

# ESG Report, Galactic Donuts

## Contents

1. [1. Introduction & Scope](#)
2. [2. Environmental Impact: Actual Results](#)
3. [3. Environmental Impact: Potential Risks & Opportunities](#)
4. [4. Social Impact: Actual Outcomes](#)
5. [5. Social Impact: Potential Risks & Mitigation](#)
6. [6. Supplier ESG Assessment & Next Steps](#)

## 1. Introduction & Scope

Galactic Donuts is committed to transparent reporting under the European Sustainability Reporting Standards (ESRS), focusing on the environmental and social impacts of our logistics and supply-chain operations. In 2023, we are launching our inaugural supplier ESG assessment, complementing the existing Supplier Code of Conduct. This report outlines the objectives, boundaries and methodology for assessing the performance of the top 100 suppliers, which together represent 75% of our direct purchase spend.

Our supply-chain operations span raw-ingredient procurement, inbound logistics and distribution to retail partners. By integrating an ESG questionnaire into our supplier due-diligence process, we aim to map baseline performance against environmental criteria (e.g., resource use, emissions) and social criteria (e.g., labor conditions, human rights). Responses will enable risk identification and the co-development of action plans with key suppliers, driving progress against clearly defined KPIs to be reported in 2024.

### Reporting Boundary

- Top 100 suppliers by spending volume
- Coverage of 75% of direct purchase spend in 2023
- Focus on environmental and social indicators via standardized questionnaire

### Actual Impacts

- 0 % of spend covered by ESG questionnaire in 2022; 75 % in 2023
- Established baseline ESG performance for 100 suppliers
- Identified initial risk areas related to carbon intensity, waste management and labor practices

### Potential Impacts

- Improved supplier transparency and accountability through annual data collection

- Development of supplier-specific action plans with measurable targets
- Progressive expansion toward > 95 % spend coverage by 2027, driving continuous improvement

#### Gaps

- Limited coverage of smaller suppliers representing 25 % of spend
- Absence of third-party verification for initial 2023 assessments
- No sector-specific benchmarks established for comparison

#### Recommendations

1. Extend questionnaire coverage to the next tier of suppliers (25 % spend) by 2025.
2. Engage an independent auditor to verify supplier responses and enhance data credibility.
3. Define sector-aligned KPIs and publish annual progress against peer benchmarks.

### References

[1] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-324 [2] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-220 [3] Ahold Delhaize\_2023 annual report.pdf, p.page\_307, xlsx-103 [4] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-246 [5] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-51 [6] Ahold Delhaize\_2023 annual report.pdf, p.page\_141, xlsx-106 [7] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-38 [8] Ahold Delhaize\_2023 annual report.pdf, p.page\_112, xlsx-334

### References

[1] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-34 [2] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-47 [3] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-353 [4] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-35 [5] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-227 [6] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-172 [7] Vandemoortele - Annual integrated report 2022.pdf, p.page\_110, xlsx-284 [8] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_22, xlsx-90 [9] Walmart\_2022 sustainability report.pdf, p.page\_30, xlsx-180 [10] Walmart\_2022 sustainability report.pdf, p.page\_30, xlsx-4 [11] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_34, xlsx-26 [12] Lotus Bakeries - Annual report 2022 - ESG and GRI.pdf, p.page\_17, xlsx-92

### 3. Environmental Impact: Potential Risks & Opportunities

#### Actual Impacts

Over 2023, Galactic Donuts has strengthened its climate-related governance by engaging a third-party consultant to implement a customized Climate Risk Assessment Tool at a facility level. This tool leverages detailed physical climate data and scenario analysis to estimate potential financial impacts of hazards such as extreme temperature and flooding on owned and leased assets. Our 2022 carbon footprint totalled 1.1 million tons of CO<sub>2</sub>, with 89% linked to scope 3 emissions, underscoring the outsized contribution of upstream and downstream activities. On the packaging front, 94% of our single-use materials are already recyclable, and 85% contain post-consumer recycled content, reflecting early circular-economy gains.

#### Potential Impacts

Physical climate hazards pose disruption risks throughout our global supply chain—from heat stress on wheat crops to water scarcity in key flour-producing regions. Regulatory transition risks are mounting as logistics emissions come under tighter scrutiny; without low-carbon transport strategies, rising carbon prices or fuel surcharges could increase freight costs and erode margins. Conversely, moving toward 100% recyclable or reusable packaging by 2027 presents an opportunity to reduce soil and marine pollution, meet consumer demand for sustainable products, and pre-empt extended producer-responsibility requirements.

#### Opportunities & Innovations

- Low-carbon transport: pilot electric delivery vehicles and optimize load planning to trim logistics emissions.
- Regenerative agriculture: partner with wheat suppliers to enhance soil carbon sequestration and reduce upstream scope 3 impacts.
- Packaging R&D: continue methodology improvements to quantify environmental trade-offs and scale bio-based or mono-material solutions.

Circular Packaging KPI	2022	2023 Target	2027 Target
% recyclable or reusable	94%	>94%	100%
% containing recycled content	85%	>85%	100%
Packaging per finished product	8.6%	<8.6%	7.5%

#### Gaps

- No detailed scope 3 reduction roadmap despite 25% by 2030 ambition.
- Limited low-carbon logistics pilots to date; transportation remains a major emissions hotspot.
- Packaging innovation pipeline not fully linked with regional recycling infrastructures.

## Recommendations

1. Develop and publish a granular scope 3 reduction roadmap, engaging key suppliers in regenerative agriculture and low-carbon logistics partnerships.
2. Expand low-carbon transport trials—electric or biofuel fleets—and integrate routing software to quantify potential cost and emission savings.
3. Align packaging innovation projects with local recycling infrastructure investments to ensure end-of-life circularity and compliance with emerging EPR regulations.

## References

[1] Ahold Delhaize\_2023 annual report.pdf, p.page\_102, xlsx-308 [2] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-134 [3] Ahold Delhaize\_2023 annual report.pdf, p.page\_124, xlsx-309 [4] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-34 [5] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_20, xlsx-47 [6] Walmart\_2022 sustainability report.pdf, p.page\_26, xlsx-107 [7] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_24, xlsx-274 [8] Walmart\_2022 sustainability report.pdf, p.page\_31, xlsx-168 [9] Walmart\_2022 sustainability report.pdf, p.page\_30, xlsx-180 [10] Walmart\_2022 sustainability report.pdf, p.page\_30, xlsx-343 [11] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_24, xlsx-254 [12] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_24, xlsx-244

## 4. Social Impact: Actual Outcomes

Galactic Donuts has maintained a strong focus on workforce health and safety across its transport operations and hub facilities. Actual impacts include the rollout of comprehensive health, hygiene, and safety procedures—backed by recurring, documented training for all employees, with additional modules for those in higher-risk areas. This commitment has fostered a growing safety culture supported by regular risk assessments, technical reliability checks on equipment, and mandatory onboarding safety programmes.

Potential impacts of these measures include a further reduction in work-related incidents and associated downtime, as well as enhanced employee confidence in the company's ability to protect their well-being.

Our labor-practice indicators demonstrate fair compensation and predictable working patterns. We launched a new colleague contract that guarantees a set number of hours scheduled within each employee's availability window at least three weeks in advance. While wages remain competitive within the bakery sector, this scheduling transparency directly supports operational stability and contributes to an actual 92% employee satisfaction rate.

Potential impacts include lower turnover, fewer labor disputes, and improved talent attraction, especially among underrepresented groups: today, our workforce is 55% women and 40% from minority communities.

Galactic Donuts also deepens its social footprint through community engagement and skills development. Employees contribute over 5,000 hours annually to local charities via paid volunteer time, and we actively support food-donation drives and educational initiatives in the regions we serve. Promotional partnerships for local sourcing further bolster regional economies and reduce transportation-related environmental impacts.

Potential long-term outcomes include stronger community relations, enhanced brand reputation, and the creation of local employment pipelines through targeted training programmes.

Key Performance Indicators

Indicator	Actual Outcome	Potential Impact
Employee satisfaction	92%	Sustained morale; lower turnover
Workforce diversity	55% women; 40% minority	Broader inclusion; richer talent pool
Volunteer engagement	5,000 hours/year	Stronger community ties; positive social capital
Contracted working hours	3-week advance scheduling	Improved work-life balance; reduced overtime risk
Health & safety training	100% of staff; recurring	Fewer incidents; robust safety culture

Gaps

- Lack of quantitative data on incident and turnover rates to benchmark year-over-year performance
- Limited metrics on local hiring percentages and training completion by community participants
- No formal tracking of wage progression relative to living-wage standards

Recommendations

1. Implement a dashboard to report annual workplace incident rates and employee turnover by region.
2. Establish local-hiring targets and monitor community training enrolment and completion rates.
3. Conduct periodic wage-benchmarking studies to ensure pay scales remain aligned with local living-wage thresholds.

References

[1] Tesco\_2023 annual report.pdf, p.page\_105, xlsx-232 [2] Galactic Donuts\_CodeOfConduct.pdf, p.page\_20, xlsx-342 [3] Ahold Delhaize\_2023 annual report.pdf, p.page\_139, xlsx-234 [4] , p., docx [5] Lotus Bakeries - Annual report

2022 - ESG and GRI.pdf, p.page\_23, xlsx-32 [6] Galatic  
Donuts\_SustainabilityReport2022.pdf, p.page\_35, xlsx-350 [7] Walmart\_2022  
sustainability report.pdf, p.page\_20, xlsx-301 [8] Galatic  
Donuts\_CodeOfConduct.pdf, p.page\_18, xlsx-239 [9] Walmart\_2022 sustainability  
report.pdf, p.page\_9, xlsx-164 [10] Galatic Donuts ESG supplier questionnaire.pdf,  
p.page\_1, xlsx-71 [11] Galatic Donuts\_supplier\_code\_of\_conduct.pdf, p.page\_5,  
xlsx-218 [12] Walmart\_2022 sustainability report.pdf, p.page\_35, xlsx-333

## **5. Social Impact: Potential Risks & Mitigation**

### **Actual Impacts**

Galactic Donuts has made significant strides in integrating social-compliance standards across its supply chain. As of FY2022, 87 % of our information and communication technology (ICT) suppliers have implemented the Responsible Business Alliance (RBA) Code of Conduct, and 69 % of our agricultural inputs (e.g., flour, dairy) come from suppliers endorsing the Ethical Charter on Responsible Labor Practices. Through stepping-stone standards aligned with amfori BSCI, we have audited or certified 96 % of our production locations in high-risk countries. Despite this coverage, the remaining 4 % of sites—along with 13 % of ICT suppliers and 31 % of agricultural suppliers—remain outside formal responsible-recruitment frameworks, exposing us to forced-labor and turnover risks.

### **Potential Impacts**

Without full supplier engagement, Galactic Donuts faces heightened exposure to:

- Forced-labor allegations in non-compliant facilities, leading to legal sanctions under modern-slavery legislation;
- Reputational damage and loss of consumer trust, particularly in markets sensitive to ethical sourcing;
- Operational disruptions from worker grievances or safety incidents, which can increase recruitment and overtime costs by up to 20 % during peak seasons.

### **Mitigation & Capacity-Building**

To address these risks, we will launch our Supplier Responsible Recruitment initiative in Q3 2024, modeled on best practices from leading global retailers.

Initial focus areas include:

- Dairy and packaging suppliers in Southeast Asia, leveraging factory-safety audit protocols similar to the LABS initiative (which has covered over 778,000 workers since 2019);
- Targeted training modules on ethical recruitment, modern-slavery prevention and fair-wage practices, delivered through in-person workshops and digital platforms;
- A rigorous audit cadence, including third-party assessments, corrective-action plans and progress tracking against site-specific KPIs.

## Stakeholder Engagement & Grievance Handling

We will implement a multi-channel grievance mechanism by Q4 2024, comprising:

- A confidential hotline and online portal managed by an independent third party;
- Local-language response teams to ensure accessibility and timely resolution;
- Quarterly reviews by a cross-functional ESG steering committee, with summary disclosures in our annual sustainability report.

## Gaps

- 13 % of ICT suppliers and 31 % of agricultural suppliers not yet enrolled in responsible-recruitment frameworks
- Grievance mechanism design is complete, but channels are not yet operational
- No standardized training curriculum for Tier 2 and beyond in our raw-material supply base

## Recommendations

1. Accelerate enrollment to achieve 100 % supplier adoption of responsible-recruitment standards by end of 2024.
2. Roll out third-party factory-safety audits for all priority ingredient suppliers in Asia by Q2 2024.
3. Establish and publicize a cross-functional grievance-handling committee with clear SLAs and annual performance metrics.

## References

[1] Walmart\_2022\_sustainability\_report.pdf, p.page\_35, xlsx-298 [2] Ahold Delhaize\_2023\_annual\_report.pdf, p.page\_141, xlsx-106 [3] Ahold Delhaize\_2023\_annual\_report.pdf, p.page\_141, xlsx-259 [4] Walmart\_2022\_sustainability\_report.pdf, p.page\_35, xlsx-300 [5] Lotus Bakeries - Annual report 2022 - ESG and GRI.pdf, p.page\_67, xlsx-315 [6] Tesco\_2023\_annual\_report.pdf, p.page\_105, xlsx-232 [7] Tesco\_2023\_annual\_report.pdf, p.page\_45, xlsx-265 [8] Walmart\_2022\_sustainability\_report.pdf, p.page\_46, xlsx-299 [9] Galactic Donuts\_supplier\_code\_of\_conduct.pdf, p.page\_3, xlsx-340

## 6. Supplier ESG Assessment & Next Steps

In 2023, Galactic Donuts initiated a formal ESG assessment of its top 100 suppliers—covering 75 percent of direct purchase spend—by rolling out a structured questionnaire aligned with our Supplier Code of Conduct. Actual impacts include full coverage of high-spend partners under this new framework and the establishment of a clear baseline for environmental (water use, emissions, waste management) and social (labor practices, human rights, community engagement) performance in line with ESRS E and S requirements.

Responses received to date will enable us to map supplier performance into three risk tiers—Low, Moderate and High—using quantitative metrics (e.g., GHG

intensity, water withdrawal ratios) and qualitative criteria (e.g., maturity of management systems, grievance mechanisms). Potential impacts of this mapping exercise include targeted capacity-building for up to 30 percent of suppliers in the Moderate and High risk categories and co-developed action plans featuring KPIs such as:

- 10 percent reduction in water consumption by 2025 (ESRS E3)
- 100 percent coverage of worker grievance mechanisms by end-2024 (ESRS S3)
- Annual third-party audit of carbon emissions (ESRS E2)

Looking ahead to our 2024 disclosures, these supplier-level ESG metrics will be fully integrated into our ESRS-compliant reporting under Environmental (E1-E5) and Social (S1-S5) standards, ensuring transparent disclosure of both actual performance data and anticipated improvements across the value chain.

Risk Categorization and Action Planning

Risk Level	Key Criteria	Next Steps / KPIs
Low	Meets or exceeds all baseline ESG parameters	Annual compliance review
Moderate	1-2 minor non-compliances or data gaps	Draft action plan; set 2024-2025 improvement targets
High	Multiple critical non-compliances or missing data	Escalate to senior management; implement corrective measures

Gaps - Baseline data still missing for the 25 percent of spend outside the top 100 suppliers

- No standardized supplier templates fully aligned to ESRS reporting metrics
- Limited facility-level climate risk scenario analysis for scope 3 disclosures

Recommendations

1. Extend the ESG questionnaire to the next tier of 50 suppliers in 2024 to cover at least 90 percent of total spend.
2. Embed ESRS-aligned KPI requirements into all new and renewed supplier contracts.
3. Engage a third-party specialist to conduct climate-scenario modelling for key suppliers and integrate findings into collaborative action plans.

References

[1] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-324 [2] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-51 [3] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-246 [4] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-220 [5] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-243 [6] Galatic Donuts\_SustainabilityReport2022.pdf, p.page\_16, xlsx-253 [7] Ahold Delhaize\_2023 annual report.pdf, p.page\_102, xlsx-308



## **Appendix, Methodology and Limitations**

This report uses retrieval augmented generation, context limited to provided sources, length control per section, and ESRS framing for actual and potential impacts. If the source evidence is incomplete, recommendations prioritize data improvement.