUILDING RACIAL EQUITY FOR BLACK AMERICANS IN COFFEE WILL ONLY ADVANCE THROUGH PARTNERSHIPS AND EDUCATION. [...] OUR WORK ACCELERATES PROGRESS IN BUILDING A MORE INCLUSIVE INDUSTRY, UNLOCKING OPPORTUNITIES TO BETTER SOLVE OUR CHALLENGES.

Phyllis Johnson, CCRE

NKG PACE: OUR FIRST STEP TOWARD GREATER DIVERSITY IN THE COFFEE INDUSTRY

As diversity can have different meanings depending on its context, we also develop and support local initiatives, which should serve as a starting point for positive change on a larger scale. One example is the Neumann Kaffee Gruppe Partnership to Advance Coffee Equity (NKG PACE), which was created to begin addressing the inequality gap in the U.S. coffee industry. Currently, Black Americans experience the largest gap in employment and decision-making roles.

In June 2020, David M. Neumann reached out to Phyllis Johnson, co-founder of BD Imports, in response to an open letter she wrote, calling on coffee industry leaders to take action and to create a more equitable industry. They continued to correspond, and shortly afterward, NKG PACE was developed

in close cooperation with Phyllis' newly founded Coffee Coalition for Racial Equity (CCRE).

NKG PACE is a paid, one-year Quality Control-focused training program for Black Americans through which the three NKG U.S. companies – Atlas Coffee Importers, InterAmerican Coffee and Rothfos Corporation – are sharing their knowledge of the green-coffee industry, as well as the quality expertise of their sister export companies in nearly every coffee-producing country. The CCRE, which was integral to the development and execution of the program, will additionally pair each Partner with a professional mentor during their time in the program.

After the inaugural year, the program will be open to coffee-industry sponsors, who may contribute funding or educational opportunities. NKG PACE also receives support from the globally respected Coffee Quality Institute (CQI) in the form of guidance and contributions to the program's educational curriculum.

By employing and training Black Americans, and equipping them to advance within the industry, we hope to grow the number of Black professionals in the U.S. coffee industry and on our own teams, as well as to challenge all of us to keep learning and growing as professionals and individuals.





From left to right: Jayy Terrell, Porttia Portis, Charles Umeano

MEET THIS YEAR'S NKG PACE PARTNERS

JAYY TERRELL

Jayy (they/them) is a Houston native who discovered the city's coffee scene through a barista job six years ago. They were immediately hooked and have since worked at several coffee bars. Jayy's favorite coffee memory is judging a Houston Queer Pride Coffee Throwdown. Jayy has joined the InterAmerican Coffee team in San Diego.

PORTTIA PORTIS

Porttia (she/her) is a journalist turned coffee professional from Dallas, Texas, via Dayton, Ohio. Her love for coffee began at an early age, with her father sneaking her sips of his morning coffee, and eventually led to a barista position. Porttia has joined the Atlas Coffee Importers team in Seattle.

CHARLES UMEANO

Charles (he/him) is a graduate of the University of Chicago, where he was on the Dean's List and a University Scholar Award recipient. Growing up in a Nigerian household, he says, the question was whether he wanted to be a lawyer, a doctor or an engineer. But coffee won out. A Brooklyn resident, Charles has joined the office in Hoboken, which is shared by the Neumann Gruppe USA holding company, Rothfos Corporation and InterAmerican Coffee.



Please scan the QR Code to find a video with more information on NKG PACE in the online version of this report.

RELATED
SUSTAINABLE
DEVELOPMENT
GOALS



OUR PEOPLE

PROMOTE RESPONSIBLE WORKPLACE PRACTICES

Our people are the heart of our business, and enabling each and every one of them to conduct their work passionately, safely and with the highest standards of integrity is key to our success.



We not only set the highest standards for our coffees but also for our working environment. Therefore, we have tools and frameworks in place to offer guidance and support on our core values and how to put them into practice across countries, cultures and workplaces.

ENSURING COMPLIANCE

To uphold our culture of integrity and make sure it is adjusted and expanded when necessary, NKG maintains a network of Compliance Representatives in each group company who are responsible for ensuring that employees are informed about NKG compliance activities and have access to all relevant documents and mechanisms. The Group Compliance department in Hamburg provides central guidance and develops group-wide strategies based on changes in external requirements and standards and regular Compliance Risk Assessments. It also supports the group companies in the Business Partner Due Diligence process.

NKG CODE OF CONDUCT

Our NKG Code of Conduct serves as a guiding framework for our corporate identity and for the actions and behaviors of every person belonging to it. First established in 2017, it was revised in 2020 to reflect the ever-changing circumstances in which we operate. To our employees, the Code of Conduct is both a promise and a set of expectations: It sets down in writing their right to a workplace that meets the highest possible health, safety and security standards, a professional environment free from discrimination and harassment, and fair employment conditions with the opportunity for professional development. In turn, NKG expects its employees to act in accordance with our ethical standards and applicable laws and regulations.

Our Code of Conduct provides general guidance on our working standards, responsible handling of information and company property, and relationships with third parties. It is complemented by our NKG Compliance Guidelines, which give more detail on

important topics such as “Dealing with Conflicts of Interest” or “Complying with Sanctions and Preventing Money Laundering.”

Both the Code of Conduct and our Compliance guidelines are available in English, Spanish, Portuguese, Vietnamese and German so that all our colleagues worldwide have access to the information in a language they are comfortable with.

NKG AWARENESS DAY

To guarantee that all our employees, regardless of where they work, are familiar with the content of our Code of Conduct we launched the NKG Awareness Day in 2019. It is our offline solution for compliance trainings for those who cannot receive the annual Code of Conduct training via our online platform, NKG Learning. Our exporting companies and farms work with coffee as a physical product,

growing, harvesting, processing and warehousing it before it gets shipped to its destination. In these companies, many NKG colleagues have physically active jobs and do not have a computer workspace or company e-mail address. Nevertheless, continuous training is very important in these positions.

The topics of the Awareness Day are based around the NKG Code of Conduct, though they are not the same as the focus in the online training, as different aspects are important to the different groups. For example, in the settings of farms, mills and warehouses, physical health and safety is a key topic to understand and continuously develop. The Awareness Day is a mix of talks, exercises and social activities, targeted to make learning fun and memorable. The participating NKG companies are provided with guidance from the holding on training topics and planning. However, as each of NKG’s group companies is unique due to local culture, size, focus and different coffee seasons, companies can customize anything from the date of the event to the training contents to fit their individual needs.

Unfortunately, the Awareness Day could not be carried out in all NKG exporting companies and farms in 2021 due to the Covid-19 pandemic.



OHS TRAINING

Participation in regular OHS trainings is mandatory for all NKG employees and takes place beyond the NKG Awareness Day. In addition to compulsory topics such as fire safety, which are of utmost importance for all employees, our group companies design their trainings to be as demand-oriented as possible and adapt them to the respective occupational fields. A survey among our group companies in 2021 showed the most frequent work-related injuries to be cuts from tools or machinery, traffic and commuting accidents, and falling or slipping accidents.

Additionally, accidents such as being hit by falling objects or snake bites while working in coffee fields were recorded during the reporting period.

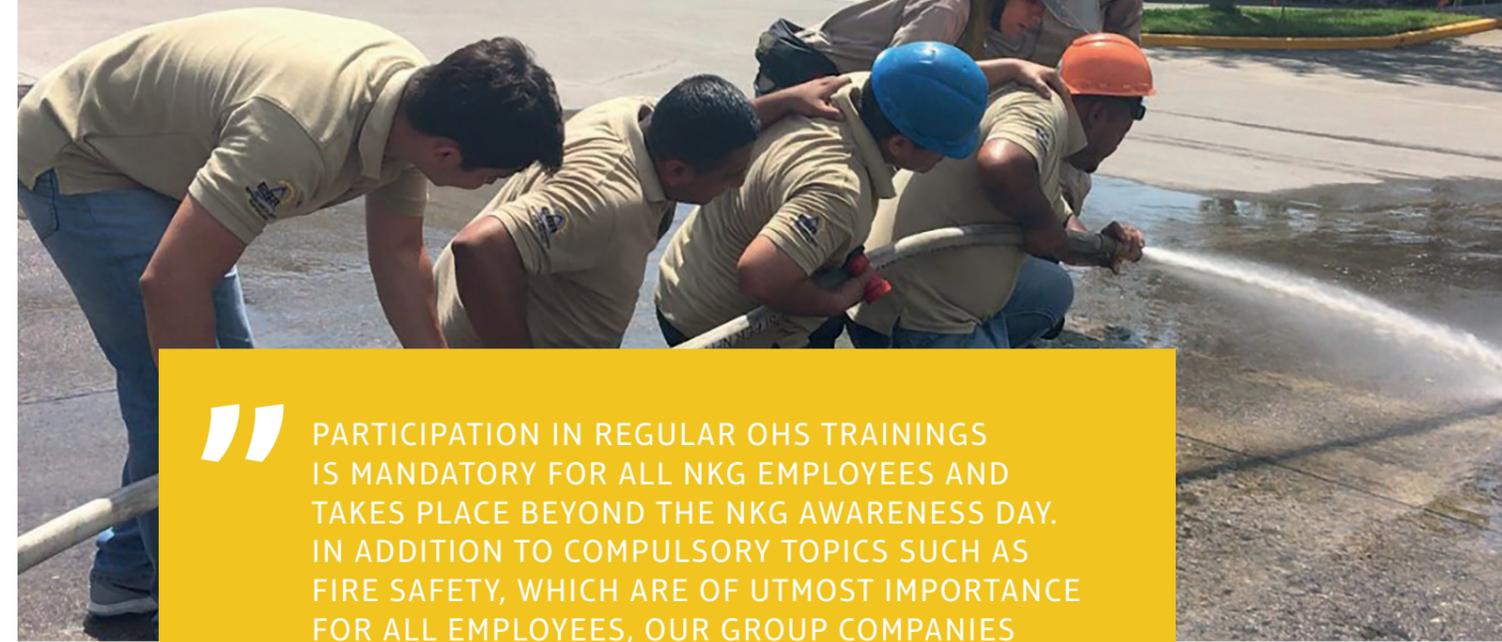
In 2021, we registered a total of 150 work-related injuries or ill health across the group, none of which were fatal. Of these 150 incidents, 97.33% occurred on our farms and in export companies. Despite the restrictions imposed by the Covid-19 pandemic, 58.43% of all NKG employees worldwide and 38.86% of all third-party workers received OHS training last year. Topics covered were, among many others, “First aid in the field,” “Safe handling of agrochemicals” and “Use and handling of fire extinguishers and firefighting.”

150
RECORDABLE
WORK-RELATED
INJURIES OR
ILL HEALTH

0
ACCIDENTS
THAT RESULTED
IN FATALITIES

OHS KPIs AT A GLANCE

	TOTAL	IMPORTING	EXPORTING	FARMING	SERVICES
Total number of employees	2,973	269	1,882	597	225
Total number of third-party workers employed	422	9	402	0	11
Total number of recordable work-related injuries or ill health	150	1	79	67	3
Total number of accidents that resulted in fatalities	0	0	0	0	0
Total number of employees represented in formal joint management worker health and safety committees	827	9	360	446	12
Total number of OHS training hours	10,692	103.44	8,455.56	1,938	195
Total number of employees receiving OHS training	1,737	72	1,065	444	156
Average time (in hours) spent on OHS training per participating employee	6.16	1.44	7.94	4.36	1.25
Total number of OHS training hours for third-party workers	311.54	1	298.04	0	12.5
Total number of third-party workers receiving OHS training	164	1	154	0	9
Average time (in hours) spent on OHS training by third-party workers	1.9	1	1.94	0	1.39



“ PARTICIPATION IN REGULAR OHS TRAININGS IS MANDATORY FOR ALL NKG EMPLOYEES AND TAKES PLACE BEYOND THE NKG AWARENESS DAY. IN ADDITION TO COMPULSORY TOPICS SUCH AS FIRE SAFETY, WHICH ARE OF UTMOST IMPORTANCE FOR ALL EMPLOYEES, OUR GROUP COMPANIES DESIGN THEIR TRAININGS TO BE AS DEMAND-ORIENTED AS POSSIBLE AND ADAPT THEM TO THE RESPECTIVE OCCUPATIONAL FIELDS.

INTEGRITY REPORTING PLATFORM

In 2021, we received a total of ten integrity complaints via the NKG Integrity platform, two of which could be validated and led to disciplinary consequences. Most cases raised fall under the category “Discrimination, harassment and bullying.”

Even though we do our best to create a respectful and safe working environment for everyone, misconduct by individuals is unfortunately not completely avoidable. For this reason, employees at NKG have the responsibility to seek advice and the duty to report situations that may be in breach of the law or NKG’s ethical standards. Local reporting structures are in place at all NKG companies. Moreover, for cases in which it may be inappropriate to raise the issue locally or if the local reporting structure fails, NKG has an online integrity reporting platform, which is managed centrally by Group Compliance. Retaliation against any employee who raises concerns in good faith is strictly prohibited by the guideline on reporting complaints and every case is treated with the highest level of confidentiality.

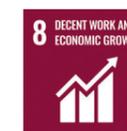
10 INTEGRITY COMPLAINTS RECEIVED

2 INTEGRITY COMPLAINTS VALIDATED

2 INTEGRITY COMPLAINTS THAT LED TO FURTHER DISCIPLINARY CONSEQUENCES



RELATED
SUSTAINABLE
DEVELOPMENT
GOALS





SUPPLY CHAINS

4

ENHANCE SUSTAINABILITY PERFORMANCE WITHIN OUR SUPPLY CHAINS

5

IMPROVE TRANSPARENCY AND ETHICAL CONDUCT IN COLLABORATION WITH DIRECT SUPPLIERS

SUPPLY CHAINS

ENHANCE SUSTAINABILITY PERFORMANCE WITHIN OUR SUPPLY CHAINS

Finding solutions that both our customers and producers benefit from is a key intention for us at NKG. As part of our active commitment to integrity and responsibility along the green coffee supply chain, we created NKG Verified, an initiative that establishes a bridge between coffee growers and coffee buyers.



NKG Verified offers customers traceable coffees that are produced on farms meeting the following key sustainability criteria:

TRACEABILITY AND TRANSPARENCY

Launched in 2021, NKG Verified aims to improve visibility along the supply chain for green coffee buyers.

At the center of the program is a set of key criteria covering the economic, environmental and social dimensions of sustainability and following industry standards. By the end of 2022, we aim to have NKG Verified recognized under the Global Coffee Platform's Equivalence Mechanism based on their newly launched Coffee Sustainability Reference Code. Beyond compliance with the critical criteria, annual internal and external audits every three years serve to assess progress, identify areas for improvement and showcase the hard work happening on the ground to move the needle toward more sustainable coffee supply chains.

ECONOMIC

- Record keeping
- Production & processing practices
- Inclusion and equity*
- Sustainability set-up
- Access to grievance mechanism
- Regulatory requirements
- Ethical conduct
- Traceability
- Pricing
- Services

ENVIRONMENTAL

- Genetically modified organism (GMO)
- Farm mapping
- Flora and fauna
- Soil conservation
- Pesticide use
- Integrated pest management
- Water sources and use
- Water pollution
- Energy use*
- Waste management
- Hazardous waste
- Climate change*

SOCIAL

- No discrimination
- No harassment
- Freedom of association
- Collective bargaining
- Minimum wage
- Working hours
- Labor contracts
- Adequate housing
- Drinking water
- Access to facilities
- Occupational health and safety

CRITICAL

- Continuous improvement
- No worst forms of child labor
- No child labor
- School attendance
- No forced labor
- Forests and ecosystems
- Prohibited pesticides

* Applicability starts in 2023/24

CREATING INTEGRATED SUPPLY CHAINS

NKG Verified covers the full supply chain from farm to the export-ready container. The starting point and focus are the farms growing the coffee, yet it does not stop there: NKG Verified criteria also apply to independent operators processing the coffee, farmer groups and our own export companies. Each container gets linked back to specific supply chains and comes with a sustainability scorecard showing the performance of the supply chain against our NKG Verified criteria.



Farmers



Farmer Groups



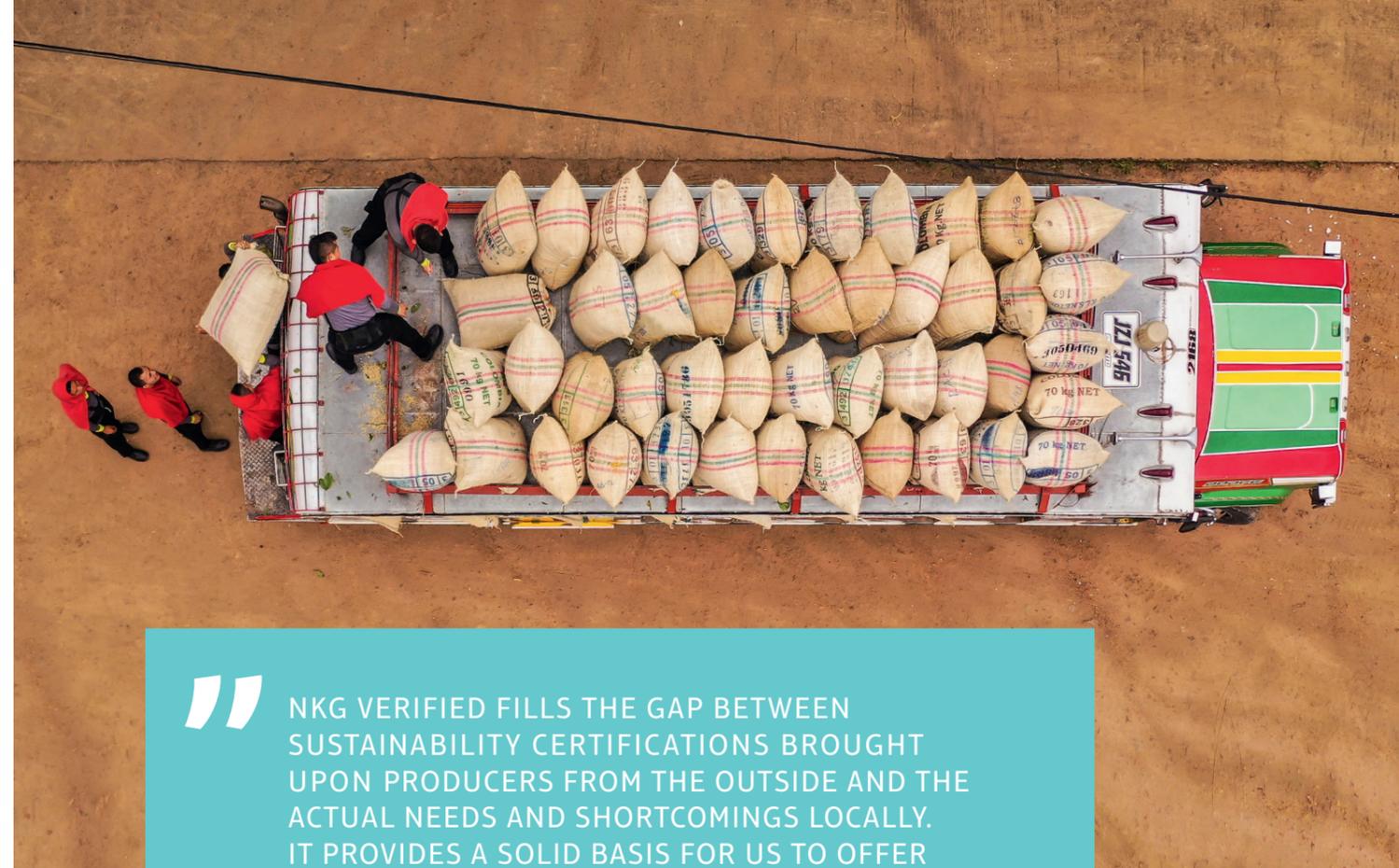
Independent operators



NKG exporter



Entities in NKG Verified Supply Chain



NKG VERIFIED FILLS THE GAP BETWEEN SUSTAINABILITY CERTIFICATIONS BROUGHT UPON PRODUCERS FROM THE OUTSIDE AND THE ACTUAL NEEDS AND SHORTCOMINGS LOCALLY. IT PROVIDES A SOLID BASIS FOR US TO OFFER COFFEE PRODUCED UNDER SUSTAINABLE CONDITIONS AND IN ACCORDANCE WITH LOCAL LAWS.

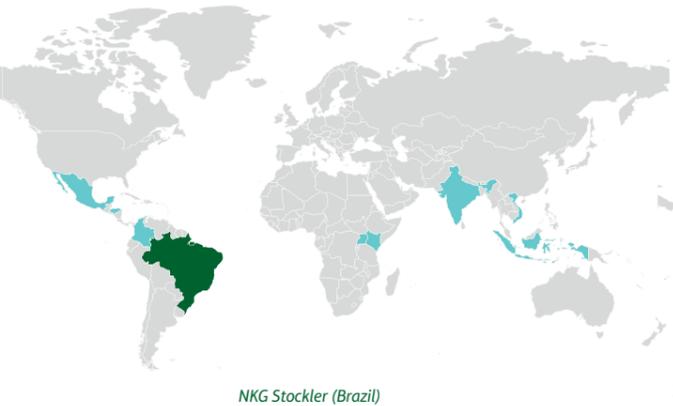
Osmar Moraes, Sustainability Manager
NKG Stockler

THE IMPLEMENTATION OF NKG VERIFIED

NKG Verified was first established by NKG Stockler in Brazil, followed by our companies Exportadora de Café California (Mexico) and NKG India Coffee (India). It was a smooth learning process with valuable insights for the following implementations. After this successful start, we hope to reach a significant number of producers in other countries soon and help their sustainability performances increase over time.

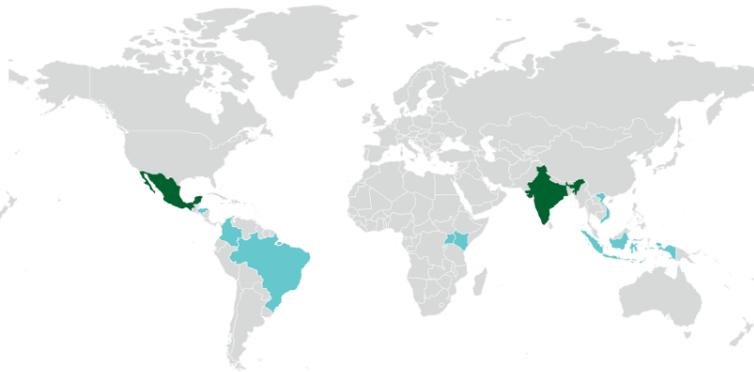


2021



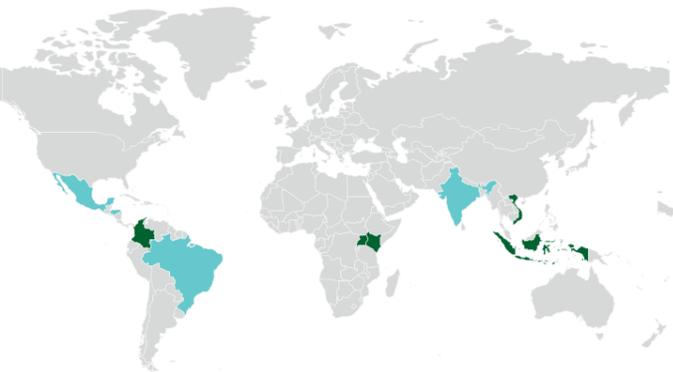
NKG Stockler (Brazil)

2022



Exportadora de Café California (Mexico),
NKG India Coffee (India)

2022 PLANNED



SKN Caribecafé (Colombia),
Ibero Uganda (Uganda), Ibero Kenya (Kenya),
NKG Vietnam (Vietnam), Berindo Jaya (Indonesia)

2023 PLANNED



Becamo (Honduras)

For more information visit: <https://www.nkg.net/responsibly-sourced-coffees>

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SUPPLY CHAINS

IMPROVE TRANSPARENCY AND ETHICAL CONDUCT IN COLLABORATION WITH DIRECT SUPPLIERS

We strive to collaborate with our business partners worldwide to improve overall social and environmental standards. We want to implement effective measures for the protection of human rights along the coffee supply chain and thereby meet our due diligence obligations.



SUPPLY CHAIN INTEGRITY PROGRAM

To achieve this, we have elaborated our Supply Chain Integrity Program (SCIP). SCIP aims to enable NKG to meet supply chain due diligence requirements by adopting a risk-based management approach and thereby ensuring economic viability. The program is being rolled out in our major coffee origins for the European market – namely, Brazil, Vietnam, Colombia, Honduras and Uganda – in the course of this year and in additional coffee origins from 2023 onwards. SCIP consists of the following elements: Human Rights Risk Assessment (HRRA), Supplier Code of Conduct and Self-Assessment, Digitizing our Due Diligence process, Grievance Mechanism.

HUMAN RIGHTS RISK ASSESSMENT



In 2021, we performed a Human Rights Risk Assessment (HRRRA) in all coffee origins with NKG operations. To this end, a comprehensive desk research was conducted, as well as interviews with focus groups at our local companies. Risks identified during this process were prioritized according to their severity and likelihood of occurrence. We also looked at activities that are already in place to mitigate human rights risks and discussed opportunities for improvement measures within our sphere of influence. During this process, we learned that we needed a better understanding of potential and actual risks in our supply chains. Thus, we partnered with our customer Tchibo to conduct a Human Rights Impact Assessment (HRIA) between December 2021 and April 2022 for one major supply chain in Honduras. This pilot project was carried out by an experienced external, independent local and international consultant team using the toolbox of the Danish Institute for Human Rights (DIHR). High level remediation measures were elaborated and will be refined in a participative approach with the rightsholders in the upcoming months. Based on the knowledge gained in the pilot, we will realize similar assessments in other countries in the course of 2022.



DIGITALIZING OUR DUE DILIGENCE PROCESS

In addition to local due-diligence procedures, we have introduced a web-based platform for sanction screening. Key suppliers and customers will be continuously screened against sanction lists to ensure we do not partner with anyone involved in terrorism, organized crime or human rights violations.

Furthermore, the self-assessment and confirmation of the Supplier Code are run via our newly established web-based Supply Chain Integrity Platform. This will ensure a transparent and efficient follow-up and monitoring process.

SUPPLIER CODE OF CONDUCT AND SELF-ASSESSMENT



NKG is committed to fair relationships with its suppliers. Our vision is to establish long-term business relationships with our suppliers that are based on the principles of honesty, integrity and transparency. Against this background, it is important to us that suppliers recognize that they have an obligation to conduct their business in compliance with all applicable local and international laws, rules and regulations as well as with NKG principles.

For this reason, we are going to launch our NKG Supplier Code of Conduct in 2022 to transparently communicate these requirements and principles, which are derived from internationally recognized standards.* The Code is to be confirmed by our key suppliers and will be made available to all suppliers and the public on our website. To assess the level of compliance to our Supplier Code, key suppliers will also complete a self-assessment. The results will be a starting point toward continuous improvement in our value chain.

* These are among others the UN Universal Declaration on Human Rights, the 2011 United Nations Guiding Principles on Business and Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Rights and Principles at Work, and the OECD Guidelines for Multinational Enterprises.



GRIEVANCE MECHANISM

At NKG, we act responsibly toward our colleagues, shareholders, local communities and business partners and cultivate a relationship of mutual trust at all levels. To safeguard this trust, we strive to prevent unethical or illegal conduct at work and listen to everyone in our value chain when it comes to potential misconduct.

Since 2016, we have established a grievance mechanism for all NKG employees. In 2022, we will open this grievance mechanism to all stakeholders to file any grievances caused by NKG business activities. Reports can be made anonymously on our integrity reporting platform, and confidential conversation is ensured via a secure mailbox system. Grievances will be handled by a dedicated local and global team. The possibility to file grievances will be communicated via our Supplier Code of Conduct in a first step.

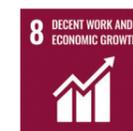


WHAT'S NEXT?

After the initial implementation phase, which will be completed by the end of 2022, we will review the process and its results. Based on the outcomes, we will adapt the program and roll it out step by step to additional NKG companies. Moreover, the elements of the SCIP program will be integrated into our existing management systems to ensure continuous improvement along our value chain.



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PRODUCERS

6

IMPROVE FARMER LIVELIHOODS
THROUGH VALUE ADDED SERVICES

7

BRIDGE THE FINANCING GAP

PRODUCERS

IMPROVE FARMER LIVELIHOODS THROUGH VALUE-ADDED SERVICES

Safeguarding the future of coffee requires that coffee is a viable business for all involved, starting with the producers of the coffee.



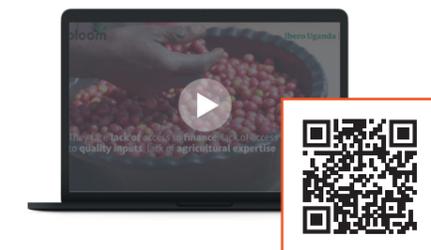
Around 12.4 million of the 12.5 million coffee producers in the world are smallholders, and the majority struggle to ensure a decent living for their families. While prices seem the obvious candidate to work on, we cannot control coffee prices established by the futures market and market movements may eat up premia within hours. For long-term success, producers need to understand all factors determining their income – prices, productivity, land-size, costs and risks – to be able to run their farms as businesses and make smart investment choices.

and business best practices, plus access to markets, infrastructure, inputs, seedlings and financing. There is no one-size-fits-all solution: What makes NKG Bloom unique is the diversity of its service packages addressing the needs of producers in each NKG Bloom country.

COFFEE SOURCING WITH A PURPOSE

Through NKG Bloom, our sustainable sourcing initiative, we are investing in the establishment of Farmer Services Units (FSUs) within our export operations to provide value-added services to producers. Currently, 177 employees are part of our dedicated teams offering services for smallholders and farmer groups. The NKG Bloom offer to producers includes trainings in coffee-farming

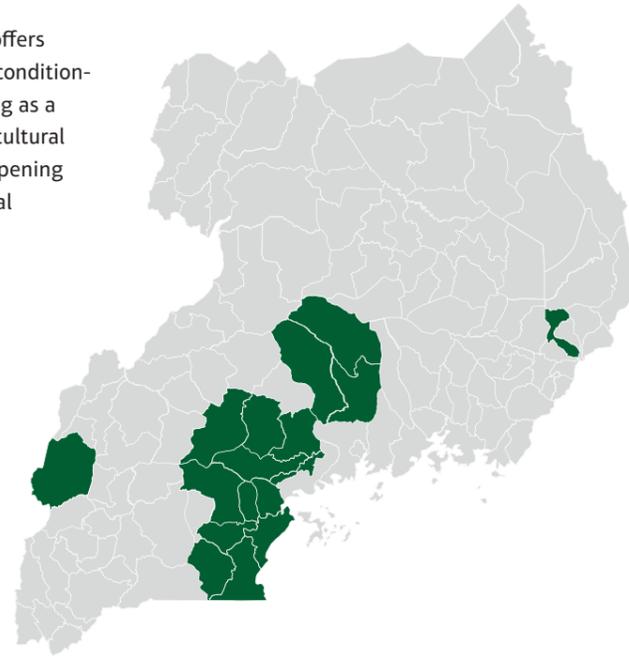
NKG bloom



This video about NKG Bloom addresses the often precarious living conditions of smallholder farmers, shows the motivation and necessity of NKG Bloom, and explains why buying NKG Bloom coffee makes an important contribution to the long-term profitability of green coffee farming. It also explains how NKG Bloom provides smallholder farmers with the opportunities and resources they need to run their farms optimally and find a way out of poverty.

UGANDA

As the first NKG Bloom country, Uganda offers high-quality fertilizers with financing, unconditional cash transfers and trainings on farming as a business, financial literacy and good agricultural practices. Currently, Ibero Uganda is deepening both its financial portfolio and agricultural extension services.



1.25 ha
AVERAGE FARM SIZE

11,534
ACTIVE PRODUCERS

>4,000 mt
OF FERTILIZER DISTRIBUTED



2 ha
AVERAGE FARM SIZE

4,600
ACTIVE PRODUCERS

>5,300 ha
RENOVATED

MEXICO

Starting in 2014 under the name of Por Más Café, NKG Bloom México offers an extensive 7-year renovation program. The comprehensive package includes long- and short-term financing, seedlings of resistant varieties using **ECOPIL*** technology, training and improved market access.

* What's ECOPIL? A technology that uses biodegradable paper instead of plastic for the packaging of seedlings. This does not only reduce plastic waste, but also transport and planting costs.

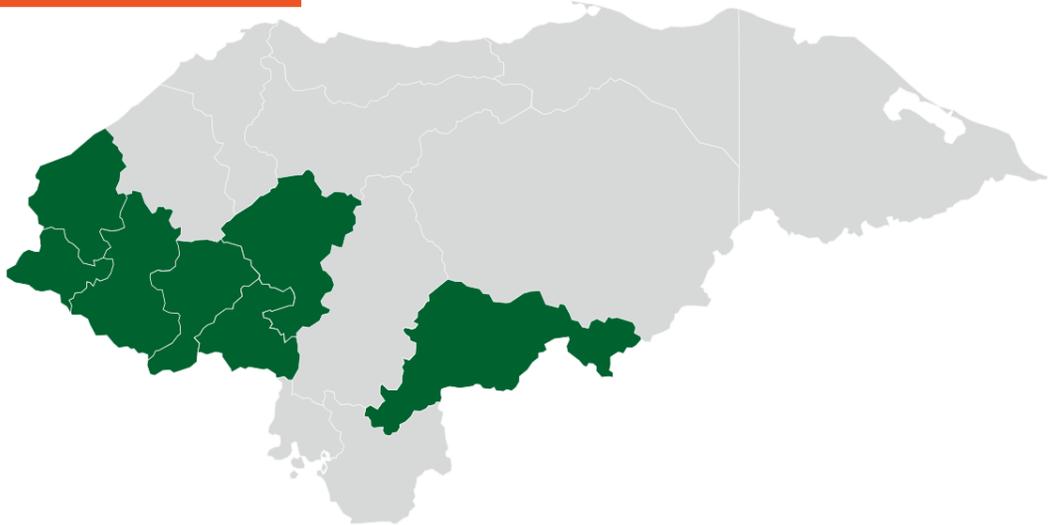
HONDURAS

Establishing the first **ECOPIL*** nursery in Honduras to expand the renovation pilot is just one of the successes in Honduras. Tackling high production costs and safeguarding the environment, a core focus is on innovating and training producers on bio-inputs, including composting of cherries.

3.6 ha
AVERAGE FARM SIZE

1,715
ACTIVE PRODUCERS

>560,000
SEEDLINGS PROVIDED



KENYA

Given the very low levels of productivity, small changes can have large effects. Producers can see their yields going up ten-fold, mostly due to improved pruning and fertilizer use. Beyond having built a network of extension officers, Tropical Farm Management Kenya works with cooperatives to invest in processing, improving quality and income.

0.18 ha
AVERAGE FARM SIZE

63,836
ACTIVE PRODUCERS

12
COOPERATIVES AS PARTNERS

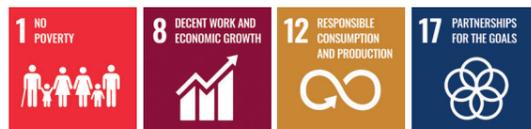




NKG Bloom is recognized as sustainability scheme under the Global Coffee Platform's Equivalence Mechanism. By 2030 we aim to set up Farmer Services Units in 10 countries, reaching 300,000 smallholder farmers with value-added services. Further, we are continuously adapting and growing our service offerings, working with farmers to narrow the living income gap.

81,000+
TOTAL NUMBER OF
SMALLHOLDER FARMERS
ACCESSING SERVICES

RELATED
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PRODUCERS

BRIDGE THE FINANCING GAP

In many countries, financing is a core bottleneck faced by producers, while also an essential asset for long-term farm health: This is why farmer financing is an objective of its own under our Responsible Business Program.



Coffee producers may be trained on the correct use of fertilizers, on rehabilitation and renovation, or on improved processing, but often they lack the funds to act according to their knowledge. Agriculture professionals in general, and especially smallholders, are often seen as too "risky" or too "costly" to lend to because of external variables such as weather or market prices, in addition to their remote locations, missing collateral, lack of financial minimums or even lack of a bank account. By providing farmers and farmer groups with easy access to loans, we aim to bridge the existing financing gap left by banks and even microfinanciers.

Facility is the first sustainable farmer financing facility with a global reach and where commercial banks have joined forces with development and governmental organizations in taking a direct credit risk in lending to smallholder farmers and farmer groups in developing countries. The novel risk-sharing structure enables NKG to scale its portfolio of loans to some of the poorest farmers in the world. NKG exporters can access the revolving credit line to offer credit to producers with easy and quick processes.

SMALLHOLDER LIVELIHOODS FACILITY

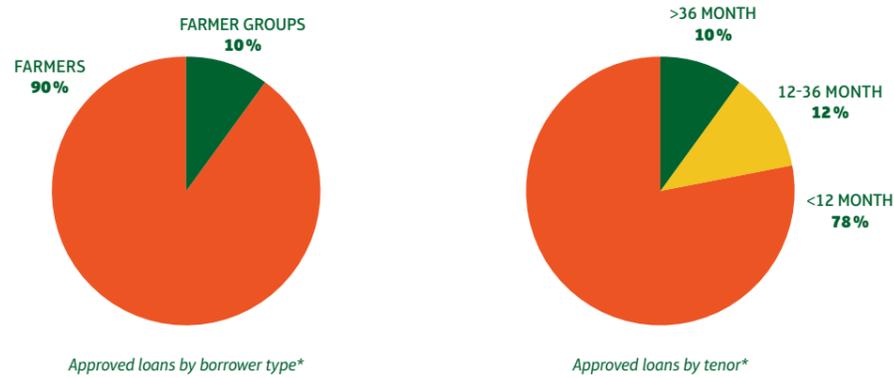
To achieve our objective, NKG created a unique, joint risk-sharing credit line with four organizations: DFC – U.S. International Development Finance Corporation, IDH – the sustainable trade initiative, and the European banks Rabobank and BNP Paribas. The \$25 million Smallholder Livelihoods



Rabobank



Since the start of the Smallholder Livelihoods Facility, our export companies in Honduras, Kenya, Mexico and Uganda have accessed the funds to lend to farmers and farmer groups. Between April 2021 and March 2022 our loan portfolio had the following key characteristics:



* Both figures refer to the share in terms of amount disbursed.



MOBILE MONEY IN UGANDA

CASE STUDY

+88%

INCREASE IN PRODUCTIVITY

+189%

INCREASE IN NET INCOME

Below 1 USD: Such tiny advances are only possible in Uganda due to the advanced mobile money ecosystem. By entering a simple USSD code on their mobile phones, NKG Bloom farmers in Uganda can request money, repay money and inform themselves about coffee prices and their balances. Before farmers can use the service, the conditions are explained, advance limits are set based on repayment capacities and contracts are signed. From just April 2021 through March 2022, more than 6,000 farmers accessed fertilizer through our advance service and more than 2,000 used our offer of unconditional money advances via mobile money. The mobile money advances can be accessed any time, to cover extraordinary expenditures such as health costs; we have also seen a spike in requests when school fees are due. Financing, which was launched in 2017 in Uganda, is the key element of NKG Bloom, but it is not the only key element for success. NKG Bloom started out

as a full fertilization scheme, offering higher-quality fertilizers than were available in the market before and trainings on applying the fertilizers correctly, as well as on financial literacy. This combination has resulted in higher yields and net incomes at the farm level and in repayment rates above 99%.



LONG-TERM FINANCING IN HONDURAS

Due to the age of coffee trees, climate change, pests and diseases – especially coffee rust – around 40 % of the world’s coffee areas are in need of renovation or rehabilitation. This means productivity and resilience will increase by replacing the coffee trees with new trees, or by stumping and pruning the trees significantly to revive plant health. Yet, for producers this means not only paying for new plants and labor, but also foregoing income from the coffee plants for one to three years. Without external financing, this is often an insurmountable barrier to renovation and rehabilitation.

Filling this gap, Becamo has adapted its program Renovando mi Cafetal to include long-term loans for farmers. Before any loan is provided, Becamo

uses the producers’ history with Becamo and a socioeconomic analysis conducted by its agronomists to determine the payment capacity of the producers and ensure the producers are committed to and understand the terms of the financing.

Compared to financing via banks, this is a simple process that allows even smallholder farmers to access long-term loans. In order to ensure the success of the renovation program, Becamo has invested in the first ECOFIL nursery in Honduras, which received the Silver Level Certification of World Coffee Research. Becamo also offers producers access to quality inputs: It uses soil analysis to create individualized formulas for fertilizers that are more efficient and delivers them to the producers. Lastly, Becamo is investing in technical assistance to farmers with at least three farm visits per farmer per year and additional group trainings oriented to good agricultural practices, optimization of resources and adaptation to climate change. In practical terms, this helps guide coffee producers to improve their production systems to increase productivity, improve coffee quality and develop business skills.

CASE STUDY

+563,765

SEEDLINGS FINANCED SINCE 2020



FINANCING PLUS SERVICES IS THE FORMULA FOR SUCCESS

Running a business always requires investments, and coffee farming is no exception. Since launching the Smallholder Livelihoods Facility, we have seen the tremendous impact that financing can have, and that indeed it often is the key yet missing ingredient for producers to take their farms to the next level.

In most instances, ensuring the success of financing requires providing a package of services to each farmer. Linking financing with the right inputs and agricultural and business trainings based on farmer needs is essential to ensuring the success of the investment, increasing the returns and reducing the risks. Thus, what makes the model truly innovative is that the credit offerings are coupled with an ecosystem of services for smallholder farmers in NKG's supply chains, which enables them to

maximize their incomes from coffee, thus making them more resilient and better able to transform their livelihoods. This in turn reduces credit risk, as the integral set of services are designed to increase farmers' profitability and thus their ability to repay the loans.

References

Knowing what works – Central project evaluation of develoPPP.de Strategic Alliance Farmers as entrepreneurs in Uganda Sustainable Coffee Challenge (n. d.): Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (2021). Central project evaluation develoPPP.de Strategic Alliance: Farmers as entrepreneurs in Uganda. [Online]. Available at: <https://mia.giz.de/cgi-bin/getfile/53616c7465645f5f8e6034f-6d1b2a1d906568bc8379222b1ff0d1cc4b9a45f2c556350eddc514e1eeddc3625b4732ff4a6dd695c23ef37805a8162375e2eaa1/giz2022-0039en-projectevaluation-developp-farmers-entrepreneurs-uganda.pdf>

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OFFERING SOLUTIONS THAT CAUSE FARMERS TO SEE THE VALUE IN INVESTING IN COFFEE AS PART OF THEIR LIVELIHOOD IS THE KEY TO SAFEGUARD THE FUTURE OF COFFEE.





PLANET

8

MEASURE AND ENHANCE OUR ENVIRONMENTAL PERFORMANCE

9

PROMOTE ENVIRONMENTALLY FRIENDLY AND RESILIENT COFFEE FARMING PRACTICES

PLANET

MEASURE AND ENHANCE OUR ENVIRONMENTAL PERFORMANCE

Since the pre-industrial period, the burning of fossil fuels for human activities has caused a temperature increase in the planet's surface. If business-as-usual activities continue, it is very likely that global temperatures will increase between 2.5°C to 4°C by the end of the century (IPCC, 2021).



As an agricultural product, coffee is particularly vulnerable to climate change. In recent years, we have already observed some of its adverse effects, such as extreme temperatures, changes in precipitation patterns, droughts or last year's frosts in Brazil. These effects threaten food security by altering the productivity of crop fields worldwide. It is estimated that even 50% of the worldwide coffee productivity could be reduced by 2050 (Grüter et al., 2022).

Consequently, one of our main concerns is the protection and conservation of the environment. Under objective eight of our Responsible Business Program, we want to analyze our group-wide environmental footprint and reduce carbon emissions along our coffee supply chain to enhance our overall environmental performance.

METHODOLOGY

To calculate our Corporate Carbon Footprint (CCF), we have used the Greenhouse Gas Protocol Corporate Standard (GHGPCS). The GHGPCS provides a framework for companies and organizations to compile their GHG inventory (WRI & WBCSD, 2015). By doing so, companies can learn more about their processes, identify critical sources of emissions and design lines of action focused on emissions reduction aligned with climate science.

Given that our business operations are very diverse, we have defined the following company profiles for the calculation of our CCF:



Coffee farming, ranging from nursery operation, land use and renovation, as well as forestry project management.



Coffee procurement at origin for the subsequent coordination of its exportation.



Coffee beans management, physical processing, and warehousing.



Coffee procurement from different coffee origins for subsequent importation and domestic sale.

As a next step, the base year of 2021 was determined for data collection. Particularly, within the GHG Protocol, emissions are broken down into scopes 1, 2 & 3 to cover different types of GHG generated through business operations. The table below shows how the different scopes are defined and which emission sources we have identified for our corporate carbon footprint calculation:

SCOPE 1	SCOPE 2	SCOPE 3
covers all direct emissions caused by electricity generation, chemical or mechanical processing operations, and the transport of products and employees using corporate owned and leased assets.	includes indirect emissions resulting from the purchase of electricity consumed by the company.	refers to other indirect emissions that occur within the entire value chain and are optional for reporting. For example, through the transportation of sold products or waste, employee business travel, or the disposal of purchased goods at the end of their useful life.
<ul style="list-style-type: none"> • Use of fertilizers • Land management • Electricity generation • Fuel combustion for operations • Material transportation • Employee transportation 	<ul style="list-style-type: none"> • Purchase of Electricity • Heat 	<ul style="list-style-type: none"> • Coffee farming • Fertilizer and packaging production • Fuel- and energy-related activities • Upstream transportation of coffee and material • Waste generation and transportation • Water supply and treatment • Business travel • Employee transportation • Coffee warehousing • Upstream transportation of coffee

Although all the emission sources of Scopes 1 and 2 were considered for the calculation, for Scope 3 the boundary was defined as the moment of sale of the coffee by the NKG company in its different locations. This is because it is not possible to identify the path and processing followed by the coffee bean after its sale. For the calculation our CCF, information from the following companies was collected due to data availability: 17 exporters, 17 importers, 5 service companies and 3 coffee farms. However, if structural changes will occur within the company in the future, the base year must be recalculated to enable effective comparisons.

CARBON EMISSIONS

After analyzing the information collected and calculating the corresponding emissions from the different NKG companies, it was determined that a total 3,501,251 tons of CO₂e were generated during 2021. This result is the aggregate of the emissions generated by the 42 companies considered: 17 exporters, 17 importers, 5 service companies and 3 coffee farms. As can be seen in figure 1, 99.3% of NKG emissions are due to Scope 3 emissions sources.

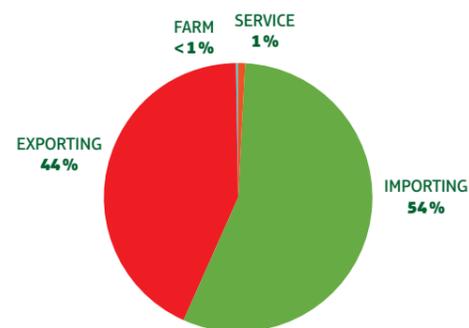


Figure 2: Breakdown of corporate emissions by NKG company profiles during 2021.

	TONS OF CO ₂ e	CONTRIBUTION (%)
SCOPE 1	17,244	0.5
SCOPE 2	6,852	0.2
SCOPE 3	3,476,750	99.3
Total	3,501,251	100

Figure 1: Breakdown of NKG in 3 scopes for 2021

Considering the profile of our different companies, importing companies were responsible for 54% of the global corporate carbon footprint, while exporting companies generated 44% of our total 2021 emissions. Farming and service companies accounted together for less than 2% of the overall corporate carbon footprint. In a more detailed way, for both importing and exporting companies, Scope 3 emissions accounted for more than 99% of their overall footprint. For the case of service companies, Scope 3 emissions represented 92% of their footprint. For the case of our farms, Scope 3 emissions represented 52% of their carbon footprint.

SCOPE 1

Compared to emissions generated along our value chain, Scope 1 was responsible for 0.5% of our total emissions in 2021. This means that 17,244 tons of CO₂e were generated due to our own activities. Considering the 4 company profiles in NKG, 30% of direct emissions were due to the use and application of agrochemicals both in our coffee farms, as well as in exporting companies. Additionally, 27% of direct emissions in 2021 were generated due to the combustion of fossil fuels and biomass for the operation of equipment and machinery normally used to process coffee beans. Finally, 40% of the direct emissions generated were due to the burning of fossil fuels to operate vehicles used to transport materials and products, while only 3% of our direct emissions were due to the corporate vehicle fleet.

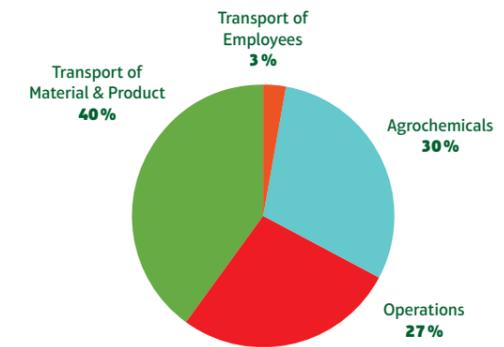


Figure 3: Breakdown of NKG direct emissions during 2021

Considering the NKG profiles, figure 4 shows how our exporting companies are responsible for 62% of direct emissions due to the use of fossil fuels and biomass for operations, as well as vehicles for transporting material and products, and transport-

ing employees with our own vehicle fleet. Our farms, on the other hand, are responsible for 31% of the direct emissions generated in 2021, mostly due to the use and application of agrochemicals, as well as fossil fuels for our own processing operations.

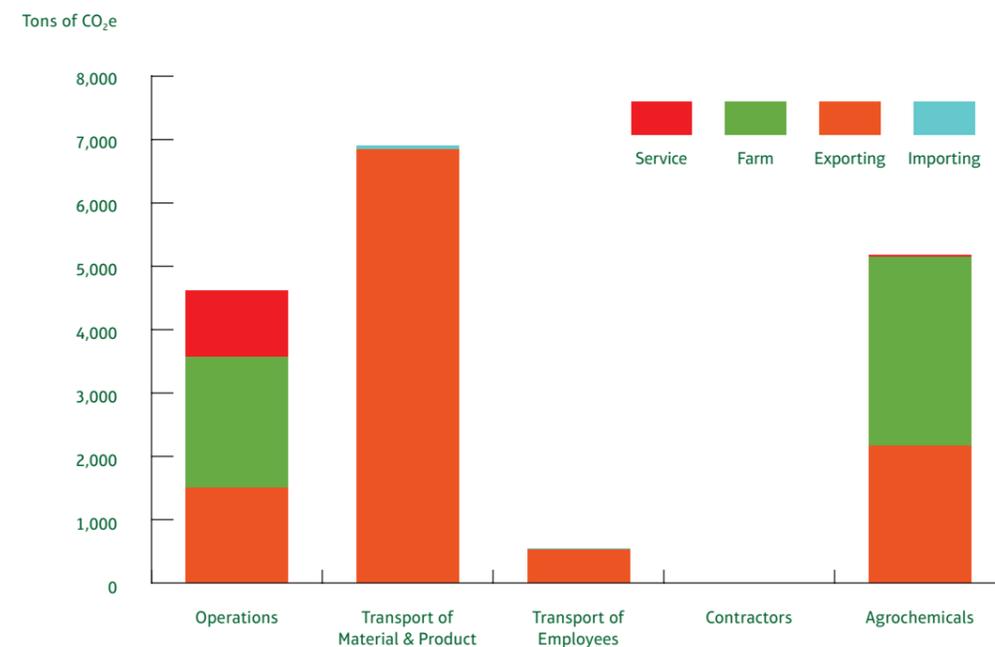


Figure 4: Breakdown of direct emissions by NKG company profiles during 2021.

SCOPE 2

Scope 2 emissions generated represented 0.2% of our total carbon footprint during 2021. A total of 6,852 tons of CO₂e were generated as indirect emissions due to the purchase of electricity and heating. Considering the NKG profiles, 70 % of indirect emissions are generated by our exporting companies due to the purchase of electricity, followed by service companies with 22% for both electricity purchase and heating.

Our coffee farms generate 5% of total indirect emissions, while importing companies only account for 2% of total indirect emissions due to electricity use.

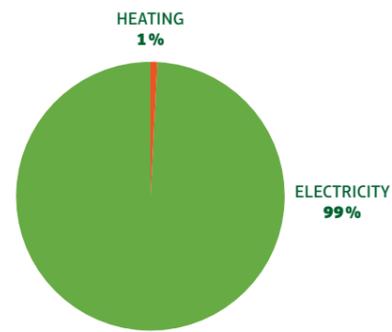


Figure 5: Breakdown of NKG indirect emissions during 2021

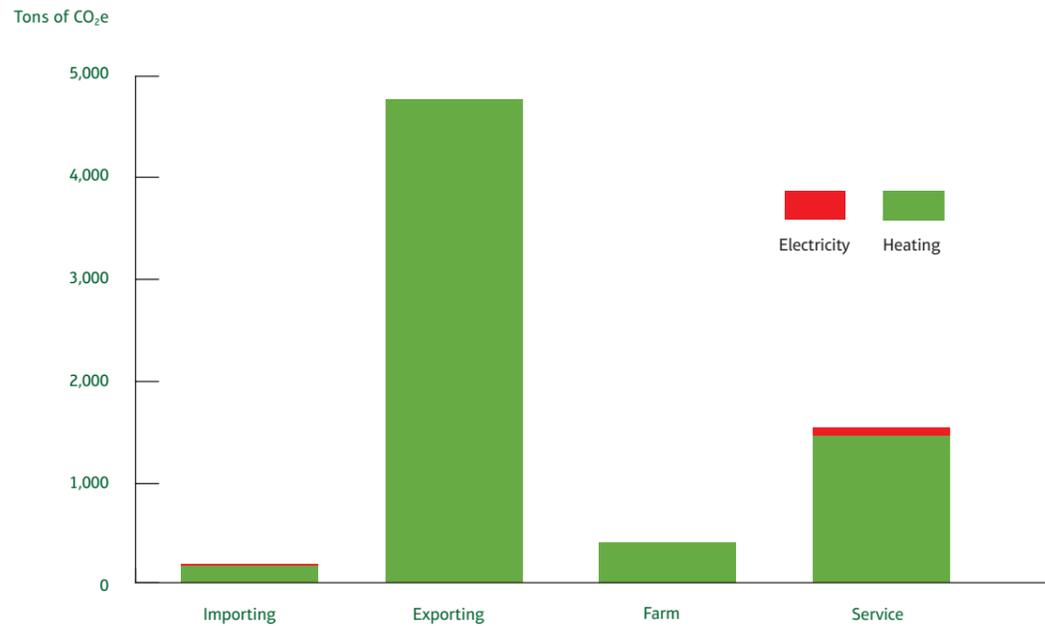


Figure 6: Breakdown of indirect emissions by NKG company profiles during 2021.

SCOPE 3

Other indirect emissions are generated due to activities along our value chain, which go from coffee farming activities up to the sale of coffee beans for further processing. Based on our overall corporate carbon footprint, 99.3% of our emissions were due to Scope 3 emission sources. In this sense, 3,476,750 tons of CO₂e were generated as other indirect emissions due to activities along the value chain. As can be seen in figure 7, emissions generated from coffee-farming activities in the different coffee origins contributed 93.3% of our Scope 3 emissions in 2021.

Looking into the company profiles, emissions generated by third-party coffee-farming activities were solely attributed to importing and exporting companies. On the other hand, the transport of coffee beans by land shipments belonging to us accounted for 2% of Scope 3 emissions, while maritime shipping contributed 2% of our other indirect emissions. The purchase of materials such as agrochemicals and packaging like jute and polypropylene bags for coffee transportation accounted for less than 1% of our Scope 3 emissions.

Looking in detail at the generation of emissions in our value chain, other than coffee farming by company profile, it is possible to observe that most of these come from sea and road transportation. While emissions from sea transport and downstream transportation were primarily generated by importing companies, exporting companies were responsible for generating most of the emissions from road transportation. Emissions generated by the purchase of packaging for coffee transportation were attributed to our exporting companies, while emissions from the purchase of other materials such as agrochemicals and fertilizers were due to the activities of our service companies, coffee farms and exporting companies.

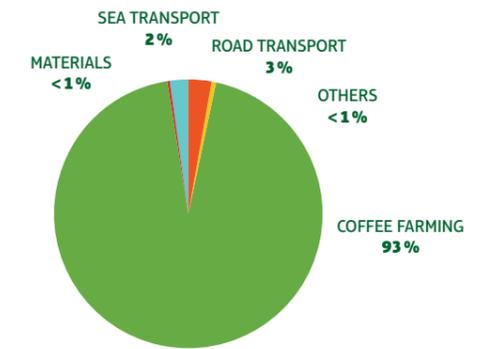


Figure 7: Breakdown of NKG other indirect emissions during 2021

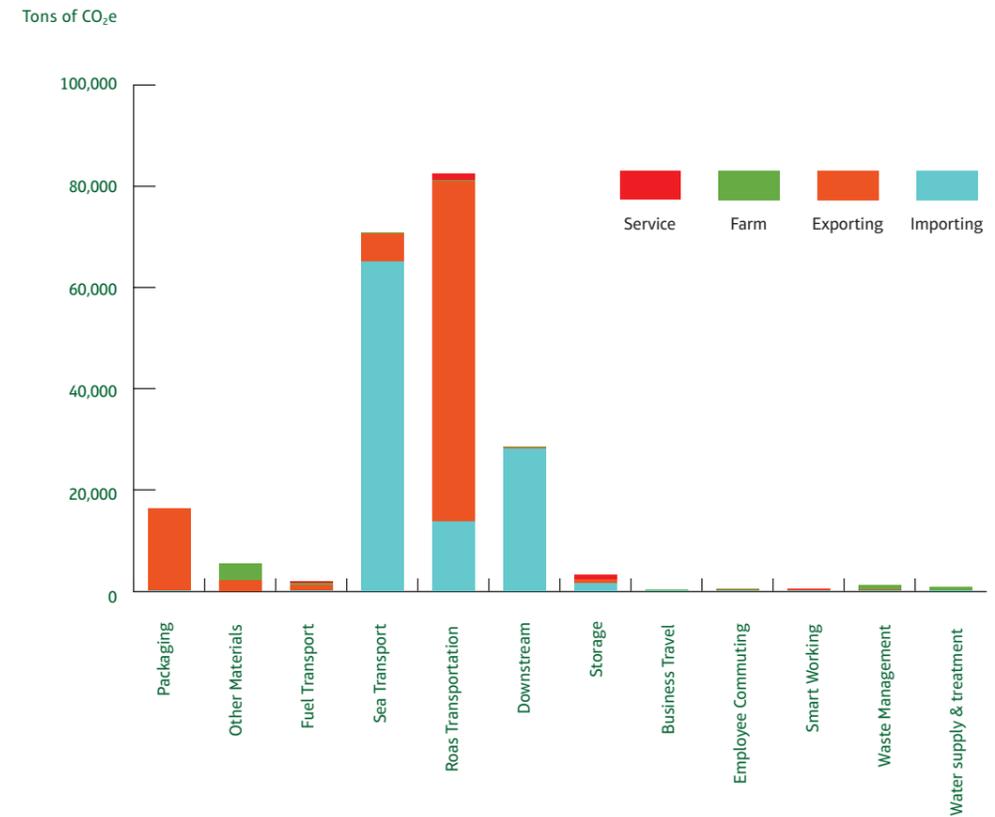


Figure 8: Breakdown of other indirect emissions by NKG company profiles during 2021.

WATER

Part of our environmental footprint measurement also considers the use of water resources. During 2021, a total of 227.3 million litres were withdrawn by the different company profiles to carry out their operations. As shown in figure 9, 62% of the water withdrawn was for our 3 farms for different activities, such as irrigation, fertilizer application and coffee processing. Additionally, 33% of withdrawn water was due to the activities of export companies, particularly for washing and processing coffee before its commercialization. Service companies, specifically KALA, were responsible for almost 4% of the water withdrawn in 2021 for coffee processing through steam. Less than 1% was withdrawn by our importing companies to provide sanitation and kitchen services.

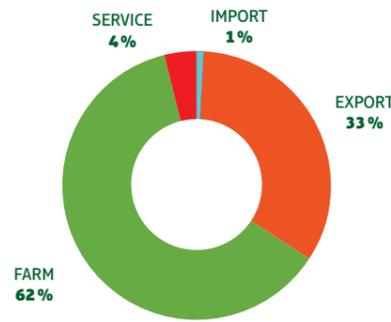


Figure 9: Breakdown of water withdrawal by company profile during 2021

On the other hand, 95.6 million liters of good-quality water were discharged during the year 2021. The largest amount of water discharged was due to washing activities within our farms, which were responsible for 54% of the discharged water after treatment. However, we have already water recirculation systems in place to reduce our water needs.

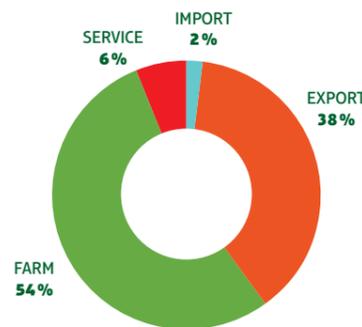


Figure 10: Breakdown of water discharge by company profile during 2021

Our export companies, on the other hand, were responsible for 38% of discharged water due to coffee washing processes. Service companies, particularly KALA, led in water discharge with almost 6% of the total amount. Thanks to its own water treatment plant, it can ensure that final water quality is optimal for discharge.

Finally, a total of 131.6 million liters of water were consumed by the different activities and processes carried out by our companies. This consumption refers to water used by NKG such that it is no longer available for use either by the ecosystem or the local community. In this regard, 67% of the water consumed was due to the activities carried out by our farms as part of their agricultural practices. Exporting companies accounted for 30% of the water consumed, while the KALA service company used nearly 2% of the total water consumed. The importing companies were responsible for using less than 1% of the water in 2021.

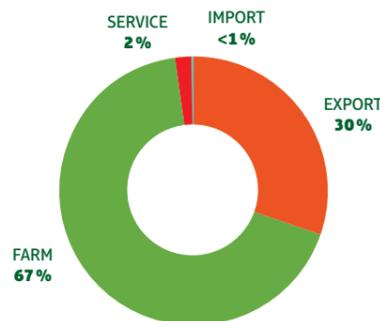


Figure 11: Breakdown of water consumption by company profile during 2021

WASTE

During the collection of information to measure our environmental footprint, we also emphasized the generation and management of waste by our companies. From the activities carried out during 2021, we generated a total of 23.3 thousand tons of waste. Depending on the profile of the company, the amount and the management activity is different. As it is described in figure 12, our 3 farms were responsible for generating 68% of the total waste, while the exporting companies contributed 29%.

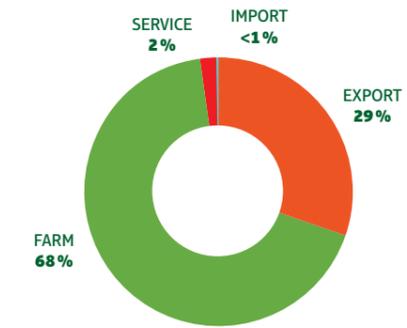


Figure 12: Breakdown of waste generation by company profile during 2021

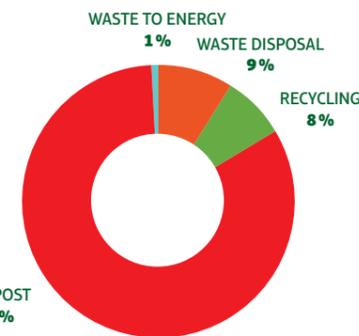


Figure 13: Breakdown of overall NKG waste management during 2021

Service companies, particularly represented by KALA, generated only 2% of total waste, while import companies with office activities generated less than 1% of total waste. Figure 13 shows that 82% of the generated waste had an organic composition and was used for composting. Similarly, materials with the possibility of recycling were separated at the source and taken to points for proper management, representing 8%.

Only 1% of the waste generated and not segregated, particularly in our European companies, could be revalorized through waste-to-energy technology. This means that 9% of the total waste, due to the infrastructure of the countries where we operate, had to be disposed of without any recovery.

Figure 14 describes the amount of waste generated and managed by the different company profiles. The management of organic waste to produce compost was led by our farms and exporting companies, while segregation at the source for recycling and the final disposal of material in landfills was a practice of exporting companies due to the amount of generated waste and to infrastructure in the countries.

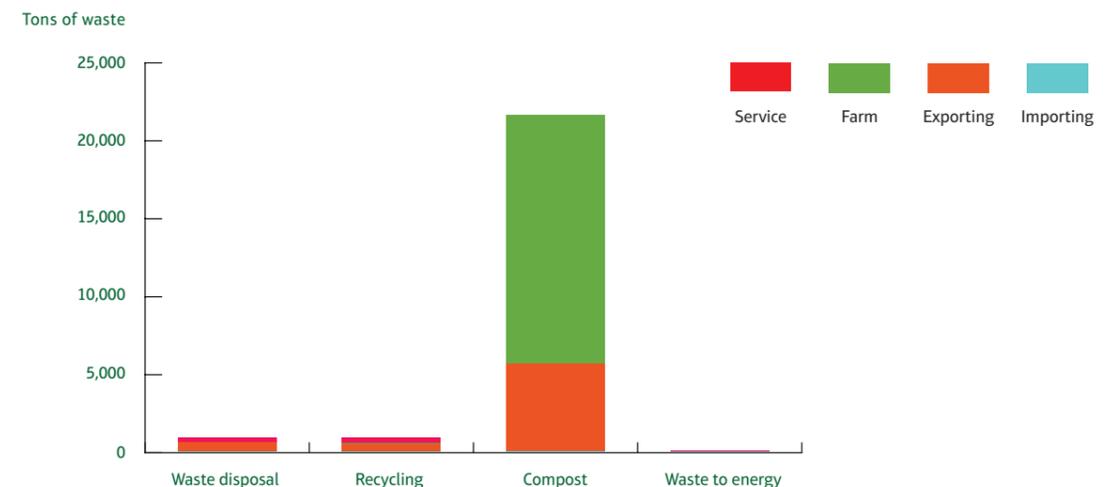


Figure 14: Breakdown of waste management by company profile during 2021



OUR NEXT STEPS

The latest IPCC report clearly states that emissions must be reduced in all sectors in a rapid and steep manner to limit global warming to below 1.5°C. For this reason, we have focused our efforts primarily on knowing our environmental footprint for the year 2021, both in our own operations and in the value chain. Our corporate carbon footprint measurement exercise clearly shows which areas are critical to focus on in the short, medium, and long term. In the short term, we have foreseen the design and development of emission reduction plans based on energy efficiency, renewable energy, and circular economy practices to be implemented at our own facilities in 2023.

In particular, some group companies have already demonstrated their climate commitment. On the one hand, our export company CECA installed solar panels to generate renewable energy for its offices, NG Vietnam transitioned to a fleet of electric forklifts, and KALA is in the process of implementing heat recovery technology in its processes to reduce energy consumption. Some of our exporting companies such as Becamo and Berindo Jaya make use of coffee husks or palm kernel as biofuel to run their processes, while some of the coffee dust collected at KALA is used to generate biogas. As part of our medium-term strategy, we plan to work with coffee producers in specific value chains to carry out best-

agricultural-practices interventions that will lead to an increase in carbon sequestration as well as a reduction in overall emissions. These efforts include better traceability of coffee farming, transport, and processing activities in specific origins to ensure sustainable and low-carbon coffee value chains. Finally, considering that climate change threatens coffee productivity and availability worldwide, our long-term strategy foresees the enhancement of the coffee sector through the promotion and implementation of nature-based solutions with the intention of strengthening the adaptability of the coffee origins to extreme weather patterns, as well as regenerating such regions.

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PLANET

PROMOTE ENVIRONMENTALLY FRIENDLY AND RESILIENT COFFEE FARMING PRACTICES

With increasingly uncertain weather patterns, environmentally friendly and resilient coffee farming has long become a key focus of our business.



Under Goal 9 of our Responsible Business Program we aim to run our own farm operations according to the latest sustainability standards. We believe that good agricultural practices are a major tool in fighting climate change and sustaining coffee production in the long run. For this reason, all our farms are guided by our "economically viable and responsible farming" philosophy. By taking responsibility for the natural and social environment, we want to be a model for other farming businesses and aim at sharing our knowledge with others as well.



OUR NKG FARMS

NKG owns 5,100 hectares of responsibly managed Arabica and Robusta coffee plantations in three countries, building a prosperous, sustainable and diversified group of our own coffee farms. Finca la Puebla in Mexico was NKG's first farming operation, later followed by Fazenda da Lagoa in Brazil and Kaweri Coffee Plantation in Uganda. All our farms have local teams of sustainability experts ensuring responsible farm management and long-term investment.



FINCA LA PUEBLA

Location: Puebla, Mexico
Altitude: 600 m.a.s.l.
Production: 700-900 tons/year
Gross Area: 1,790 ha.
Planted Area: 910 ha. (coffee),
 243 ha. (timber)
Permanent Employees: 69
Harvest time: October-March



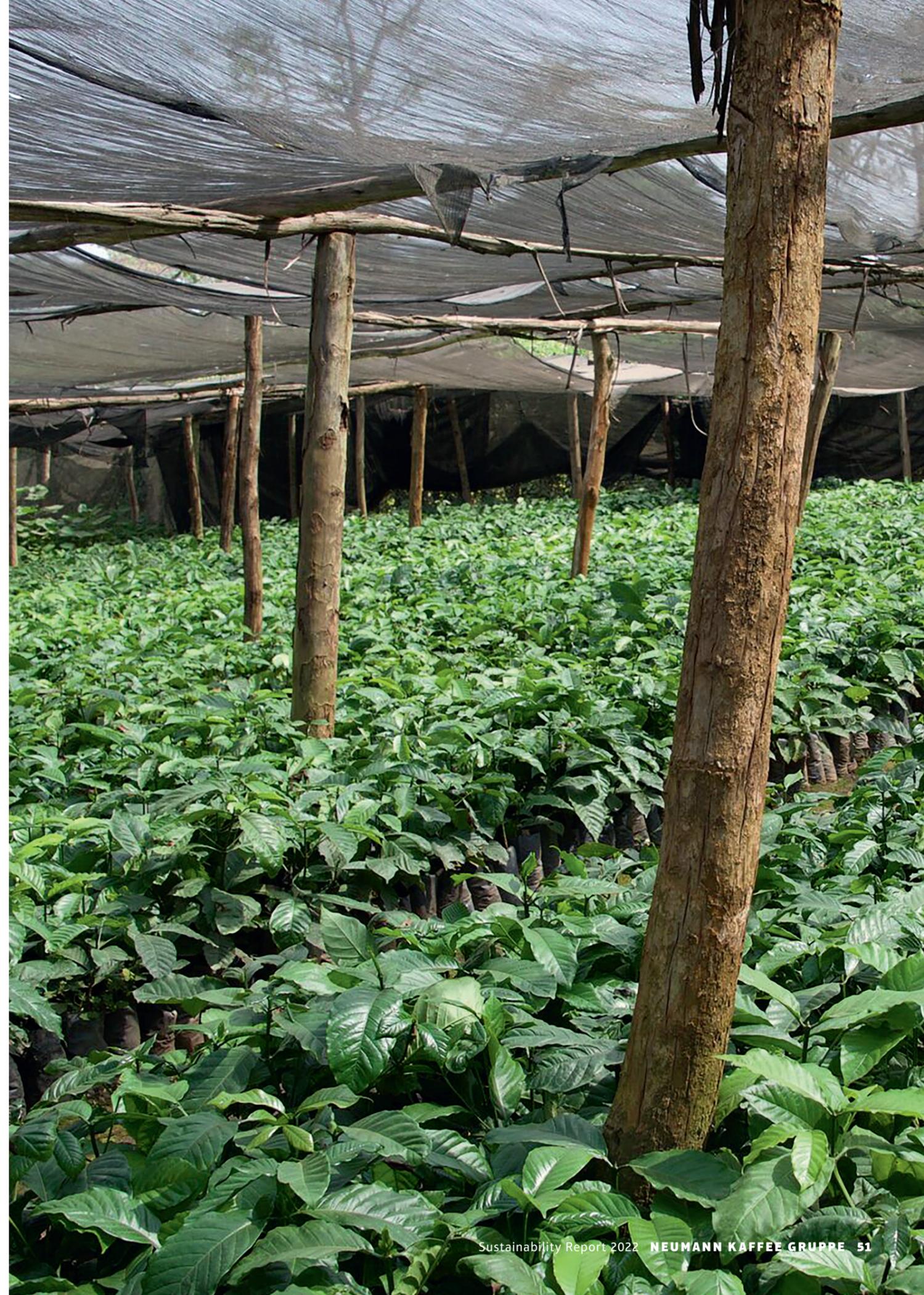
FAZENDA DA LAGOA

Location: Minas Gerais, Brazil
Altitude: 1,100 m.a.s.l.
Production: 3,120 tons/year
Gross Area: 3,712 ha.
Planted Area: 1,687 ha.
Permanent Employees: 368
Harvest time: May-September



KAWERI COFFEE PLANTATION

Location: Mubende, Uganda
Altitude: 1,300 m.a.s.l.
Production: 1,902 tons/year
Gross Area: 2,512 ha.
Planted Area: 1,626 ha
Permanent Employees: 160
Harvest time: October-March
 and April-July



GOOD AGRICULTURAL PRACTICES

In recent years, coffee farms worldwide have experienced more and more climate-related risks that can negatively impact coffee production and qualities. This also applies to our NKG farms. To adapt to these challenges and minimize adverse climate effects, we have developed and implemented a number of measures in different areas.



CARBON

In general, a large percentage of GHG emissions along the coffee supply chain is generated at farm level. As described under Goal 8, “Measure and enhance our environmental performance”, this is also the case for NKG farms. However, it is often dismissed that farms play an important role in carbon sequestration. Despite the emissions generated during coffee production activities such as the use of fertilizers and fossil fuels, the constant maintenance and care provided to the NKG coffee farms and the surrounding protected forests also have climatic benefits. Coffee production from sustainable agricultural practices allows the trees to grow in a healthy manner, which prevents emission generation due to land use change while increasing soil carbon as a natural climate solution. Since coffee farms work as natural carbon sinks storing CO₂ in their above and below biomass, the overall process results in a positive CO₂ net balance. On average, the three NKG coffee farms were responsible for sequestering 286 tons of below-ground carbon (CO₂e) per hectare during 2021.

In addition to this natural process, NKG farms strive to reduce CO₂ emissions wherever possible and economically viable. On the one hand, this means increasing energy efficiency in our operations, e.g., by using modern coffee drying infrastructure and machinery. On the other hand, we want to minimize our consumption of non-renewable energy, e.g., by installing photovoltaic systems at our mills. Even small steps like the composting of organic materials, and its reuse as natural instead of synthetic fertilizers, can help us to reduce our Corporate Carbon Footprint and to protect the environment.



BIODIVERSITY

Safeguarding and conserving biodiversity at our farms is one of our highest priorities. According to our principles of good agricultural practices, coffee cultivation should not compete with the local ecosystem but rather integrate into it. To this end, native forests and natural vegetation are protected on NKG farms to the greatest extent possible. Fazenda da Lagoa, for example, preserves 1,407 hectares of forest land and reforests an average of two hectares per year, using exclusively native trees.

In addition, bio-corridors and vegetated areas near rivers or streams (so-called “riparian buffers”) are being established at our farms to allow wildlife crossing and to protect aquatic ecosystems. In order to prevent negative interference with nature, such as the hunting of animals or chopping of trees, designated areas are partly under the full-time guard of our conservation rangers. Furthermore, farm workers, visitors and the surrounding communities are sensitized to the need to conserve nature in collaboration with local authorities.

WATER

While coffee cultivation and processing is highly dependent on water, rainfall patterns are becoming increasingly unpredictable in many coffee-growing regions. This requires farms to develop new strategies to manage their water use more efficiently and to increase their drought resilience.

At NKG farms, one of our focus areas is reducing water needs for washed coffee by implementing water recirculation systems. This includes the use



of effluent from the wet mill to hydrate carbonized compost during the production stage. To further support water availability at our farms, we supplement borehole water with harvested rainwater to supply the living quarters.

A similar approach can be found on our coffee fields. At Kaweri Coffee Plantation, we address water scarcity through the implementation of rainwater collection basins consisting of small in-field soil depressions. In this way, we reduce the run-off from the field and allow the rainwater to infiltrate the soil, so that it can be used by the plants.

In addition, both Kaweri Coffee Plantation and Fazenda da Lagoa rely on the use of so-called "jumbo plants." Jumbo plants are seedlings grown in the nursery for 10 to 11 months. They have a stronger root system than the conventional six-month-old seedlings and can therefore grow faster in depth and find more water there. This is especially useful, since newly planted trees tend to be very sensitive to drought.

Another important tool is the application of gypsum. Gypsum is a very reactive soil conditioner consisting of calcium sulfate, which transports soil bases to deeper layers. Coffee roots follow these nutrients and reach much deeper layers where the soil holds more moisture.

SOIL

To ensure soil fertility and prevent negative effects such as soil erosion, NKG farms rely on field management practices which are based on plant, soil and terrain necessity. This includes, for example, planting trees according to the topographic level of the coffee fields as well as regular soil and leaf analysis to optimize compost and fertilizer application.

Different soil cover techniques are used to maintain ground cover between coffee rows and thus reduce soil exposure. For this purpose, crop residues from the pruning process are left on the fields. Planting Brachiaria between coffee bushes also helps to prevent soil compaction and increase the water-holding capacity. After pruning, their branches cover the soil, protect it from direct sunlight, reduce water evaporation and serve as organic fertilizer.

Moreover, mature coffee fields are planted at high densities to protect the soil. High planting density leads to a total soil cover under the plants, which on the one hand eliminates the competitive weeds but also shields the soil from direct sunlight. The soil cooled in this way "sweats" less and soil moisture is retained better and longer.



SOCIAL ENGAGEMENT

In addition to their environmental engagement, our farms also assume social responsibility as major employers in their municipalities. We are convinced that coffee farming can only be resilient if it creates value for everyone involved in the supply chain. For this reason, we want to create the best possible working environment for our workers and their families. This includes access to education and training, free social services such as housing, adequate sanitary facilities, warm meals, transportation, health care and medicine, as well as recreational activities, e.g., soccer fields and playgrounds.

All NKG farms also extend their environmental and social commitments beyond their own borders and into the surrounding communities. Support is given through basic infrastructure, such as drinking water supply and school renovations. There are a range of long-term projects underway, such as youth training programs, which provide social and entrepreneurial skills, agricultural, sports and cultural activities to young people. Our farm Finca La Puebla, for example, operates and finances the Youth Center in Santa Rita, where activities are run by an experienced social worker and psychologist.

Furthermore, all our farms foster a range of collaborations with local institutes, universities and interest groups, in order to share their know-how about field management and new production techniques and to enable research projects.



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An aerial photograph of a vast coffee plantation. The rows of coffee trees are neatly organized and stretch across the landscape. A paved road with a yellow center line runs through the middle of the plantation, curving slightly. The surrounding area is lush green, with some grassy fields and a dirt path visible. The overall scene is bright and vibrant, suggesting a healthy and well-maintained agricultural environment.

**THE FUTURE
OF COFFEE
IS OUR FUTURE.**

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