



UCC Group

Sustainability Report

2024



Sustainability Vision

Powering positive change with coffee.

We are a global integrated coffee business, working from farm to cup.

To realise our purpose of ‘unlocking the power of coffee for a better world’, we’re committed to and are engaged in a range of initiatives that focus on fostering sustainability throughout the coffee industry.

Today we have formulated our commitment to a sustainable future, with a new vision which drives positive change for people and the planet, helping to achieve a better future for all.

Committed to the coffee experience you love, for today and tomorrow – one cup at a time.

Message from the CEO

Since its founding in 1933, the UCC Group has been committed to exploring and creating value in coffee, in line with our founding spirit of ‘delivering delicious coffee to as many people as possible, anytime, anywhere’. We manage every aspect in-house to ensure you can enjoy delicious coffee. This includes everything from cultivation in producing countries, agricultural support, raw material procurement, research and development, roasting, and processing to sales, quality assurance, and even cultural and educational initiatives. The UCC Group is the only entity in the world that develops the coffee-related value chain globally and continues to focus on the best taste and enjoyment of coffee in each of its businesses.

I frequently hear concerns that, in the near future, we may no longer be able to drink coffee the way we do today. With coffee at the heart of everything we do, we must take action as a group to make it sustainable, leveraging the power of coffee to create a sustainable world.

Guided by this belief, in April 2022, we announced our sustainability vision, ‘Powering positive change with coffee’.

As we address global environmental issues, such as tackling climate change, preventing deforestation, and transitioning to a circular economy, we are committed to activities that help enhance natural ecosystems. We are also committed to enriching people’s lives through responsible sourcing practices that respect stakeholders’ human rights and by making a positive impact on health and education.

There is no question that the key to achieving our sustainability vision lies in collaboration and co-creation with our stakeholders. We believe that by aligning our efforts with all our stakeholders and creating value together, we can bring about positive change in the world.

‘Unlocking the power of coffee for a better world’. We will continue to take on the challenge of creating value through coffee for a better world.

Gota Ueshima
Group CEO
UCC Holdings Pte. Ltd.

上島 豪太

Sustainability Framework

Have a significant positive impact on society through health and education by 2030
#Health #Education

100% sustainably sourced UCC branded coffee by 2030
#Farmers-livelihoods #Traceability #Human-rights



Carbon neutral 2040 & nature positive
#Climate-change
#Greenhouse-gases
#Biodiversity #Forests #Water

Contents

01	Message from the CEO	17	Moving toward a circular economy
02	Sustainability Framework / Contents	19	Environment Nature-positive approach
03	Global dialogue:	19	Steps toward a nature-positive future
	Global x Local	23	Social Helping support producing areas and improve lives in the coffee community
	What challenges does UCC Group face in pursuit of a sustainable future?	23	Sustainable Coffee Procurement
05	Highlight 1 On the road to carbon neutrality	25	Respect for human rights
05	Hydrogen roasting: Making coffee carbon neutral	26	Stakeholder engagement
08	Reducing greenhouse gas emissions	27	Social For the well-being of all stakeholders and members of the UCC Group
09	Highlight 2 Toward sustainable coffee sourcing	27	Setting goals and advancing research in ‘Coffee x Health’ by 2030
09	UCC branded coffee to be 100% sustainably sourced by 2030	28	Community engagement
11	Stakeholder dialogue:	29	Sustainability education
	What does it mean to produce coffee sustainably in ways that respect nature?	30	Employee well-being
13	Sustainability management	31	Governance Risk management and improving transparency in the UCC Group
		31	Governance and sustainability
15	Environment Toward a sustainable planet / Contribution to a circular economy	33	Performance data
15	Targeting carbon neutrality by 2040	36	Group overview

Editorial policy

This report describes UCC Group’s approach to sustainability, its global goals, and its efforts and achievements in realising these goals. We hope this will help stakeholders deepen their understanding of the UCC Group.

Publishing
October 2024
Period
January 1 – December 31, 2023
Scope
UCC Japan Co., Ltd.
UCC Ueshima Coffee Co., Ltd.
UCC Coffee Professional Co., Ltd.
UCC Food Service Systems Co., Ltd.
Lucky Coffee Machine Co., Ltd.
UCC EUROPE LIMITED
UCC ASIA PACIFIC PTE LTD
UCC COFFEE AUSTRALIA LIMITED

Which stakeholder sustainability expectations are most significant in your regions?

Samuel • The major issue is decarbonisation. Most larger suppliers and customers we work with are setting and reporting on science-based targets aligned with those of the SBTi. Also, European legislation has established corporate responsibilities for nature preservation (no-deforestation and no-conversion in supply chains) and human rights. The key challenge now is to embed due diligence in standard business practices across the entire organisation. In addition, European coffee companies and consumers are facing issues



Bee Ling Tan
CEO, UCC ASIA PACIFIC PTE. LTD.

related to packaging, and there is a demand for change. So, it is vital that we have initiatives to prevent packaging waste, promote recycling and compostable formats, and act responsibly in sourcing the materials we use.

Dean • Australia and New Zealand are similar to Europe, where zero-waste initiatives and CO2 reduction are top priorities. Alongside these, there is also an emphasis on sustainable sourcing and compliance with human rights and modern slavery.

Bee Ling • In the Asia region, our primary focus is on building relationships with the local community. UCC Champions Sustainability shares best practices with UCC and coffee-producing regions. We promote enhanced communication about our initiatives and education about how consumers' choices contribute to the environment of the future.

Satomi • In Japan, we receive many requests related to sustainability, particularly from our commercial customers. Coupled with inbound demand, the level of demand for decarbonisation, sustainable procurement and packaging from customers involved in the hotel business is very high and requires swift action. Our emphasis is placed on the challenge of solving sustainability issues through innovation, and hydrogen roasting is an example of such a solution.

Samuel • We see hydrogen roasting as a groundbreaking approach because of its



Samuel Hadorn
CEO, UCC EUROPE LIMITED

potential to contribute to decarbonisation and provide better-tasting coffee. Companies committed to sustainability often set bold goals and make strong claims, but they sometimes fail to mention specific actions. Hydrogen roasting, however, is a prime example of a concrete action we are taking.

How would you rate UCC Group's global sustainability activities?

Satomi • Discussions regarding speedy decisions on common global goals and problem-solving are crucial in promoting sustainability activities. We believe we have reached a reasonable level of global governance that allows for speedy

decision-making. Of course, issues remain that need to be addressed, but in my opinion, the whole group is being strengthened by incorporating the opinions of Europe, the group's most advanced region.

Samuel • I believe it is vital to demonstrate to our customers and business partners that the UCC Group has consistent, challenging and sustainable goals globally. This approach helps build trust and enhances our collaborations with our customers.

Bee Ling • The UCC Group practices sustainable coffee sourcing globally and supports the Sustainable Development Goals (SDGs). I think we are harnessing the synergy between people and nature



Ryo Satomi
Sustainable business practices
Executive Vice President,
UCC Ueshima Coffee Co., Ltd.

to generate a positive cycle of collaboration, innovation, and education.
Dean • Our customers' global requests are chiefly about standardisation of decarbonisation reporting or the standardisation of supply chain audits and certifications, so it would be advantageous if we had globally standardised reporting and metrics.

What is your assessment of sustainability activities on the local level?

Dean • We are making good progress on the activities within our control. We now need to turn our attention to a macro view in our areas of focus and to activities that will drive change in the industry.

Bee Ling • A sustainable future requires a global perspective. Locally, here in Asia, we take a multifaceted approach beyond sustainable procurement. Our commitment ranges from waste minimisation to innovative upcycling initiatives such as our post-extraction coffee grounds program.

Samuel • There are plenty of good examples in the European region. For example, the supply chain, quality, procurement, and operations teams now spend a lot of time and effort monitoring and improving their footprint. This has allowed us to increase our use of



Dean Divehall
CEO, UCC COFFEE AUSTRALIA LIMITED

renewable electricity, reduce GHG emissions against our baseline, and achieve zero landfill waste by the end of 2024.

Satomi • The level of local activities in Japan has clearly improved in terms of both quality and quantity. We feel that this is largely due to the cumulative effect of our efforts to promote our purpose and values and strengthen our internal and external PR activities related to sustainability. On the other hand, where consumers are concerned, depending on their age, there is little awareness around decarbonisation, even less so where sustainable procurement is concerned. Since the UCC brand holds the top market share for roasted coffee in Japan, we believe that we need to take the lead in promoting activities that expand and increase consumer awareness.

Global dialogue

Global x Local
What challenges does UCC Group face in pursuit of a sustainable future?

Exploring global and local efforts towards sustainability, including concrete challenges in decarbonisation, sustainable procurement, and waste reduction.



Highlight **1** On the road to carbon neutrality

Hydrogen roasting: Making coffee carbon neutral

In an effort to significantly reduce our own carbon emissions, UCC is focusing on the roasting process – the essential step in delivering delicious coffee to customers.

Why hydrogen roasted?

The coffee bean roasting process typically uses fossil fuels like city gas or propane gas as a heat source, but CO₂ emissions from these fossil fuels are a major issue for achieving carbon neutrality. If we can switch this heat source to electricity derived from renewable energy and replace it with electric heaters (electrification), we can easily reduce CO₂ emissions. However, industrial-level roasting currently requires a great deal of energy and fine temperature adjustments of the hot air by flame, which makes electrifying the process problematic. That is why UCC has focused on hydrogen roasting – a process that uses hydrogen

flames that do not emit CO₂ during combustion as a heat source.

Compared to roasting with fossil fuels, hydrogen roasting allows for a wider range of roasting temperatures and has been found to better bring out the flavours of coffee, which is important to our customers. By leveraging the properties of hydrogen, it is possible to roast beans under conditions that were previously impossible, creating unique flavors that are exclusive to hydrogen roasting. In promoting hydrogen roasting, we aim not only to achieve carbon neutrality but to further explore the diverse flavors and aromas found in our coffee.



Hydrogen Roaster

Behind the scenes | Researchers reveal their secrets

UCC Group leverages roasting technology to establish a unique hydrogen roasting method

We faced two main issues in developing our hydrogen roaster. The first was related to the equipment itself. We needed to develop a roaster that would burn hydrogen to obtain the necessary hot air. Introducing hydrogen roasting is not as simple as replacing conventional fossil fuels with hydrogen. Hydrogen, composed of the smallest molecules on Earth, is prone to leakage and is difficult to detect when it does, making safety considerations crucial. However, since the UCC Group had no prior experience working with hydrogen, we began by deepening our knowledge of its properties. We also enlisted the help of experts, such as burner manufacturers, in developing the necessary safety measures. Those safety measures – applied to the design of our large-scale hydrogen roaster – came as a result of first producing and testing multiple small-scale hydrogen roasters.

The next challenge we faced was the flavour of the coffee itself. The energy content per unit

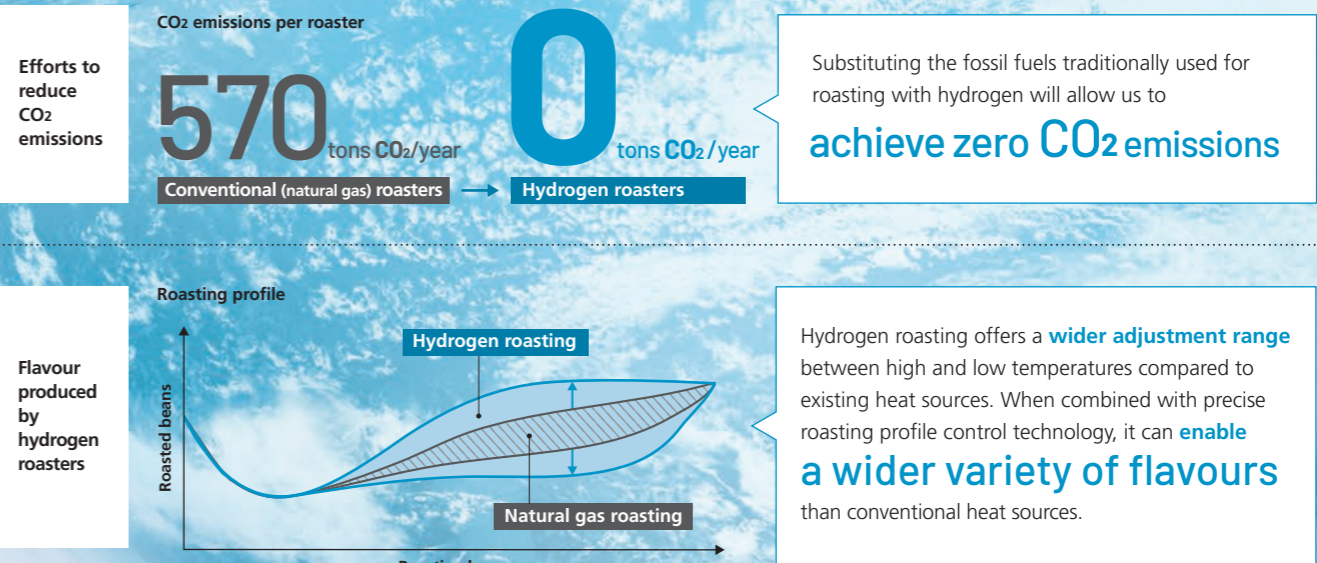


Yuichi Kimura
General Manager,
Production Department
SCM Headquarters,
UCC UESHIMA COFFEE CO., LTD.

volume differs significantly between conventional fossil fuels and hydrogen, which posed a challenge in maintaining our usual flavour quality with the same amount of roasting. When roasting coffee, it is crucial to control the roasting temperature through subtle heat adjustments. By capitalizing on the UCC Group's expertise in this roasting technology, we have found a way to reliably produce coffee without sacrificing quality. In order to achieve an even better flavour, we have teamed up with the UCC Innovation Center to repeat the processes of roasting, tasting, and analyzing the equipment. During this process, we discovered that hydrogen roasting offers a wide range of temperature adjustments and unique roasting profiles and flavours that can only be achieved with hydrogen. As a result, we have been able to establish a roasting method that broadens the flavour profiles of UCC coffee.

Slowly but surely, we are seeing that coffee can taste better through hydrogen roasting, and we aim to further refine this groundbreaking technology to enhance both our sustainability and the taste of our coffee.

Hydrogen roasted coffee



Hydrogen roasting: Making coffee carbon neutral

Serving hydrogen-roasted coffee to customers across Japan to promote widespread awareness and adoption.

We are working hard to share hydrogen-roasted coffee with as many people as possible.

At the 2023 G7 Summit in Hiroshima, we introduced hydrogen-roasted coffee to journalists from around the world. From 18 to 22 May, we explained hydrogen-roasted coffee through displays and coffee tastings at the summit's International Media Center.

Then for three days from 3 to 5 November 2023, we had a booth at the Decarbo de Marche event in Umeda, Osaka, where we introduced the power of hydrogen and hydrogen roasting and offered hydrogen-roasted coffee to attendees. One customer who tried the coffee commented, 'This is the first time I've heard of an eco-friendly roasting technology'.

In 2024, we also showcased our hydrogen-roasted coffee at several events, including at a PR booth for Namie Town, Fukushima Prefecture, at the Haneda Future Exhibition organized by the Tokyo Metropolitan Government in January; at Sustainable Brands SB'24

TOKYO held at the Tokyo International Forum in February; at the Yamanashi Future Energy Festival organized by Yamanashi Prefecture in March; and at the 9th Tohoku Fair held at the AEON LakeTown shopping centre in Saitama Prefecture.

The UCC Group will continue to promote hydrogen coffee in Japan and around the world to raise awareness of hydrogen-roasted coffee's role as a new way to bring about a hydrogen society.



Fuji Plant to launch operations of a large hydrogen-powered roasting machine in April 2025



UCC started developing hydrogen roasting in 2022 and applied for a patent in May 2023. That August, we began testing and selling coffee using a small hydrogen roaster. Test production continues, and the coffee is being sold through select sales channels.

In line with our future plans, we have decided to install a large-scale hydrogen

roaster at our Fuji plant in April 2025. We will take the lead in shifting to hydrogen for industrial coffee production. By replacing standard fossil fuel heat sources with hydrogen, CO₂ emissions from each roaster can be reduced from 570 tons of CO₂ per year to zero (when the heat source for roasting is 100% hydrogen).



Reducing CO₂ emissions at UCC Europe

The UCC Group is working to reduce greenhouse gas emissions worldwide.

Our Bolsward plant in the Netherlands, operated by UCC BENELUX (Netherlands), installed solar panels on its roof in 2021 to reduce CO₂ emissions. The plant used only renewable energy as early as 2017, but the introduction of solar power has accelerated a switch to renewable energy that can be generated on-site. Solar power generation has reduced the plant's annual CO₂ emissions by an estimated 230 tons (versus mixed energy sources). There are few examples on a similar scale by other companies in the coffee industry. The UCC Group

remains dedicated to pioneering efforts in sustainability.



96%
of energy used by UCC Group Europe is renewable

in Europe

Reducing greenhouse gas emissions

The UCC Group is working to cut greenhouse gas emissions by using renewable energy in plants in various regions.

in Asia

Reducing CO₂ emissions at the UCC Taiwan Yunlin Plant

The UCC Taiwan Yunlin plant, in operation since 2019, reuses waste heat and cool air from its facilities to reduce both total energy consumption and CO₂ emissions.

For example, the plant has installed one of UCC's proprietary Aromaster roasting machines, which monitors changes in hot air temperature during roasting to automatically control the temperature of the coffee beans. What's more, unlike conventional roasting machines that expel the heat generated during roasting from the facility, the Aromaster is designed to effectively reuse about half of this heat.

Another example is the Aroma Freezing Process specially developed by UCC, in which roasted beans are immediately and rapidly cooled to a temperature of -2°C to seal in their rich

aroma. Approximately half of the cold air generated during this manufacturing process is also reused effectively, helping to improve the efficiency of cold air production.

In addition, we are working to reduce our gas consumption by reconsidering the combustion temperature of afterburners. In these ways, we are further reducing our CO₂ emissions.



UCC branded coffee to be 100% sustainably sourced by 2030

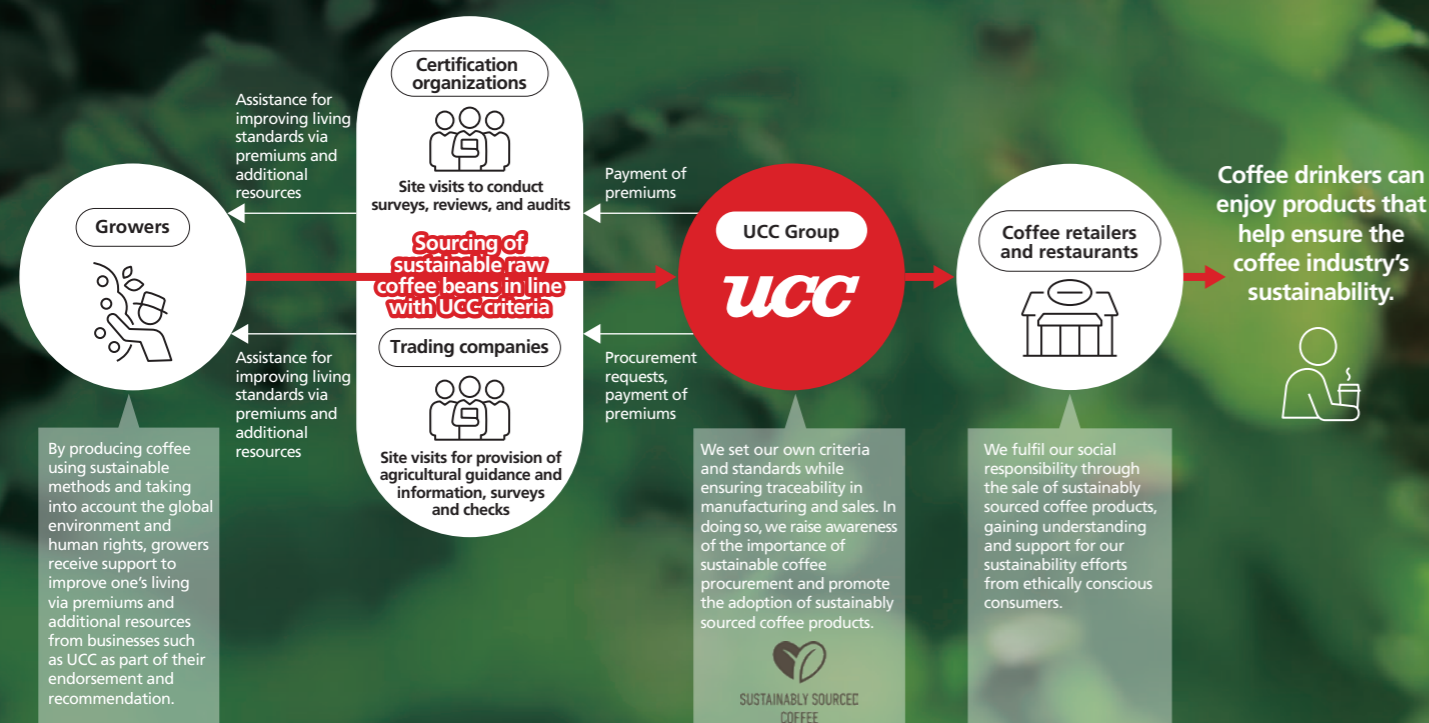
The UCC Group is helping to increase the supply of raw coffee beans procured with consideration for human rights, the environment, and other important sustainability issues in the coffee industry.

Across the world, importance is increasingly being placed on coffee procurement that considers sustainability factors such as human rights and the environment. In the Japanese market, the proportion of sustainably procured coffee is still low compared to Europe and the United States. Nevertheless, awareness of SDGs and sustainability is rapidly increasing. To further support this trend and to make consumers more aware of sustainably procured coffee, in Autumn 2022, the UCC Group launched its Sustainable Coffee Procurement program.

This program, which is audited by our joint partners, defines a unique framework that includes existing programs and ensures that raw materials are sourced with consideration for the planet and for people. The UCC Group will continue to work to increase the percentage of sustainably procured coffee and help make the coffee industry more sustainable.

Specifically, as a first step, we have set standards and, as a second, chosen procurement partners. While setting specific criteria in line with environmental, ethical and economic principles, we ensured the content of the program was

realistic by reflecting the opinions of trading companies, experts, and our internal sustainability and procurement teams. When selecting procurement partners on the basis of equivalence with the Global Coffee Platform's Coffee Sustainability Reference Code to ensure fairness and reliability, we checked whether the contents of procurement partners' procurement codes matched our criteria. The final third step was to receive an annual declaration and a list of potential farmers from our second-party audit partners (e.g. suppliers and trading companies).

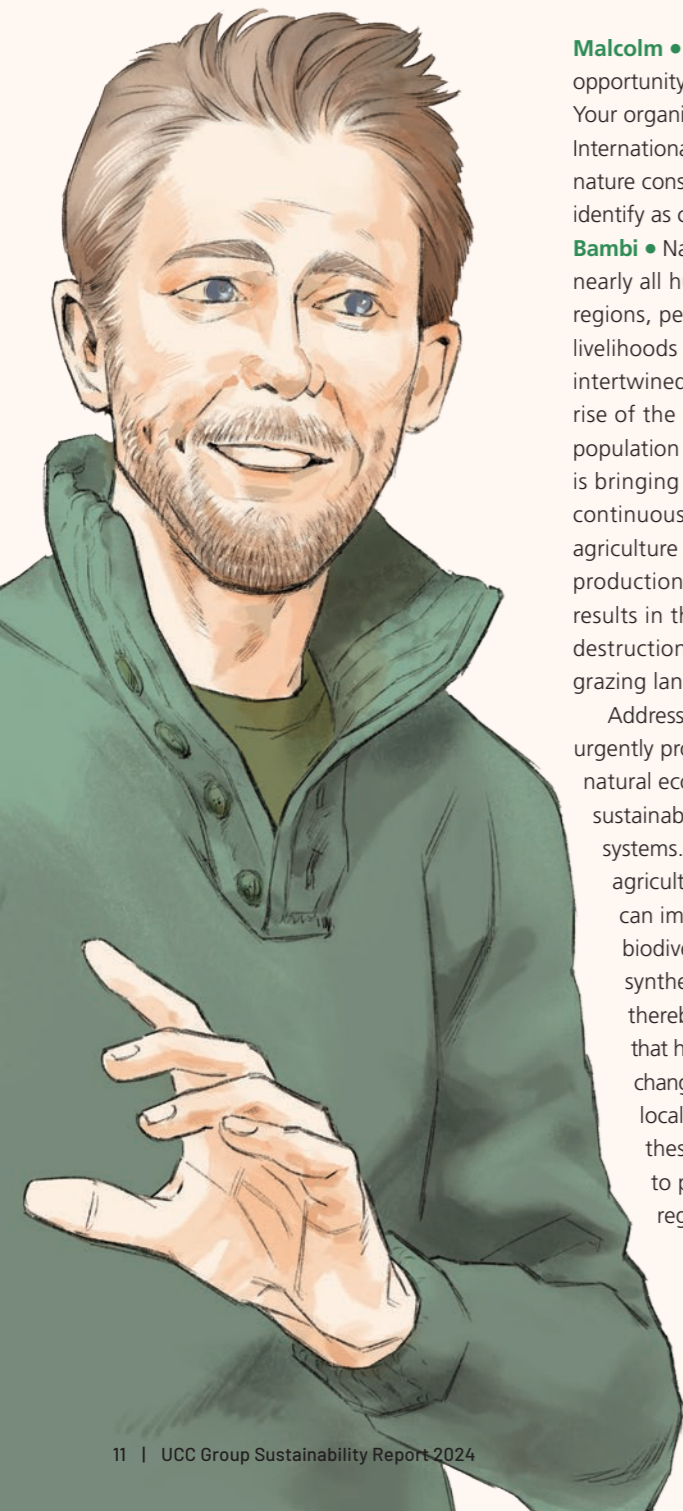


Sustainable coffee sourcing

Stakeholder dialogue

What does it mean to produce coffee sustainably in ways that respect nature?

UCC EUROPE and Conservation International (CI), a global environmental NGO, discuss the current state of the coffee industry, which has felt the effects of climate change, and the idea of creating a sustainable production system using regenerative agriculture.



Malcolm • Thank you for the opportunity to have this discussion today. Your organisation, Conservation International (CI), is involved in global nature conservation. What issues do you identify as challenges?

Bambi • Nature is the foundation of nearly all human activities, and in many regions, people's lives and livelihoods are deeply intertwined with it. The rise of the global population and middle class is bringing with it the continuous expansion of agriculture and food production systems, which results in the large-scale destruction of forests, wetlands, grazing land, and oceans.

Addressing this challenge means urgently protecting and restoring our natural ecosystems and turning to more sustainable and renewable production systems. We expect regenerative agriculture to become one way we can improve soil health, restore biodiversity, and reduce the use of synthetic agricultural materials, thereby enabling food production that has less of an impact on climate change. Smallholder farmers and local communities who live within these ecosystems have a vital role to play in the shift towards regenerative agriculture.

Malcolm Hett
Sustainability Director
UCC EUROPE LIMITED

“
Growing coffee beans in ways that respect nature – this is a challenge we have set for ourselves.
”

Malcolm • Certainly, regenerative agriculture is another area we are also looking into, which aligns with our Nature Positive approach. Speaking of which, the coffee industry encompasses a wide-reaching value chain. What challenges do you see in the coffee industry in terms of climate change and protecting our ecosystems?

Bambi • The coffee industry has been dramatically affected by climate change. Climate change is no longer an abstract threat but an everyday reality for coffee growers worldwide, especially for smallholder farmers and women farmers. In recent years, extreme weather events, such as unpredictable droughts, irregular rain and storms and outbreaks of pests and diseases, have been seen throughout coffee-producing regions. Meanwhile, coffee consumption continues to grow rapidly, and demand is expected to double by the middle of the 21st century. One of the biggest challenges for the coffee industry is meeting this demand without further expansion of coffee cultivation into forested areas.

Malcolm • We have seen these challenges and believe that engagement with production areas will be critical in the future.

Bambi • What direction is the UCC Group currently considering?

Malcolm • It is essential to grow coffee in ways that respect nature. That said, achieving this daily for coffee drinkers

worldwide is no easy task. However, we have taken up the challenge and are determined to meet it. CI has shown us that there are three areas of action (protection, restoration, and improvement) that we need to target in coffee-producing regions. CI's analysis clearly shows that our coffee grows in some of the world's most biodiverse and fragile ecosystems. We also clearly play an essential role in preserving nature for future generations.

Bambi • What exactly are the steps being taken?

Malcolm • Our goal to sustainably source coffees will contribute to our Nature Positive goal, as the objectives and impacts overlap. Conserving forested land is particularly important for coffee cultivation and nature, so we have also committed to no deforestation in our supply chains by 2030. We aim to contribute to improving the livelihoods of farmers by working in partnerships with widely recognized international NGOs, such as Fair Trade and the Rainforest Alliance. We must also partner with experts who can help deliver change in our key priority sourcing origins.

Malcolm • What does CI expect from companies like UCC, whose products are considered particularly risky in terms of deforestation and climate change?

Bambi • We have long believed that companies have a responsibility not only to operate sustainably but also to invest in conserving the natural environments on which their businesses depend. We expect global companies like UCC to commit to and invest in sustainability for the benefit of nature and the people living on those richly productive lands. Those commitments must align with the impact of global supply chains, and associated investments must contribute to the transformation of agricultural production into a system with positive outcomes for people, nature, and the climate.

In this regard, we recommend that UCC further develops its global Nature Positive strategy and roadmap by setting clear goals aligned with world-class frameworks such as SBTN.*

A vital component of this roadmap should be to set targets for interventions and investments that strengthen the protection, restoration, and sustainable management of nature in priority production areas for UCC coffee sourcing.

CI welcomes the opportunity to continue working with UCC Group to achieve sustainability.

*Science Based Targets Network (SBTN): An initiative to develop environmental targets based on scientific evidence

Bambi Semroc

Senior Vice President,
Sustainable Lands and Water Section
Conservation International Foundation





Sustainability management

Our framework for promoting sustainability

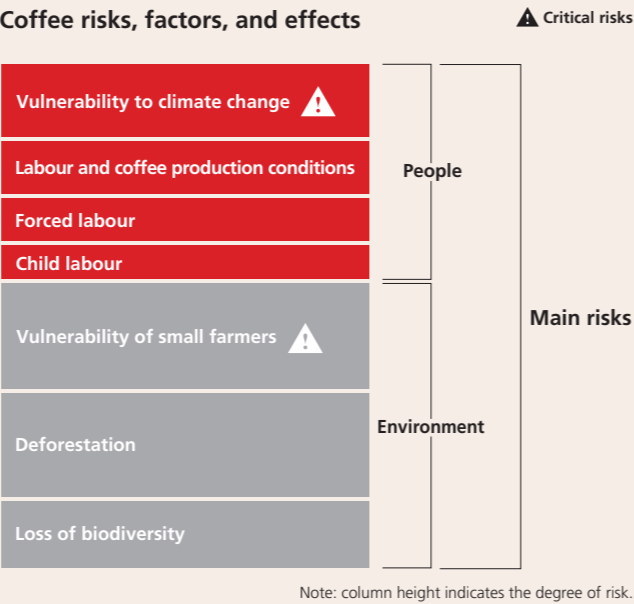
We have analysed the most critical sustainability issues for the UCC Group to address key risks facing the coffee industry. Our goal is to solve these issues and realise our sustainability vision.

Key sustainability issues that emerged from our deliberations

Two major risks affecting the coffee industry are vulnerability to climate change and the vulnerability of small farmers. Coffee’s susceptibility to climate change, or the coffee 2050 problem, is a grave issue. It has been modelled that global warming and the spread of pests and diseases could halve the land suitable for growing Arabica by 2050.

Over 25 million small farmers grow 80% of the world’s coffee, while around 125 million people in over 70 regions and countries make a living from coffee. Yet only one in twenty farmers can adequately protect their coffee trees from harmful insects and other pests while maintaining productivity. Small farmers face many structural challenges, including climate change, volatile prices, difficulty in raising funds, and limited access to technology. These have a serious impact on coffee yields.

These challenges are urgent issues that the UCC Group and the whole coffee industry must quickly address.

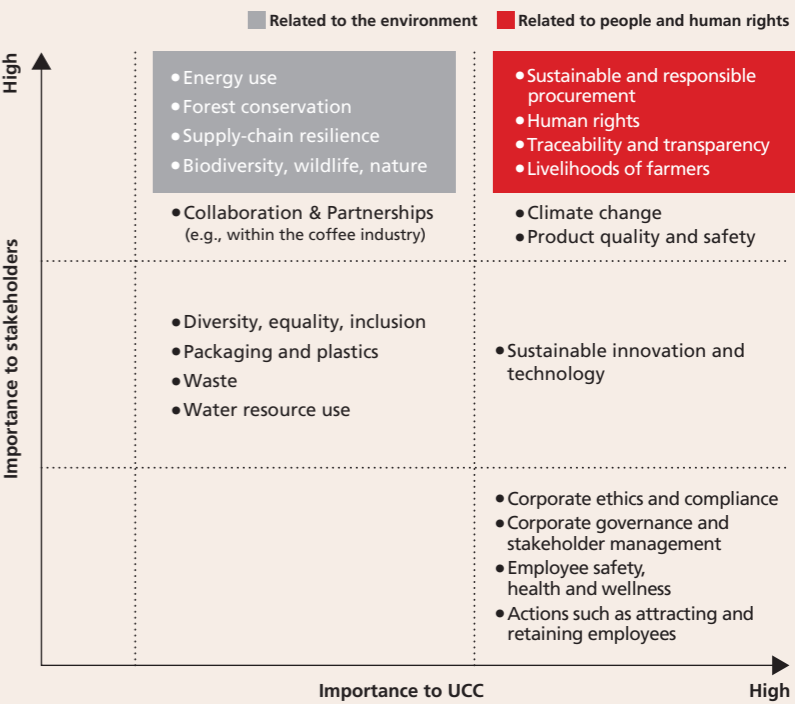


Materiality analysis

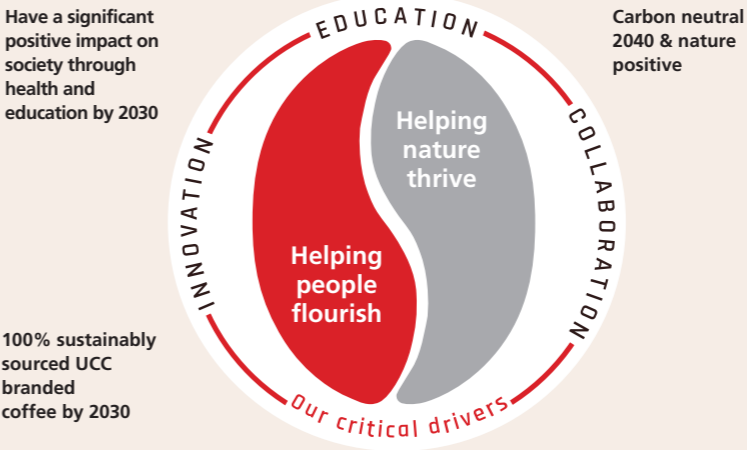
To address ‘vulnerability to climate change’ and ‘vulnerability of small farmers’, two key risks affecting the coffee industry, and to investigate the most important sustainability issues for the UCC Group, we first interviewed internal and external stakeholders to analyse external trends and risks.

We then employed internal and external perspectives to consider the importance of each issue and organised them into a matrix of the most important issues, or ‘materiality matrix’. Also, through workshops and discussions involving senior leadership, we decided on an order of priority for the issues, as shown in the figure on the right.

Based on this materiality matrix, we considered which issues should be prioritised and addressed by the UCC Group, and as a result, decided to first prioritise work to combat climate change, improve farmer’s livelihoods, and conserve forests and biodiversity.



Establishing a roadmap for a sustainable future



The results of our analysis of the UCC Group’s essential sustainability issues are encapsulated in our Sustainability Framework. This framework is based on two main courses of action, ‘helping nature thrive’ and ‘helping people flourish,’ with a goal and target fiscal year for each. The UCC Sustainability Framework is our roadmap toward a sustainable future. We aim to realise our sustainability vision through sustainable coffee procurement, promotion of health and education, environmental preservation, and carbon neutrality.

Promoting sustainability throughout the value chain

The coffee industry’s value chain extends from the producing country to the consuming country. The UCC Group is involved at every stage along this chain and is committed to sustainability at each point.

As part of our framework for sustainable procurement, we have established the UCC Group’s Principles for Responsible Procurement. Based on this, we practice procurement that respects human rights according to the UCC Group’s Employees’ Code of Conduct and UCC Group’s Supplier Code of Conduct. In addition, regarding imported raw coffee beans, we support sustainable

cultivation by conducting rigorous inspections at each stage to maintain quality. Furthermore, we promote sustainability initiatives all along the value chain, from supply chain to coffee disposal, such as producing packaging that conserves resources and effectively using coffee grounds after brewing.

Alongside these initiatives, we are actively engaged in awareness-raising activities, such as teaching about SDGs through coffee, to make the concept of coffee sustainability more familiar to consumers.

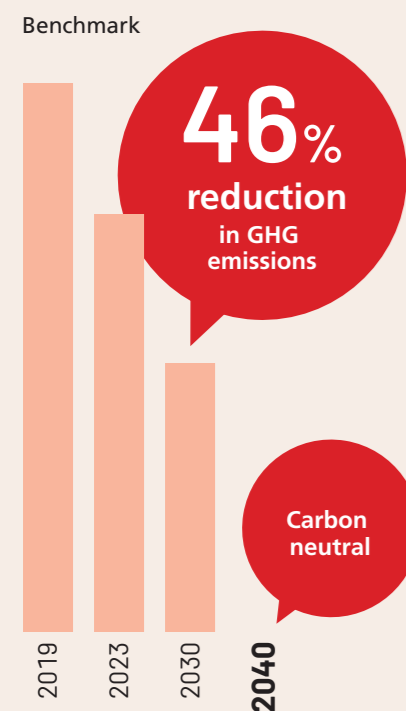
Environment

Toward a sustainable planet / Contribution to a circular economy

Targeting carbon neutrality by 2040

Reducing greenhouse gases / The road to carbon neutrality

GHG emissions reduction plan in Scope 1 and 2 targeting 20 companies



Reduce Scope 1 and 2 greenhouse gas emissions by 46% by 2030

Greenhouse gas emissions include direct emissions from UCC Group operating companies (Scope 1), indirect emissions from electricity used in factories and offices (Scope 2) and indirect emissions from UCC Group's value chain, including both upstream and downstream activities (Scope 3).

The UCC Group has set a goal of reducing Scope 1 and 2 greenhouse gas emissions by 46% by 2030 and to reach carbon neutrality by 2040.

In FY2023, we achieved a 23.8% reduction, 1.0% higher than our fiscal year target of 22.8% (compared to

FY2019), due to further expansion of renewable energy and other factors. In FY2023, Scope 1 and 2 accounted for 3.3% of total emissions, and Scope 3 accounted for 96.7%. Within Scope 3, 74.9% came from Category 1 (purchased products), 11.5% from Category 11 (use of products sold), and 6.4% from Category 4 (transport and delivery).

We will continue reducing greenhouse gas emissions by implementing energy conservation measures, promoting the shift to clean energy, and developing new technologies. We will also set Scope 3 reduction targets.

Introduction of a data management system

The UCC Group introduced a new environmental data management system in June 2023 and established its global data management system. At present, we manage greenhouse gas emissions (Scope 1 and 2) and water consumption via this system. However, going forward, we have plans to integrate the management of fluorocarbons, air pollutants, and Scope 3 emissions.

The system allows for on-site viewing of detailed statements, including data sources for greenhouse gas emissions, thereby improving data transparency and convenience.

Case study

Measures towards achieving carbon neutrality

In the coffee value chain, greenhouse gases are emitted at each production, transportation, and manufacturing stage. The UCC Group aims to achieve carbon neutrality by 2040 and promotes the transition to renewable energy, especially focusing on factories with high greenhouse gas emissions.

For instance, in the Netherlands, Spain, and France, the use of renewable energy in our factories has reached 100% and 96% across Europe in total. In Australia, we are installing solar panels; in New Zealand, about 85% of our renewable energy is supplied by state-owned hydroelectric power.

In Japan, renewable energy has been introduced in our nine buildings and factories, including the Kobe headquarters and Tokyo office. Additionally, solar panels have been installed at the UCC Hyogo Factory and the Okinawa Bottlers Factory. At Ueshima Coffee, we have expanded

efforts that capitalise on our business's unique strengths, such as offering a 'My Tumbler Discount' to highlight tangible reductions in CO₂ emissions.

Furthermore, the UCC Group is considering recovery strategies to manage the anticipated increase in CO₂ emissions associated with higher roasting volumes and expanded business activities from 2024 onward while reassessing its reduction plans for 2025 and beyond.



Voice

Partnering with customers for a positive impact on the environment
Introduction of Decarbo Score^{*1} and tumbler campaign

Akihiro Hirahata

Section Chief, Management Department,
Corporate Planning Division
UCC Food Service Systems, Inc.

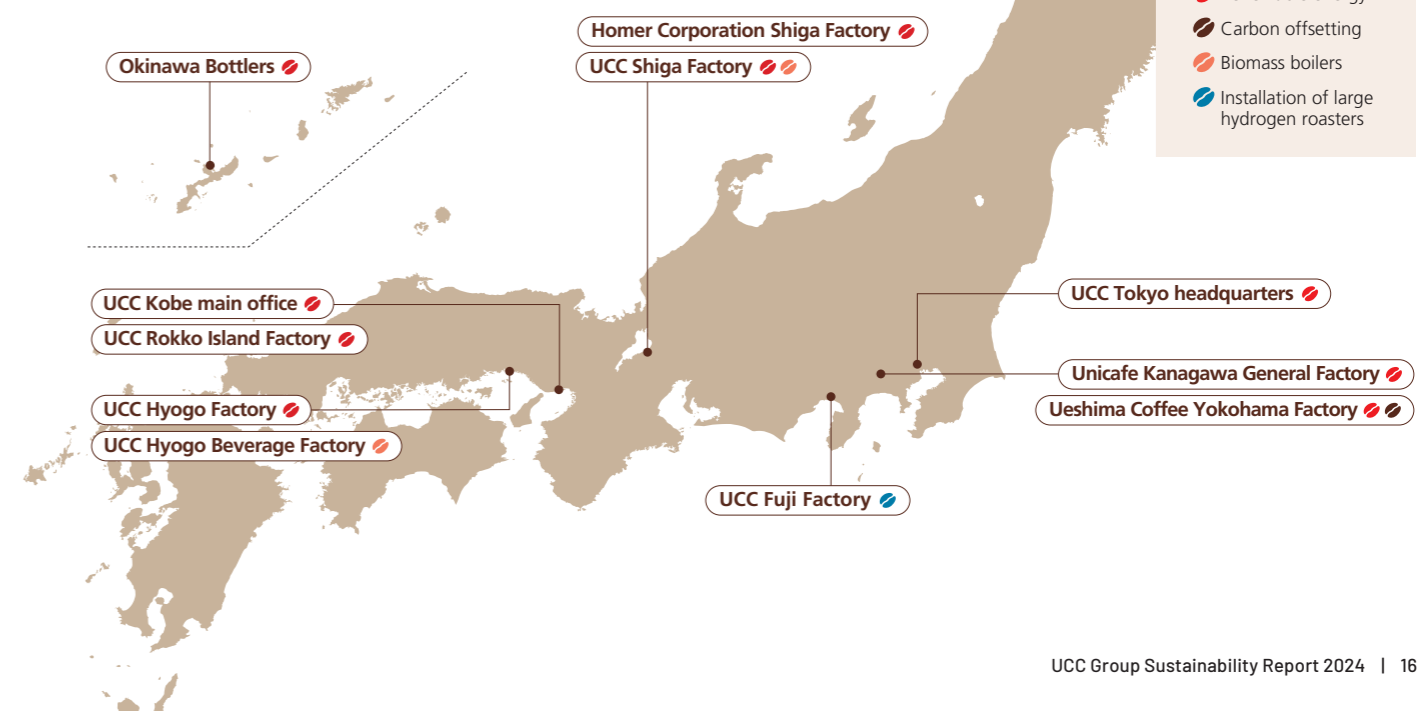
In June 2023, Ueshima Coffee became Japan's first restaurant to display a Decarbo Score, a label for consumers to visualise a company's environmental contribution. We are also working to reduce and decarbonize plastic materials, including a campaign to promote the use of reusable coffee cups. We hope to continue our efforts to have a positive impact on the environment together with our customers.

^{*1} Decarbo Score: A label displaying the CO₂ (CO₂ equivalent) emission reduction rate of products and services created by 'Earth hacks', a service that promotes a decarbonized society through the actions of individual consumers.

^{*2} The reduction rate when comparing a bamboo tumbler that can be reused 36 times (three times a month over 12 months) for coffee against a conventional single-use cup made with recycled PET.

Efforts to reduce greenhouse gas emissions Examples of Group initiatives in Japan

46% reduction



Moving toward a circular economy

The UCC Group’s vision for the circular economy

Initiatives towards achieving a recycling-oriented society

The UCC Group is working to create positive change to support a healthier society and a stronger planet. As part of this effort, we are promoting our business activities from seven perspectives based on the concept of the circular economy, which makes effective use of resources that would otherwise be discarded and reuses them as much as possible (see diagram below). UCC’s main goals for a circular economy are as follows.

Design improvements

We will reduce unnecessary plastic from packaging and replace it with lighter materials. We will reduce the use of virgin

materials and decrease the amount of petroleum-derived virgin plastic used in containers and packaging for our own brand coffee-related products by 50% per unit of sales volume compared to FY2017 by FY2030. We will design our own branded product packaging to be reusable, recyclable, or compostable.

Responsible procurement

We will increase the use of renewable, recycled, or certified resources in our own-brand containers and packaging materials. This includes increasing the use of recycled and certified materials for cardboard and paper used in our products.

System support

The UCC Group will enhance the collection, sorting, and recycling of materials in the regions where it operates. We are also committed to reducing plastic pollution through ocean clean-up initiatives and other activities.

One example of the UCC Group’s efforts to achieve a circular economy is all Ueshima Coffee Company stores producing upcycled trays containing 30% coffee grounds used to brew Ueshima Coffee’s House Blend. At our beverage factory, coffee grounds are incinerated in a biomass boiler after extraction, and the steam generated through that process is reused as hot water for coffee extraction.



Case study

Recycling through upcycling and plastic reduction solutions

UCC Coffee Professional Co., Ltd. hosts an annual exhibition and convention called 'UCC Smile Festa,' where customers, mainly from the food and beverage industry, can experience our comprehensive coffee solutions. Since 2022, we have aimed for the event to serve as a microcosm of the circular economy, promoting initiatives based on two pillars: 'zero waste' and 'reduction of CO2 emissions.' As of 2024, we have successfully reduced total waste to 30% of 2022 levels. At UCC, we are also involved in upcycling and recycling some of our waste into valuable resources. At UCC Smile Festa 2024, used paper cups collected at the venue in 2023 were transformed into fabric aprons made using paper yarn partly derived from recycled paper. Booth staff wore the

aprons as part of a year-long joint project with Nippon Paper Industries Co., Ltd.

Additionally, we developed the 'Embossed Paper Cup for Shops', an original paper cup with a unified diameter and a common lid available in small, medium, and large sizes for the food and beverage industry. This product enhances value beyond environmental considerations by reducing plastic use, contributing to a reduction in the use of straws and sleeves, minimising storage space, and preventing order errors by using a common paper lid that can be enjoyed without a straw.



Voice

A desire to drive environmental solutions through added value

Kaori Murao
Manager, Sales Planning Division
UCC COFFEE PROFESSIONAL CO., LTD.

We do not simply assume that because something is environmentally friendly, it inevitably involves extra effort and cost. Instead, we aim to propose initiatives and products to our customers that enhance added value and are both efficient and economically viable, thereby helping to address issues in the food and beverage industry.



Voice

Enhancing sustainability through innovation

Joie Wong
Management Brand Director
UCC AP Brand

Innovation at UCC permeates the entire journey from farm to cup, and we are committed to taking UCC Group sustainability to a whole new level by appointing UCC Champions as ambassadors to promote sustainable coffee practices throughout the region.

Effective use of waste and educational activities in the Asia-Pacific region

The UCC Asia Unit is dedicated to using recycled materials and promoting the responsible sourcing of coffee beans from Rainforest Alliance Certified farms. In select key markets of the Asia Unit, we are advancing innovative upcycling initiatives that transform used coffee grounds into eco-friendly products. Everything from tote bags and lunch bags to planters – even our barista uniforms and aprons – are crafted from recycled coffee grounds.

Baristas who have been named UCC Champions within the Asia Unit (Taiwan, Thailand, Japan, and Hong Kong) act as brand ambassadors for the region, sharing best practices with coffee farms and spreading UCC Group's commitment

to sustainable coffee through PR and media campaigns, including trade shows. Through these activities, the UCC Group educates consumers, highlighting each person's role in building a greener future.



Environment

Nature-positive approach

Steps toward a nature-positive future

The UCC Group's commitment to a nature-positive approach

Three phases towards nature-positive transformation

It is estimated that half of all global economic activity (GDP) – worth 44 trillion dollars – relies on natural resources. The coffee produced by the UCC Group also benefits from these resources.

The development of economic activities has led to the destruction of ecosystems, resulting in an average decline of 69% in wildlife populations since 1970. In light of this, a global movement is emerging to restore lost ecosystems and pursue nature-positive transformation. Specifically, the goal is to halt the loss of nature by 2030 and achieve a net positive impact, using 2020 as the baseline. By 2050, it is expected that healthy natural

ecosystems can be restored and maintained to support the lives of all people, including future generations and the habitats of various species.

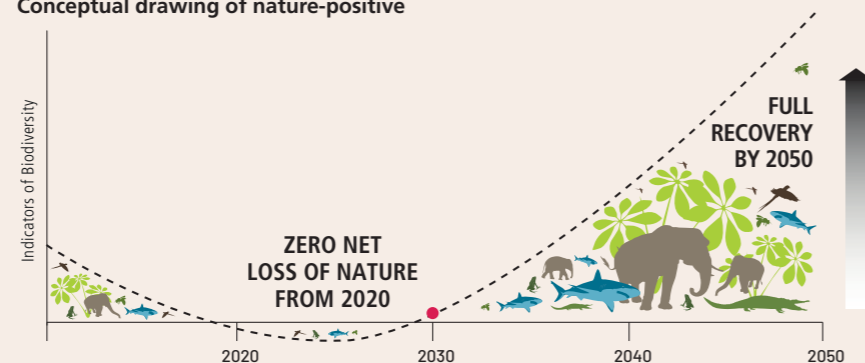
The UCC Group has set the following three phases to work towards nature-positive transformation:

- (1) Publish our 'No Deforestation

Commitment' to establish strict rules to eliminate deforestation

- (2) Explore nursery construction, soil management, and the protection of shade trees and beneficial local wildlife to enhance future coffee productivity
- (3) Employ reforestation as a step toward carbon neutrality

Conceptual drawing of nature-positive



No Deforestation Commitment

The UCC Group commits to using only coffee beans that can be traced and verified as free from deforestation or land conversion by no later than 2030. (Interim goal: By 2025, we will purchase more than 50% of our coffee from sources verified as deforestation-free.)

While global demand for coffee continues to rise, meeting this demand has unfortunately led to deforestation. In response to recent global trends, such as the European Union's Regulation on Deforestation Free Products (EUDR) issued in 2023, UCC has been working with external organisations to draft our No Deforestation Commitment.



4 strategic coffee producers

4 strategically important countries

Brazil, Vietnam, Tanzania, and Uganda

UCC Group Actions

Partnership with environmental NGO Conservation International

In September 2022, the UCC Group signed a partnership agreement with Conservation International (CI), a global environmental NGO. It aims to establish specific goals and action plans for Nature Positive. The UCC Sustainability Direction, established in April 2022, aims to implement the Nature Positive approach. Based on a scientific evaluation carried out by CI, the UCC Group will formulate goals and action plans to protect forests and natural resources in coffee-producing regions and improve the resilience of local communities.

Additionally, we have established 'Specific Actions for Nature Positivity'. We will develop programmes contributing to biodiversity conservation and forest protection in producing countries, cooperating with external organisations, including CI. Through these actions, UCC Group aims to promote the sustainable use of natural resources and contribute to preserving our planet's environment.

Strategic producing countries prioritised by the UCC Group

In cooperation with CI, UCC Group analysed the risks to the natural environment in major coffee-producing countries and considered strategic priorities for ensuring stable procurement to meet future global demand. As a result, Brazil, Vietnam, Tanzania, and Uganda were selected as strategic future producers for the UCC Group. Degradation of nature is a problem in these countries. In addition to the fact that they are of high conservation value due to the large amount of carbon sequestered in these countries, concerns remain that climate change will make coffee production more difficult. That being said, we determined that Tanzania and Uganda both showed a high potential for increasing productivity while managing their farms in harmony with nature, with the UCC Group providing agricultural support and advice.

To address these challenges and achieve nature positivity, a 'protection –

management/regeneration – restoration' approach is critical. Firstly, it is essential to protect forests in order to prevent the loss of natural ecosystems. We must also preserve our water, secure deforestation-free supply chains, monitor biodiversity, and support the rights and resources of Indigenous Peoples and Local Communities (IPLC). Next, we must promote agroforestry, which involves regenerating and managing the land within the plantation and cultivating it without deforestation. Introducing regenerative farming techniques that improve carbon storage and soil management will also be critical. The restoration of forests in the vicinity of the farms and the restoration of waterfront environments and wetlands are both of high importance as well. In the future, we aim to implement an action plan for what the UCC Group can contribute to these strategic production countries.

Steps toward a nature-positive future

Case study

GLOBAL G.A.P. certification for our directly managed farm in Hawaii



Top: View from UCC Hawaii’s farm
Middle: Shade trees provide natural cover
Bottom: GLOBAL G.A.P. certification obtained in 2022

Starting in 2020, the UCC Group’s directly managed farm in Hawaii is introducing shade farming to respond to climate change. In this farming method, trees taller than the coffee seedlings (known as ‘shade trees’) are planted to provide shade, protecting coffee varieties vulnerable to direct sunlight and creating a suitable environment for cultivation. Additionally, planting a variety of shade trees will increase biodiversity on the farm.

Our Hawaii-based coffee farm became the second coffee farm in the world and the first Japanese company to receive GLOBAL G.A.P. (Good Agricultural Practices) certification. GLOBAL G.A.P. is an international certification system that promotes safe, socially and environmentally responsible farming methods. It is being applied in over 130 countries. This certification is given to companies practising sustainable production that considers food safety,

working conditions, and environmental conservation. It is known as the agricultural version of the ISO standard.

We sought certification to respond to the spread of pests and diseases caused by global warming, the resulting decline in production efficiency, and the growing global demand for food safety and security. Under the GLOBAL G.A.P., IPM strategies (Integrated Pest Management), soil nutrient and fertiliser planning, and crop quality control are strictly rigorously maintained. This is expected to improve the quality and productivity of our agricultural products. Our Hawaiian farm has seen yield increases. Sustainable plantation management is also an important evaluation criterion, and Hawaii farms are focusing on initiatives that reduce environmental impact, such as composting coffee processing by-products.

Supporting the future of coffee farmers UCC Group holds quality contests

The UCC Group holds a quality contest each year. Since the first one in Espirito Santo, Brazil, in 2001, seven other countries have held the event. In this contest, growers compete for the highest quality coffee; winners receive cash prizes, farm equipment, premium (funding) money, and other prizes. Improved quality leads to increased income, which motivates farmers to produce more.

As of 2021, assessment criteria have also included environmental elements, such as ‘soil management’, ‘pesticide management’, and ‘appropriate waste and wastewater disposal’, as well as social criteria, such as ‘forced labour and child labour prohibition’.

We intend to continue motivating coffee farmers through our quality contests and promote the development of a production environment with a low environmental impact.



Coffee cupping is carried out at the contest to evaluate taste and quality. In Vietnam, the contest is held at a nearby university, and locals and students alike participate in this lively contest.

UNICAFE SEEDLING FOR THE FUTURE



Seedling donation ceremonies in Vietnam and Guatemala. Saplings were presented to local farmers and participants, who expressed their joy.



Coffee beans require regular seedling replanting to maintain stable production. High price volatility makes producers’ income unstable, and many farmers need help to secure the necessary funds to maintain their farms. In some cases, a vicious cycle of declining quality has led to farmers withdrawing from production.

To address this problem, UNICAFE Inc., a UCC Group company, launched the ‘SEEDLING FOR THE FUTURE’ initiative in FY2022. A portion of the proceeds from the sale of products displaying the logo will cover the cost of donating coffee seedlings, which will then be provided to producers. This enables us to provide continuous support for growers’ cultivation efforts. Donated seedlings are disease-resistant and pest-resistant varieties, helping counter any risks posed by rising temperatures due to climate change.

Social

Helping support producing areas and improve lives in the coffee community

Sustainable Coffee Procurement

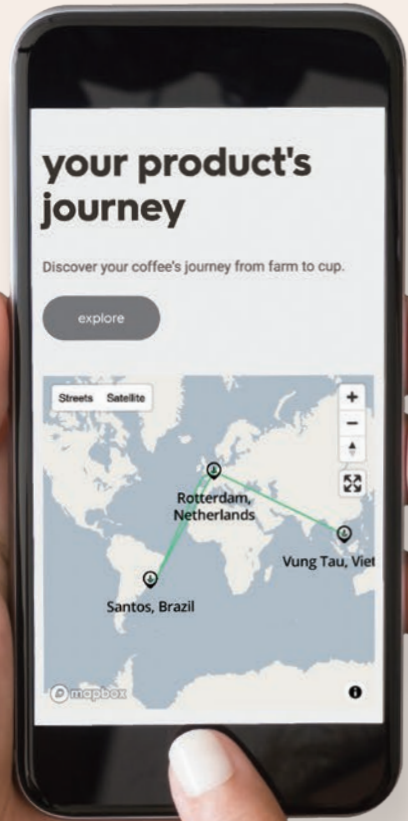
UCC Group is also involved in the following initiatives related to sustainable coffee procurement, as described in Highlight 2 (see pages 9 to 10).



Case study

UCC COFFEE BENELUX introduces a new system using QR codes to determine details such as the coffee’s origin

In 2023, UCC COFFEE BENELUX (Netherlands branch) introduced a coffee traceability system in collaboration with HEMA, a major Dutch retailer. The system allows consumers to see information about UCC-produced coffee purchased at HEMA. Scan the product’s QR code and see the journey of the coffee bean from its place of origin to its point of sale. The system is intended to provide transparency and traceability, make it easier to identify the coffee, and give customers peace of mind when selecting their coffee.



Comments from HEMA

At HEMA, we believe we have a responsibility to our supply chain and to show where our products come from. This provides insight into the risks to the supply chain, people, animals, and the environment. It can also impact suppliers and other stakeholders. We are pleased to have partnered with UCC, which provides this transparency and allows consumers to verify the origin of their coffee beans.



Tamba owner Mr Quang (left) with Mr Ujimori from UCC Coffee Trading Pte, Ltd (right)

Securing Robusta beans: Our partnership with Tamba Coffee Farm in Vietnam

Vietnam, the world’s top producer of Robusta coffee beans, is currently facing significant difficulties in securing green coffee beans due to a surge in demand coupled with a drop in production, leading to soaring prices. In response to this situation, the UCC Group is strengthening its partnership with Tamba Coffee Farm in Gia Lai Province, a key Robusta-producing

region, to ensure a stable supply of green coffee beans.

Covering 200 hectares, Tamba is a large-scale farm* that supports ethnic minorities by providing them with free crops and employing over 150 individuals during peak seasons. The farm ensures that workers have access to restrooms and rest areas and also offers them educational opportunities.

Tamba has also obtained Rainforest Alliance certification, demonstrating its commitment to sustainable agriculture that respects people and the environment, and the green coffee beans produced here meet UCC’s sustainable coffee sourcing standards.

*In Vietnam, a typical farm is one to two hectares, and even five hectares is considered large.



Voice Dedicated employees drive the transition to Fairtrade

Kirsten Poole Smith
Senior Key Account Manager
UCC AU (Australia)

The transition to Fairtrade at 7-Eleven is a significant initiative for UCC Australia, demonstrating our commitment to sustainability, ethical sourcing, and partnerships. UCC Australia organised twenty events across four states to introduce Fairtrade and the Fairtrade blend, engaging with over 800 7-Eleven franchisees. The success of this transition was due in no small part to the hard work and coordination of many individuals across UCC Australia.



Sustainability Excellence Award ceremony

UCC COFFEE AUSTRALIA receives Sustainability Excellence Award from 7-Eleven Australia

UCC COFFEE AUSTRALIA was honoured with the 2023 Sustainability Excellence Award at 7-Eleven Australia’s annual Our Partners Our Futures event in recognition of the company’s collaboration with 7-Eleven Australia to switch all counter coffee at 7-Eleven stores to 100% Fairtrade coffee starting in September 2023.

Following the event, the UCC Group was also invited to participate in the company’s Sustainability Strategy Forum, where we presented on our sustainability strategy and our commitment to the implementation of Fairtrade coffee.

Respect for human rights

Human rights due diligence and respect for human rights across the global value chain

Drawing up our human rights policy

The UCC Group recognizes respect for human rights, the fundamental rights inherent to all people from birth, as the cornerstone of a better world and a crucial element to our long-term sustainable growth. This view has informed our fundamental approach to a human rights policy.

The UCC Group's human rights policy is reflected in the UCC Group Employee Code of Conduct and the UCC Group's Supplier Code of Conduct, which sets clear expectations for our suppliers. It is positioned as a high-level policy governing our respect for human rights and our UCC Group Responsible Procurement Principles, drafted with expert advice.

Having established this policy, we will continue to deepen understanding through ongoing dialogue with our employees, suppliers, and other stakeholders. More information on our human rights policy is available via our website.

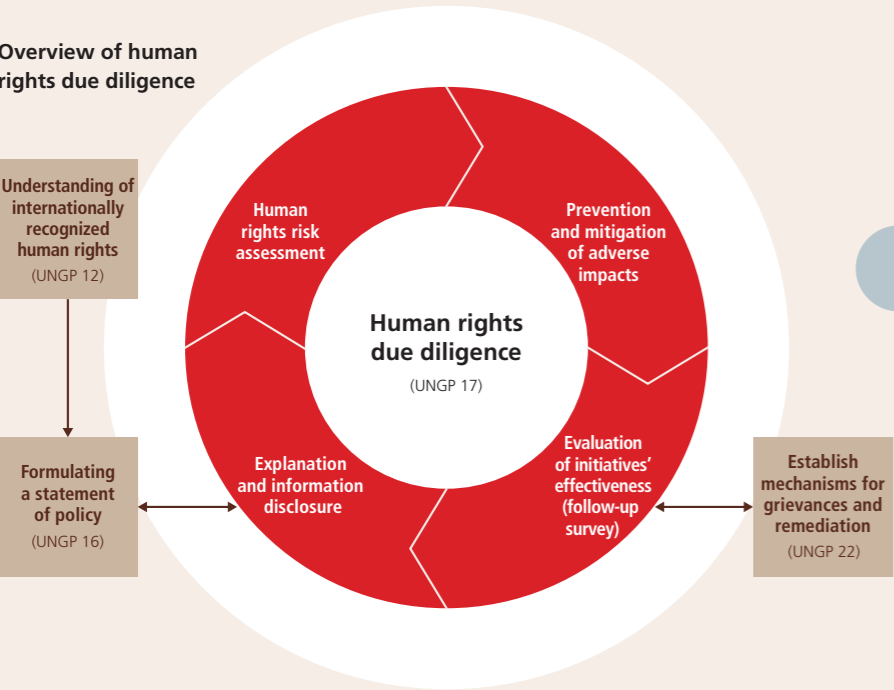
Human rights due diligence initiatives

The UCC Group conducted a human rights risk assessment based on our human rights policy to evaluate the potential impact our business may have on human rights.

First, we narrowed down the business areas considered to have significant risk and specifically examined the potential for human rights violations (i.e., who might be affected and what human rights could be impacted) at each stage of the process in those areas. As part of the assessment, we checked the results of past self-assessments received from the UCC Group's primary suppliers. We cross-referenced these results with a desktop risk assessment analysis to make an initial assessment of risk categories, including potentially high-risk countries and human resource issues. Next, we conducted interviews with a wide range of stakeholders across the value chain,

specifically those involved in coffee farming and at trading companies, as well as with internal departments such as human resources and procurement, to exchange ideas and obtain the latest relevant information. In doing so, we were able to ascertain the latest trends based on the situation on the ground regarding the different human rights risks the UCC Group had highlighted for consideration. Based on the information obtained, we assessed our company involvement along with the severity and likelihood of the issues and ultimately determined the priorities for the UCC Group to address the identified human rights violation risks.

The UCC Group has begun preparing specific action plans for identified human rights risks and priority issues, including the promotion of sustainable coffee procurement, which we intend to address in order of priority.



Stakeholder engagement

Working with stakeholders toward fair and sustainable business transactions

The purpose of the UCC Group is to work with the many people involved in our business activities to **'unlock the power of coffee for a better world'**

Supplier self-assessments

The UCC Group receives annual self-assessments from key suppliers based on the UCC Group's Supplier Code of Conduct to ensure fair and ethical business transactions. This self-assessment asks suppliers to answer 20 questions on topics such as human rights, labour, environment, fair corporate practices, quality and safety, and the supply chain. With this information, we can confirm what sustainability initiatives are underway at key suppliers to our group companies and identify risks related to what the UCC Group considers important items.

When a supplier's self-assessment results show a large number of risks and issues, we interview them in detail to understand the situation, then work together to implement initiatives to bring about improvement. In addition, via feedback on the overall results from these self-assessments, there is a mutual exchange of information with all our suppliers that builds a cooperative framework for further improvement.

Grievance mechanisms

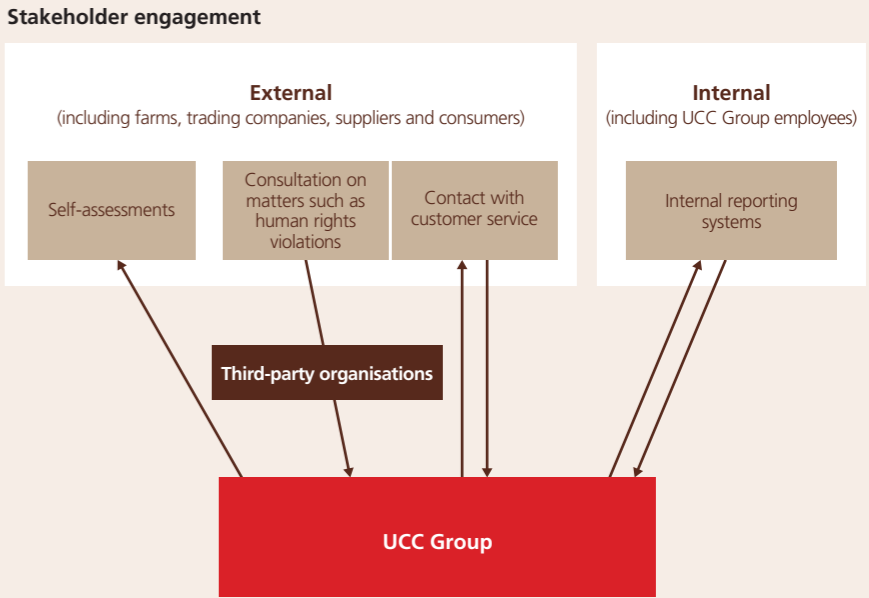
To ensure appropriate remediation when human rights issues arise, the UCC Group has established grievance mechanisms to gather input from a

broad range of stakeholders.

A hotline for reporting and consulting on compliance violations has been set up for internal concerns. This allows managers and employees to report and consult anonymously on breaches of law or company regulations, labour problems and harassment.

For external use, we have a third-party grievance mechanism as well as customer inquiry and feedback forms. This third-party mechanism handles complaints and consultations in both English and Japanese and is available even to those who are not directly involved.

Through these grievance mechanisms, we intend to build close relationships with our stakeholders and work to resolve human rights issues.



Social

For the well-being of all stakeholders
and members of the UCC Group

Setting goals and advancing research in ‘Coffee x Health’ by 2030

Health target

By 2030, the UCC Group aims to contribute to the health of people around the world through 300 million cups yearly and annual sales of 15 billion yen in the field of ‘Coffee x Health’

The UCC Group’s concept of ‘Coffee x Health’

As people become increasingly health-conscious, the UCC Group is exploring new possibilities for coffee as a health drink, embracing the challenge of creating previously undiscovered value to achieve our health goals. Our definition of health products extends beyond functional foods to include a variety of offerings that cater to diverse lifestyles, such as decaffeinated coffee. This is

what we mean by ‘Coffee x Health’. We support our customers’ well-being through the development and sale of coffee products that maximise coffee’s potential for health benefits while maintaining a focus on great taste.

Pursuing possibilities related to coffee and health

Since establishing our quality control department in 1969, our specialised R&D division has been researching the health effects of components found in coffee beans, fruit, and leaves, as well as the technology to efficiently extract them. Over 50 years of coffee-focused research have led to the launch of many products tailored to a variety of lifestyles, including our functional food lineup ‘UCC & Healthy’ and ‘UCC Decaffeinated Coffee’, which took first place at the 2024 Tamahiyo Baby Goods Award for best decaf.*



UCC & Healthy Series
A functional food
launched from UCC’s
proprietary research



UCC Decaffeinated Coffee Series
Over 2,000 moms and
dads have recommended
this decaf coffee as a
product they have used
and enjoyed.

* Tamahiyo is a magazine for expectant and new parents. The Tamahiyo Baby Goods Award 2024 ranks products and services that 2,062 Tamahiyo readers, predominantly mothers and fathers, found genuinely useful based on a survey conducted in September 2023 and featured on the Tamahiyo website.



Community engagement

Case study

Launching a project to support agricultural communities in Honduras

In August 2022, UCC brand SMIT&DORLAS (S&D) began a multi-year partnership with the foundation Hanns R. Neumann Stiftung (HRNS) to support over 300 smallholder farmers in Ocotepeque, Honduras.

Climate change threatens coffee production and livelihoods in Central America, which is also where S&D sources some of its blends. Recognising this, S&D funded a 30-month project led by HRNS with the aim of supporting the development of resilient farming communities. This project focuses on the following two areas:

1. Youth empowerment: Providing learning opportunities through awareness-raising camps about the coffee value chain, hands-on training at farms, and business and technical workshops
2. Building inclusive farmer organisations: Developing systems to provide better support, representation, and opportunities for all members, including young people and women

Major achievements in 2023

- Enhancing knowledge: 82 farmers, including 37 young people (50% women), deepened their understanding of climate change and climate-smart agriculture, aiding their efforts in adaptation.
- Establishment of demonstration plots: Three plots were set up to explore intercropping on coffee farms, improving income and environmental resilience.
- Youth-led entrepreneurship: 12 startups were launched to diversify coffee-related income, strengthening the resilience of farmers.
- Formation of a youth committee: Operated within the farmers’ organisation, this committee promoted cross-generational cooperation and participation.



Our camps are designed to boost motivation within the coffee value chain, and many young people are now thriving thanks to the workshops and learning opportunities they provide.



Voice
**Fostering the farmers
of tomorrow**

Mark Duursma
UCC COFFEE BENELUX
Marketing Manager

As SMIT&DORLAS celebrated its 200th anniversary in 2022, our project with Hanns R. Neumann Stiftung was about supporting coffee committees and the S&D brand for years to come.

The youth are the farmers of tomorrow, and by developing their knowledge and providing opportunities, we can help strengthen local coffee farmer organisations and improve their resilience to climate change.

Sustainability education

Aiming to educate 300,000 people on sustainability
108,000 students enrolled over the three years since 2021

Making a significant social impact through education by 2030

The UCC Group is working toward educating 300,000 people in sustainability by 2030. Since 2021, we have been offering online seminars nationwide, targeting students from elementary to university levels. These seminars examine the current state of the coffee industry from the perspective of the SDGs, offering students

opportunities to learn about specific initiatives in coffee-producing countries as well as coffee-consuming countries, namely Japan. We also provide SDGs education through the lens of the coffee industry, with coffee-related work simulations for children and special summer holiday seminars for upper elementary school students.

The UCC Group is actively expanding learning opportunities with the aim of creating a world where today's children will still be able to drink delicious coffee as adults. The UCC website provides information on the number of participants to date and the schools where seminars have been held and is updated regularly to share these achievements widely.

Case study

Kids 'Coffee and SDGs' workshop held in Kamakura



During the kids 'Coffee and SDGs' workshop

Photos by Yuka Namba

The UCC Group hosted a 'Coffee and SDGs' workshop for elementary school students and their parents at the 'Shigototen Kamakura Mini' job expo as part of Kamakura City's sustainable education initiatives.

The inspiration for this seminar came from a special summer workshop organised by the UCC Group for upper elementary students in the summer of 2023. The program was well-received by participants,

who learned about the SDGs while getting hands-on with coffee, engaging all five senses as they touched and smelled green and roasted coffee beans. In fact, over 90% of participants responded in a survey that they would recommend the workshop to family and friends. Bolstered by this success and the interest of the director of the Kamakura City Board of Education, the 'Shigototen Kamakura Mini' event was made possible through collaboration with

Kamakura City, Kamakura FM Broadcasting Co., Ltd., and Ryohin Keikaku Co., Ltd.

The event featured various quizzes and chances to ask questions, giving participants an opportunity to engage in dialogue about the SDGs. This type of community engagement offers a valuable chance to have deeper conversations about the future of our global society with the children who will be responsible for shaping tomorrow.

Employee well-being

Aiming for the happiness and growth of every employee



During a UCC EUROPE town hall meeting

Diversity, equity and inclusion (DEI) initiatives

At the UCC Group, we promote activities that contribute to the well-being of all our stakeholders. As part of this, we are also working to improve the working environment for our employees. In particular, we are focusing on activities guided by diversity, equity, and inclusion (DEI). For example, UCC Ueshima Coffee Co., Ltd. has launched the 'UCC Women's Network Well-Be' for female employees, providing a forum for exchange across organisational, professional, and generational boundaries. Seminars, discussions, and opportunities to consult with fellow female employees have played a key role in empowering women in the workplace. In recognition of these efforts, the company has been Level 2 'Eruboshi' certified, and UCC is widely recognized as a company that promotes women's empowerment.

Among the UCC Group's overseas businesses, Cafés Templo in Spain is expanding its scope of DEI activities through local events. Since 2020, they have conducted barista training for students with disabilities once a year, and in 2023, they held a barista competition for students with disabilities, with 70 people participating. The championship has attracted much attention in the local

Spanish media, and discussions are underway to expand the event nationwide. These activities empower our employees to explore new value propositions for coffee, fostering learning and deeper engagement.

Increased employee engagement

Senior management visits group companies like UCC Ueshima Coffee Co. Ltd. and UCC EUROPE twice yearly to hold town hall meetings. These meetings allow management to communicate and interact directly with employees about company policies and performance. In doing so, we aim to deepen employees' understanding of management policies, strengthen organisational capabilities, and improve performance.

Additionally, regular one-on-one meetings are held between supervisors and their team members, where each employee sets goals aligned with company-wide policies and outlines the independent actions they can take to achieve them. This initiative is linked to individual motivation and career advancement, as well as the overall success of the organisation and company.

At several locations in Europe, the UCC One app has been introduced as an internal communication tool to share information on performance, new products, and new customers. The CEO

regularly sends out messages, and the European Finance Director shares monthly performance updates to ensure that all employees are aligned with the company's direction. Employees can comment on or react to posted articles, which also leads to active communication.

KAIZEN activities by UCC Group's factory employees also contribute to improving employee engagement. KAIZEN activities aim to enhance operational efficiency, occupational health and safety, and quality by encouraging each individual to take initiative and be creative, leading to a better workplace environment and cultural reform. Employees are also given opportunities to present the improvement initiatives they have devised and executed. The best ideas from preliminary competitions held in various regions in Japan and overseas are invited to participate in the Global KAIZEN Competition, where the winner is awarded the Grand Prize for Creativity and Excellence. For some employees, the competition is the first time they will travel abroad, making it an event that fosters global exchange. In FY2023, we hosted a Global Production Exchange Meeting following the Global KAIZEN Competition, featuring hands-on sessions on roasting techniques and sensory evaluation as the main themes, which strengthened relationships among employees from different countries.



Scenes from the Global KAIZEN Competition presentations and the Global Production Exchange Meeting. Together, we are working to make better coffee globally.

Governance

Risk management and improving transparency
in the UCC Group

Governance and sustainability

Striving to become a truly global company

Global governance

The UCC Group comprises four regions: Japan, Europe, the Asia area, and the Oceania area. The roles of UCC Holdings, which is our global headquarters, and of each regional oversight company are as follows:

- UCC Holdings: General group affairs and procurement of green coffee beans and other materials
 - UCC Japan: Holding stock for Japanese subsidiaries and affiliates, general affairs, overseas exports
 - UCC EUROPE: Managing of Europe-related business (coffee procurement, manufacturing and sales)
 - UCC ASIA PACIFIC: Managing of Asia-related operations (coffee manufacturing and sales, coffee/restaurant operation)
 - UCC ANZ: Coffee manufacturing and sales in Australia and New Zealand, coffee machine sales, maintenance and rental, coffee/restaurant operation
- Regional CEOs summarise local conditions and significant trends in their area, which are reviewed by the Global CEO. Management policies are then finalised following the approval of the Board of Directors.

Promoting sustainability and strengthening governance

The UCC Group considers its relationship with stakeholders to be a key factor when managing its businesses. We have developed a framework to incorporate diverse opinions from various stakeholders, including customers and employees, as well as through our Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) membership. This approach allows us to gain essential feedback and make well-informed decisions.

As a company that handles coffee, the UCC Group considers sustainability to be the most critical issue in our management. Guided by two key concepts – ‘Helping nature thrive’ and ‘Helping people flourish’ – we have developed a sustainability framework that serves as a sustainability policy for the whole group. In line with this framework, we have established a governance structure for sustainability, with the Global Sustainability Senior Committee (GSSC) at the helm. The GSSC’s members consist of the President of Business and Trading of UCC Holdings, regional operational managers, and operating officers in charge of sustainability and corporate planning & legal matters at UCC Japan. Their role is to monitor progress toward sustainability goals, propose solutions, and drive

initiatives to overcome challenges.

The UCC Group’s regional core companies promote activities that align with our common global sustainability policy while also considering local conditions. During monthly global sustainability meetings, GSSC members and regional operational staff come together to share updates on activities and progress toward goals across different regions. If challenges arise, these meetings serve as a forum to discuss and develop strategies for addressing them. Additionally, the meetings are an opportunity to share achievements and challenges related to sustainability targets and highlight best practices and ideas on how to apply them to other regions. The committee also discusses significant environmental changes affecting our business and matters requiring managerial decisions, reporting them to the Global CEO and Board of Directors in a timely and appropriate manner, facilitating informed management decisions across the group.

The critical discussions held during these monthly meetings are further shared at semi-annual sustainability management briefings attended by key global executives, ensuring the management and continuity of the UCC Group’s sustainability efforts.

With this unique structure, the UCC Group contributes not only to its own sustainability but also to the broader sustainability of the global coffee industry.



Our Global Sustainability Senior Committee comprises company directors responsible for our operations in Japan, Europe, Asia, and Oceania which form the main areas of business for the UCC Group. To achieve the objectives in sustainability we have laid out, we evaluate the progress of our efforts and lead the way in taking swift action to address any challenges that may arise.

Sustainability Management Report (semi-annual)
Progress review of company-wide measures by UCC Group directors, CEOs and executives of major operating companies.

Global Sustainability Meeting (monthly)
Reporting on progress, challenges and solutions.

Japan	UK	Singapore	Australia / New Zealand
JAPAN UCC Japan Co., Ltd.	EUROPE UCC EUROPE LIMITED	AP UCC ASIA PACIFIC PTE. LTD.	ANZ UCC COFFEE AUSTRALIA LIMITED UCC COFFEE NEW ZEALAND LIMITED
UCC Japan is responsible for formulating the entire UCC Group's sustainability strategy and managing overall progress toward sustainability goals. It also oversees operations in Japan, leading sustainability initiatives for the UCC Group companies in the region.	UCC Europe represents our European businesses, based in UK & Ireland, Netherlands, France, Switzerland and Spain. UCC Europe takes the lead in implementing sustainability actions relevant to the European markets it operates in, which contribute to our Group goals.	UCC Asia Pacific represents our Asia Pacific businesses, based in Singapore. UCC Asia Pacific takes the lead in implementing sustainability actions relevant to the markets it operates in, which contribute to our Group goals.	UCC Coffee ANZ oversees the Oceania region and leads sustainability initiatives for the region's businesses based on the specific circumstances of each country.

Assessment of financial impacts related to climate change
(Evaluation of risks and opportunities based on TCFD*)

The UCC Group regards addressing climate change as an important management issue and conducts risk and opportunity assessments based on the guidelines of the TCFD.

Assumptions and scenarios for evaluation

Evaluation timeline

The timeline for climate change-related risks and opportunities is set as follows: 2030 for the medium-term horizon, focusing on the near future, and 2050 for the long-term horizon, addressing the more distant future.

Scenario planning

We plan two scenarios: a ‘1.5 °C scenario’ representing a pathway toward accelerated decarbonization and a ‘4 °C scenario’ representing a pathway where decarbonization is delayed.

Scenario	Overview and reference scenarios from major external organizations
1.5°C scenario	<div>Overview</div> <p>This scenario assumes that early and steady global efforts to strengthen regulations and policies will allow us to achieve carbon neutrality by 2050. It also anticipates that transition risks – arising from changes in regulations, technology, and market conditions associated with the transition to carbon neutrality – will become apparent.</p> <div>Reference scenarios from major external organizations</div> <ul style="list-style-type: none">● IEA: Net Zero Emissions by 2050 Scenario (NZE)● NGFS: Net Zero 2050● IPCC: SSP1-2.6● PRI Inevitable Policy Response: 1.5°C Required Policy Scenario (RPS)
4°C scenario	<div>Overview</div> <p>This scenario assumes that only current policies will be maintained, with insufficient additional climate change measures, leading to increased physical risks such as more severe natural disasters caused by extreme weather events. Policies and regulations to reduce greenhouse gas emissions have made little progress, and the transition risk is assumed to be smaller than the 1.5 °C scenario.</p> <div>Reference scenarios from major external organizations</div> <ul style="list-style-type: none">● IEA: Stated Policies Scenario (STEPS)● NGFS: Current Policies● IPCC: SSP5-8.5

* Taskforce on Climate-related Financial Disclosures

Transition risk

Category	Contents	Priority	Financial impact	Financial implications		
				Scenario	2030	2050
Policy and regulations	Introducing and enhancing carbon pricing will lead to increased costs for carbon emissions and higher carbon taxes (additional cost for Scope 1 and 2 emissions).	High	Carbon tax burden incurred	4°C	Small	Small
				1.5°C	Medium	Small
	The introduction and intensification of carbon pricing will raise the price of chemical fertilizers, increasing coffee production costs for farmers and, consequently, UCC Group's coffee sourcing costs.	High	Increase in raw material procurement costs (increase in coffee procurement prices due to carbon pricing for chemical fertilizers used during coffee production)	4°C	Small	Small
				1.5°C	Medium	Medium
	GHG emission regulations will be tightened, and the cost of investment in low-carbon technologies and equipment to meet these regulations will increase.	High	Increased cost of investment in low-carbon technologies and equipment (Scope 1 and 2 emission reduction)	4°C	Medium	Medium
				1.5°C	Large	Large
	Deforestation is increasingly recognized as a significant factor in GHG emissions, leading to the introduction of regulations on the sale of coffee produced in deforested areas. Coffee producers unable to prove that their coffee was not produced in deforested areas may lose sales opportunities.	High	An increase in coffee procurement costs (due to the added expense of proving that the coffee is sourced from non-deforested areas)	4°C	Small	Small
				1.5°C	Medium	Medium
	Increased concern over plastic use will require introducing a tax on the use of one-way plastics (disposable plastics) and switching to alternative materials, resulting in corresponding costs in packaging materials.	High	Increased cost of complying with plastic use regulations	4°C	Medium	Medium
				1.5°C	Medium	Medium
Market	As decarbonization progresses, energy prices (natural gas prices) will rise, increasing product production costs.	High	Increase in natural gas procurement costs	4°C	Small	Small
				1.5°C	Small	Small
	As decarbonization progresses, energy prices (electricity prices) will rise, increasing product production costs.	High	Increase in electricity procurement costs	4°C	Medium	Small
				1.5°C	Medium	Small
Reputation	If a company's climate change efforts are insufficient, its brand reputation will suffer, resulting in fewer opportunities to do business with customers and difficulties recruiting human resources.	High	Decrease in operating income	4°C	Small	Small
				1.5°C	Large	Large

Physical risk

Chronic	Rising temperatures and changes in precipitation associated with climate change will reduce coffee yields and increase coffee sourcing costs.	High	Rise in coffee procurement costs	4°C	Large	Large
				1.5°C	Medium	Large
Acute	Floods and other weather-related disasters damage a product's production site, resulting in a shutdown of operations and a loss of sales opportunities.	High	Sales opportunity losses due to shutdowns caused by the disaster	4°C	Small	Small
				1.5°C	Small	Small

Opportunity

Energy source	Using alternative energy sources such as hydrogen roasting technology, electric roasting, and alternative fuels for coffee roasting will reduce carbon emission costs.	High	Decrease (or increase) in roasting costs due to conversion from natural gas to hydrogen roasting and a reduction in carbon tax	4°C	Medium (Risk)	Low (Risk)
				1.5°C	Small (Opportunity)	Medium (Opportunity)
Products and Services	As climate-related disclosures and regulations are introduced, more client companies will declare their climate-related goals, and opportunities will increase to sell products that contribute to their clients’ climate-related goals.	High	Expand sales opportunities for products that contribute to customers’ climate-related goals	4°C	Small (Opportunity)	Small (Opportunity)
				1.5°C	Small (Opportunity)	Small (Opportunity)

Note: Criteria for determining the magnitude of financial impact are based on the following assumptions
For the impact on sales revenue → Large: 10 billion yen or more, Medium: 1 to 10 billion yen, Small: Less than 1 billion yen
For the impact on operating income → (%) Large: 3.3% or more, Medium: 0.3% to less than 3.3%, Small: Less than 0.3%
For the capital investment to sales ratio → (%) Large: 3 % or more, Medium: 1.5 to less than 3%, Small: Less than 1.5%

Greenhouse gas emissions for Scope 1, 2, and 3

	2019	2020	2021	2022	2023
Scope1					
Japan	45,757	41,945	40,145	38,456	38,045
Europe	11,959	10,634	10,314	10,767	11,316
Asia	1,928	1,928	1,900	2,225	2,033
Oceania	1,872	1,872	1,872	1,872	1,872
Global total	61,516	56,379	54,231	53,320	53,266
Scope2					
Japan	45,032	39,659	51,728	34,149	30,793
Europe	2,044	618	320	345	225
Asia	1,121	1,121	1,084	1,166	1,266
Oceania	630	630	630	630	630
Global total	48,827	42,028	53,762	36,290	32,914
Total for Scope 1 and 2	110,343	98,407	107,993	89,610	86,180
Scope3					
1 Purchased products and services	—	—	—	—	1,918,319
2 Capital goods	—	—	—	—	2,090
3 Fuel and energy activities not included in Scope 1 and 2	—	—	—	—	20,806
4 Transportation and delivery (upstream)	—	—	—	—	163,668
5 Waste from business	—	—	—	—	13,011
6 Business trip	—	—	—	—	21,872
7 Employee commuting	—	—	—	—	1,627
8 Leased assets (upstream)	—	—	—	—	3,461
9 Transportation and delivery (downstream)	—	—	—	—	16,004
10 Processing of sold products	—	—	—	—	23,724
11 Use of products sold	—	—	—	—	294,744
12 Disposal of sold products	—	—	—	—	82,894
13 Leased assets (downstream)	—	—	—	—	N/A
14 Franchise	—	—	—	—	N/A
15 Investment	—	—	—	—	N/A
Total amount of Scope 3	—	—	—	—	2,562,220

Scope 1, 2, and 3 covers Japan, Europe, Asia (excluding Japan), and Oceania.

Air pollutant emissions

	2023
SOx emissions	4.9
NOx emissions	37.9

Data coverage in Japan

Waste and byproduct emissions

	2023
Amount of discharge	45,765
Amount recycled	38,659
Recycling rate	84.5%

Data coverage in Japan

Water consumption

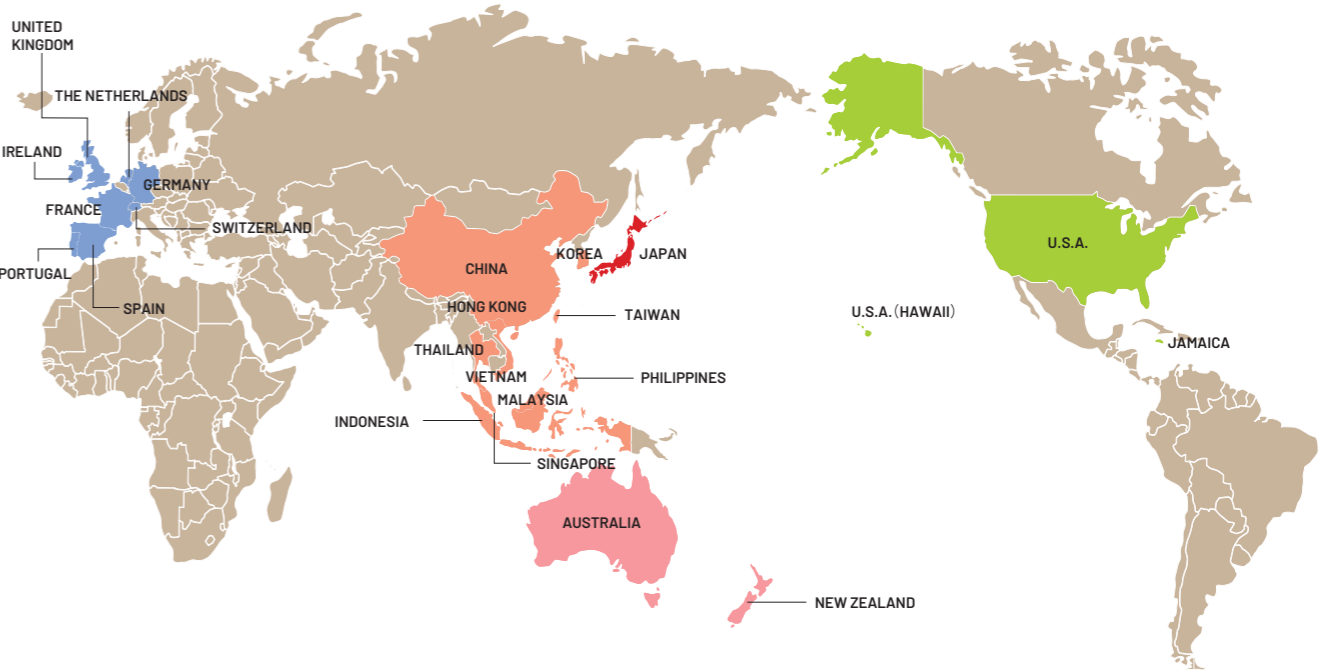
	2023
Water intake volume	2,154,220
Wastewater discharge volume	1,059,491

Data coverage in Japan

Group overview

Number of group companies: 85 (as of December 2023)
Number of group employees: 5,718 (as of December 2023)
Net sales (revenue): 367,030 million yen (2023)

Global network





Every coffee, every moment

<https://www.ucc.co.jp/eng/>

Sustainability

<https://www.ucc.co.jp/eng/company/sustainability/index.html>

Company

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