

What have we done so far?

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We have strengthened our corporate governance

The Ethics Committee, Anti-Mobbing Committee, the Internal Audit Department and the "Green Line" system (Whistle B platform), reporting directly to the Management Board, have been established at Zabka. This means each employee, associate, and business partner may safely report any alleged violations or irregularities.

All of Zabka's organisational units have undergone a corruption related threat assessment. We have drawn up and introduced a plan of compliance training courses that are compulsory for all employees. The program's curriculum covers, inter alia, such issues as verification of business partners, reporting irregularities, conflicts of interest, accepting/giving gifts and samples, rules for cooperation with public administration bodies, as well as anti-corruption rules.

All members of our managerial bodies have become familiar with the applicable anti-corruption policy and procedures. Such information is also communicated to all employees and associates of Zabka. **Contracts concluded with our suppliers contain anti-corruption clauses and provisions concerning compliance.** In 2020, we did not identify any activities of corrupt nature. Our organisation did not have to act as a participant to any judicial and administrative proceedings, either ongoing or completed, concerning corruption, either. No proceedings were instigated against Zabka with regard to violation of anti-trust or free competition regulations



As far as our supply chain is concerned, the activities we undertake are aimed at protecting human rights, including by counteracting forced labor and child labor and by ensuring decent remuneration.

The supplier selection process is defined by the supplier quality qualification instructions in effect at the company and ensures the most stringent human rights standards are complied with.

In 2020, two cases of data loss were recorded at Zabka. Both violations were detected internally and reported to the Personal Data Protection Office.

We have expanded the risk management system

We started to expand the system used for monitoring various types of risks affecting our daily business operations, while **taking into account non-financial factors**, and undertake actions aimed at minimizing the probability of their occurrence. An overview of the most significant threats that have been identified is presented in the table below.

Risks with ESG factors taken into consideration

Area	Description of risk
Finance	Related, inter alia, to potential interest rate fluctuations, loss of liquidity as well as foreign exchange risk, credit risk, changes in prices of and margins generated on sold products, thus increasing operating costs. The Organisation is also monitoring market price risks regarding mainly the financial instruments in its possession. Financial risk management related goals and principles are presented in the additional note no. 29 to the financial statements of the Company for the year ended on December 31, 2020.
Legal and regulatory environment	Related, inter alia, to the ban on trade, the risk of restrictions imposed on commercial facilities due to the COVID-19 pandemic, as well as changes in tax regulations, labor law, regulations concerning the production and sale of food or OHS.
Market	Changes in market trends and/or customer preferences lead to the risk of an adverse impact on the results of the Company. The risk factors include, inter alia, increased competition, restrictions concerning market capacity, consolidation of the supplier market, aging of the society / increased poverty. Potential challenges related to ensuring customers are provided with products and services of proper quality are analyzed.
Trust and reputation	The risk of phenomena, activities or associations adversely influencing the brand value and shareholders' trust, resulting from, inter alia, complaints lodged by customers, judicial proceedings, potential penalties, recalling products from stores, non-compliance with regulations or customer expectations concerning environmental and/or climate protection.
Strategy	Risk of inefficient execution of strategic projects, loss of talents, poor employee retention. Climate-related risks including, inter alia, failure to mitigate and adapt to climate change; water crisis, availability of raw materials.
Operations - Health and Safety	Risks related, inter alia, to good quality of food products delivered to customers and of the Zabka Cafe offering, risk concerning meeting applicable sanitary requirements, including laboratory analyses of suppliers of own brand products.
Operations - Efficient and responsible supply chain	Supply chain disruptions caused by economic, business or pandemic-related factors. Challenges related to verification of supplier responsibility related criteria, e.g. those concerning labor law, environmental and climate protection, human rights and food safety.
Operations - Cybersecurity	Risks of data leaks and other challenges related to cybersecurity.
Operations - Ethics and abuse	Risk of corruption at the stage of preparing goods for shipment, their transport and purchase.
Environment	Adaptation to environmental regulations, including the risk of tightening regulations related to energy efficiency, packaging waste or sourcing financing based on green criteria.

GOOD PRACTICE

Continuity of operation ensured by efficient management during the pandemic

Our emergency plans prepared long before the world found out about COVID-19 were very helpful in managing Żabka during the pandemic. Scenarios for continuing business activity and executing key processes in the event of disturbances to normal operations or a crisis (the so-called Business Continuity Plan - BCP) obviously required adequate adaptations, but allowed us to safeguard business continuity and ensured rapid changes could be introduced to our operations, thus shortening the decision making chain as much as possible.

The first BCP meeting concerning the COVID-19 pandemic took place on March 4, 2020. Six days later a central Crisis Team was appointed, comprised of Management Board members, Heads of Technical, Legal, IT and Financial Departments, and the Director of Corporate Affairs. 49 meetings of the Crisis Team were held in 2020: in the first weeks of the pandemic the Team was meeting twice a day. These meetings continue to be held on a regular basis for the duration of the pandemic - currently, they are held once a week. We have also appointed an interdisciplinary operating team consisting of project managers coordinating the performance of specific tasks.



We identify and take advantage of organisation development-related opportunities

We analyze trends, monitor the economic and market situation on a regular basis, and check our competence, resources and competitive advantage to identify key opportunities for our company.

- Development of digital technologies**
 Customers' needs and requirements concerning digital technologies used while doing everyday shopping are increasing. This trend has been reinforced by the COVID-19 pandemic and by the restrictions imposed - despite the fact some limitations have been lifted, many Poles prefer to avoid crowded places. The number of Poles shopping online and using modern technologies is increasing - this is a chance for the growth of the delivery market,

self-service stores and technologies enhancing the efficiency of on-site service.

- Expansion by scaling the business model**
 Efficient use of the effect of scale, current market situation, technological advances, relatively low saturation of the Polish market with modern convenience stores - these are all opportunities allowing us to increase the pace of our current expansion. The key factors include development of artificial intelligence and algorithms supporting decision making processes while selecting the location of new stores, automated logistics and distribution centers under construction, the current market situation that ensures better availability of attractive locations for new stores, as well as flexibility of the store format allowing us to adapt it to the individual locations.
- Credibility and trust in the time of the pandemic**
 Żabka's brand and its reputation are our capital and the source of our competitive advantage. The positive image of Żabka was additionally reinforced by responsible and efficient activities during the pandemic - 81% of franchisees positively evaluated Żabka's support during this difficult time.
- Responding to customers' needs**
 Research shows the period of social distancing during the COVID-19 pandemic has changed our nutritional habits.²¹ Poles eat more healthy food, opt for vegetables more frequently, and some have given up meat in favor of plant-based products.

For obvious reasons, cooking and eating at home, with one's family, has become more popular - nearly 40 percent of Poles admit they cook more often after the social distancing requirements were introduced, while 41 percent of the respondents admit they started appreciating cooking with their loved ones during the pandemic. Many people claim also they want to maintain the positive changes in their diet after the end of the pandemic.

The number of customers paying attention to information about foodstuffs and willing to know more about the food they buy is increasing as well.²² Consumers are particularly interested in ingredients (90%), their impact on our health (83%) and in the content of nutrients (82%).

40% Poles admit they cook more often since the beginning of social distancing

²¹ "Eating habits of Poles during social restrictions imposed by the 2020 coronavirus pandemic" conducted by MRW to the order of Upfield, 2020

²² Ibid.

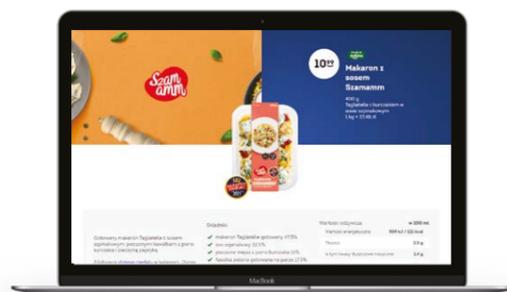


We have undertaken activities aiming to refine our operations

We are grateful for every customer buying our goods and services, but we do not forget about the sales-related responsibility we have. We are very attentive when it comes to regulations concerning the sale of alcohol and tobacco products. **Using an e-learning platform, we teach the rules of responsible sales to our franchisees and their employees.** We want every person working at Żabka to know how and when to refuse to sell alcohol and cigarettes, and why assertiveness is crucial in that process. During the training courses, we use videos and animations showing how to behave appropriately in situations of attempted unauthorized purchase of alcohol. Additionally, when scanning alcoholic products, a message reminding the shop assistant of the need to confirm whether the person is of age is displayed on the register's screen. We continue to refine responsible sale practices.

Due to the pandemic related restrictions requiring customers to cover their nose and mouth, recognizing the age of customers buying alcohol has become even more difficult for shop assistants. Therefore, we conducted, **in 2020, a campaign titled "The face mask does not alter your age. At Żabka, we sell alcohol responsibly!"** As part of the campaign, we prepared special leaflets for franchisees and their employees reminding them of the guidelines they need to follow while refusing to sell alcohol to minors, and quoting the regulations that require alcohol buyers to produce their identity cards. We also supplied our shop assistants with badges informing customers about the responsible attitude of our employees.

Together with RoPSAN (Association of Parents Against Selling Alcohol to Minors), we perform regular "mystery shopper" audits and check the potential readiness of stores to sell alcohol to minors. In 2020, such an audit was performed **at 422 randomly selected Żabka stores in 9 voivodships:** Dolnośląskie, Małopolskie, Mazowieckie, Łódzkie, Podkarpackie, Pomorskie, Śląskie, Warmińsko-Mazurskie and Wielkopolskie. The results of these audits serve as a basis for drawing up and implementing applicable standards, and are the foundation for educational efforts supporting responsible sales.



Being an entity that is responsible for the production of our own brand products, we felt obliged to supply reliable and transparent information regarding our products. We make it easier for customers to make informed shopping decisions and to live sustainable lives by ensuring simple and well visible markings are included on the packaging of our own brands products. In line with our procedures covering 100% of our own brand products, such markings provide information about ingredients, safe use principles and disposal procedures.

We clearly communicate a given product does not contain any preservatives or that it is 100% plant-based. At our stores, we use labels marking vegetarian, organic, gluten-free or lactose-free products. Comprehensive information concerning the ingredients and the nutritional value of all own brands products and those originating from our suppliers are available on our website.

As part of the Integrated Management System, we have conducted:

140 internal audits 320 internal training courses 300 quality team meetings

ISO 22000
Food safety management



ISO 50001
Energy management



ISO 14001
Environmental management systems



ISO 45001
Occupational health and safety



Health and Safety+ Program

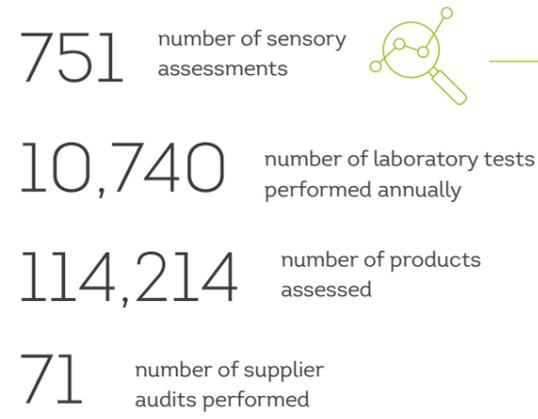
The Żabka Group continuously develops its **Integrated Management System (IMS)** that is based on four international standards: **ISO 22000:2018*** - guaranteeing food safety, **ISO 14001:2015** - being an expression of our care for the natural environment, **ISO 45001:2018** - covering the **OHS** management system, and **ISO 50001:2018** - related to efficient energy management.

* from 2021. Previously - ISO 22000:2005



We have developed responsible supply chain practices

Our company's supply chain is based on the wording of the Integrated Management System Paper and on the provisions of manuals and procedures attached thereto. We act in an efficient and standardized manner at each stage of the process - from planning the deliveries to stores, loading products, to their unloading. We have procedures in place that are ready for implementation in emergency situations and if potential food safety-related threats are encountered. We take a number of verification efforts ensuring consumer safety and actively engage the individual teams within our organisation in the process. We monitor food law provisions on an ongoing basis and update our requirements accordingly. We set forth principles applicable to returning products to the Logistics Center and provide for the functioning of the settlement system.



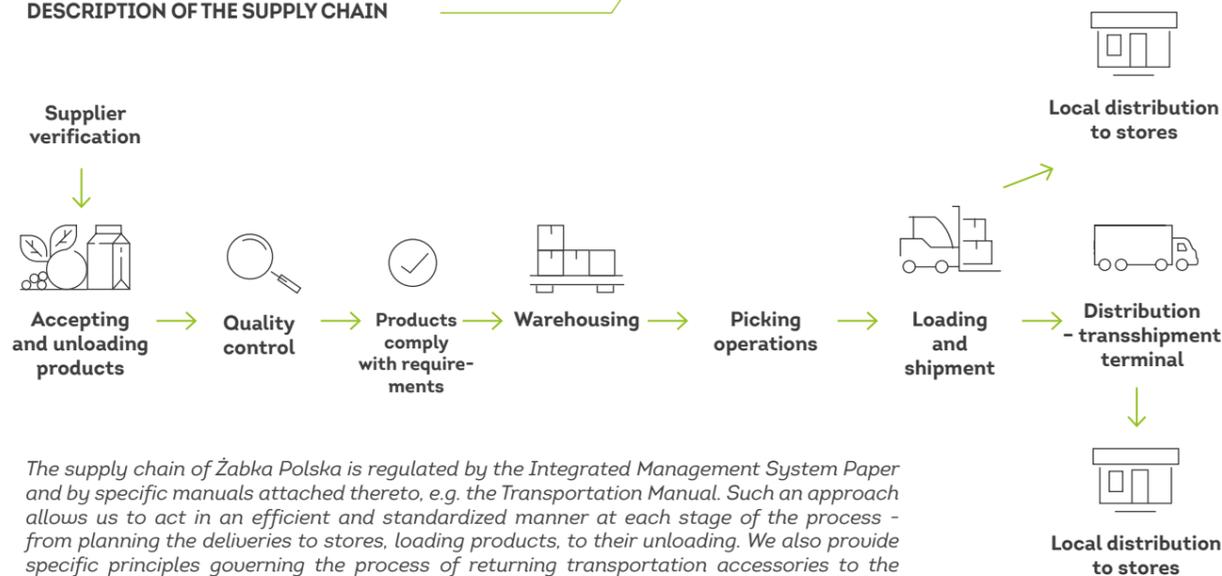
All products delivered to stores are subject to verification. All of them must comply with Żabka's quality standards. Own brand products are additionally verified, prior to their introduction to the market, and are subjected to external analyses performed at accredited laboratories. **From planning deliveries to the Logistics Center, to their acceptance, storage, to shipping to stores - all products are inspected several times: at laboratories, using sensory methods, as well as at their acceptance by the Logistics Center.** Compliance with quality standards pertaining to production of food and packaging, as well as to storing and distribution of goods to Żabka stores is overseen by our **Integrated Quality Management System, being a part of the IMS.** The system has been certified for its compliance with the renowned **ISO 22000:2018 standard.** Our strict quality standards have become even more demanding after introduction in 2020, of the innovative **Health and Safety+ program.** The program covered selected own brand suppliers. It aimed to verify processes and procedures related to crisis management, enabling also to assess employee's attitudes and awareness.

Our supply chain is based on the transport management system in effect in our organisation. It allows us to track deliveries, modify product packing methods so they may be stacked on shelves more efficiently, and enable the introduction of new methods for distributing products in controlled temperature conditions.

The facilities opened in 2020 expanded Żabka's logistic network that comprised seven Logistics Centers and 20 transshipment terminals used for distributing goods to all stores across Poland. Deliveries to our stores take place up to six times a week. **Over 80% of our stores receive logistic support every other day.**

We are involved in protecting human rights, counteracting forced labor and child labor, as well as ensuring remuneration allowing one to live a dignified life. That is why **all foreign suppliers and business partners importing goods from abroad are verified in order to ensure their products or manufacturing sites are not included in the American Labor Department's "List of Goods Produced by Child Labor or Forced Labor"**. When cooperating with suppliers from high-risk countries, we require them to confirm that an external audit concerning compliance with ethical principles has been conducted at their sites.

DESCRIPTION OF THE SUPPLY CHAIN



The supply chain of Żabka Polska is regulated by the Integrated Management System Paper and by specific manuals attached thereto, e.g. the Transportation Manual. Such an approach allows us to act in an efficient and standardized manner at each stage of the process - from planning the deliveries to stores, loading products, to their unloading. We also provide specific principles governing the process of returning transportation accessories to the Logistics Center and provide for the functioning of the applicable settlement system.

For more information, please go to page 133

In 2020, 100% manufacturers we have been cooperating with were verified for their compliance with international standards applicable to food safety management systems.

* from 2021. Previously - ISO 22000:2005

