

The UCC Group recognizes that preserving the natural and social environments of coffee-producing regions is the most critical challenge in coffee production. As part of our efforts to support these regions, we are implementing Nature Positive initiatives and other activities. To examine strategic responses for sustainable procurement regarding these initiatives, we have begun organizing them in accordance with the LEAP approach, from the TNFD framework.

■ L·E (Locate and Evaluate) of the TNFD LEAP Approach

Regarding the coffee industry, we recognize the following characteristics of the industry in terms of its value chain and relationship with nature.

About the Coffee Industry	Value chain	Industrial Characteristics
	Upstream: Coffee bean production	From the perspective of life cycle assessment in the coffee industry, it is recognized that the greatest impact occurs on farms with high inputs of fertilizers, fuel and irrigation water. Coffee bean cultivation can lead to deforestation and biodiversity loss through the conversion of natural forests into farmland.
	Midstream: Import, processing, and sales (UCC business)	
	Downstream: Services and consumption	

Based on the industrial characteristics of coffee, we are conducting location analysis for upstream coffee bean production—the most critical issue—following the next process to identify regions requiring priority attention.

Upstream Location Analysis/Selection of Priority Sites	Implementation Process	Analysis Content
	Step1: Estimated Production Area	Estimating the total area required for production based on the volume of coffee procured in 2021
	Step2: Mapping of Production Regions	Selecting the top 8 countries for UCC's total procurement volume (Brazil, Ethiopia, Honduras, Peru, Vietnam, Colombia, Guatemala, Tanzania)
	Step3: Selection of Analytical Indicators (Determining Maintenance Priorities)	Determine key analytical indicators for conservation priorities, such as climate, biodiversity, and vulnerability to future changes.
	Step4: Identifying regions important for coffee and nature	As a cluster (administrative unit) important for both coffee and nature, 31 locations were identified across 8 countries.
	Step5: Selection of Strategic Production Countries (Priority Regions)	Based on the analysis results of natural risks, the importance from the perspective of procurement strategy for the UCC Group, the presence or absence of future potential, and the effectiveness of the UCC Group's unique initiatives, among other factors, Brazil, Vietnam, Tanzania, and Uganda were identified as priority regions.

「Methodology and Indicators for Selecting Priority Areas in Location Analysis」

We have identified multiple multifaceted location analysis indicators to evaluate activities critical to Nature Positive in coffee farms and surrounding areas across the top eight countries in UCC Group procurement volume. One factor in determining priority regions involves comparing the proportion of coffee-producing areas (by area) within each cluster across different locations for each location analysis metric.

Table: Key Activities and Location Analysis Metrics for Nature Positive

Key Activities for Nature Positive (Classification)	Location Analysis Metrics
【Protection】 Preventing further losses	Percentage of areas important from an international biodiversity perspective in coffee-producing regions (%)
	Percentage of regions important from a carbon perspective in coffee-producing areas (%)
	Percentage of regions vulnerable to future changes in coffee-producing areas by 2050 (%)
【Management /Regeneration】 To restore and manage the land within the farm	Percentage of Arabica and Robusta coffee clusters within coffee-producing regions that will become unsuitable for cultivation by 2050 (compared to 2010) (%)
	Percentage of climate suitability for Arabica and Robusta varieties in 2050 (compared to 2010) (%)
【Restoration】 Restoring the forests in the areas surrounding the farm	Percentage of ANR (Afforested Natural Regeneration) in Coffee Production Areas (%)
	Deforestation Rate in Coffee-Producing Regions, 2011-2021 (Compared to 2011) (%)

※ANR stands for Assisted Natural Regeneration, a forest regeneration technique that combines natural regeneration with targeted human intervention to promote the recovery of degraded land.

■ A (Assessment) of the TNFD LEAP Approach

We recognize the following risks and opportunities for the coffee industry and the UCC Group. Going forward, we intend to deepen our analysis in alignment with the UCC Group's business operations and advance our examination of specific risks and opportunities for the business.

Risks and Opportunities for the Coffee Industry and the UCC Group

Risk Analysis Content	Category	Item	Risk Overview
	Transition risk	Policy	Regulations restricting the sale of coffee produced in deforested areas have been introduced, meaning coffee that cannot demonstrate it was not produced in deforested areas may lose sales opportunities.
		Increased market demand	To meet future coffee demand, production must triple by 2050.
		Land modification risk	Coffee is cultivated on 10 million hectares of farmland worldwide.
	Physical Risk (Chronic)		Coffee is grown in areas threatened by biodiversity loss and deforestation.
		Climate Change	By 2050, changes in temperature and rainfall associated with climate change will reduce suitable coffee-growing areas and yields, increasing coffee procurement costs. Climate change impacts coffee productivity and quality, ultimately affecting supply itself.

Opportunity Analysis Content	Category	Item	Overview of Opportunities in Coffee-Producing Regions
	Sustainability	Living in harmony with nature	By implementing initiatives to enhance coffee productivity and quality in environmentally sustainable ways on farms, we achieve outcomes that benefit both people and nature.
	Sustainability	Nature Positive	By categorizing and implementing key activities under the Nature Positive framework—protection, restoration, and rehabilitation—we achieve effective and sustainable land management.
	Business	Stable procurement	Achieving sustainable procurement through investment in production areas

■ P (Preparation) of the TNFD LEAP Approach For future countermeasures

The UCC Group is advancing initiatives with coffee farms aimed at securing stable coffee bean procurement. The findings from this analysis reaffirm the importance of our efforts in production regions.

The UCC Group has established a “Zero Deforestation Declaration” as part of its “Nature Positive” commitment outlined in the UCC Sustainability Guidelines. The Group aims to use only coffee beans that are traceable and verified as not involving forest destruction or conversion by 2030 at the latest. In analyzing the location of upstream production areas, the selection of strategic production countries incorporates an evaluation perspective that highlights areas with high

conservation value due to issues such as deforestation and their significant carbon storage capacity. In future, we plan to prioritize activities crucial for achieving nature positive outcomes, including efforts toward zero deforestation, in these strategic production countries. The UCC Group will formulate an action plan outlining areas where we can make a particularly significant contribution, and will solidify the rules and operational aspects. We intend to continue collaborating with diverse stakeholders to explore responses to risks and opportunities, deepening our analysis and disclosure in line with the TNFD.

Key Activities for Nature Positive

Implemented by classifying into Protection/Management and Restoration/Repair

The approach to addressing nature-related risks and opportunities recommended by TNFD aligns with the concept of the mitigation hierarchy.