

NKG'S APPROACH TO EUDR OPERATIONALIZATION





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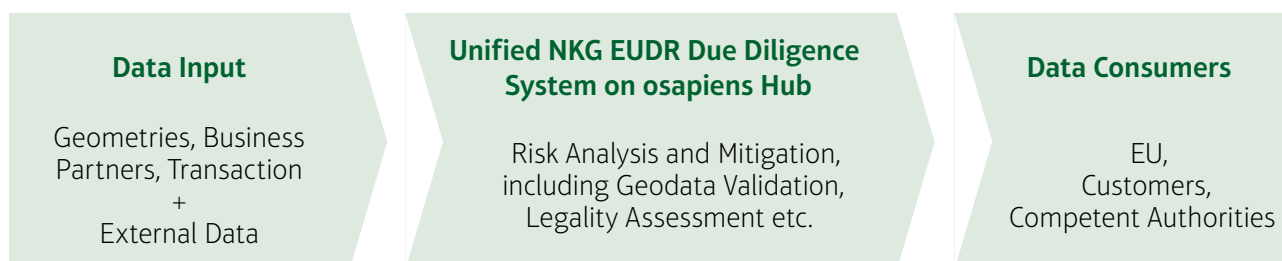
The European Union Deforestation Regulation (EUDR) presents significant challenges to companies dealing with agricultural commodities, such as NKG. Nevertheless, our goal and ambition are to ensure uninterrupted coffee flows into the European Union (EU). Therefore, we have stepped up our efforts to ensure business continuity.

We are well-prepared to meet these challenges on multiple levels:

- ✓ Our proprietary **supply chain programs NKG Verified and NKG Bloom** exceed the requirements of EUDR and other regulations, serving as initial blueprints for compliance. Furthermore, our field teams work daily with producers, providing services to address root causes of deforestation.
- ✓ Through our **17 export companies**, NKG has established long-standing relationships with suppliers and possesses **in-depth knowledge of the local coffee sectors**.
- ✓ So far, our efforts have focused on **information sharing**, fostering a **common understanding of the regulation** both internally and with our business partners. We have established protocols for the consistent mapping of coffee plots and the creation of **high-quality polygons**, which are essential for accurate monitoring and compliance.
- ✓ An effective response to EUDR requires substantial efforts and investments in both human and technical resources. Luckily, we can leverage the power of over **300 colleagues** working in sustainability globally.

We build on the described existent group-wide efforts and leverage them to fine tune our EUDR Due diligence System (DDS), which we describe in more detail below.

Bird's eye view on the NKG EUDR Due Diligence System



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Steps of our geodata-based Due Diligence Process

Everything starts with high-quality geodata. We have set up a comprehensive, reproducible methodology to validate geodata quality, its plausibility as coffee growing area and check specific deforestation and legality risk. This method serves as a global NKG benchmark and is based on publicly available resources.

| Geodata Quality Validation | Legality Risk Assessment | Deforestation Risk Analysis |
|--|---|---|
| We validate geodata, including buffering points, cleaning polygons, and checking plausibility based on elevation, land cover, and acreage. To expand geodata collection, we will soon launch an additional GeoService. | We assess legality risks for each geometry, checking overlaps with Protected Areas and Indigenous Lands using data from both the World Database on Protected Areas and International Union for Conservation of Nature retrieved from Global Forest Watch. | For the period after 2020, we analyze deforestation risk by checking the World Resources Institute deforestation flags (Tree Cover Loss, GLAD Alerts) on areas identified as forest by the Science Based Target Network (SBTN). |

The methodology will be made available across NKG, making deforestation analysis ubiquitous and accessible across the group. We regularly update and refine our methodology based on customer and regulatory requirements.

A detailed assessment of the provider for our Due Diligence System (DDS)

Our DDS is the cornerstone of our approach to EUDR. Efficient due diligence processes are essential to manage information flows effectively, which will be assured by one unified NKG system for EUDR and Business Partner Due Diligence, among others. The Osapiens Hub will be the backbone of this system that will simplify, standardize and automate due diligence processes for EUDR and other regulations.

The Hub will allow our suppliers and group companies to efficiently provide information that passes through our due diligence processes and is conveniently distributed to authorities and subsequently to our customers.

Osapiens is an exceptional partner in our mission to enhance supply chain management and regulatory compliance. With osapiens, we will harmonize data, establishing clear protocols for both suppliers and

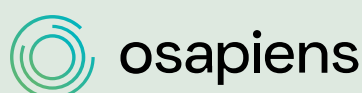
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customers. For seamless and efficient data flow, a single endpoint will be provided and complemented by a portal, including applicable EU TRACES information. Additionally, osapiens offers a comprehensive range of capabilities for business partner due diligence. We will be able to deliver complete information packages on a shipment level, ensuring thorough and accurate documentation.

By collaborating with osapiens, we aim to strengthen NKG's position as a leading green coffee service provider. This partnership will increase efficiency and maximize value creation by enhancing our business relationships. Additionally, it will ensure the best possible and streamlined preparation for EUDR compliance across our entire group. This is only a start - we will be able to manage diverse ESG topics with our business partners via osapiens.



Who is osapiens?

- ✓ Rapidly growing company, over 300 employees and 1200 customers (including many DACH-retailers)
- ✓ Specialized in providing holistic solutions and software for supply chain management, quality control, and compliance – rooted in traceability fundamentals
- ✓ Focuses on leveraging technology to enhance transparency, efficiency, and traceability within supply chains
- ✓ Business Partner and purchase order focused to ensure efficiencies and harness economies of scale
- ✓ Product scope extends beyond EUDR (e.g., German Supply Chain Act (LkSG), Corporate Sustainability Reporting Directive (CSRD))
- ✓ osapiens Hub has an integrative design to harbor various data sources, streamline processes, and ensure regulatory compliance

Get in Touch!

Join us in our efforts or get in touch with us concerning your questions about the EUDR. Please contact your trader or email to:

sustainablebusiness@nkg.coffee

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