



NKG DOUBLE MATERIALITY ASSESSMENT REPORT

JULY 2025



Table of Contents

Double Materiality Assessment..... 4

Identifiying and Assessing Impacts, Risks and Opportunities (IROs) ... 5

1. Evaluating the Organizational Scope..... 5

2. Analyzing the Organizational Context..... 6

3. Conducting External Stakeholder Interviews 6

4. Assessment and Feedback from Global NKG Experts..... 6

5. Setting Thresholds for Materiality..... 6

NKG’s Value Chain 8

Results 9

NKG’s Focus Areas 11

Climate Change..... 11

Workers in the Value Chain 11

Biodiversity..... 12

Own Workforce..... 12

Governance and Business Conduct 12

Non-material ESRS..... 13

Pollution..... 13

Resource Use and Circular Economy..... 13

Water..... 14

Affected Communities..... 14

Goal and Background

At Neumann Kaffee Gruppe (NKG), we are committed to ensuring that everyone involved in bringing coffee from farm to cup can achieve a sustainable livelihood while preserving the environment we all rely on. To address evolving sustainability challenges and meet the increasing expectations of stakeholders and regulators, we conducted a comprehensive Double Materiality Assessment (DMA) to identify and prioritize a focused set of environmental, social, and governance (ESG) topics most critical to our stakeholders, the ecosystems we operate in, and our business success.

This process is essential for NKG as it evaluates ESG topics from two perspectives: their impact on stakeholders and the environment (impact materiality), and their financial significance to our operations (financial materiality). By examining both dimensions, we gain comprehensive insights into the impacts, risks, and opportunities (IROs) faced by our business. These insights empower us to make informed, strategic decisions while enhancing transparency and accountability to our stakeholders.

Implementing the DMA is the first step in preparing for the Corporate Sustainability Reporting Directive (CSRD), a key regulatory framework within the EU. Conducted in 2024, this assessment will guide the revision of our [Responsible Business Program \(RBP\)](#) and define our sustainability strategy for the years ahead. It reflects NKG's proactive approach to regulatory compliance and our commitment to sustainability and driving benefits for all stakeholders.



Double Materiality Assessment

A Double Materiality Assessment evaluates sustainability topics through two perspectives: **impact materiality** and **financial materiality**. For **impact materiality**, the assessment analyzes how NKG’s activities influence stakeholders, communities, and ecosystems, adopting an inside-out perspective to identify both positive and negative impacts. For **financial materiality**, it examines how ESG topics pose risks or create opportunities that affect NKG’s business operations, financial performance, and strategic resilience from an outside-in perspective. Crucially, both perspectives encompass the entire coffee value chain — from farm to cup — ensuring a comprehensive evaluation of sustainability issues across all stages of production, distribution, and consumption. By integrating these perspectives, NKG identifies and assesses the **impacts, risks, and opportunities (IROs)** most critical to our stakeholders and business, enabling informed decision-making and the development of a robust sustainability strategy.

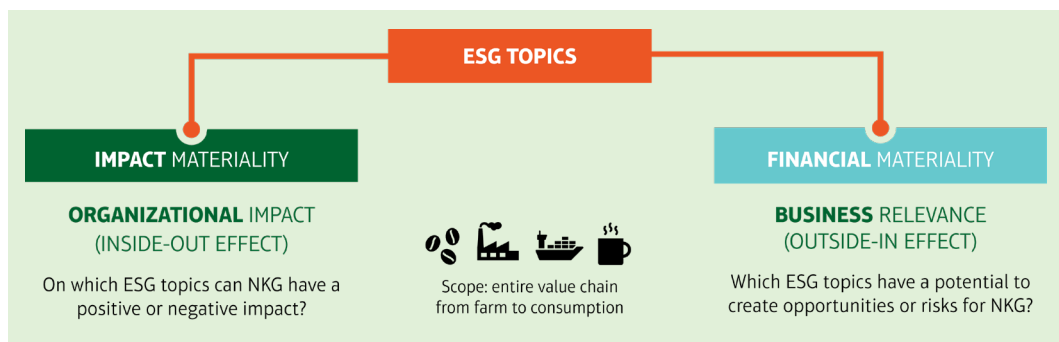


Figure 1: Definition of Impact Materiality and Financial Materiality

Identifying and Assessing Impacts, Risks and Opportunities (IROs)



Figure 2: Identifying and Assessing Impacts, Risks and Opportunities (IROs)

To comprehensively identify and assess IROs, a project team of sustainability experts was established that carried out the following steps.

1. Evaluating the Organizational Scope

To ensure an exhaustive analysis, we assessed the organizational scope of the Double Materiality Assessment, focusing on the influence of NKG companies on key ESG topics throughout the value chain. This involved examining the operations of NKG entities and their interactions within the broader coffee value chain, considering all relevant actors — from coffee farmers and suppliers to distributors and consumers. This step primarily served to inform the subsequent phases of the assessment, ensuring that all potential IROs across NKG companies and the value chain were systematically identified.

2. Analyzing the Organizational Context

In order to gain an initial understanding of the potential IROs, we analyzed the business context of NKG by conducting a thorough analysis of both internal and external documents. This included reviewing NKG's reports, such as the [NKG Sustainability Report](#), Climate Action Plan, and Human Rights Risk Assessment. Additionally, we examined external documents, including risk analyses from industry organizations like the Deutscher Kaffeeverband, scientific papers, regulations and certification standards. We also analyzed sustainability reports and websites of peers, clients, and relevant industry associations to gain insight into industry trends and stakeholder expectations.

3. Conducting External Stakeholder Interviews

With the aim to include the perspectives of a diverse set of stakeholders, we conducted an analysis of all stakeholders and evaluated which could be involved directly through interviews or workshops or indirectly through representatives. We then carried out 12 in-depth interviews with customers, supply chain partners, banks, industry associations, and NGOs to capture their perspectives on the most significant IROs. Additionally, we sought feedback on the strengths and weaknesses of NKG's current approach to sustainability and gathered valuable input on areas for further development.

4. Assessment and Feedback from Global NKG Experts

To gather comprehensive input for the assessment, we conducted a workshop with global NKG sustainability experts to kick off the process and identify additional IROs based on the topics, subtopics, and sub-subtopics from European Sustainability Reporting Standards (ESRS) 1. If no IRO could be identified for a particular category, the project team provided a reason for omission. The initial IRO assessment was conducted by an NKG sustainability expert, with the results cross-checked by another expert from the relevant field. To ensure the accuracy and relevance of the findings, topic-specific workshops were held with global NKG professionals from various regions and functions to discuss and refine the IRO assessment. This process was supported by structured guidance and templates to ensure consistency, followed by several rounds of plausibility checks and refinements, resulting in an accurate and coherent assessment.

5. Setting Thresholds for Materiality

When setting the thresholds for the Double Materiality Assessment, it is important to distinguish between highly material and less material topics to concentrate on the most material issues and focus the efforts. The process of setting thresholds for materiality involved collaboration with key internal

stakeholders, including the project team, Department Heads of Sustainability, and a Steering Committee consisting of Board Members and selected Executives from different group companies. Together, these stakeholders established an appropriate threshold in line with ESRS 1.

The assessment was based on the following qualitative scales. Through an iterative process, different thresholds for "Severity" and "Financial Magnitude" as well as for "Likelihood" were applied to the IROs to identify the most material topics while maintaining a manageable quantity of topics for reporting. In the case of a potential negative human rights impact, the severity of the impact was considered irrespective of their likelihood. For severity, if a maximum value for scale, scope or remediability was selected the maximum value was used as a total score to prevent balancing out with lower scores.



Figure 3: IRO-Assessment Scales for Impact Materiality

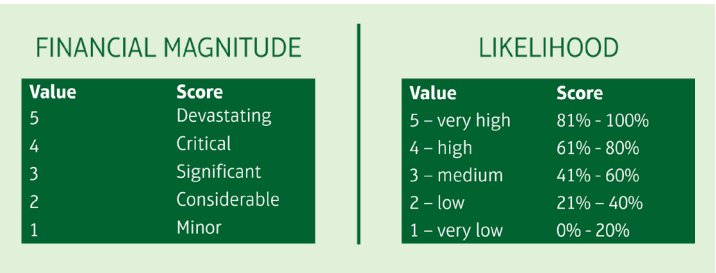


Figure 4: IRO-Assessment Scales for Financial Materiality

NKG's Value Chain

A detailed understanding of the value chain is fundamental to conducting a Double Materiality Assessment and developing a comprehensive list of impacts, risks and opportunities (IROs). NKG's materiality assessment centers on an in-depth examination of our entire value chain —from coffee farming and sourcing to processing, distribution, and consumption. As a company, we focus on milling and exporting coffee from its origin, as well as importing it to nearly every major coffee-consuming country. Additionally, we provide services across the entire coffee supply chain. While we own three farms, we primarily source our coffee from independent business partners such as cooperatives, local aggregators and producers. The analysis combined our extensive internal knowledge of operations with thorough research to systematically identify both obvious and potential touchpoints related to ESG topics throughout the value chain. Specifically, we mapped the IROs to the steps in the value chain and identified location-specific instances.



Figure 5: NKG's Value Chain

Results

Following the comprehensive steps outlined above, we identified a total of 181 impacts, risks, and opportunities (IROs) across the value chain, of which 41 were assessed to be material. The results were consolidated and carefully reviewed to ensure a thorough understanding of the priorities identified during the process. Discussions within the project team and with NKG sustainability experts, and the Steering Committee guided the final determination of material topics, reflecting the most significant ESG issues for NKG. These findings serve as the foundation for aligning NKG's sustainability strategy with stakeholder expectations and regulatory requirements, ensuring a focused and impactful approach to ESG challenges. Non-material topics may still be relevant in specific local contexts and will be reevaluated with time. The wording of the ESG issues are directly adopted from the ESRS, with one exception. We call ESRS S2 Producers and workers in the value chain, given the importance of independent coffee producers within our value chains. The assessment highlighted the following key standards as priorities from both the perspective of impact and financial materiality.

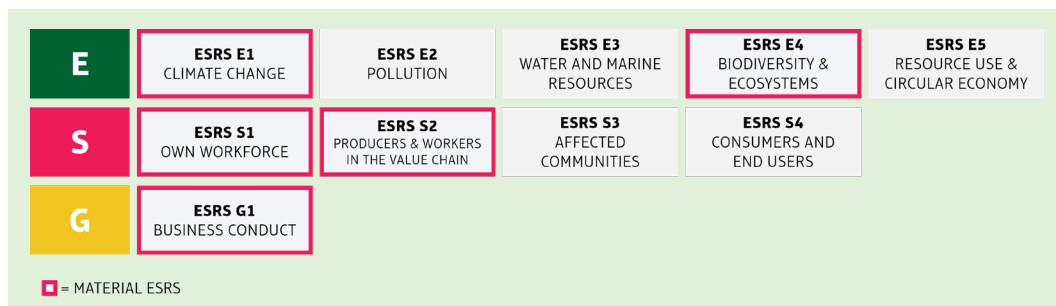


Figure 6: ESRS

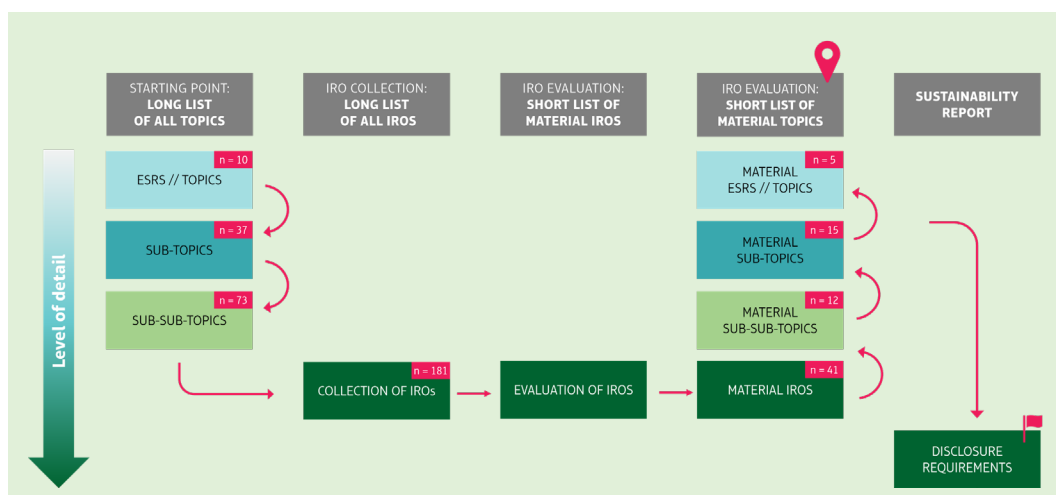


Figure 7: Process of the DMA

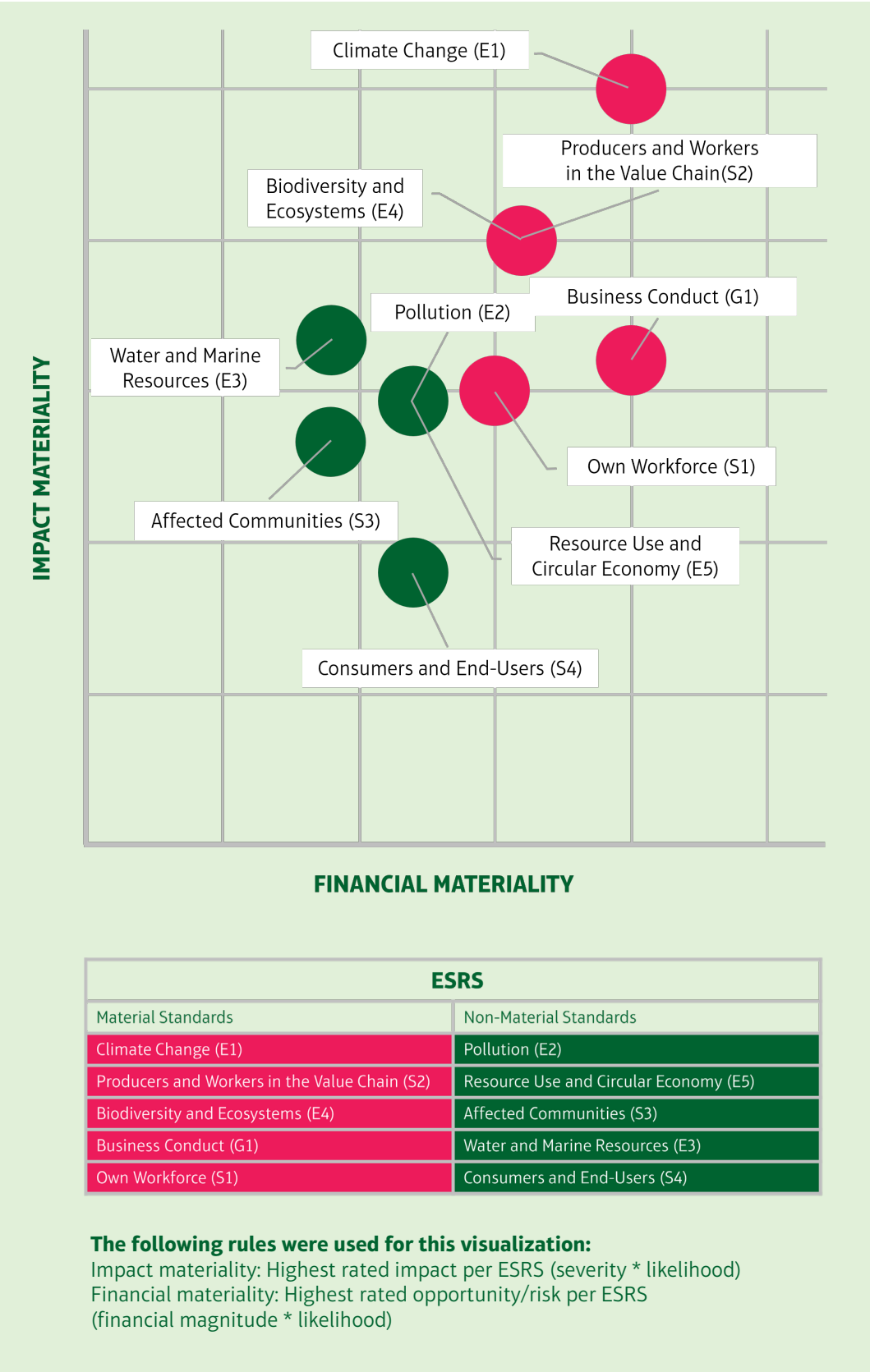


Figure 8: Materiality Matrix

NKG's Focus Areas

The material topics and the specific focus areas we aim to prioritize within them are outlined below.

Climate Change

As we're all about coffee and coffee is highly susceptible to the climatic changes, it is not surprising that climate change is the top material topic for us. The majority of our emissions originate from coffee production - a small part happening on our farms, the vast majority on the fields of independent coffee producers within our value chains. Key drivers of emissions are fertilizer and agrochemical use, fermentation and land-use change. Regenerative practices, including agroforestry, offer the opportunity to turn farms into carbon sinks, and can support farmers to adapt to climate change. Coffee production is heavily impacted by climate change, especially due to changing rainfall patterns, yet also less obvious impacts such as the impact of heat on workers or extreme events impacting logistics.

Based on the identified IROs we'll strengthen our existing efforts in the area of climate change. This includes putting more focus on adaptation to climate change next to mitigation within our Climate Action Plan, streamlining and improving the measurement of the impacts of climate smart practices implemented on our own farms and promoted by our field teams through our programs NKG Bloom and NKG Verified as well as projects with customers.

Producers and Workers in the Value Chain

Producers and Workers in the Value Chain are key players in the coffee market as they form the foundation of the supply chain, making it crucial to ensure their livelihoods. While income stability and long-term employment remain central, upstream workers are faced with a complex mix of factors that impact their well-being. Issues related to fair compensation, working conditions, and the risks of modern labor abuses continue to present challenges. In addition, gender disparities, workforce shortages, and the need for succession planning add further layers of complexity to ensuring a thriving workforce.

Providing education, training, and resources to support producers and empower communities are already important cornerstones of our sustainability programs but will receive more emphasis in the future. To navigate these issues, we will seek to enhance our approach to improving conditions for workers in the value chain and address risks tied to human rights concerns.

Biodiversity

Biodiversity is essential for maintaining resilient ecosystems and for a thriving coffee production, yet it faces increasing pressures from agricultural practices, land-use changes, and climate variability. There is a strong interaction between coffee plants and their surrounding environment, influencing species diversity, soil health, and ecosystem stability. The use of agrochemicals, soil degradation, and deforestation can contribute to biodiversity loss, while the changing climate may further disrupt ecological balances. Particularly robusta coffee relies on insect pollination, making the protection of pollinators and their habitats a crucial domain.

NKG has so far only marginally addressed biodiversity, for instance through limiting pesticide use for coffee grown within our sustainability programs NKG Bloom and NKG verified. Addressing biodiversity holistically will require efforts to analyse impacts and risks and to balance productivity with environmental stewardship while navigating the complexities of coffee cultivation.

Own Workforce

A skilled and engaged workforce is essential for maintaining business success, yet attracting and retaining talent remains an ongoing challenge. The coffee industry, like many others, partly faces skill shortages, requiring a proactive approach to workforce development. Employee satisfaction is shaped by multiple factors, including fair compensation, career development opportunities, and overall workplace conditions. Ensuring wages that align with local living standards is a key, particularly as expectations around fair compensation continue to evolve. As the ESRS place emphasis on human rights protection, close monitoring and the provision of grievance mechanisms are crucial.

Many of these challenges are already addressed in current NKG policies focused on human resources and compliance, with numerous programs in place to further drive growth. However, continuously improving our programs and addressing potential human rights violations remain important aspects of compliance and workforce empowerment.

Governance and Business Conduct

Strong governance and business conduct are essential for maintaining trust and stability within the coffee supply chain. However, ensuring this across complex and variable global supply chains remains a persistent challenge. Oversight mechanisms and due diligence processes play a crucial role in maintaining

compliance with regulations and fostering equitable business relationships. Additionally, financial stability and access to pre-financing are prerequisites for doing business in the coffee market. Compliance with anti-trust and competition laws, as well as anti-corruption measures, continues to be an area of focus. Global supply chain disruptions further add complexity, requiring ongoing monitoring and adaptation to mitigate risks.

While many of these challenges are already addressed through NKG policies and governance frameworks, continuous improvements in risk management and compliance systems remain key to ensuring long-term resilience and responsible operations.

Non-material ESRS

As a globally operating company in agriculture, we have touchpoints with almost all ESRS. However, *considering all issues as material would dilute our focus*, making it challenging to address any of them effectively. The currently non-material areas, described below, may become material in the future and/or in specific contexts.

Pollution

Air, water and soil pollution can be a critical issue for agricultural products like coffee. However, compared to other concerns, the impacts are often local and not as widespread as for instance impacts on climate change or biodiversity. Additionally, in some cases, the impacts are less persistent—for example, air pollution particles typically remain in the atmosphere for only a limited time. Consequently, the scope and irremediability of these issues were assessed as lower than those of the material impacts, risks and opportunities (IROs). Some issues related to pollution, such as the use of hazardous pesticides, are also closely linked to other ESRS like biodiversity or climate change and will be addressed in these standards. Add: They are further covered in our sustainability criteria forming the basis of NKG Verified.

Resource Use and Circular Economy

Packaging and waste management can have significant environmental impacts. However, as green coffee is predominantly traded in bulk or large bags, the amount of packaging and waste generated per kilogram of coffee is relatively low. Consequently, the scale of these impacts was not assessed to be as high as those of the material IROs. Furthermore, agricultural residues in coffee farming are often composted and recycled to benefit the coffee farms, though their potential to fully substitute chemical fertilizers remains limited.

Water

A continuous supply of clean and sufficient water is crucial for coffee farming, and water use for irrigation and wet-processing can impact surrounding communities. Due to climate change, water availability is increasingly becoming a challenge, primarily in specific countries or regions. Given the locality of impact and our limited direct ownership of wetmills, the scope of this issue was assessed as medium compared to other material topics and is addressed under ESRS E1 Climate Change as part of our actions to adapt to climate impacts. Further treatment of waste water and water use remain part of our sustainability criteria forming the basis of NKG Verified. We did not assess ESRS E3 Water as material on its own.

Affected Communities

We assessed the violation of land rights as the highest potential impact on affected communities. However, since NKG's current strategy does not involve the purchase or lease of additional land for coffee cultivation, the likelihood of negatively affecting communities through own land acquisitions is very low, leading to the non-materiality of the respective IROs. If this changes in the future, we will reassess the corresponding IROs and their materiality. Nevertheless, we acknowledge that land rights violations remain a potential risk in NKG's supply chain. In light of the upcoming European Union Deforestation Regulation (EUDR), NKG has implemented robust measures to enhance traceability and prevent land conversion. Additionally, we remain steadfast in our commitment to contributing to a positive resolution in the land rights case related to the premises of [Kaweri Coffee Plantation Ltd. in Uganda](#).

Next Steps

Following our double materiality assessment, the next step is to update our sustainability strategy in 2025. While the identified material impacts, risks, and opportunities (IROs) mostly reconfirm the focus areas of the Responsible Business Program, the outcomes will help us to prioritize actions, develop a comprehensive roadmap of policies, and revisit our targets and their measurements.

To ensure compliance with the European Sustainability Reporting Standards (ESRS), we have aligned the material impacts, risks, and opportunities (IROs) with these standards and conducted a pilot data collection exercise in 2025 to transition step by step to CSRD-aligned reporting. We will maintain our two-year reporting cycle, with the next sustainability report scheduled for publication in 2026. In line with the evolving requirements of the Omnibus Regulation, we will incorporate any necessary adjustments to remain compliant with the current legislation on CSRD-aligned sustainability reporting, keeping our commitment to transparency and responsible business practices.



Neumann Gruppe GmbH

Coffee Paza • Am Sandtorpark 4
20457 Hamburg • Germany

www.nkg.coffee

responsiblebusiness@nkg.coffee