

2022

Sustainability

Report



**FORTENOVA  
GRUPA**



# What does 2022 Sustainability Report contain?

Letter from the CEO and Member of the Board of Directors .....	3	Product quality, safety and sustainability .....	72
<b>1 General and Strategic Information</b>		Supply chain .....	78
Corporate Overview .....	7	<b>5 Corporate governance</b>	
Corporate Structure .....	8	Communication on critical concerns .....	87
Retail and Wholesale Division .....	11	Compliance and corporate policies .....	88
Food Division .....	13	Business Conduct .....	89
Agriculture Division .....	15	<b>6 Financial Information</b>	
Risks and uncertainties in 2023 .....	17	Financial assistance received from the government .....	96
<b>2 Strategy, Governance and Materiality Assessment</b>		EU Taxonomy .....	97
Key achievements in 2022 .....	22	<b>7 Key Performance Indicators 2022</b>	
Stakeholder engagement and materiality assessment .....	24	<b>8 About this Report and Appendices</b>	
<b>3 Environmental Information</b>		Methodology of data collection and corrected disclosures .....	107
Climate change .....	30	Appendices .....	109
Energy and emissions .....	31	Memberships and associations .....	118
Water .....	37	Awards and recognitions .....	120
Materials and raw materials .....	42	Evaluation of the Report by the HR PSOR Expert Committee .....	122
Waste .....	45	GRI content index .....	123
Sustainable agricultural practices .....	49		
Farm animal welfare .....	51		
<b>4 Social Information</b>			
Employee wellbeing .....	57		
Local community .....	68		

# Letter from the CEO and Member of the Board of Directors

The in-depth insight in our operations and the impact that we have on our environment, which we have offered in Fortenova Group's second Sustainability Report, indicates several important conclusions material not only for the external, but also for the internal public within our Group. I would also like to emphasize right at the start that we perceive this regular, detailed annual analysis of all constituent parts of our operations also as an excellent lever to improve transparency and raise awareness of our priorities, particularly in the light of realising sustainability goals and positioning Fortenova Group as a responsible corporation.

## Financial stabilisation provides footing for sustainability

Although we made several significant strides in environmental, social and governance topics in 2022, I strongly believe that the most important contribution to our sustainability came from the significant improvement of our financial position last year. Over the course of 2022, the fourth year of our operations, the company became healthy, with half the leverage it had in 2019, the year of its foundation. We were also able to reduce the net debt and from 2017 our operating profits grew by EUR 180 million and amounted to over EUR 300 million in 2022. With the increase in operating profits and divestments of non-core assets we were thus able to reduce the debt to EBITDA ratio to only 3.6 times. At the same time, last year we realised over EUR 5.3 billion in total revenue, and under very difficult circumstances our companies, employees and management generated excellent operating results with record numbers in almost all segments.

From the aspect of sustainability, those facts are exceptionally important as they show that our priority is to provide stability and safety – internally, for all our employees through their salaries and other benefits as well as in the overall relationship towards them and externally, through the regular flow of all business activities and by adhering to all contractual, investment, regulatory and other obligations. Such responsibility towards all stakeholders in times when employers are faced with numerous challenges, among other things, bears witness to our credibility in meeting the high standards that we have set for our businesses.



One example of such high responsibility to the community was the project of the euro introduction, that we as a Group incorporating two largest retail chains in Croatia, Konzum and Tisak, have flawlessly realized, and I use this opportunity to once again congratulate all colleagues who have participated in it. Due to their size and availability, for 15 days these two companies were the country's largest currency exchange offices and yet everything went smoothly and without a single problem. We are proud of the transparency and openness that we have demonstrated in the

*We are proud of the transparency and openness that we have demonstrated in the process and of having made the adjustment to the new currency quick and easy for our customers and all partners as well as of the fact that we have shown a high level of ethics and credibility*

process and of having made the adjustment to the new currency quick and easy for our customers and all partners as well as of the fact that we have shown a high level of ethics and credibility both in retail and in the other companies. Unfortunately, instead of celebrating our entry in the eurozone and the Schengen area as great successes that will bring long-term benefits for Croatia and its entrepreneurs, when it comes to the conversion, the public was mainly occupied with all the wrong topics. Specifically, for Fortenova Group the euro introduction will in the long term bring benefits that will have a positive impact on operations, because after the conversion 80 percent of our operations will take place in euros. Additionally, the currency risk for our debt will be reduced and precisely due to the decrease in overall financial costs the conversion will positively affect the whole economy.

## Four years for transformation

The transition to the euro was a technically exceptionally challenging project, with a large number of people having taken part in it at Group level, but just as all the other extraordinary

and large-scale projects that we have had over the years, it was implemented without any negative effects on the regular operations, much less on our environment.

Namely, ever since I assumed management of the company as Extraordinary Commissioner, it has all the time undergone business transformation processes and from one episode to another we have been managing very challenging crises. None of those challenges was easy, particularly for a company that emerged from the settlement process with 'triple trouble' – overleveraged and with credit and ownership structures that were in dire need of consolidation, which implied a huge number of tasks that required a clear plan and efficient implementation.

Over the period of four years we have done a huge amount of work – from settlement negotiations and the settlement itself, refinancing the too expensive SPFA loan, the settlement implementation, the refinancing and transfer of Mercator, the divestment of the Frozen Food Group, the divestment of non-core assets, operations during the pandemic and earthquakes to the finally successful operations last year, where the war, inflation and growing energy prices set the pace.

In addition there were also the challenges that we had in the segment of Group ownership due to the war and sanctions. In particular, the Russian banks that co-own Fortenova Group had already at the time of the company's incorporation been under sectoral sanctions, which were significantly extended in 2022, following the commencement of the war in Ukraine. Therefore they were not able to exercise their ownership rights in Fortenova Group, including the possibility to vote at the General Meeting, which made it difficult to operationally manage the company and speeded up the need for Sberbank's exit from the ownership structure. As that exit was not realised within the deadline provided by the sanction measures, in early 2023 Sberbank's share was included on the sanctions list.

In the meantime, the inability for Sberbank to exercise its ownership rights was confirmed by all judicial instances in the Netherlands and that part has been separated from the other owners, while the sanctioned persons have been disabled from having any influence on the operational management and decision-making at Fortenova Group. This has significantly facilitated our operations and the Group has gained space to focus on cleaning up its ownership structure in order to fully annul the negative impacts of the presence of a sanctioned party therein.

It would certainly have been easier if the ownership consolidation had been concluded in 2022, as planned. If nothing else, we

would have entered this year more relaxed and fully focused on the refinancing, where the key challenge is to reduce the still high cost of financing. However, that activity was moved to the first half of the current year and we already have the elements of an in-principle new agreement with the existing creditor HPS in place, whereby we have eliminated all unfounded doubts about the success of that process.

#### Group strides in ESG topics

Although we all worked in unpredicted and very challenging conditions, and due to the ownership issues we additionally functioned in "higher gear" throughout the year, we have by no means neglected the sustainability topics in our operations. On the contrary, after having identified seven key topics that constitute our strategic sustainability framework in 2021, in 2022 we continued to set up the system and established working groups for sustainability that develop the approach, propose goals and initiatives as well as the implementation plan for the topics that are key for us. We have also implemented a number of activities and initiatives with positive impacts on all markets where the Group operates.

I would particularly like to single out the comprehensive project of preparing a carbon footprint calculation study for the entire Group that we have entered into with the Hrvoje Požar Energy Institute (EIHP). With the achievement of carbon neutrality being the long-term goal of our sustainability strategy, EIHP will

## Achieving carbon neutrality is a long-term goal of our sustainability strategy

calculate the GHG emissions from Scopes 1, 2 and 3, which will be the basis for defining the short-term and long-term goals of GHG emission reduction and preparing a strategy and action plan for the carbon footprint reduction at Fortenova Group. We strongly advocate projects intended to reduce food and plastic waste, which is reflected in numerous activities pursued by our companies. Besides the project of reducing plastic quantities by introducing lightweight plastic packaging and using recycled plastic, the entire Beverages Group has started the project of introducing tethered caps.

Short supply chains have not only proved to be important during the pandemic and the geopolitical tensions that exacerbate trade relations, but have also been globally recognised as one of the important factors that affect climate change. Due to our strategic orientation towards and excellent collaboration with local suppliers, Fortenova Group has a clear advantage in responding to the aforementioned challenges. We have therefore continued to spur, and I should say even strengthened the implementation of short supply chains through already established projects



of collaboration with local suppliers in all parts of our retail. Additionally, when it comes to sustainable procurement and encouragement of the production and turnover of products that have a positive impact on consumer health, the preparation of a supplier code is under way, and in the context of improving the standards of living, we are in the process of analysing the cost of living as a basis for the improvement of the quality of living of our workers and the communities in which we operate. We have also been active in promoting diversity, equality and inclusion and have therefore conducted a survey on gender equality within Fortenova Group and adopted the Diversity, Equity and Inclusion Policy.

I would say that in 2022 sustainability has definitely taken root as a concept of thinking and working at the Group and has been adopted as a relevant criterion in decision-making and in business operations. An additional verification that we have properly selected the sustainability topics came from the round tables organised with the stakeholders on all our five markets, as these specific topics were highlighted as the most important in terms of the impact that we have on our environment. Hence the message is clear.

#### Development perspectives in a challenging environment

Although the assessments that the global population would reach nine billion by the year 2050 have been revised to some extent in recent researches, at this pace of the global development that does not appreciate the need to apply caution in using resources, the pressure on their availability for our and the generations to come will grow, as well as that on the production and trade of food required for the growing global population. The developments regarding supply shocks in the context of geopolitical tensions, primarily due to the war in Ukraine, do not contribute to addressing the serious consequences of those long-term forecasts, nor do the other effects arising from the two major crises that we had to deal with back-to-back.

A few months ago the outlook for 2023 looked worse than the current situation actually is, but we are very far from getting back to normal circumstances. Anyway, the fact that we have learnt how to function with a serious war in the heart of Europe does not mean that the danger and the risk for people and the environment are any lower. Moreover, from day to day we are witnessing examples where war operations call into question the dedication of the entire community to implementing numerous measures to reduce the impact on the environment, while the possibility of the conflict escalating is greater than it has ever been in the last decades.

However, the resilience against the aforementioned shocks (pandemic, war and even the recent bank failures in the USA and Switzerland) has shown that the global growth will continue, although at a slower pace. Forecasts say that it will amount to only around two percent (which is the slowest growth rate since the global financial crisis), but it is important that the large markets do not fall into recession. Also, while the inflation is slowing down on a global scale it will remain high above acceptable levels throughout the year, as will the commodity and energy prices, which are not expected to reach the peak prices from 2022, though.

What is the position of Croatia and Fortenova Group in all that? It should be noted that the European Commission does not exclude the possibility of technical recession for Croatia, due to the weakening industrial production and retail, but consumer and company trust have started to recover, particularly in industry and services. So far we have avoided recession thanks to EU funds that support economic activities, and the increasing interest rates have not yet resulted in reduced activity, either. One should not forget the effect of the conversion that has extracted huge amounts of money and put it into function, though mainly on the real estate market. Yet, part of the money from real estate deals flows into the real economy and certainly drives investments and transactions.

The engine of the Croatian economy as well as of Fortenova Group, given the profile of our core businesses, has always been the tourist season, from which we expect a strong contribution to consumption and exports this year again. The growth in 2023 should also benefit from Croatia joining the Schengen area and the eurozone, which is expected to additionally reduce costs and obstacles to accessing the market.

Nevertheless, the perspective and well-founded forecasting and planning are blurred by the very risks in the context of war operations, hence the operating teams in our companies will have to additionally improve their abilities and speed of adjusting to the changing circumstances. However, if there is a business team in SE Europe trained to work under any conditions, it is the management team and all employees of Fortenova Group. We have so far proved ourselves in so many different unpredictable situations we have been through, both before and after the incorporation of Fortenova Group, that I can say with great confidence that I have no concerns whatsoever when it comes to us dealing with challenging circumstances.

Those circumstances also largely impose the direction we have to take in the forthcoming period. For example, the fact that we

*I would say that in 2022 sustainability has definitely taken root as a concept of thinking and working at the Group and has been adopted as a relevant criterion in decision-making and in business operations.*

are a large energy consumer directed us towards energy efficiency projects in 2022 already, and we shall continue to pursue this in all business areas even more intensively in the forthcoming period. We will also consider additional investments to shorten the transportation time and distance from the place of production to the place of consumption, which is one of the important prerequisites for the sustainability of food industry. Another important direction for sustainability is the further development of functional food and the continued focus on developing the food product line based on plant proteins, where we are among the first in Croatia. Some of the solutions that we are developing in the area of advanced analytics based on artificial intelligence and machine learning will have a sustainable aspect, too, at least through circular economy initiatives or the reduction of materials and packaging used in specific processes.

Due to everything that we have been through over the last four years of our transformation into a successful and responsible employer, we have all the arguments to assert a positive impact on the environment and responsibility towards all our stakeholders. I also believe that as an organisation we have the full right as well as the obligation to spread optimism when it comes to our own, as well as the sustainability of our environment and thus also affect the perception of our common economic area as a place where people have prospects for work and a pleasant life.



# 1. General and Strategic Information



# Corporate Overview

Fortenova Group operates on five key markets in Southeast Europe where it places over 4 000 products, it features more than 100 strong brands and provides a large number of services. With around 45 000 employees, 29 production facilities and more than 2 500 retail points of sale and distribution centres, Fortenova Group is among the region's largest private employers, which illustrates its strength and the influence that it has on the economies of the countries where it operates.

The Group features more than 40 companies operating within it, and on the markets of Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro it has intensively developed the following



core businesses: regional retail, beverages production, edible oils production, fresh and processed meat production, milk and dairy production and agricultural production. Via food product exports Fortenova Group is present on the markets of more than 40 countries worldwide.

Given its high share of retail activities and food production in the FMCG category, end users are Fortenova Group's most significant group of product and service users. Due to the size and diversification of the markets and the activities that it pursues on them, the second key group of its stakeholders are suppliers, while customers in the segment of business consumption are Fortenova Group's third most significant group of stakeholders.



The agriculture and production companies place their products on a market the size of which is estimated to

**20 million consumers,**  
with exports to more than  
**40 markets.**



Fortenova Group's retail network features on average around **1.5 million** customers a day.

RETAIL AND WHOLESALE
<ul style="list-style-type: none"> <li>• 16 companies</li> <li>• 2 500 facilities</li> </ul> <hr/> <p><b>Retail brands:</b></p> <ul style="list-style-type: none"> <li>• Konzum</li> <li>• Mercator</li> <li>• Idea</li> <li>• Roda</li> <li>• M Tehnika</li> <li>• Velpro</li> <li>• Tisak</li> <li>• Abrakadabra</li> </ul>

FOOD
<ul style="list-style-type: none"> <li>• 14 companies</li> <li>• 29 production facilities</li> <li>• 30+ brands</li> <li>• 200+ products</li> </ul>

AGRICULTURE
<ul style="list-style-type: none"> <li>• 7 companies</li> <li>• 37 farms</li> <li>• 34 000 ha of land</li> <li>• 429 000 animals</li> </ul>

NON-CORE COMPANIES
<ul style="list-style-type: none"> <li>• 4 companies</li> <li>• Over 30 TB of data used for mStart's IT services</li> </ul>

The non-core companies provide services to companies within Fortenova Group and to external customers on the market of Southeast Europe.

# Corporate Structure

RETAIL AND WHOLESALE			FOOD			AGRICULTURE	NON-CORE AND REAL ESTATE
RETAIL GROUP	LOYALTY CARD COMPANIES	OTHER RETAIL	BEVERAGES GROUP	OIL GROUP	MEAT GROUP		
Konzum CRO	MultiPlus Card	Mercator-H	Jamnica CRO	Zvijezda CRO	PIK Vrbovec CRO	Belje	mStart CRO
Mercator SLO	Super Kartica BIH	A007	Jamnica SLO	Zvijezda SLO	PIK Vrbovec SRB	Belje Agro-vet	mStart SRB
Mercator SRB	Super Kartica SRB	Tisak	Jamnica HUN	Zvijezda BIH	PIK Vrbovec BIH	Energija Gradec	Kor Broker
Konzum BIH	Super Kartica MNE	Žitnjak	MG Mivela	Dijamant		PIK Vinkovci	LG Moslavina
Mercator BIH			Sarajevski kiseljak	Mercator Emba		Eko Biograd	
Mercator MNE			Agrolaguna			Vinka	
M-Energija			Vinarija Novigrad			Vupik	
Mercator IP			Roto dinamic			Felix	

The 2022 Sustainability Report contains data from 42 operating companies and Fortenova grupa d.d., with significant activities and employee numbers, divided into three core business divisions – Retail and Wholesale, Food and Agriculture as well as the Non-Core Business segment. Below is a brief description of the divisions that Fortenova Group companies belong to, as well as an overview of the key features of their operations in 2022.



<b>Fortenova Group</b>	The parent company Fortenova grupa d.d. and its subsidiaries (in the context of the Report referred to as “operating companies” or “the Group”)
<b>Fortenova grupa d.d. or Holding</b>	Parent company of the subsidiaries or “the Company”
<b>Operating companies</b>	Subsidiaries of Fortenova grupa d.d. operating in the core and non-core segments
<b>Private label</b>	Private label refers to products manufactured by a contracted producer – third party, sold under the retail brand names. The assortments of Mercator SLO, Konzum HR, Konzum BIH, Mercator BIH, Mercator SRB and Mercator CG feature over 4 000 private label products under more than 40 different private label names.

**Changes in Group structure 2022**

<b>Companies merged in 2022</b>	<p>go.adriatica plus d.o.o. with FORTENOVA GRUPA d.d.  AISLE 36 d.o.o. with FORTENOVA GRUPA d.d.  AISLE 43 d.o.o. with FORTENOVA GRUPA d.d.  LATERE TERRAM plus d.o.o. with KONZUM plus d.o.o.  PET-PROM ULAGANJA plus d.o.o. with KONZUM plus d.o.o.  DB KANTUN VELEPRODAJA d.o.o. with ROTO DINAMIC d.o.o.  ROTO ULAGANJA plus d.o.o. with KONZUM plus d.o.o.  MERCATOR-H d.o.o. with KONZUM plus d.o.o.  Zvijezda RS d.o.o. Laktaši merged with the company Zvijezda d.o.o. Sarajevo</p>
<b>Companies to be merged in 2023</b>	<p>Žitnjak d.o.o.  M-BL d.o.o.  Zvijezda d.o.o. Sarajevo  Vinarija Novigrad d.o.o.  Euroviba d.o.o.  Beokona d.o.o., Beoslana d.o.o. Beovona d.o.o.  VP FORTENOVA REAL ESTATE d.o.o. Beograd</p>
<b>Companies under liquidation</b>	<p>MERCATOR-MAKEDONIJA d.o.o.e.l.  Jamnica Water LLC</p>
<b>Liquidated companies</b>	<p>Mercator Velpro  Shutnell LTD</p>

In 2022 the Group continued to pursue the process of internal reorganisation and consolidation with a view to strengthening the efficiency of its core businesses. To that end different company status changes were carried out, primarily mergers of companies within the Group, as shown in the table below.

## 2022 Business Features

Fortenova grupa d.d. is the parent/holding company of its subsidiaries and the Group's key operating indicators are outlined below.

<b>2022 in numbers</b>
number of significant operating companies and Holding comprised within sustainability reporting <sup>1</sup>
<b>43</b>
total number of companies in the consolidated financial statements
<b>56</b>
own brands
<b>100 +</b>

<b>Financial indicators</b>	
million euro of net sales	<b>5.280,4</b>
% of change vs. 2021	<b>31</b>
million euro of net revenue	<b>5.408,4</b>
% of change vs. 2021	<b>30</b>
million euro of income tax paid	<b>-16,8</b>
Assets	<b>4.602,7</b>
Capital	<b>130,4</b>
EBITDA <sup>2</sup>	<b>313,1</b>

<b>Financial indicators</b>					
<b>E</b>		<b>S</b>		<b>G</b>	
million tonnes of CO <sub>2</sub> e	<b>600 365</b>	employees	<b>45 237</b>	women in senior management	<b>33%</b>
million m <sup>3</sup> of water consumed	<b>5 253</b>	employee turnover	<b>24%</b>		
tonnes of waste	<b>87 545</b>				

1 A list of companies included in the report is provided in the [Appendix Abbreviated Company Names](#).

2 The consolidated adjusted EBITDA of the period has grown 21 percent against last year's and amounted to HRK 2.4 billion or EUR 313 million.

# Retail and Wholesale Division

In terms of company number and size and number of employees, Retail and Wholesale constitutes Fortenova Group's largest business division, with a total of 16 companies<sup>3</sup>. Operating on all markets of Southeast Europe, Fortenova Group's retail and wholesale business features the largest network of more than 2 500 stores, distribution centres and online sales and employs a total of almost 38 000 people, which makes it retail leader in the Adria Region. By individual markets, the largest number of Fortenova Group's Retail and Wholesale points of sale and employees are in Croatia and on the different markets the companies operate under the brands: Konzum, Mercator, Idea, Roda, Velpro, Tisak, Žitnjak, M-Tehnika and Abrakadabra.

## Common business strategy

Over the course of 2022 the companies operated autonomously, in accordance with their respective business strategies and with own registered seats, managements and key business functions. However, being part of the same Group, they have a common development strategy and the Group membership provides them with additional stability, the possibility of using synergies, exchanging best practices, optimizing processes and improving operating efficiency across the regional network.

**The reporting year 2022 is the first full year of Fortenova Group's regional retail operations**

The most important elements of Fortenova Group's retail and wholesale development strategy are operational excellence, clear differentiation from the competitors, continuous position improvements and market share increase, flexibility of micro-location and multichannel shopping experience. Hence there are several common strategic projects under development in the Group's retail network, intended to increase the overall service level towards the customers and improve the operational performance of the regional retail business.

The year 2022 was the first full year of Fortenova Group's regional retail operations, the forming whereof had started in April 2021, with the full takeover and consolidation of Mercator within Fortenova Group.

## Protection of customers and companies against inflation

The strongest external impact on the business in Fortenova Group's Retail and Wholesale Division over the course of 2022 came from the strong inflation through the continuous increase in key costs, which is why a major part of activities in that area across the region reflected frequent and intensive system adjustments to that impact. The implementational activities related thereto can be divided into those focusing on customer protection and those focusing on the protection of companies.

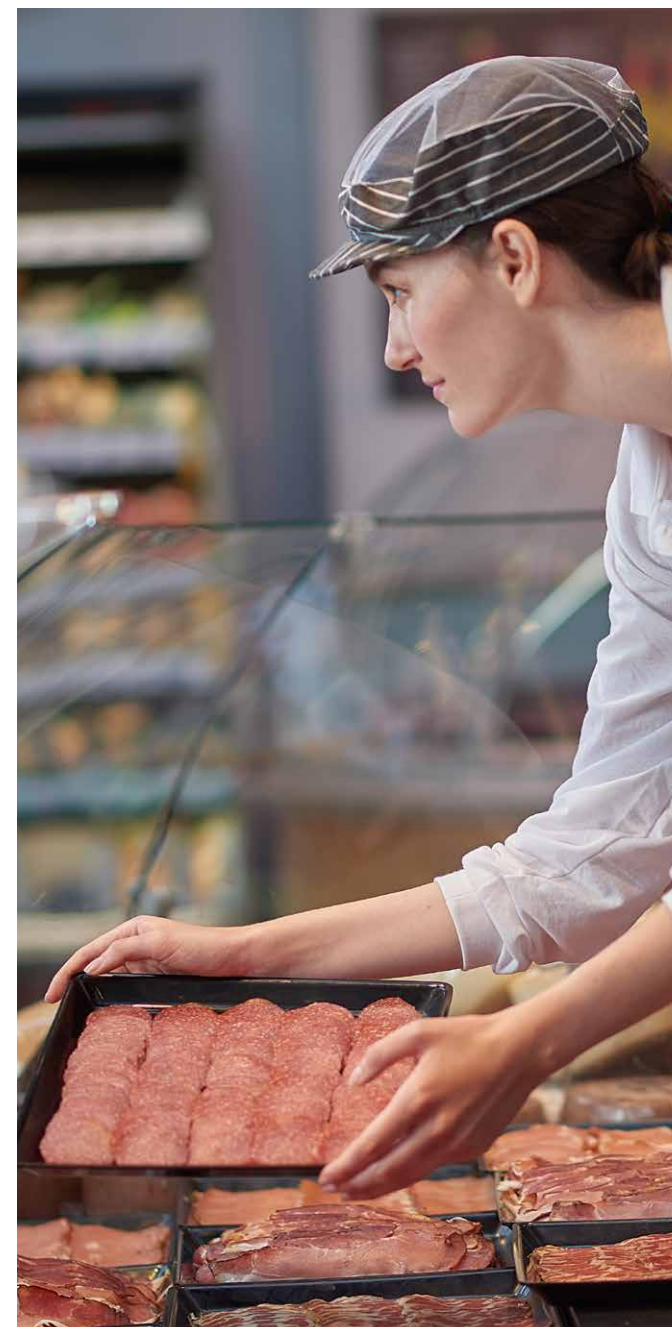
Customer protection activities include:

- Strong focus on product control across the network;
- Additional development of private label products offering customers high value for money;
- So-called category resets intended to provide the best assortment for customers.

Operating projects related to efficiency increases and cost reductions, designed to protect individual companies and the whole Group, include the following:

- Full preparation of the tourist season;
- Implementation of activities related to energy efficiency improvements
- Implementation of self-checkouts.

In addition, in the reporting period the Retail and Wholesale Division featured several large projects, some of which are important for the network across the region, while others pertained to individual markets and the retail companies operating on them.



<sup>3</sup> Konzum HR, Konzum BIH, Mercator SLO, Mercator SRB, Mercator BIH, Mercator CG, Tisak, A007 and companies operating as part of Fortenova Group's loyalty programme – MultiPlusCard, Super kartica SR, Super kartica BIH, Super kartica CG.

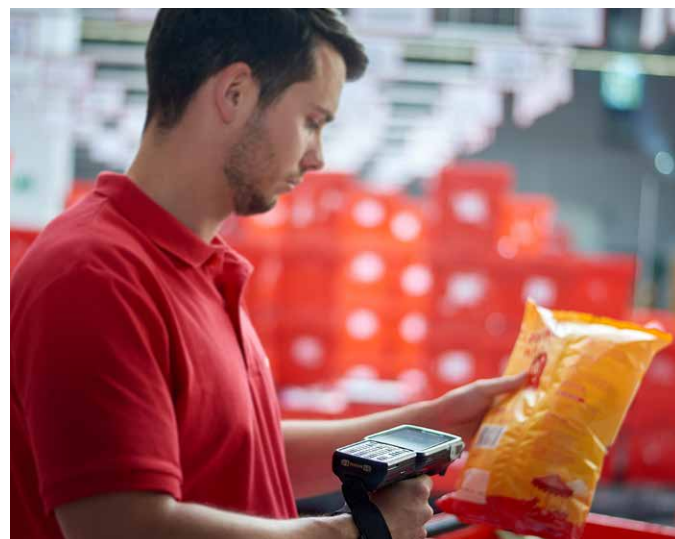
**Fortenova Group DataLab – Advanced Analytics Centre**

Standing out among those important for the entire network are solutions implemented at the Fortenova Group DataLab – the Excellence Centre for all advanced analytics initiatives in the Group, based on the analytics of big data available to retail companies, such as prices, sales, prior promotions, seasonality etc., up to external data sources like weather forecasts or special local events.

The main goal is to use advanced analytics and machine learning in order to utilize data value as much as possible, improve user experience and provide operating companies with solutions that will help them meet their business goals.

The DataLab works in parallel on several topics that are important for the retail business, such as more precise sales forecasting on product level in order to reduce write-offs, a unique category manager platform for assortment management and the creation of a promotional tool that would facilitate launching attractive/successful promotions and recommend the optimum product mix and promo pricing.

**Data Lab – Center of Excellence for all advanced initiatives analytics in the Group**



Late 2022 saw the public presentation of a solution supporting decision-making in the domain of forecasting demand in the fruit and vegetables category and helping stores to reduce write-offs and increase product quality and availability to customers.

At the same time, besides the DataLab projects, over the course of the reporting period the Retail and Wholesale Division implemented the new Spryker platform on regional level. This platform contributes to the competitiveness of Fortenova Group’s retail companies by centralizing data across the region and optimizing work processes and introduces technical characteristics that are among the most advanced technologies currently available for online commerce.

**Introduction of the euro in Croatia**

Among the projects significant for individual markets, the one standing out in Croatia is certainly the introduction of the euro, on the preparation and implementation of which Konzum HR and Tisak, as the largest national retail chains in their respective categories, worked throughout the year 2022. This included educating and preparing employees at the points of sale, adjusting all systems and making preparations for cash and card payments in euros.

The total cost of the conversion in Fortenova Group’s retail and wholesale system in 2022 amounted to around EUR 1 million, out of which Konzum HR accounts for two thirds. For example, at Konzum HR the entire implementation of the kuna-to-euro conversion project directly and indirectly involved around 7 000 employees and the organisationally and logistically particularly challenging process was run by a project team of around fifty people from all sectors.

The euro conversion was also one of mStart’s key projects. They managed the euro introduction project for fifty clients in 96 different IT systems with 1 466 activities involved. More than 140 mStart employees from Croatia and Serbia took part in the realisation and worked more than 30 000 hours altogether so that the transition to the euro ran smoothly for all of mStart’s clients.

**Organic network expansion and acquisitions**

Over the course of the reporting period more than 150 points of sale were opened in the network across the region, out of which almost 60 were new ones and 90 were refurbished, with Tisak – the largest national kiosk chain in Croatia – leading the way in this investment activity.

The retail network in Croatia was expanded with almost 20

**In the retail network across the region more than 150 points of sale were opened in 2022, whereof almost 60 were new and more than 90 were refurbished**

Konzum stores, while Tisak had a round one hundred openings in 2022, whereof 25 were new points of sale and 75 were refurbished ones. In addition, over the course of 2022 activities were taking place in Croatia on merging the companies Mercator H and Konzum plus d.o.o., whereby Mercator H has been merged with Konzum HR effective as of 1st January 2023.

Merging of the operations of the companies Konzum BH and Mercator BH marked Fortenova Group’s retail operations on the market of Bosnia and Herzegovina, with the legal merger of the two companies into one that will operate on the market under two brands expected to take place during 2023. At the same time, the retail network in Bosnia and Herzegovina was expanded by a total of nine new stores – eight under the Konzum brand and one under the Mercator brand, and three large Konzum stores were renovated.

On the Serbian market, Mercator-S on almost 12 000 square metres opened eight new Idea stores and refurbished six existing Idea stores and Roda markets, while Mercator in Slovenia had seven new openings.



# Food Division

In its production units located in Croatia, Slovenia, Serbia and Bosnia and Herzegovina the Food Division generates the largest number of brands through which Fortenova Group companies hold leadership positions in a number of categories on the FMCG markets and have a significant impact on the communities in which they operate.

The core activities of the Food Division are beverages production, edible oils production, margarine and mayonnaise production, fresh and processed meat production, dessert dressings and syrup production and beverage distribution and this logic has also been followed in grouping the companies in this division. Thus the Beverages Group comprises Jamnica HR, Sarajevski kiseljak, Mg Mivela and Agrolaguna, the Oils Group consists of Zvijezda, Dijamant and Mercator Emba as large producer of dessert dressings and syrups, while PIK Vrbovec is in the Meat Group. The Food Division also includes Roto dinamic, Croatia's largest distributor of alcoholic and non-alcoholic drinks.

## Cost management vs. inflationary pressures

Over the reporting period this Division was as well marked by inflation and cost increases (particularly energy costs), which strongly affected operations and led to consumption drops due to lower available consumer income. Nevertheless, the strong focus on cost management in order to prevent this negative effect resulted in significantly lower operating costs compared to the budget and the previous year 2021, and thanks to the tourist season that almost reached the record results from 2019, the Food Division generated an overall positive performance in 2022.

## Organisational changes and anniversaries

When it comes to other common features within this Division, as part of a more efficient portfolio management and the continued use of synergy advantages among the operating companies, Poreč-based Agrolaguna, operating within Fortenova Group since 2019, in 2022 became part of the Beverages Group, while Mercator Emba operationally joined the Oils Group. Two companies from the Food Division featured significant anniversaries in 2022 – Roto dinamic celebrated 30 years and Sarajevski kiseljak

as many as 130 years of operations, where Roto dinamic also had a record sales execution in 2022 and generated its historically highest monthly revenue in July 2022. Most of the companies improved their market shares versus previous periods and several significant business achievements were recorded. In terms of employee safety and working conditions improvements, one of the greatest achievements is certainly the reduced number of accidents at work, as their number dropped by 7 percent compared to the year before.

## Export strides

The year was also marked by two significant export strides – at the beginning of the year PIK Vrbovec HR started exporting beef to Japan, the world's second-largest import market for beef, after more than 10 years of efforts to meet Japan's extremely strict criteria of beef processing and production and obtain the required veterinary certificate. The first meat delivery for the HORECA channel was realized in January 2022 and thus PIK's products found their way to premium restaurants in Japan.

At the same time, thanks to the significant strength gained by Planet of Plants, the first intercompany brand created in

## Beef to Japan, Planet of Plants to Hungary

collaboration of Zvijezda and PIK Vrbovec, the presence of that line on foreign markets has been extended. Late 2022 saw the commencement of sales of the entire product range from Croatia's first plant-based line Planet of Plants on the shelves of the multinational retail chain Auchan in Hungary. The line features products made of ingredients of 100 percent plant origin and free of gluten, meat, milk, eggs or honey, which makes them an excellent choice for any diet plan as well as for everyone wishing to introduce as many products of plant origin into their diet. In the meantime, the range of products in the line that had initially comprised seven products has grown to 12 products.





Zvijezda oil bottling plant

### New products and extensions of existing ones

Along with the development of new products within the Planet of Plants line, in 2022 most of the companies in this Division introduced new products or extensions of existing ones to the markets. For example, the Beverages Group saw the launch of ProGame, a functional product developed in collaboration with gamers and intended for that target group, containing vitamins, minerals and a natural source of caffeine. It is taurine-free and features a unique way of sweetening, based on palatinose. The Beverages Group also launched Toco, a low-energy refreshing non-alcoholic drink with natural ingredients and combinations of fruit and vegetable tastes and vitamins that contribute to its nutritional functionality. The Meat Group launched a new slow-cook product line (pulled pork, pork leg, pork ribs), while Zvijezda released wasabi mayonnaise to the market.

### Investment activities in 2022

The companies in the Food Division carry the greatest part of Fortenova Group's investment cycle that started in late 2021 and is worth more than EUR 130 million overall. Thus in the Beverages Group an investment in a state-of-the-art aseptic line worth EUR 11.5 million, with a capacity of 36 000 bottles of 0.5l per hour, with most advanced technology designed exclusively for Jana, was completed in 2022. The line, unique in the region of Southeast Europe, significantly increased Jamnica's production capacity, enabled the launch of new products (e.g. Toco), improved efficiency and provided for a lower consumption of energy, water and chemicals.

In the Meat Group the investment in a new slaughterhouse worth EUR 8.2 million is under way, which will double the capacity and

## The Food Division carries Fortenova Group's investment cycle

significantly improve efficiency and in 2022 the company completed the investment in cut product packaging automation worth EUR 1.4 million.

Fortenova Group's largest single investment worth more than EUR 30 million in a new sunflower seed primary processing plant with a capacity of 1 200 t/day, as well as a new crude oil extraction plant with a capacity of 550 t/day, is currently under way within the Oils Group, in Dijamant. The importance of the investment that will strengthen the domestic production and the role of Dijamant as the leading edible oil producer on the regional market has also been recognized by the Ministry of Economy of the Republic of Serbia, which granted an incentive of EUR 5.4 million to support the realisation of the investment project. The funds will be granted in three tranches and Dijamant has undertaken to employ at least thirty workers over the next three years. Thus Fortenova Group contributes to developing and strengthening the market with a concrete investment, placing new employments into the focus of economic growth.

At the same time, over the course of the reporting period another member of the Oils Group, Zvijezda, completed the investment worth EUR 2.9 million in a new ketchup line and installed a new line for mayonnaise production. Standing out among smaller investments in this Division are the investment in a new tasting room at Agrolaguna and the opening of the 24<sup>th</sup> store within the Roto dinamic retail chain.

### Focus in the forthcoming period

Along with strengthening and defending the existing market positions of all brands, in the forthcoming period the focus of the Food Division will be on developing new products, continuing the development of the five-year strategy and meeting the goals set. The key challenges in doing so will remain the same as in 2022 – inflation and the unknown developments of energy prices in the period of preparations for the new heating season. Additionally, the Food Division will still be exposed to the risk of shortage of qualified labour, particularly drivers of C category vehicles, and the aggressive growth of discount retailers, the expansion of which through a growing number of points of sale creates additional pressure on pricing.

# Agriculture Division

The war in Ukraine led to a temporary disruption in the supply chains and the global growth of the food product price index. Increasing energy and fertiliser prices have disrupted the input cost calculations of agricultural producers, inflationary pressures have impacted consumption and very unfavourable global climate conditions have affected the yields of the most important agricultural crops.

All the above pushed food prices in 2022 to unprecedented levels, and the same four factors constituted a frame within which the processes in Fortenova Group's Agriculture Division took place over the course of the year. The key companies within that segment are Belje plus d.o.o., Vupik plus d.o.o., PIK Vinkovci plus d.o.o., Vinka plus d.o.o. and Energija Gradec.

## Impact of climatic conditions on yields

The drought in Croatia in 2022, with 170 litres of rain below the annual average or 42 % less rain during the vegetation period compared to the five-year average, resulted in reduced yields of almost all crops, with the most significant impact on corn, the yield of which was 35 percent lower than in 2021. Yet, the good organisation and application of modern agrotechnical measures and technologies reduced the negative climate effects on the sown crops to a minimum. Thus, for example, the yields of wheat in the harvest at Fortenova Group's agricultural companies, in spite of the moisture deficiency in the spring period, amounted to 7.7 tonnes per hectare on average and ranked among the very top worldwide, and production results above EU average were achieved in other segments of Fortenova Group's agriculture as well. The total number of finishers in 2022 amounted to over 410 thousand pieces, with the share in Croatia's total production thus having exceeded 51 percent.

The feed conversion rate in finishers is growing thanks to the high-quality feed production that focuses on the needs of each particular farm, whereof there are in total 37 within the Agriculture Division and one sheep farm owned by Agrolaguna,

which form a part of the rounded production process from field to table. Fortenova Group's agriculture companies keep the crops within the system and use them as raw materials for animal feed. They also produce own seeds and hence Belje, for example, sowed 50 percent of Croatia's total seed corn production in 2022. Last year the same number of cattle was maintained as well, with Fortenova Group companies accounting for more than 10 percent of the total cattle production in Croatia. Despite the very difficult conditions in the dairy sector, companies within Fortenova Group were also able to increase the production quantity against 2021 by six percent and invested in a new dairy cow herd.

The winegrowing year was also marked by a long-lasting drought, and in the Danube valley vineyards by a large quantity of rain during the harvest as well. Nevertheless, thanks to the careful attention to all vineyard plantations, the yields and quality were within expectations, with around five million kilograms of grapes picked in the vineyards of Belje that spread across 564 hectares. Around 1.5 million kilograms of grapes, slightly less than in the previous year, were picked in the Vupik vineyards at the Goldschmidt location, spreading across 117 hectares.



Borinci orchard, Vinka

**Operational efficiency**

Although the high prices on the commodity exchange led to historic results in crop farming and the growth of revenue was also affected by pig breeding, cattle breeding and milk production, in 2022 the Agriculture Division also featured a strong operating cost control. For example, in spite of the electricity cost alone having doubled and the fertiliser price having grown by 100 percent, the production costs increased by only 10 percent year on year due to a major production optimisation and the reduction of general and administrative costs which were overall slightly lower than in 2021<sup>4</sup>.

**Projects and investments**

During the reporting period several important strategic projects were prepared or initiated in the Agriculture Division. Given the ever more frequent negative climate effects, an irrigation project for another 4 000 hectares of land has been fully prepared in order to secure satisfying crop yields for animal feed production. Out of the total of 34 000 hectares of arable land under management at Fortenova Group's agriculture companies, eventually over 6 000 hectares will be under irrigation. An investment project intended to replace part of the agricultural machinery has also been realized, with the first deliveries of new agricultural machines already having started, and an investment in facilities used for the core businesses was initiated in 2022 as well. Furthermore, the construction of solar power plants on two facilities, featuring 1 380 kW of total power, was agreed to be financed from EU funds intended for renewable energy sources.



**EU funds have been agreed to finance solar power plants at two locations**

**New markets for ABC cheese and Proven Quality designations**

The year 2022 saw the beginning of Belje's great export product, ABC fresh cream cheese, being exported to the Middle East, to Iraq, and the product has also become available at leading retail chains in Austria and Germany. Preparations have also started for the distribution of ABC cheese to the Far East, which will additionally increase the share of exports in the product's sales, with more than 50 percent of the total production already being placed on international markets.

Two companies from Fortenova Group's Agriculture Division – Belje and PIK Vinkovci – were among the first to meet the criteria and get the Ministry of Agriculture's designation "Proven Quality of Croatia" last year. Belje was assigned the designation for its home-grown Belje tomatoes, and PIK Vinkovci for the home-grown onions under the Lipovac brand. The new national agricultural and food product quality system of the Ministry of Agriculture is intended to provide domestic producers with better recognizability and promote high-quality home-grown products with special characteristics.

**Focus in 2023**

As the most important initiatives for 2023, the Agriculture Division will continue to optimize costs in production, initiate the first stage of the investment in irrigation systems, continue to renew agricultural machinery and invest in renewable energy sources with a view to achieving as high as possible a percentage of energy self-sufficiency, primarily by installing solar power plants.

<sup>4</sup> Total consolidated production costs in the primary segments



# Risks and uncertainties in 2023

According to analysts' assessments, the main risk that the global economy is facing in 2023 is a combination of stagnant economic activity and high inflation, leading to stagflation that undermines business confidence and investments.

They also mainly agree that caution should be exercised when it comes to prices, which after a year of significant volatility will remain high in 2023 as well, despite the slight reversal in trend which indicates a more positive outlook for commodity prices in the forthcoming months. Nineteen out of 26 or 73 percent of key commodities – such as tin, palm oil, coking and thermal coal, iron ore or coffee – will have lower prices on average on an annual level, while the prices of rice, sugar, cocoa, lead etc. are expected to grow. Still, the prices in 2023 should continue to go down compared to the levels recorded in December 2022.

Energy prices will remain above historical average as well, but with better basic indicators – improved and increased supply and lower growth in demand – preventing the return of peak prices in 2023. The same is expected of prices for agricultural commodities, particularly crops, due to the historically high price levels recorded in 2022, driven by the limited global supply.

## Outlook for the global economy

The outlook for the global economy remains poor and the global real GDP growth is expected to slow down from 3.1 percent in 2022 to 2.0 to 2.3 percent in 2023, which – with the exception of the pandemic year 2020 – is the slowest growth rate since the global financial crisis. Nevertheless, inflation in the global economy is expected to slow down in 2023, although this perspective is blurred by multiple risks that could drive its revival to various degrees. Additional supply shocks are possible in the context of geopolitical tensions, primarily due to the war in Ukraine.

In addition, the recovery of the Chinese market and the growing demand for energy in China, the world's largest importer of fuel oil and gas, could cause another increase in energy prices, particularly if the drop in economic activities in the USA and the eurozone should be milder than expected. In terms of labour, the US and the eurozone feature record lows in unemployment rates due to the pronounced shortage of qualified workers, which also constitutes a significant pressure on salary rises, increasing the risk of the inflationary wage-price spiral and growing inflation expectations in the medium term.

## Outlook for Croatia

In its winter economic forecasts the European Commission has raised the estimated growth of the Croatian GDP in 2023 to 1.2 percent and in 2024 to 1.9 percent. The growth in 2022 is estimated to have been 6.3 percent and thus among the highest in the EU, after Ireland, Portugal and Malta, and should keep its high ranking in 2023 as well.

The greatest contribution to the high GDP level last year came from the strong growth in the first half of the year, primarily driven by domestic consumption with a positive contribution of exports, particularly in the segment of tourist services. The third quarter saw a drop in investments and government spending in the context of stricter financing conditions, disruptions in the supply chain and growing inflation, while signals in the fourth quarter indicate a broad stagnation. The Commission does not exclude the possibility of a technical recession for Croatia, given the weakening in industrial production and retail, but consumer and company confidence has started to recover, particularly in industry and services.

Croatia having joined the Schengen area and the eurozone should contribute to the growth in 2023 and is also expected to additionally reduce costs and obstacles to market access.

## Fortenova Group

Like in 2022, the key risks for Fortenova Group's operations in 2023 remain related to the developments of raw material and energy prices and inflation, as factors that have the strongest impact on the available income of the population, on demand, overall operating costs and labour costs. Oscillations in raw material and production prices can have a negative effect on financial results and as much as the producers may optimize costs, planning is particularly challenging as it is not possible to predict input prices in any segment.

Along with the above, the key long-term operating risk continuously remains the issue of labour shortage, which intensifies with the recovery of economic activities and requires a systemic approach to be properly addressed, which would also positively affect operations.

## The key operating risk in the long term remains the labour shortage issue

The risk of losing market share due to new international competitors is present as well, just as are transitional risks related to operations that go along with the social and economic shifts towards a low-carbon and more climate-friendly economy. Also, in spite of the accelerating digitalisation processes and particularly when it comes to applying advanced analytics in operations, at Fortenova Group there is still a need to accelerate the acceptance of new technologies as innovation drivers in all value chains within the Group.



PIK Vrbovec – fresh meat production, micro-packaging plant

A photograph of two business women in a meeting. One woman, wearing a white blazer, is holding a blue pen and pointing at a laptop screen. The other woman, wearing a light pink top, is looking at the screen. The laptop screen displays a document with text and a table. The scene is set on a wooden desk. A large white circular graphic is overlaid on the right side of the image, containing the section header.

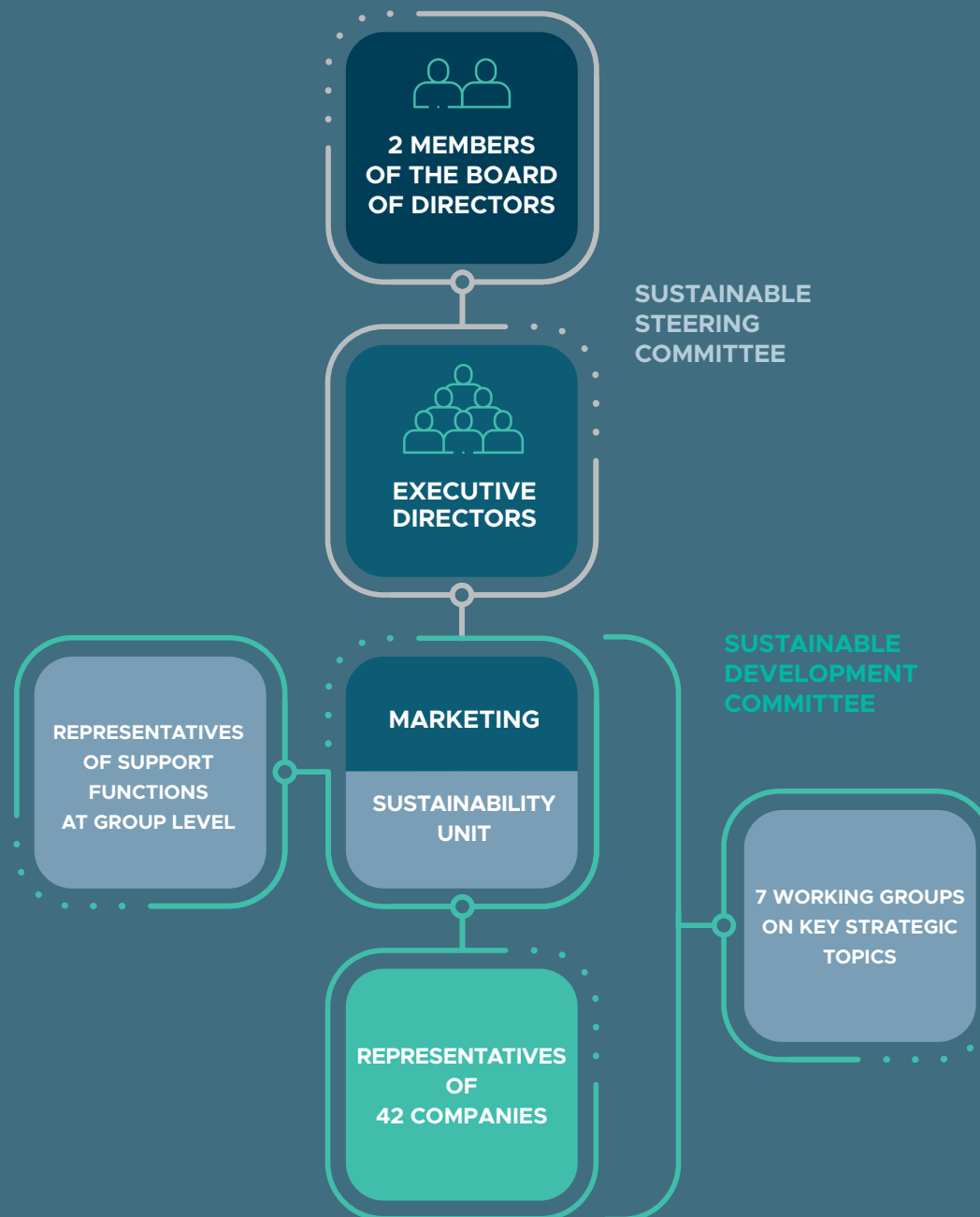
## 2. Strategy, Governance and Materiality Assessment

## 2. Strategy, Governance and Materiality Assessment

Fortenova Group published its first Sustainability Report in 2022. The Report included all sustainability aspects for which there were databases available and which were considered to be useful to all stakeholders in order to better understand the company. The Report included data from 45 companies grouped by core business for ease of reference. The preparation of the Report constituted a learning path of sorts as to how to establish measuring in a complex system and how to provide an even higher quality of the report in the years to follow. Fortenova Group's journey to sustainability is still at the beginning, but over the last year's time it has been charted and the system is being built with a view to establishing a comprehensive approach at Group level.

In 2021, a **Sustainable Development Committee** has been established, with representatives of all companies on all markets appointed to it. The Committee also includes representatives of support functions at Fortenova Group level, and like so far the work of the Committee is coordinated by Group Marketing as sustainability organisationally falls under the competence of that area. In 2022 the Committee actively participated in collecting data for the report and was also involved in all other matters related to sustainability that were opened at the operating companies and at Group level over the course of the year. They took active part in supporting the working groups that were established in mid-2022 to work on key strategic topics related to sustainability. The strategic topics set, the working group organisations and the progress achieved in the working groups are outlined in the chapter [Key progress in 2022](#). Four workshops were organised for all members of the Committee, one for each of the respective divisions, with a view to providing explanations and training on carbon footprint. Members of the Committee also worked together with the finance departments on the first EU Taxonomy Report, primarily to define the economic activities of each of the companies to be comprised within the Report, with specific workshops organised to that end. Last but not least, over the course of the year members of the Committee were regularly informed about new regulatory requirements, educations and topics relevant to sustainability.

With the company strengthening its focus on sustainable development and with a view to building a system and monitoring progress in key strategic topics, in 2021 a **Sustainability Steering Committee** was established as well, its members being all Executive Directors of Fortenova Group, two (2) representatives, i.e. Members of the Board of Directors as well as representatives of Group support functions including Strategy, Compliance, Human Resources, Finance, Procurement etc. Over the course of 2022 the Committee met on a monthly basis to discuss any



key sustainability topics, with analytics of the current situation presented and initiatives and activities identified for all the key topics defined. As mentioned above, in 2022 working groups for sustainability were established as well to develop an approach and propose goals, initiatives and an implementation plan for seven key sustainability topics defined as strategic by Fortenova Group's management in 2021. Each working group has a team leader who presents the progress made and the challenges for each of the strategic topics at the monthly meeting of the Steering Committee.

Given the composition of the Steering Committee, at those meetings its members are regularly informed and educated about any novelties related to sustainability. In 2022 they were given a presentation of the methodology of the Task Force on Climate Related Financial Disclosures (TCFD), new sustainability-related directives were announced and draft EU sustainability reporting standards were explained.

When it comes to raising awareness of sustainability at Group level, in 2022 the content of the Strategy Days was cascaded to all operating companies, with the preliminary results of the analysis of the company's approach to sustainability. In addition, over the course of the year sustainability topics were regularly presented to the workers via internal channels, while the company externally took part in a number of conferences and panels related to sustainability organised by professional associations and chambers of commerce or conferences of promotional and commercial character.

The 2022 Report is based on the sustainability reporting standards of the Global Reporting Initiative (GRI), which enables a comparison to last year's results. Over the course of 2023 it is planned to start adjustments with EU sustainability reporting standards in order for the company to become fully aligned with them and establish the required measuring by the legal deadline set for 2025.

Besides by the GRI methodology, as witnessed by the key topics defined for the journey to sustainability, the company is still guided by the 2030 UN Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDG). In 2021 the goals where Fortenova Group can contribute the most were defined in several rounds of workshops with the Group and company managements and with external support.

## At Group level

Activities related to these goals are outlined in the Report through numerical data and best practice examples from the operating companies.



At Group level, the Executive Directors approve the final material for the Sustainability Report. The Report is prepared by a central Group team based on data collected from the companies and with the help of organisational support units and operations at Group level. They check the accuracy of information, interpret data and determine the approach prior to the materials being submitted to the Executive Directors for comment and approval. When it comes to material topics, initiatives and the organisation's impact on the environment, people and the economy, the decisions fall under the competence of the Executive Directors, who are regularly informed and involved in the process. Topics defined as crucial are discussed at the Steering Committee prior to making any decisions. All Group policies, including those relating to sustainability, are approved by the Board of Directors. The Board of Directors is also involved in approving decisions that pursuant to internal procedures exceed specified financial thresholds.

### Risks and opportunities related to environmental, social and governance aspects

Fortenova Group is aware of its impact on the environment and the communities in which it operates, as well as of the fact that changes in the environment and the community have an impact on the companies. In that sense, when it comes to strategic topics that have been selected as key for sustainable operations, it strives to recognize risks and opportunities as part of which it can realize its initiatives. They are mostly related to required investments, various

regulatory requirements on specific markets, technologies and resources that are available. Due to geopolitical changes, particularly the war in Ukraine, risks related to inflation, product and raw material price increases and energy price increases have had a significant impact on operations, although that impact has been mitigated by proper reaction and planning. Risk management is structured at Group level. Risks are also discussed on a quarterly basis at the Executive Directors' meetings and the risk map is being updated at least once a year based on information obtained from all markets and from all companies. The map contains ESG-related risks. In general, all risks are identified as strategic, informational, operational, legal/regulatory, financial and risks of hazard. For each of those areas individual risks are further identified and the strength of their impact on the organisation as a whole as well as on each individual business is observed. An approach, i.e. a response to the risk is defined as well, taking into account the results of the risk management process in the past as well as the cost-benefit balance for the companies. The objective is to reduce the possibility or the impact of the risk by various decisions, by introducing surveillance/control, making plans and so on.

As of 2022 the transitional climate risk arising from the economic, environmental and social transition towards a low-carbon, climate-friendly economy has been recognized as a strategic risk. Of other risks related specifically to the environment, given the nature of operations, there is the operational risk arising from possible environmental incidents and the risk related to the danger of weather changes, natural disasters and so on.

**Fourteen Fortenova Group companies are ISO standard 14000<sup>6</sup> holders and have introduced policies, regulations and instructions related to the environment, make plans and monitor and control processes**

In 2023 it is planned to initiate the preparation of Group policies related to the environment in order for the process to be comprehensively structured.

<sup>6</sup> Energija Gradec, Belje, PIK Vinkovci, Vupik, Agrolaguna, Dijamant, Jamnica HR, PIK Vrbovec HR, Zvijezda HR, MG Mivela, Sarajevski kiseljak, Konzum HR, Mercator SRB, Mercator SLO

Climate changes are already visible and it is clear that they will constitute an even greater global challenge in the future. The company therefore supports EU initiatives related to the Green Deal and the Paris Agreement and its goal – limiting the global warming to 1.5°C compared to pre-industrial levels. The transition towards a low-carbon society carries technological, regulatory, weather-related, financial and other risks, as well as opportunities. Many technologies are not yet in commercial use or they are financially much more challenging than the existing ones and hence it is not possible to apply them easily and under acceptable conditions. Regulatory risks also arise from operations on markets outside the EU and from EU regulatory requirements related to sustainability and environment preservation reporting, which generally bring changes related to the materials used, energy and technologies and additionally impose administrative requirements. There are also physical risks, which are maybe the most visible ones as the changes in weather patterns have direct consequences on production.

In that context it is important to note that apart from the environmental, also risks from the social and governance dimensions have been recognized. Risks related to social and personnel matters are common to all the companies and markets where the Group operates and include labour shortages for seasonal jobs, particularly for occupations in production, retail and agriculture. Recruitment activities take place throughout the year – from planning the required number of workers during the season to defining their income as well as recruitment activity plans and starting the process early in order to employ high-quality workers and provide for adequate income for seasonal work. The process is managed by Group Human Resources. A digital employment platform project has been initiated that provides fast central insight into the process and data on applying candidates as well as possibilities for a better exchange of information about the candidates among the companies.

Risks related to a high employee turnover rate have been recognized as well and hence companies work on improving the total income (salaries, benefits) as well as other working conditions for the employees in line with their respective possibilities. The basic income for employees is defined in agreement with social partners by way of collective agreements. The importance of occupational safety has also been recognized and activities are primarily aimed at preventing such risks. Social and personnel matters are clearly defined in the Code of Ethics, collective agreements, work regulations and employment contracts. In the reporting period 19 collective agreements have been closed in regular procedures on all markets, covering 95 percent of all Group employees.



Other, smaller companies have their social and personnel matters defined by the Code of Ethics, work regulations and employment contracts. Guidelines for personnel and social policies are provided by Human Resources at Group level, by implementing common policies in order for all Group employees to have the same social rights and benefits, and the amounts can differ depending on the market of operations and the possibilities of the respective company. All work regulations and/or collective agreements stipulate procedures and measures to protect workers' dignity and all companies have nominated persons in charge of protecting employees' dignity. Recognizing the importance of social and personnel matters, in early 2023 a Diversity, Equity and Inclusion Policy has additionally been adopted at Group level.

When it comes to the governance dimension, personal data protection, prevention of conflict of interest, prevention of corruption and money laundering as well as ethical culture development have been recognized as important areas of potential risk, which has been mitigated in 2021 by adopting policies in that area and continued in 2022 by further strengthening the processes and holding educations. In 2023 this has been continued by developing a policy relating to human rights as well as the supply chain in order to improve internal processes.

All those risks also bear opportunities, particularly due to the size of Fortenova Group and the synergic effects that it can realize – from implementing energy efficiency measures and using renewable energy, to using common IT services and possibilities of internal improvements in the production and processes. Additionally, regulatory changes at EU level lead to specific requirements being implemented also in companies that are not in the European Union, thus improving the overall approach to sustainability.

In terms of assessing and monitoring impacts and calculating financial implications and costs of climate risks the Group still does not have a properly built system in place. The objective is to develop a system aligned with the guidelines of the Task Force on Climate Related Financial Disclosures (TCFD) over the course of 2023 and 2024. At this point the process has been initiated in terms of identifying in detail the physical and transitional risks and opportunities for all three businesses and thereafter the preparation of climate scenarios and calculations for the key locations will be initiated as well. The company considers the above necessary in order to be able to systematically respond to changes and recognize opportunities related to ESG and as of 2025 produce quality reports based on the Corporate Sustainability Reporting Directive.

# Key achievements in 2022

In 2022 Fortenova Group continued to pursue the process of establishing a strategic sustainability management framework initiated earlier. Having identified seven key topics that constitute the strategic framework for the Group's sustainability in 2021, in mid-2022 internal working groups have been established for each of the key topics shown in the graph below, with a view to defining measurable initiatives for the period between 2030 and 2050. The working groups focus on strategic topics and are composed of internal experts from all markets and all business divisions: agriculture, food production, retail and wholesale

and non-core businesses. Given the complexity of the business model that arises from the variety of industries comprised within Fortenova Group, all sustainable development topics are approached taking into account the specific features of each of the respective divisions.

Finally, it is important to note that the motive behind introducing this approach is actually Fortenova Group's strategy, approved in 2021, which has placed sustainability among the three key pillars of operations. The first pillar focuses on further organic and

inorganic growth of the company's value via its three businesses, the second pillar defines digital innovation and sustainability as the key tools for improving and strengthening company value, while the third one is about managing the Group's capital.

The working group activities carried out in 2022 on defining the goals and initiatives that will bear the strategic approach to sustainability should result in an action plan in 2023 and be implemented as of 2024.

## Seven strategic working group topics

E				S		G
1	2	3	4	5	6	7
<b>Reduction of GHG emissions</b>	<b>Resource and waste management</b>	<b>Sustainable products and positive impact on consumer health</b>	<b>Sustainable agriculture with focus on sustainable water management and soil health</b>	<b>Improved standard of living</b>	<b>Diversity, equity and inclusion</b>	<b>Building sustainability in as a relevant criterion in decision-making</b>
Reducing GHG emissions in own production and the entire value chain	Improving the ways in which we use resources and manage waste, from food to packaging Reducing original, non-recycled plastics to the benefit of other materials, increased reuse and recycling	Improving the quality of living through quality food - increasing the assortment and own production of health food and functional products, focusing on traceability and short supply chains as well as on promoting local producers	Preventing negative impacts on the soil and water by adopting sustainable agriculture methods, such as regenerative and precision agriculture	Encouraging and supporting improvements of living standards on all markets in order to have a positive impact on the recovery of the region in which we operate	Diversity of representation at all levels, while achieving gender equality	Defining strategic ESG-related criteria in making decisions and managing results, developing a comprehensive approach to climate risks

## Prominent projects and progress made in 2022 in ESG areas

The year 2022 saw the implementation of a number of activities and initiatives with positive effects on all markets where the Group operates. Far-reaching positive effects were also sensed outside the organisation, among customers, clients, business partners and in the local community, as well as among employees and other stakeholders. Although there is still no formal sustainability

strategy in place, corporate and social responsibility are deeply woven into the corporate DNA and the Group considers it to be its responsibility to reciprocate to the society and its surroundings. The events listed below are but the most important ones that the Group and its companies take particular pride in, while the other activities are described throughout the Report.

- The project of calculating **Scope 1, 2 and 3** for all Fortenova Group companies has been initiated.
- **Action plan** for achieving climate neutrality has been envisaged.

**Reduction of GHG emissions**

- The project of introducing the **tethered cap** in the Group companies is under way.
- Konzum HR has initiated a project called **Recyclopedija** with a view to preventing food waste and has been proclaimed the Best Donor for the fifth time.

**Projects focusing on reducing food and plastic waste**

- The preparation of a **Supplier Code** is under way.
- Short supply chains are encouraged through the projects **Rad imamo domaće, Najbolje iz Hrvatske and Ukusi moga kraja**.

**Sustainable procurement and positive impact on consumer health**

- An analysis of applying plant protection chemicals has been initiated.
- It is planned to prepare a **Group animal welfare policy**.

**Sustainable agriculture - sustainable water and soil management**

- An **analysis of the costs of living** is under way to be used as a baseline for **improving the quality of life for our workers and the communities in which we operate**.

**Improvement of the standard of living**

- A **gender equality survey** has been carried out within Fortenova Group.
- A **Diversity, Equity and Inclusion Policy** has been adopted.

**Diversity, equality and inclusion**

- The project of **identifying climate risks and opportunities** has been initiated according to the Task Force on Climate-related Financial Disclosures (TCFD) methodology.
- The project of **building sustainability criteria into investment decisions** has been initiated.

**Decision management and response to climate changes**

# Stakeholder engagement and materiality assessment

Over the course of 2021 Fortenova Group conducted a project of several months identifying and mapping stakeholders on all markets and in all companies. On a sample of 319 stakeholders it then carried out a survey related to sustainability topics important for the company in order to gain insight into the stakeholders' views of the importance that Fortenova Group gives to the respective topics. The key stakeholder groups are as follows:

- **Consumers/customers**
- **Employees, unions and management**
- **Suppliers**
- **Creditors**
- **Government institutions and regulatory authorities**
- **Local administration**
- **Academia**
- **Independent experts and professional associations**
- **Non-governmental organisations and media.**

Stakeholder mapping will be carried out every three years, while various additional activities are planned each year to gain insight into possible changes in the priorities of stakeholders important to the Group's operations. In late 2022 and in January 2023 round table discussions were organised with stakeholder representatives on key markets where Fortenova Group operates. In a total of 5 round tables, topics from the questionnaires filled out by the stakeholders last year were discussed in detail. The objective of the round tables was to gain deeper insight into sustainability topics that are important to the stakeholders and that they think Fortenova Group should consider important as well. Insight was thus also gained into the priorities of the respective markets and into stakeholders' expectations from Fortenova Group. The table below shows the topics by importance as outlined by individual stakeholder categories. The most important social topics that they have highlighted are related to strengthening the collaboration with the local community and involving stakeholders into common projects and activities in order to achieve better outcomes in the sustainability domain. The importance of achieving gender equality and inclusion in general, as well as of improving working conditions and employee benefits was pointed out. In terms of environmental topics, the stakeholders highlighted waste management, particularly packaging and food waste, and decarbonisation through short supply chains, using products with a lower carbon footprint and in more concrete ways, through forestation. The stakeholders also pointed out the importance of good corporate governance and ESG integration into strategy.

## Key stakeholders' priority topics

<b>E</b>	<b>DECARBONISATION</b>	Waste management	Energy management	Water, soil and sustainable agriculture
<b>S</b>	<b>EMPLOYEE WELLBEING</b>	Stakeholder and community engagement	Ethics	
<b>G</b>	<b>GOVERNANCE</b>	Sustainable procurement	Sustainable, high-quality products and product safety	



## Key stakeholders' priority topics

Priorities	Suppliers	Civil Society Organisations	Government Institutions	Academia	Media	Trade Unions	Professional Associations	Local Authorities
1	Decarbonisation	Waste management	Waste management	Decarbonisation	Stakeholder engagement	Workers' rights and employee benefits	Gender equality	Local community engagement
2	Waste management	Gender equality	Local products and short supply chains	Waste management	Social inclusion	Gender equality	Embedding ESG into company strategy	Waste management
3	Gender equality	Stakeholder engagement	Food quality – reducing the nutrition declaration and reducing sugar, salt and fat	Embedding ESG into company strategy	Waste management	Stakeholder engagement	Waste management	Renewable energy
4	Stakeholder engagement	Governance – the management's responsibility	Gender equality	Stakeholder engagement	Decarbonisation	Respecting workers' rights in the supply chain	Stakeholder engagement	Decarbonisation
5	Energy efficiency		Water	Social security and worker welfare	Energy efficiency		Energy efficiency	Water
6			Embedding ESG into company strategy	Gender equality	Gender equality		Short supply chains and local products	Gender equality
7				Energy efficiency				

Viewed by markets, the main topics arising from the round table discussions are as follows:

	Slovenia	Bosnia and Herzegovina	Montenegro	Serbia	Croatia
Priority No. 1	Decarbonisation	Waste management	Waste management	Gender equality	Social inclusion
Priority No. 2	Embedding ESG into company	Stakeholder engagement	Gender equality	Waste management	Community engagement
Priority No. 3	Energy efficiency	Decarbonisation	Energy efficiency and renewable energy	Stakeholder engagement	Renewable energy

Stakeholders in Slovenia pointed out the importance of investing in retail facilities and logistics with a view to increasing energy efficiency and reducing emissions (lighting, temperature, cooling equipment). They also highlighted the importance of good corporate governance and of integrating sustainability into company strategy. Part of the discussion was also related to the importance of social dialogue and communication with workers.

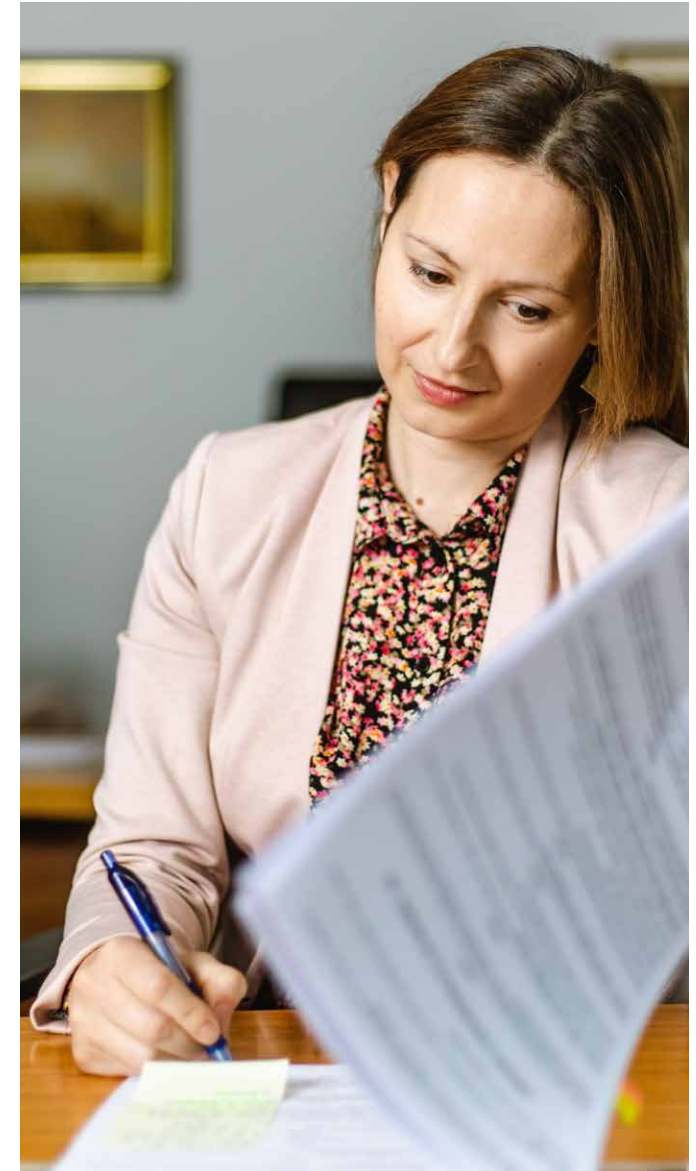
On markets outside the EU similar focuses have been observed. In all three countries (Bosnia and Herzegovina, Montenegro and Serbia) waste management has been recognized as a priority. The importance of suppliers collaborating on common projects in order to reduce waste quantities and costs has been highlighted, as well as the importance of having a well-ordered system in place. The recycling project implemented by Mercator-S in Serbia has been commended, while Montenegro and Bosnia and Herzegovina pointed out the importance of preventing food waste and the need to exempt food donations from tax payments. B&H also highlighted the importance of social dialogue, as well as of decarbonisation through packaging alternative to plastics, of focusing on domestic products and short supply chains.

In Serbia and Montenegro the topic of gender equality ranked high, too, where Montenegro pointed out the importance of supporting female entrepreneurship by buying their products and helping them enter foreign markets, while Serbia focused on

the currently lower share of women in high positions. On both markets stakeholders believe that attention should be paid to equal work valuation, clear advancement criteria and conditions at the workplace.

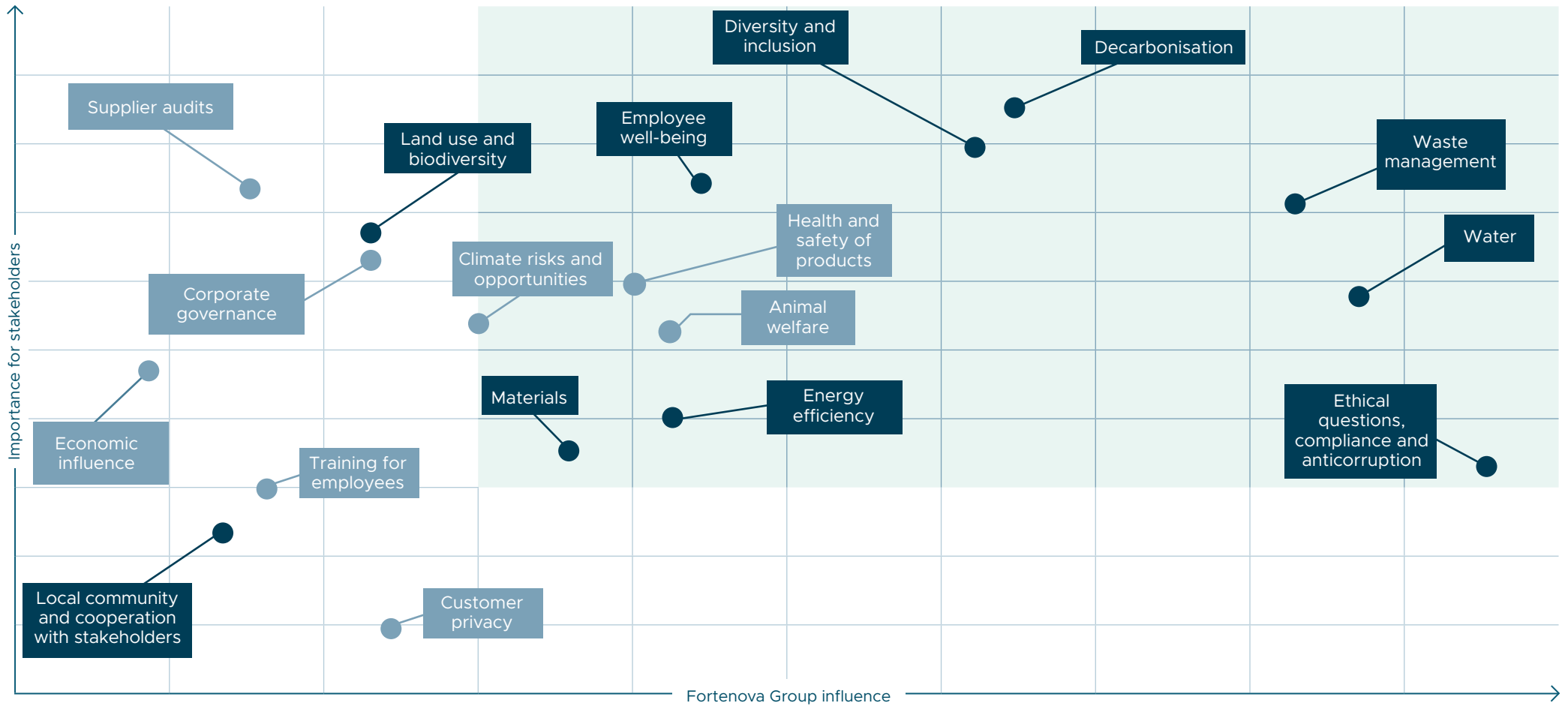
With regards to the Croatian market, stakeholders pointed out the importance of communication and collaboration with the local community and of strengthening innovation by working together with academia. The importance of creating good working conditions for all workers and strengthening the role of women in terms of better career advancement opportunities was recognized, too. A major part of the discussion was related to the topics of decarbonisation and energy, particularly with regard to renewable energy sources and the importance of energy efficiency. The stakeholders agreed that it was important to focus on domestic products, quality checks and clear labelling and highlighted the importance of contributing to reducing food waste. With Fortenova Group being an important stakeholder in the drinks industry segment, the importance of systematically managing water as a resource was pointed out as well.

The above thoughts and conclusions have confirmed that all topics considered as key by the stakeholders have been included in the materiality matrix, but their prioritisation from the stakeholders' point of view has partly changed, and hence the materiality matrix has been updated.



By combining the management's conclusions and stakeholder views, the significant topics have been classified, like last year, in focus categories – the higher priority category in the upper right quadrant and the lower priority category in the rest of the matrix.

## Materiality matrix of ESG topics



● Topics whose significance was updated in 2022 based on the Round Tables

## Communication with stakeholders

The communication with stakeholders continuously takes place through other channels, too, with a view to building quality partnership relations with a positive impact on the company and the community.

In the reporting period employees' status rights and processes related to labour legislation and organisational changes were obligatorily exercised by way of consultations between human resources, workers' councils and unions. Employees as stakeholders are represented in the Board of Directors by a representative appointed through the Workers' Council.

Regular workers' meetings have been introduced, attended, besides by the respective company management, also by Group management. In 2022 that practice has taken root in the production companies, while as of 2023 it has also been introduced into the operating companies of the Retail and Wholesale Division. Workers also have other communication channels at disposal, such as magazines, newsletters, bulletin boards, e-communication and the particularly important project named

***Fortecom – an internal application launched in December 2022. The project, currently implemented at Fortenova grupa d.d. level, is planned to be rolled out to other companies as well in 2023 and expected to take root across the entire Fortenova Group in 2024.***

The application has the characteristics of an intranet and social network, and due to the fact that it will be available to workers on their mobile devices, it will for the first time be possible to communicate with all workers on all markets at the same time,

regardless of where and in what job they are working. The workers will be able to immediately provide feedback, hence a significant improvement in the quality of informing and two-way communication is expected.

It is important to note that over the course of the year regular internal meetings are organised in almost all companies. In 2022 sales force conventions were held at Roto dinamic and Jamnica, as well as retail facility and store manager meetings at Mercator SLO, Mercator SRB and Konzum HR. Besides the *Strategy Day*, in 2022 Fortenova Group also organised an *Innovation Day* intended to strengthen innovation culture within the Group. The latter event was particularly important for presenting awards to workers within the scope of the **My Idea** programme. More about the My Idea project can be found in the section on [improving employee experience](#).

In terms of external community relations, Fortenova Group is actively involved in various **professional associations** on all markets where it operates, a list whereof can be found in the section [Memberships](#). In 2022 it became member of the Association of Processing Industries and Activities in Technology of the Republic of Croatia, joined the Institute of Social Responsibility Development in Slovenia and the International Institute for Climate Activities in Croatia. Furthermore, it took active part in the work of the Environment Protection and Sustainability Council of the Croatian Chamber of Commerce as its member. The exchange of best practices and participation in creating topics and initiatives affecting sustainability and operations in general continued in 2022 through other associations in different markets where Fortenova Group has been member from earlier.

For **consumer communication** all channels available through the Internet are used, as well as brochures in retail facilities, applications, free telephone lines for consumers and company and brand profiles on social networks. On markets where the Group operates, company and brand perception as well as service satisfaction surveys are conducted on a regular basis. Among other things, such surveys are intended to assess the extent to which product benefits and origin are important to the customer, whether they support investments in socially responsible projects and how important that is for them, i.e. whether it affects their loyalty to the brand or the retailer. Results have shown that sustainability has mainly been recognized among the more educated population with higher income, that consumers perceive sustainable products as being more expensive and that they are more inclined to buy domestic products, i.e. local quality. The protection of forests, use of renewable and

clean energy and resources that do not pollute the air and reduced GHG emissions are perceived as key activities that the companies should focus on in order to reduce their environmental impact.

The last quarter of 2022 saw a **corporate giving survey** being conducted on all five markets, in order to be able to make higher quality decisions for that segment of investing in the community.

A comparison of the markets has shown that company investments in sponsorships and donations are moderately important to consumers. Slovenia stands out as a market where the importance thereof is slightly higher, i.e. a greater number of respondents appreciate socially responsible activities. The impact of sponsorships and donations on the choice of store where they will regularly do their shopping is moderate as well. The highest impact has been observed in Bosnia and Herzegovina, and the lowest in Montenegro, but there still is a positive correlation. Common to all markets is the fact that they primarily support projects focusing on the most vulnerable groups of the society, children and young people, and it turns out that the more important the consumer finds the company's determination to make sponsorships and donations, the more loyal they are to the company whose products they buy or where they buy them.

And finally, Fortenova Group strives to measure its reputation, too, and the results of the survey conducted for 2022 by the VALICON Agency have shown that the Group has improved its recognizability, with shifts most visible in the following categories: confidence and respect, quality of products and services, advertising campaigns and social responsibility of the company, which resulted in increased readiness among citizens to use and recommend its products and services. Given that the company was in this form founded in 2019, we consider these shifts to be very important.

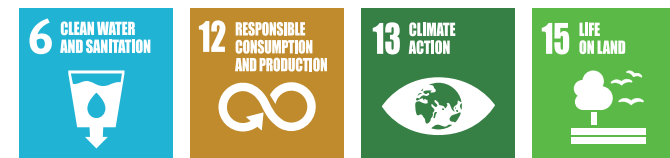
All Fortenova Group companies develop collaborations with academic and scientific institutions, schools and universities that are important for the further development of their business and for future staffing purposes.

The collaboration takes place in the form of scholarships for students in bottleneck occupations and at faculties related to core businesses, by way of sponsorships and donations to projects as well as practical training, project development and education courses.



### 3. Environmental Information

# Climate change



Global warming is of the greatest challenges of the modern society and among the top priorities of Fortenova Group's sustainable development. Given the Group's significant potential in supporting the green transition in Southeast Europe, its long-term vision is to realize its full decarbonisation potential and green transition opportunities. According to the recommendations made by the Intergovernmental Panel on Climate Change (IPCC) on the urgent need to take steps towards decarbonisation, at Fortenova Group the year 2022 was dedicated to accelerating establishment of an emissions management system – from improving its competencies for calculating emissions in all companies to making proposals for new technical solutions for emissions management.

Considering the Group's young organisational structure for managing sustainability, the numerous aspects required of the alignment with the European Green Deal as well as the size and complexity of operations, the greatest success achieved in 2022 is the carbon footprint calculation of all 43 Fortenova Group companies in Scopes 1 and 2 and the establishment of Scope 3. The accounting was conducted in collaboration with the Hrvoje Požar Energy Institute and also included a recalculation of the carbon footprint for 2021, 2022 and the establishment of Scope 3 measuring, which should be completed by mid-2023. This step is a prerequisite for preparing action plans for emission reductions, i.e. for achieving carbon neutrality in the forthcoming decades.

Employee training was held with at least than one person per company involved in sustainability reporting, on measuring GHG emissions in units of CO<sub>2</sub> equivalent in accordance with the GHG Protocol methodology. These newly acquired competencies can be applied next year to decisions on selected business processes and investments. Moreover, in 2022 a process for inclusion of project carbon footprint impact was introduced as a sustainability criterion for major investment decisions.

In line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) the identification of **climate risks and opportunities** had been initiated, with focus on physical risks. Within the Group, 22 percent of companies were affected by extreme weather conditions in 2022. Several companies were subject to minor or medium negative consequences. A storm caused damages in four stores of Poslovni sistem Mercator and on the

roof of a facility at Belje. Floods were recorded at two Tisak points of sale at the Croatian coast. The rest of the recorded damages were incurred in agriculture, where a drought was declared natural disaster in 2022 and damages were also caused by hail and frost. The survey on physical climate risks for the Group in 2022 showed that over the last two decades 44 percent of the Group companies experienced some form of damage caused by extreme weather conditions and 22 percent of the companies listed that type of damage into their operational continuity plans. In the same period 28 percent of the Group companies noticed an increase in the frequency of extreme weather conditions. An analysis of the frequency of insurance payments for damage incurred on crops and plantations in the Agriculture Division was prepared for the period from 2014 to 2022, as well as the scope of all Group branches that are at risk from rising sea levels.

The Group companies are not part of the EU Emissions Trading System (EU ETS). In 2022 the Group companies have, however, identified key assets, equipment and technology at the end of their useful life that they use in their operations and that have a high energy intensity and a high carbon footprint, such as commercial refrigerators in retail companies and agricultural machinery equipment. These data are among those to be used for the further assessment of risk from purchasing and continued use of key operating technologies with a high carbon footprint.

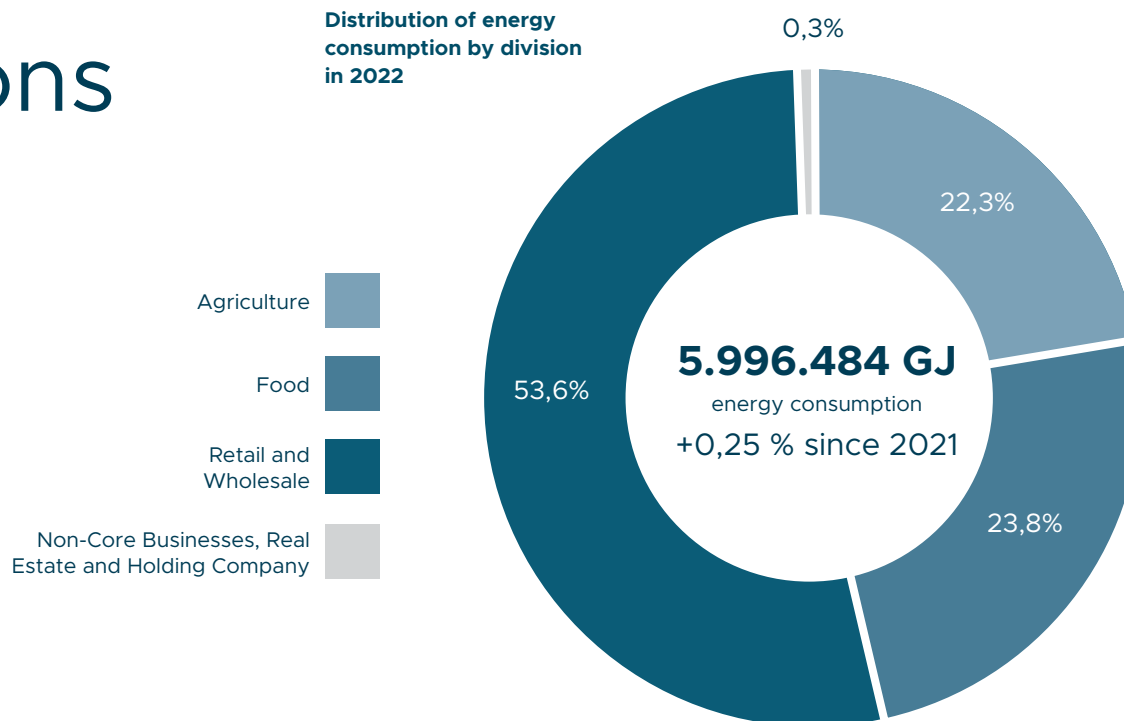
An in-depth analysis requires more precise data, which is why the analysis will be continued in 2023 in order to establish the climate risks and opportunities with a greater degree of certainty.

The decarbonisation of operations and the transition to a low-carbon economy greatly determines the company's future strategic initiatives. The Group's carbon footprint accounting project is the basis on which action plans to reduce emissions as well as clear initiatives for all companies will be developed, Having in mind that half of the Group's emissions come from retail activities, energy efficiency management can bear important results in those efforts. The production processes greatly depend on electricity, and the transition to renewable energy sources (whether by investing in own production or by buying such energy) can further contribute to those goals. In the next few years the company is also planning to initiate a verification of GHG emissions in accordance with Science Based Targets initiative (SBTi) – an initiative for the reduction of GHG emissions founded on science-based targets. When it comes to broader environmental matters, the aim is to set precise and measurable general goals for the Group and specific individual goals for the divisions and operating companies – with regards to all material topics comprised herein. This will provide for an increase in positive impacts while reducing the negative ones at the same time and contribute to the achievement of sustainable development goals.

# Energy and emissions

Responsible and sustainable energy management is the backbone of the green transition and a significant aspect of operations when it comes to energy cost management. Besides energy efficiency as the low-hanging fruit on the journey towards sustainability, the Group focuses on exploring the opportunities of a rapid uptake of renewable energy. In 2022 the Group did not use renewable electricity produced within the companies, but a project is under-way that will increase the share of solar energy in the years to come. We are proud of the collaboration as part of which seven Group companies – Zvezda, Mercator H, Jamnica HR, Konzum HR, Vupik, PIK Vinkovci and Belje – have approved the financing of the **PVMax** project, providing for the possibility of using solar energy in the Group in the capacity of around 30 MW. The project includes the creation of a micro-network that will enable the exchange of energy among Group companies and energy trading, storing and the use of solar energy in accordance with energy prices on the market, as well as other activities contributing to competitive and sustainable electricity production.

Distribution of energy consumption by division in 2022



Ovčara biogas facility, Energija Gradec

## Energy consumption

The energy consumption in Group companies amounted to 5 996 484 GJ or 0.25 % more than in 2022 the year before, when the consumption was 5 981 558 GJ. The Retail and Wholesale Division is still the most energy-intensive sector accounting for 54 percent of the Group's total energy consumption or 3 216 410 GJ. In accordance with the GRI 2021 disclosure guidelines 302-1, sold energy of 324 446 GJ has been deducted

from the energy consumption. The Group's total energy sold is also the total energy sold by Energija Gradec and amounts to 324 446 GJ.

Renewable fuels use, including solid biomass and biogas, account for 36 percent of the total energy from energy products used for the production of energy within the Group. Energija Gradec

produced 23 percent of renewable energy for the Agriculture Division, while the remaining 13 percent of renewable energy is predominantly used in Food Division. Currently 85% of heat energy used in Dijamant SRB is made from sunflower husks, leftover material in oil processing. Other non-renewable fuels used in the reporting period are: coal, diesel fuel, motor gasoline, natural gas, heating oil and liquefied petroleum gas.

### Total consumption of energy products and energy at Fortenova Group

Energy consumption in GJ	Agriculture	Food	Retail and Wholesale	Non-Core Businesses, Real Estate and Holding Company	Total
<b>Fuel use</b>					
Non-renewable fuels	380.427	724.107	740.853	6.528	1.851.915
Biomass	780.799	274.174	4.228	0	1.059.201
<b>Energy consumption <sup>7</sup></b>					
Electricity	155.936	428.774	2.297.770	8.882	2.891.362
Thermal energy/heat <sup>8</sup>	19.451	1.161	173.362	33	194.007
<b>Total</b>	1.336.613	1.28.216	3.216.213	15.443	5.996.485
Share (%)	22,3	23,8	53,6	0,3	100
<b>Sold energy</b>	324.446 <sup>9</sup>	0	0	0	324.446

Note: Fortenova Group does neither buy nor sell cooling energy or so-called district cooling where the production of cooling energy is dislocated from Group companies.

<sup>7</sup> Energy consumption is calculated as purchased and produced energy, minus sold energy according to the GRI disclosure guidelines 302-1.

<sup>8</sup> Energy used for steam production is included in thermal energy. Data on energy spent for the production of steam has not been separately disclosed.

<sup>9</sup> Energy sold by the company Energija Gradec.



**Shares of energy consumed by division**

	Agriculture	Food	Retail and Wholesale	Non-Core Businesses, Real Estate and Holding Company
Share of energy consumed by division in total Group energy consumption in 2022	22,3	23,8	53,6	0,3

The Agriculture and Non-Core Divisions including the Holding Company have not recorded any change in energy consumption, while the consumption has grown by 2 percentage points in the Food Division and dropped by 11 percentage points in the retail and wholesale companies. This fluctuation is partly caused by the transfer of the company Agrolaguna from the Agriculture Division to the Food Division

and of the company Mercator EMBA from the Retail Division to the Food Division.

Due to the improved energy measuring process, this is the first year for us to disclose the energy intensity at Group level with regards to 1000 euro of net sales.

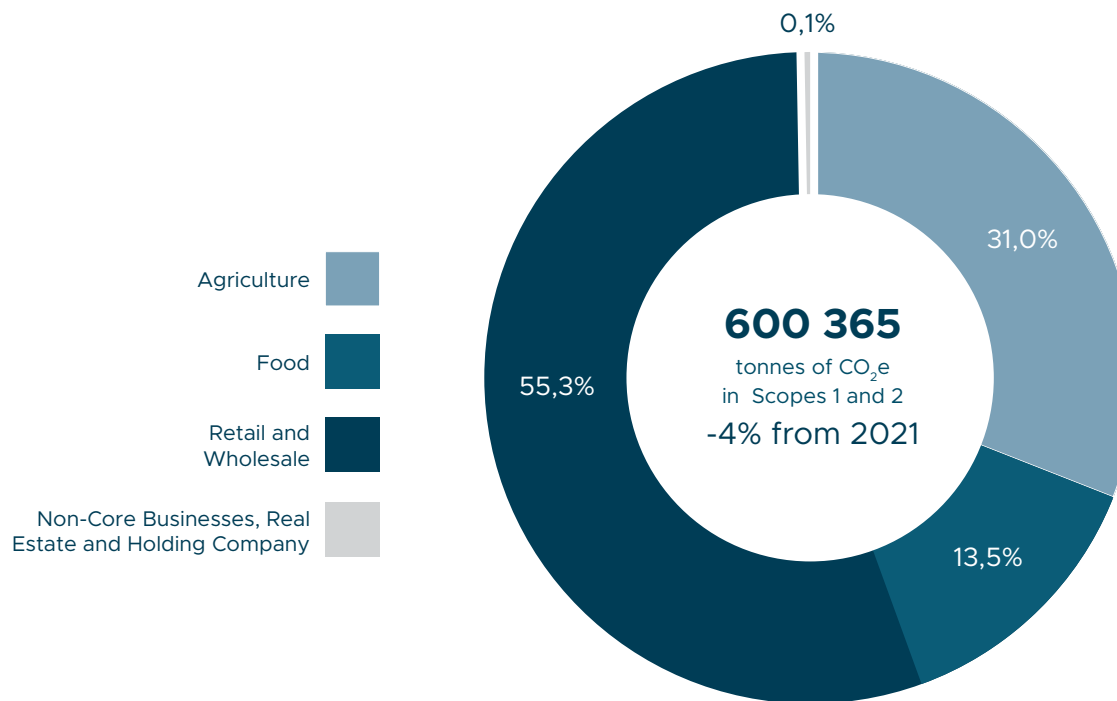
	2021	2022
Energy intensity ratio in MJ/EUR of net sales	1,63	1,66



## GHG emissions

In the reporting year 2022 a greenhouse gas (GHG) emission data collection system was established in collaboration with the Hrvoje Požar Energy Institute. Namely, in October 2022 Fortenova Group signed a cooperation agreement on the preparation of a carbon footprint calculation study for Fortenova grupa d.d. and its operating companies. The project in question will take place in several stages – from calculating emissions and categorizing them in accordance with the GHG Protocol and the ISO 14064-1 standard to preparing an action plan for the reduction of GHG emissions and analysing the key prerequisites for achieving carbon neutrality.

The greatest improvement against 2021 has been realized in monitoring fugitive emissions and emissions specific to agricultural production. Also, all operating companies were trained on calculating GHG emissions. Key progress achieved in accounting of GHG emissions was the inclusion of Scope 3 emissions. Preliminary emissions calculation included five out of nine Scope 3 emission types, namely purchased goods and services, upstream and downstream transport, employee and visitor commuting, as well as capital goods. Data collected in these categories amounted to 313.318,9 tCO<sub>2</sub>. Additional verification of accuracy and completeness will be conducted on these emissions data in the upcoming year to ensure greater certainty in the assumptions made. Remaining emission categories are expected to be finalized by the end of next year.



### GHG emissions amounts in Scopes 1, 2 and 3 in 2022 in tonnes of CO<sub>2</sub> equivalent

	Fortenova Group 2021 <sup>10</sup>	Fortenova Group 2022	Change vs. 2021 (%)
Scope 1	317.613	308.046	-3,0%
Scope 2	307.355	292.319	-4,9%
Scope 1+2	624.969	600.365	-3,9%

<sup>10</sup> Data disclosed in 2022

**GHG emissions classification by type in 2022**

Scopes	Emissions of CO <sub>2</sub> e	Total (tonnes)
<b>Scope 1</b>	Direct emissions from stationary combustion sources	60 060
	Direct emissions from mobile combustion sources	58 920
	Direct emissions from processes	0
	Direct fugitive emissions	187 048
	Direct emissions/removals from LULUCF	2 018
<b>Scope 2</b>	Indirect emissions from electricity consumption	276 220
	Indirect emissions from heating and cooling energy consumption	16 099

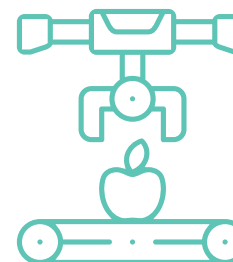
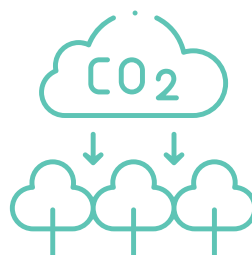
**Distribution of emitted GHG emissions by division in 2022**

	Agriculture	Food	Retail and Wholesale	Non-Core Companies and Fortenova grupa d.d.	Total
Scope 1	179 355	44 707	83 496	488	308 046
Scope 2	7 017	36 145	248 806	351	292 319
Scope 1+2	186 372	80 853	332 302	839	600 365
Share in Scope 1+2 (%)	31.0	13.5	55.3	0.1	100

Intensity ratio of GHG emissions in tonnes of CO <sub>2</sub> e per EUR of net sales	2021	2022
In Scope 1 and 2	0,15	0,11
In Scope 1	0,08	0,06
In Scope 2	0,08	0,06

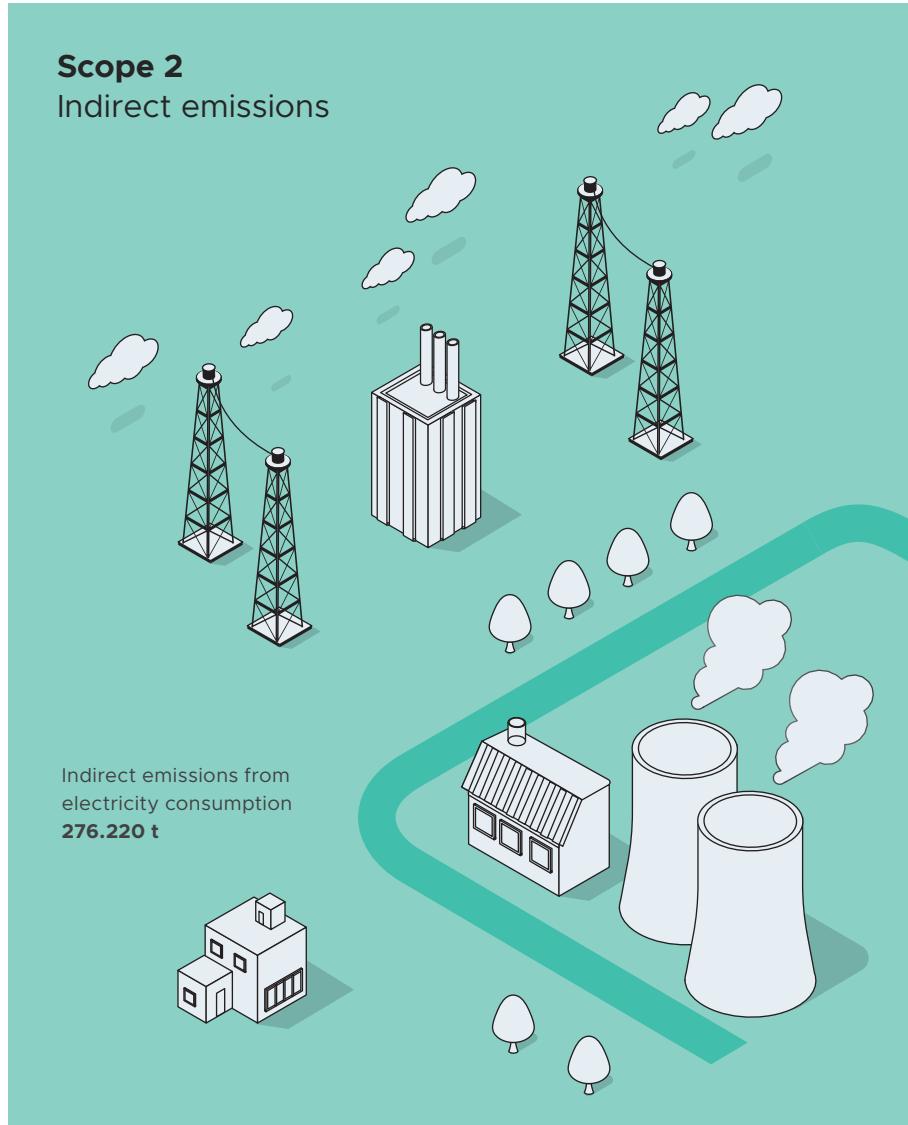
**Next steps GHG emissions reduction**

In 2023 the preparation of action plans for the reduction of greenhouse gas emissions will begin. Detailed reviews of equipment, assets and technologies that significantly contribute to the reduction of the Group's total emissions are also expected in the forthcoming period.



### Scope 2 Indirect emissions

Indirect emissions from electricity consumption  
**276.220 t**



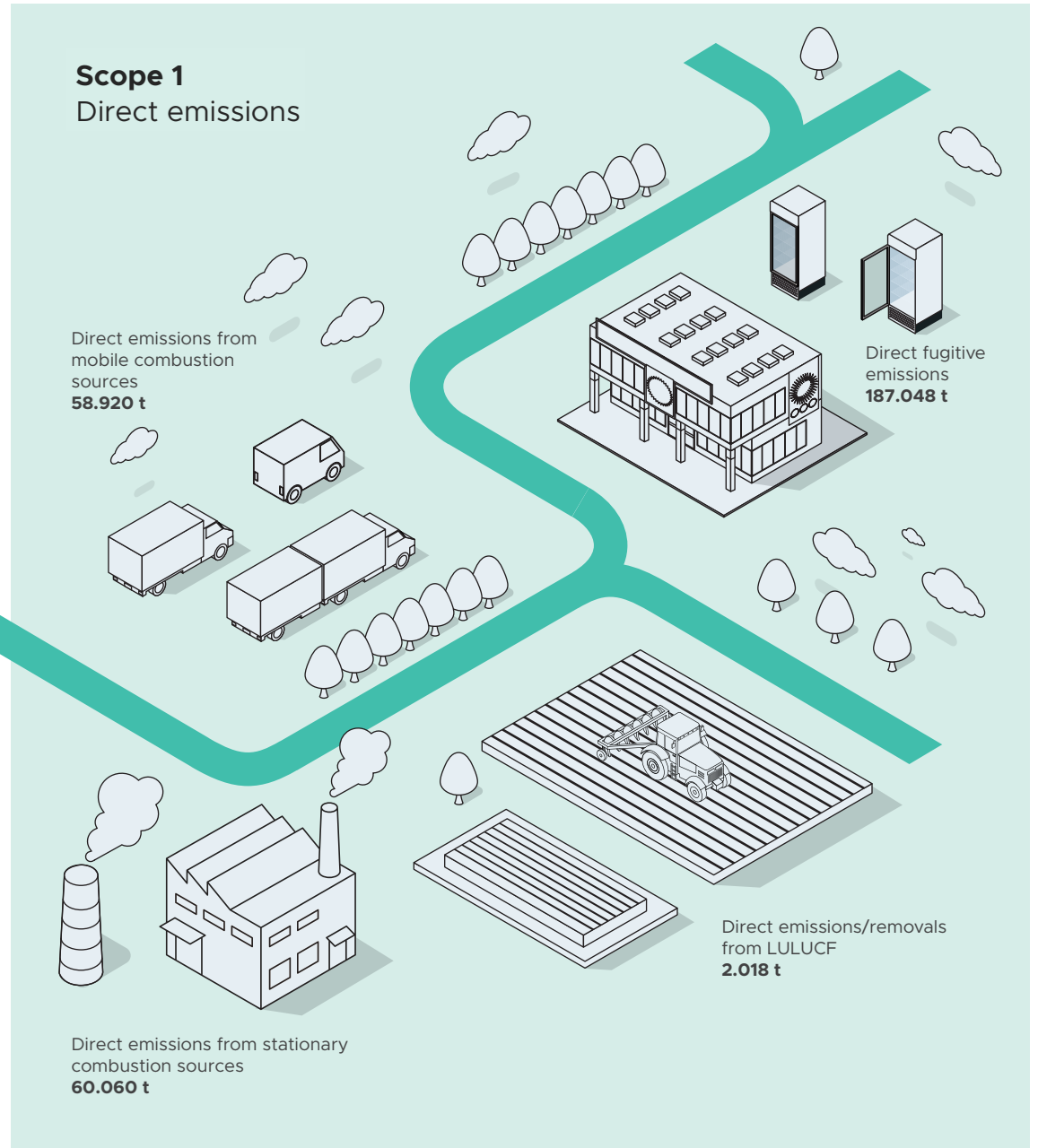
### Scope 1 Direct emissions

Direct emissions from mobile combustion sources  
**58.920 t**

Direct fugitive emissions  
**187.048 t**

Direct emissions from stationary combustion sources  
**60.060 t**

Direct emissions/removals from LULUCF  
**2.018 t**



# Water

Water is a precious resource. Although the region of the Group's operations is rich in water, more specifically in large quantities of potable water, it is everybody's responsibility to use water rationally in order to secure access to the basic element for sustaining life for generations to come. This implies preservation of drinking water supplies and the health of water bodies with which the Group interacts with, regardless of the relative financial value of water in its current environment and market conditions. The approach to water management at Fortenova Group comprises principles of sustainable use of water in the production plants and appreciates social and environmental sustainable development goals at local, national and global levels. Out of the Group's four divisions, water has been recognized as a significant topic in the agricultural and manufacturing companies. Water management approach described in the following chapters is specific to the operating companies according to their respective type of business and the degree of statutory regulations pertaining to its business activities.

The **Beverages Group** water management approach has been defined by the role of water as raw material. Hence the sustainability of the business model is closely connected to the continuity and preservation of water sources and constitutes a great responsibility, as well as a potential for the protection of water as a national asset. In the Beverages Group water management enjoys the highest priority and the professional expertise, besides water conditioning and quality control, includes the expertise of managing wells and maximizing the efficiency of water withdrawal and usage processes. Guided by the precautionary principle, managing excessive water withdrawal risk would be assessed further. Fortenova Group's approach to managing potable water places importance on local community engagement in areas where water is withdrawn, as this is the key to social sustainability in aligning the approach to water with community needs.

The approach to water management at the **food companies**, in the Oils and Meat Groups, focuses on optimizing production processes with a view to reducing water consumption and

## The backbones of the approach to water management in the food and agriculture companies:

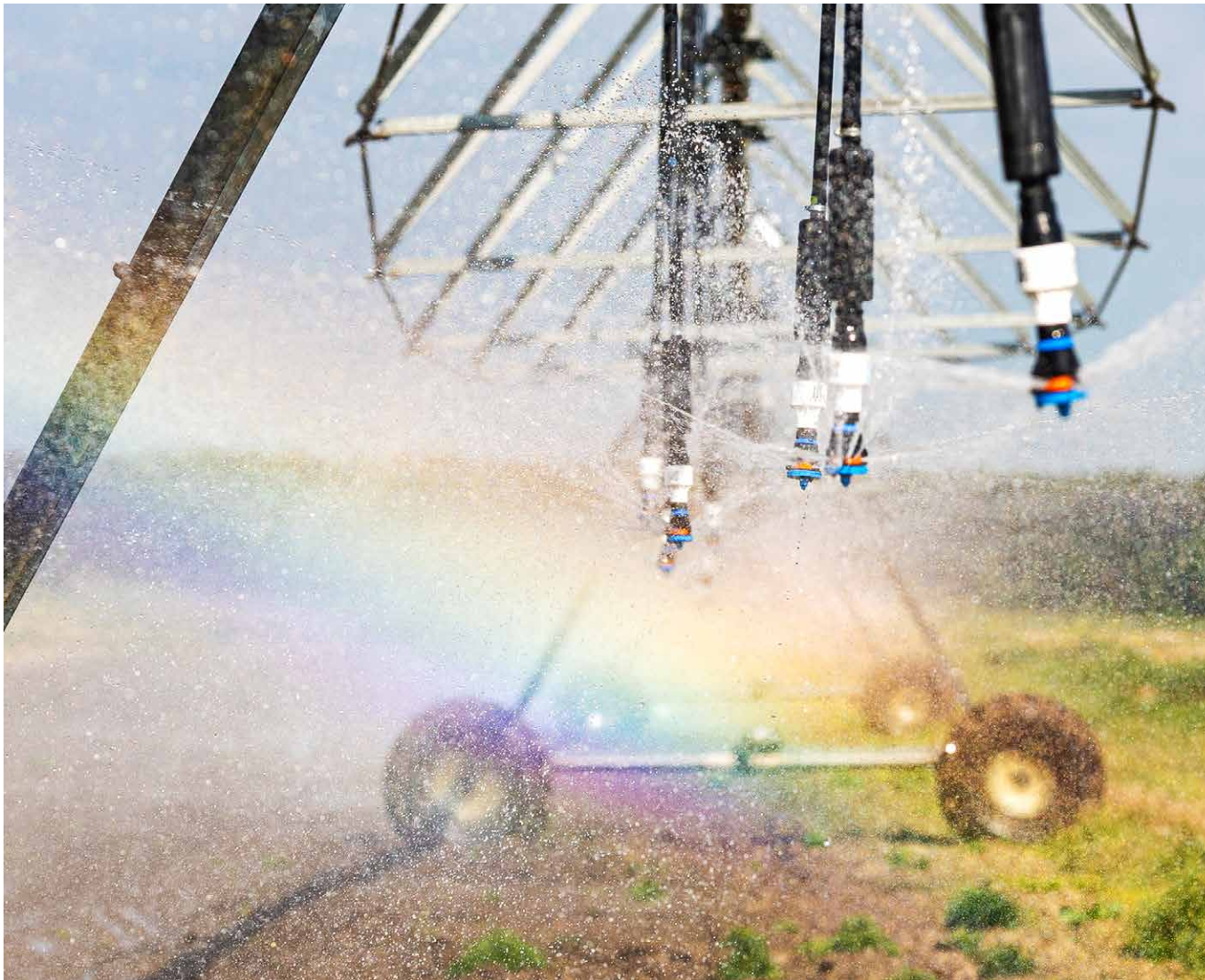
- **Preservation of water resources by managing the quantity of water withdrawn and the quality of water discharged**
- **Rational and efficient use of water in operations**
- **Sustainable water management with regard to ecosystems in which we use the water for operations**
- **Inclusion of stakeholder priorities in managing water as a common resource**

controlling effluent in order to protect the receiving waters and ecosystems in which they are located.

The approach to water management at the **agricultural companies** is part of the business strategy in the area of agricultural production technology management and agricultural practices. The most important technology with a significant impact on water consumption is irrigation. Besides optimizing the quantity of water used for agricultural activities, managing effluent water quality takes place in processes of adopting best agricultural practices. As part of the non-obligatory environmental management standards, eight companies in the Food Division and Agriculture Division have assessed the materiality of the impact of water as an environmental resource in the context of their activities, and eight<sup>11</sup> have set water management goals at company level.



<sup>11</sup> PIK Vinkovci, Vinka, Energija Gradec, Jamnica HR, Zvijezda HR, Mercator EMBA, PIK Vrbovec HR, Belje



#### Characteristics of the water management system

Water right permits have been obtained for irrigation purposes in the agricultural companies and for withdrawing mineral water and the companies are under strict surveillance of the quality and quantity of withdrawn and discharged water, conducted within the scope of their concessions. In all food companies water is being withdrawn and partly integrated into commercial products.

Eight companies<sup>12</sup> discharge pre-treated water into surface receiving water bodies of the rivers Begej and Pajsak in Serbia, the river Lepenica in Bosnia and Herzegovina, the Slovenian receiving water bodies of the eastern part of the Ljubljana and Drava Valleys and through streams, indirectly to the rivers Kupa and Lonja in Croatia. Of other usages, water is used for watering livestock, for preparing plant protection products and food products in retail, for cleaning facilities, equipment and packaging and for sanitary purposes.

There are waste water processing plants in seven companies<sup>13</sup>, with 20 such plants in use. Retail companies have 179 waste water treatment units, such as grease traps in gastro departments and separators in parking lots. Waste waters are controlled on a regular basis prior to discharge, with controls of the smaller units on waste water discharge outlets carried out periodically.

Water management is also made possible by auxiliary storage capacities of 3.6 million litres of water at five Group companies<sup>14</sup>, in the Agriculture and Food Divisions.

#### Water consumption

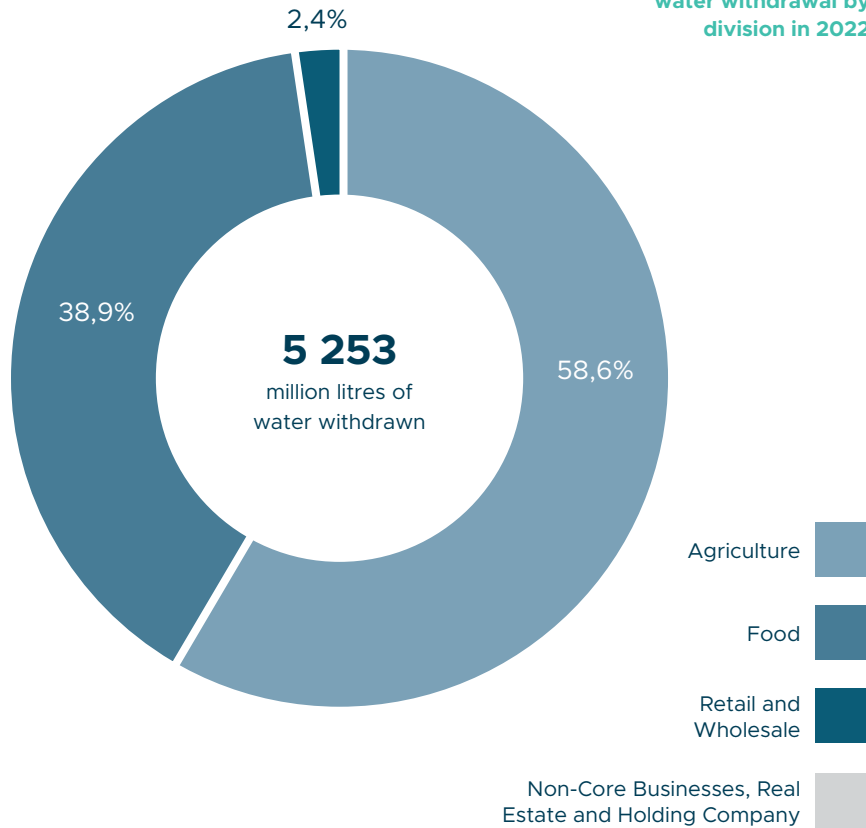
In 2022, 5 253 million litres of water were withdrawn. The Agriculture Division is the largest water consumer, accounting for 59 % of the total amount of water withdrawn in the Group. The Food Division, with a share of 39 %, is the second largest division by the quantity of water withdrawn. Out of the 510 million litres in total that form an integral part of the manufactured food products, accounting for 25 % of the total quantity of water withdrawn in the Food Division, the Beverages Group uses 502 million litres for bottling in original form and for producing non-alcoholic drinks. The quantity of discharged water amounted to 3 792 million litres, whereof 123 million litres were used for cooling the production facilities. The total consumption of water at Fortenova Group according to the Global Reporting Initiative (GRI) 2018 methodology, disclosure 3035, amounts to 1 461 million litres.

<sup>12</sup> Energija Gradec, PIK Vrbovec HR, Jamnica HR, Dijamant, Sarajevski Kiseljak, Belje, PIK Vinkovci, MG Mivela

<sup>13</sup> PIK Vrbovec HR, Jamnica HR, Dijamant, Agrolaguna, Zvezda HR, Mercator EMBA, Belje

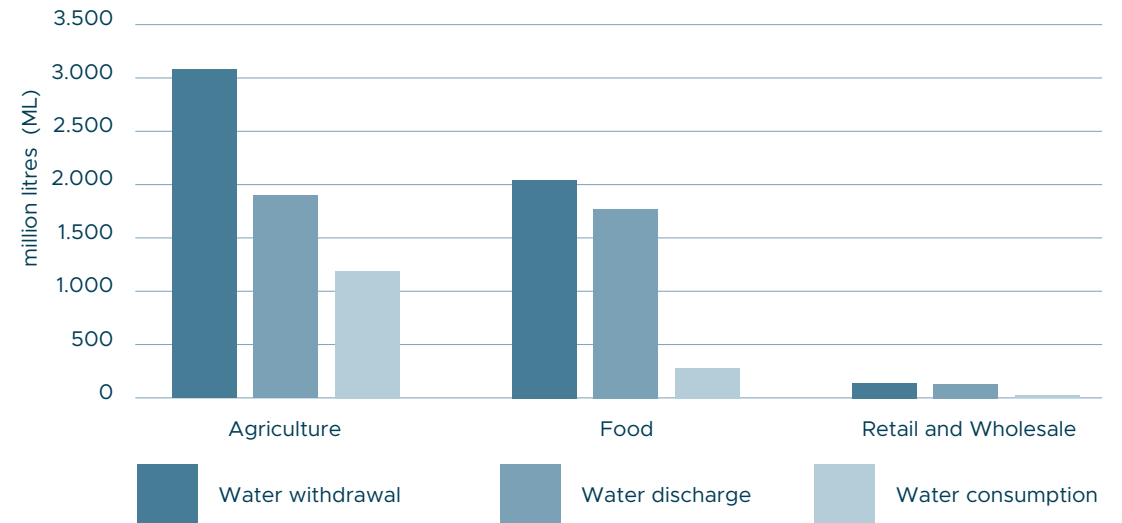
<sup>14</sup> Belje, PIK Vrbovec HR, PIK Vinkovci, Agrolaguna and Vinka

Distribution of water withdrawal by division in 2022



Distribution of water consumption by division in 2022

### Water withdrawal, discharge and consumption



## Pollution

Regular analyses in 13 waste water treatment plants have verified that the permitted values have not been exceeded nor were there any water pollution incidents recorded there. The other seven plants recorded some exceeded values, mostly in terms of an increased fat content and a slightly lowered pH value. Such exceedances are not unusual in production processes and do not call into question the compliance with statutory regulations but

are rather an indicator for internal process improvements. There was a minor incident at Belje related to water that was polluted due to a broken pipe leading from the silo where slurry was stored. The water polluted with organic matter was fully restored in one working day. Over the course of the reporting year supervisory regulatory authorities have not issued any rulings that would have assessed the quality of discharged water as unsatisfactory.



**Water source care practices in Jamnica**

In accordance with the approach to water management at the Beverages Group, Jamnica HR is at the forefront when it comes to professional expertise in water management in the Group. The systems and technological solutions in Jamnica's production facilities are continuously being improved to maximise the use of water in each part of the process – from managing the source area and the production process to water discharge. Standing out in 2022 is the preservation of water resources by managing 14 sources and direct or indirect environmental impacts on the waters receiving the water discharge as well as through activities focusing on an efficient and rational use of water.

Each year cleaning and maintenance activities are carried out on the ground surrounding the source area and the level of water in the wells is measured on a weekly basis. Production processes are being planned with a view to maintaining the source abundance and capacity. The health and functionality of the ecosystems in which the sources are located are taken care of by regular annual source cleaning, known as air-lifting, as well as sustainable practices of using mineral and technological water sources and maintenance of the waste water melioration canal.

Furthermore, activities have been undertaken to reduce eutrophication. Eutrophication is a natural aging process of water ecosystems intensified by adding organic matter to wastewaters. With the transition to environmentally friendly wastewater treatment agents the quantity of nitrogen has been reduced to the minimum and phosphorus has been removed from Jamnica's

wastewaters. Jamnica's impact on the acceleration of the eutrophication process in the Kupa river has thus been minimised. For many years the Jamnica production facilities have been using synergies in the use of water among various production processes, where highest quality water, after having been used once, is reused for another purpose where lower quality water is acceptable. For example, water used for the final bottle washing is reused to pre-wash returnable glass packaging as well as returnable plastic crates. Also, treated wastewater from the wastewater treatment devices is used for all washing needs in technological processes on the device itself, thereby fully excluding the use of other water for washing purposes.

***The savings of technological water thus achieved in 2022 are estimated to amount to 25 000 m<sup>3</sup>.***

For the forthcoming period it is planned to continue to implement dry lubrication for the production line conveyors. Production line improvements with new technologies of so-called dry bottle sterilisation without using water are planned as well, which would eliminate the use of water in the bottle sterilisation process and enable savings of up to 50 000 m<sup>3</sup> of technological water. The long-term goal is to use only treated wastewater for sanitary purposes, watering green spaces and washing the factory premises.

**Implemented sustainable water management practices in 2022**

- Dry lubrication of conveyors (Jamnica HR, Sarajevski Kiseljak, Mg Mivela)
- Recirculation of water in the production process (PIK Vrbovec HR, Mercator Emba)
- Reuse of water for purposes where the quality requirements are lower, e.g. washing floors in the dairy plant and irrigation (Belje), first rinsing of returnable packaging (Mg Mivela)
- Reduced number of CIP (Cleaning in Place) washes, (Sarajevski Kiseljak, Mercator Emba)
- Installation of water and steam flow meters and water saving faucets (PIK Vinkovci, Jamnica HR)
- Renewal of equipment with higher efficiency and condensate tanks (Jamnica HR, Vinka, Mercator SLO, Agrolaguna)
- Optimisation of water consumption by increased surveillance and production planning (Vinka, Mercator EMBA)
- Wastewater treatment optimisation (Vinka, PIK Vrbovec HR)
- Collection and reuse of rainwater (Mercator Emba)
- Regular maintenance of equipment using water and employee education (Konzum HR, Konzum BIH)



**Reuse of rainwater and tap water at Mercator EMBA**

## *Mercator EMBA is a Group company using large quantities of recycled water in its production process*

It produces instant products and dessert dressings made of cocoa in a 16 000 m<sup>2</sup> factory located in Logatec in Slovenia. The annual consumption of tap water amounts to around 17 000 m<sup>3</sup>, and in the production process both tap water and rainwater are used. The idea of using rainwater in technology dates back to 2009, to the construction phase of the existing facility at Mercator EMBA. The precipitation pool with a capacity of 1 200 m<sup>3</sup> is

used on a daily basis to recycle tap water, part of which is used in the production technology. The share of recycled water and precipitation water consumed increases from year to year through technological upgrades. As much as 30 percent of all water spent in technology is rainwater. Rainwater is purified in several treatment stages: filtration, disinfection, softening and reverse osmosis filtration. The water thus treated is used to prepare steam and condensate and to replenish the cooling towers.

In production technology, tap water is embodied in products, used in auxiliary processes and for cleaning technological equipment. In recent years, due to the changed production structure and the consequently increased number of processes with higher water consumption there is a tendency to optimize the washing by implementing cleaning-in-place (CIP) procedures. Part of the water used to rinse closed equipment circles is recycled and used for the next wash. A lot of attention has also been paid to optimum production planning, for example by combining related tastes.

Optimisation of work orders with a view to saving water has resulted in reduced washing frequency and consequently reduced need to withdraw water and treat wastewater, thus reducing the pressure on consuming water as a resource. The savings resulting from the aforementioned activities in 2022 are estimated to amount to approximately 7 000 litres of tap water. The goal is to increase the share of used rainwater in production processes by an additional not less than 5 percent in the years to come.

### *Next steps*

Through working group activities in 2023 it is planned to estimate the possibilities of saving water, set objectives and define initiatives to achieve them. Among the items important to draw a broader picture of water management there will be the consideration of the impact that the water management system has on the ecosystem and the involvement of the local communities.



# Materials and raw materials

Fortenova Group's food products are made of raw materials of animal and plant origin placed on the market in their original and processed forms. The Group's primary responsibility is to manage the materials that it directly orders and uses as raw materials and packaging, quantify and explore their characteristics in order to become aware of the impact of those materials over their entire lifecycle. Its secondary responsibility is to identify supplier collaborations with a view to reducing secondary and tertiary packaging. In the Retail and Wholesale Division the use of materials is a relevant category in private label products, while the stores mainly sell packaging materials as aids in the distribution of products in the delicatessen departments. The specific feature of the industry is that most of the materials in circulation in the process of providing retail services are actually packagings of commercial products of numerous suppliers.

In 2022, 1 336 439 tonnes of materials were used, including raw materials, packaging and auxiliary materials. Renewable materials accounted for 82 percent of raw materials and packaging in the Group related to primary and secondary food production. With the intention to determine which materials had the highest share in the total consumption, the consumption of materials in the Group was classified into 6 packaging categories and 11 raw material categories. Packaging was classified by type of material as paper or cardboard, plastic, wood, metal, glass and multi-layered. Raw materials were grouped into agriculture-specific raw materials such as fertiliser, sowing seed and animal feed and processing raw materials in the food industry such as fruit, vegetables, meat, seed for edible oil production, sugar, salt and edible oil. Of materials used in providing services, the Group monitors the use of office paper and plastic in loyalty card operations. Data on overall use of materials are provided in the table below.

**1 336 439 tonnes of material, including raw materials, packaging and auxiliary materials**

Consumption of materials in 2022 by raw material classification in tonnes

Category of material	Weight of material in tonnes	Share (%)
<b>By type of material</b>		
Renewable materials	1 113 446	82
Non-renewable materials	237 269	18
<b>By purpose</b>		
Raw materials	1 198 111	90
Packaging materials	85 737	6
Additives and auxiliary materials	52 592	4
<b>Total</b>	<b>1 336 439</b>	<b>100</b>
<b>Quantity of by-product sold</b>	<b>738 059</b>	<b>55</b>



PIK Vrbovec – storage

**Distribution of materials used in tonnes**

Packaging materials	Weight in tonnes	Share (%)
Paper and cardboard	25 207	29.40
Wood packaging	3 775	4.40
Metals	2 489	2.90
Glass	17 692	20.64
Plastic	32 451	37.85
Multi-layered composite packaging	1 441	1.68
Other packaging materials	2 681	3.13
<b>Total packaging materials</b>	<b>85 737</b>	100
<b>Quantity of recycled materials used for packaging</b>	<b>15 695</b>	<b>18.31</b>
Materials used as raw material		
Agricultural materials (fertiliser, seed, animal feed) and food in primary production (seeds for edible oil, fruit, vegetables, meat)	1 020 233	85.15
Plastic	491	0.04
Office paper	1 503	0.13
Sugar	11 466	0.96
Salt	1 468	0.12
Soya	7 446	0.62
Palm oil	7 013	0.59
Other materials used as raw material	148 492	0.00
<b>Total materials used as raw material</b>	<b>1 198 111</b>	100
<b>Supplements, additives and auxiliary materials</b>	<b>52 592</b>	100
<b>Consumption of materials</b>	<b>1 336 439</b>	



## Reclaimed materials

In 2022 numerous examples of reclaimed product use and reduced use of materials as well as circular economy initiatives were identified in the Group. The vast majority of reclaimed material is related to returnable packaging and product transportation materials. Eleven companies have introduced systems for the return and reclaiming materials for the transportation of their products, with examples listed in

the table below, while an additional eleven have implemented activities in that area<sup>156</sup>. Over 50 percent of the companies have thus actively participated in reclaiming materials in 2022. Jamnica HR reclaimed 95 percent of returnable glass packaging to the market through the deposit-based system, while Sarajevski kiseljak achieved a reclaim rate of 89 percent.

### Examples of repeated use of materials

Companies	Examples of best practices in reclaimed materials replacing disposable alternatives	Replacement of
<b>Agrolaguna</b>	Returnable grid for wine transportation	Non-returnable packaging for wine transportation
<b>PIK Vrbovec HR</b>	Returnable plastic packaging for transportation	Disposable cardboard packaging for transporting meat
<b>Tisak, Konzum HR</b>	Foldable plastic crates for goods, fruit and vegetable transportation	Cardboard boxes
<b>Jamnica HR, Mg Mivela, Belje, Sarajevski Kiseljak</b>	Returnable pallets	New pallets
<b>Belje</b>	Tertiary wood packaging	Non-returnable tertiary packaging
<b>Konzum BIH, Konzum HR, Mercator BIH, Mercator SLO, PIK Vrbovec HR</b>	e-Log packaging for prominent products in retail	Cardboard packaging

## Reducing material use

Finding opportunities to save materials is a complex process, given that the alternative with a reduced quantity or a different type of material is required to provide the same function like the previous version of material. Moreover, the material needs to meet a number of statutory requirements and consumer preferences and may involve complex changes in the production process or consumer habits. On the other hand, though, a successfully implemented material saving process provides opportunities for financial savings, added product value and precious resource preservation as a benefit for the society .

Below are several best practice examples implemented in Group companies.

Konzum BIH and Mercator BIH have reported savings in edible oil consumption in the retail gastro department, and Mercator EMBA has introduced the practice of using larger packaging units that reduce the total quantity of material used for packaging. Konzum HR has introduced the practice of using reduced weight packaging as well as a maximum waste sorting system where fractions of useful materials are extracted, which resulted in savings of 9 % of municipal waste in 2022 compared to the previous year.

Jamnica HR, Sarajevski kiseljak and Dijamant have put the focus on developing products with reduced weight packaging and increased use of recycled plastic (rPET). Vinka has implemented activities to encourage an increased use of reusable packaging, and PIK Vrbovec HR has optimized the production process with a view to reducing rejects in packaging.

Reduced use of office paper has been implemented in Energija Gradec and PIK Vrbovec HR, and Energija Gradec has also reduced the use of paper by the transition to issuing e-invoices. Fortenova grupa d.d. drives sustainable use of marketing materials by choosing to purchase promotional materials made of recycled raw materials. Hence in 2022 it ordered umbrellas produced of discarded plastic bottles, printed materials on recycled paper with a reduced quantity of colour and not treated with plastic and, wherever possible, it opts for digital materials instead of physical ones. Opting for digital solutions is also MultiPlusCard, by motivating its members to replace their plastic cards with a mobile app version. They are planning to introduce an option of voluntary exemption from possessing a plastic card next year.

### Next steps

Once the Group determines strategically important raw materials and packaging for its sustainable development, it is planned to amend the general procurement criteria with criteria for purchasing materials and products from sustainable production and sources, particularly in categories which have globally been assessed as vulnerable, such as cocoa, coffee, palm oil and so on. The company is currently in the process of defining its approach to key products and raw materials, while working at the same time on certifications and quality designations of its own products. Topics that the working groups focused on in 2022 were related to reducing the use of plastic, i.e. using recycled plastic, reducing packaging waste and considering alternative packaging.

<sup>15</sup> PIK Vinkovci, Konzum HR, Energija Gradec, Mercator BH, Jamnica HR, Sarajevski kiseljak, PIK Vrbovec HR, Mg Mivela, Mercator EMBA, Dijamant, Zvijezda HR, Mercator IP, LG Moslavina, M Energija, Konzum BH, Roto dinamic, Vinka, PIK BH Laktaši, MultiPlusCard, Super Kartica BIH

# Waste

Waste represents the loss of material as natural resource, the loss of function of an object for the society and a financial loss for the business through costs of transportation and processing. By connecting the need for materials or functions in waste and the waste produced, the status of waste changes from that of a worthless item back into that of a natural and economic resource. In 2022 Fortenova Group generated 87 545 tonnes of waste, including plastics, paper, cardboard, wood, glass, metals, textiles, biomass, sludge, waste of animal origin, oils, grease from grease traps, foils, electric and office waste, IT equipment, fluorescent tubes, pharmaceutical waste etc. The quantity of waste was 25 % lower compared to 2021 and the difference against last year partly arises from the fact that the waste generated in the Group companies was added twice, as it was recorded both in the respective companies and in Energija Gradec, where it was used as an energy product in the biogas facility, which was avoided in 2022.

The greatest part of the waste quantity, or more precisely 68 % of the total quantity of waste generated in the Group, comes from the **retail and wholesale companies**, with the greatest challenge being secondary and tertiary packaging of commercial products where the materials, recycling possibilities and quantities are controlled by suppliers. For this reason the retail and wholesale companies focus on that part of the waste where there is a higher degree of control, such as municipal waste, and the possibility of preventing food waste at the end of the value chain. The companies have also recognized possibilities to reduce the generation of waste when refurbishing business premises and by using sustainable, biodegradable materials for transporting commercial products.

At Group level, the agricultural companies account for 12 percent of waste generation and the production companies for 18 percent. Although these two divisions are similar in terms of generated waste quantities, the sources of waste generation and the possibilities of reducing it differ significantly.

When it comes to the **production companies**, the activities that are most frequently contributing to waste generation are the disposal of products or raw materials the shelf life whereof has expired, followed by waste generated in production processes. Given the diversity of food products in the Food Division and

accordingly also of production processes, it is necessary to systemize the production processes in more detail in order to determine the materiality of this share of waste for the Group in the context of waste reduction. The production companies' research and development departments have started to explore the potential for taking on extended producer responsibilities and transferring the positive environmental impacts to the consumers. The focus is primarily on developing packaging, but there are several companies which have also included upstream value chain assessment of the ethics and environmental sustainability of their products. Those projects and activities have been described in the chapter [Product Quality, Safety and Sustainability](#). In the context of the European Green Deal and the announcement of an increase in legal obligations related to

reducing the quantities of plastic used and increasing the use of recycled plastic for product packaging, the Beverage Group companies have already several years before the expected statutory obligations become effective initiated projects to modify plastic packaging, such as the tethered cap described in more detail in the following chapter.

Agricultural and production companies have reported large quantities of waste from sludge in wastewater treatment and waste plastic packaging in goods handling, as well as from using agrofoil in cattle production. Several companies have noticed large quantities of plastic waste in their office premises generated through the distribution of bottled water in small doses.



An overview of waste type, disposal and division where it was generated is provided in tables below.

#### Weight of materials redirected from landfills and waste treatment

	Weight of hazardous material (tonnes)	Weight of non-hazardous material (tonnes)	Weight of material treated at company location (tonnes)	Total
<b>Reuse</b>	89	1 867	939	2 895

#### Weight of materials by type of waste treatment

	Weight of hazardous waste (tonnes)	Weight of non-hazardous waste (tonnes)	Weight of material processed at company location (tonnes)	Total
<b>Recycling and composting</b>	382	48 769	5 470	54 621
<b>Incineration</b>	1 234	6 339	5	7 578
<b>Energy recovery</b>	25	4 353	33	4 411
<b>Landfilling</b>	106	19 661	1 168	20 935
<b>Total</b>	1 748	79 122	6 675	87 545

#### Quantity of waste by division

The weight of waste is stated in tonnes	Agriculture	Food	Retail and Wholesale	Non-Core Businesses and Real Estate, Holding Company
<b>Non-hazardous waste</b>	10 138	13 418	56 962	382
<b>Hazardous waste</b>	517	120	428	0
<b>Wasted treated on site</b>	0	3 415	3 261	0
<b>Total</b>	10 655	15 890	60 651	349
<b>Share in percent</b>	12.0 %	17.9 %	68.4 %	0.4 %

### Companies jointly reduce municipal waste

Several Group companies stand out in terms of activities focusing on the reduction of municipal waste quantities. Those are PIK Vrbovec HR, Mercator SRB, Konzum HR, Belje, Vinka, PIK Vinkovci and Mg Mivela. Some of the above companies have achieved quantified targets in total waste reduction, Belje by 11 %, Konzum HR by 9 %, PIK Vrbovec by 3.5 % and Mg Mivela by 9 %. The examples of municipal waste reduction in the companies Mercator-S and Belje are outlined below.

In 2022 a pilot-project was initiated at Mercator-S that involves activities of separating fruit and vegetables from municipal waste. The amount of 21 tonnes of organic waste was thus collected and submitted for composting. An additional 164.5 tonnes of organic waste were collected by sorting products with expired shelf life and those activities have continued in 2023. The goal set by Mercator-S is to separate 5 percent of organic waste from mixed municipal waste in 2023.

Belje has already for the third consecutive year reduced the total quantity of mixed municipal waste. The waste management system includes work instructions, an internal rulebook for waste treatment, regular educations and trainings for employees to improve their existing knowledge. In addition, the Management System and Laboratory Control Service collects data on generated waste quantities on a monthly basis with a view to achieving optimum values and avoiding unnecessary costs.

### Tethered cap introduction project

Fortenova Group's Beverages Group companies have gradually started to introduce the tethered cap, thus complying ahead of time with the EU Directive on the reduction of the impact of certain plastic products on the environment, which requires caps and lids to remain firmly attached to the bottles as long as they are in use, given that they most frequently fail to be collected within the waste collection system and end up in the environment. The deadline to comply with this provision is 2024. The implementation of the project in the companies has taken place in several phases and Sarajevski kiseljak was able to complete the entire preparation in 2022 and started with the placement of products featuring a tethered cap as of the beginning of 2023. It is thus the first company in its category in Bosnia and Herzegovina to introduce this innovation.

Mg Mivela should introduce the tethered cap in summer 2023, but its project of implementing the tethered cap was selected as one of the top 10 ideas in 2022 within the initiative "Accept the Challenge", launched by the Ministry of Environment Protection

### Five backbones of responsible waste management at PIK Vrbovec

- 1 Selection of recyclable input materials, for example the use of recyclable monomer trays instead of multipolymer plastic packaging for fresh meat
- 2 Use of returnable packaging for the distribution of some of the products
- 3 Use of by-products of animal origin as raw-materials in the biogas facility
- 4 Systematic encouragement of waste sorting by work instructions, controls of processes via internal audits and educations in places of non-compliant processes – quantity of mixed municipal waste reduced by 3.5 % vs. 2021
- 5 Reduced sludge quantities by technical modifications on own wastewater treatment device

of the Republic of Serbia and the UNDP with a view to promoting measures that contribute to circular economy and showing examples of best practices in Serbia. Companies were invited to report measures intended to save resources and energy that they will implement in 2023, which form part of the sustainable operations concept. Mg Mivela decided to apply with its tethered cap implementation project, showing that it complies with the EU Directive even before it becomes effective.

In view of the large number of brands and different packaging that it has, Jamnica HR shall start to introduce the tethered cap in spring 2023 and roll it out in several stages over the course of the year.

### Circular economy

The forerunner in circular economy within Fortenova Group is the company Energija Gradec with five biogas facilities, two of which are part of the Belje business complex – Mitrovac and Popovac, both located in Baranja. The Mitrovac complex features multiple synergies in the use of energy, materials, water, nutrients and soil quality, as well as the concept of integrating livestock, crop



and energy production. The complex consists of a dairy cow farm with a capacity of 2 000 cows, a biogas power station of two megawatts, a solar power plant and a greenhouse for the hydroponic production of grapolo tomatoes of 4.5 hectares. An example of the circular process on that farm is the flow of part of the raw material required for the production of biogas from the biological waste of the greenhouse, used by the biogas power

plant for the production of electricity and thermal energy and the produced heat is reused in the greenhouse for the year-round tomato production. One of the greatest operational advantages of such a system is the stability of the company's own energy system and an increased independence of energy price developments on the market. Besides on the technical solutions supporting sustainable development by the circular flow of natural resources, the farm focuses on the maximum welfare of dairy cows, ensuring airing, ventilation, high ceilings and free movement for the animals and great care of the animals in general.

Energija Gradec applies the circular economy principle in its basic business model, and the specific feature of the company is that its operations within Fortenova Group itself are circular. Waste materials from other companies' agricultural activities are returned to the respective companies in the form of produced biogas.

At Group level, four companies or 10 % of all Group companies sell by-products that increase the utilisation of materials used and maintain their value in circular economy. The quantity of by-products sold in 2022 amounted to 738 059 tonnes, and the specific types of by-products are shown in the table below.

Being part of a Group whose overall operations are related to food, whether it be its production or sales, the companies keep developing projects that educate the public of all age groups, particularly children, about the importance of proper nutrition and even more of moderate and responsible food item purchases in order to reduce the quantities of discarded food and thus prevent waste quantities. Although the companies from the Retail and Wholesale Division are the most active in donating food, taking part in that process are also companies from other divisions of the Group.

**Food donation initiative at Konzum**

Donating food is a charitable activity embedded in the DNA of Konzum HR as since 2016, when the food donating project was

initiated, the company has collected and donated more than 1 300 tonnes of food in Croatia and is one of the country's largest donors.

The quantity of donated food has continuously been growing, primarily thanks to improved internal processes and simplified procedures, as well as the commitment of employees who together with numerous associations across Croatia daily take care for the food to get to those in need. The system includes registered intermediaries and the internal food donating processes and procedures are fully aligned with relevant regulations according to which there are three parties involved in the process – the donor, the intermediary and the final recipient. The list of most frequently donated food items includes fresh meat, dairy products, bread and rolls, fruit and vegetables and the most donated food was received by the Reto Centre Association – Friends of Hope (*Prijatelji nade*), the Humanitarian Organisation River of Love (*Rijeka ljubavi*), Caritas of the Zagreb Archdiocese, the Croatian Red Cross – City of Zagreb Red Cross Society and Caritas of the Split Archdiocese. The total value of the food donated via Konzum HR in 2021 exceeded HRK 7 million (net of VAT), which is also the highest value of such donation. Food Network (*Mreža hrane*), a platform for common programme activities financed by the Croatian National Foundation for Civil Society Development, and Biljana Borzan, Member of the European Parliament, in 2022 awarded Konzum HR with the acknowledgement **Najdonator** (the Best Donor) for the fifth consecutive time (for the year 2021).

Mercator Slovenia has as well been taking part in the "Donated Food" project since 2013, where volunteers from partner organisations every evening pick up food from 38 Mercator stores in Slovenia. Mercator's partners in the project are the Slovenian Lions Clubs Union, the Anton Trstenjak Institute, the Slovenian Red Cross, Caritas of Slovenia, the Krog Society, the Peter Pavel Glavar Foundation, the Vincentian Society of Goodness and the Slovenian Philanthropy. The value of food donated in 2022

**1 300 t of donated food  
Konzum HR declared the Best Donor for the 5th time in a row**

amounted to almost EUR 900,000, and over the last 10 years Mercator SLO has donated almost 1 100 tonnes of food.

**Support to consumers in preventing waste**

As an extension of activities focusing on the reduction of food waste and with a view to inspiring and motivating customers to treat food responsibly, Konzum HR has initiated an educational platform under the title **Recyclopedia**. This special website features useful and practical advice that all family members can apply and thus have a positive impact on the community and the environment in a simple and fun way. Everyone who made a promise on Recyclopedia to themselves, to future generations and to nature that they would behave in a more responsible way when it comes to food, received a gift from Konzum HR via email that will help them keep their promise. Citizens are also invited to show that they discard bad habits and not food, by sharing their experiences on social media under *#reciklopedija*, whereby they can motivate others as well.

In accordance with European directives, Slovenia is preparing a legislative change related to the collection of PET and Al/Fe returnable packagings. Already in September and October 2022 Mercator implemented a packaging waste collection pilot project in its stores in collaboration with Coca-Cola under the title "Recycle me. Give me new life".

The project took place in 15 Mercator hypermarkets across Slovenia, and customers who returned empty plastic and aluminium packaging were rewarded with additional points on their PIKA loyalty cards. The results exceeded all expectations – almost 20 000 customers responded to the invitation to responsible behaviour and on nine Saturdays 521 466 empty plastic and aluminium packaging were collected, which equals a total of 10 tonnes of packaging waste. On that grounds Mercator assigned two million additional loyalty points to its customers, but even more importantly, results indicate that 28 percent of the customers have opened and read targeted messages intended to raise awareness of the need to treat waste packaging in a sustainable way. This also indicates that Mercator has accomplished another goal as well – it has successfully tested the consumers' attitude towards potential changes in the model of treating PET and Al/Fe waste in Slovenia.

**By-products 2022**

Company	Type of by-product	Weight of by-products in tonnes
ZVIJEZDA HR	Fatty acid, waste filtration agent	375 633
Energija Gradec	Soil improver digestate	349 237
PIK Vrbovec HR	By-product of animal origin	12 101
Belje	Metals, plastic, by-products of animal origin	1 088
<b>Total</b>	<b>738 059</b>	<b>738.059</b>



# Sustainable agricultural practices

Fortenova Group's agriculture companies engage in the activities of growing cereal and oil crops and forage plants, breeding pigs, cattle and dairy cows, producing milk and animal feed, in viticulture and wine production, fruit and vegetable growing and producing electricity from biogas.

The implementation of operative and sustainable agricultural practices creates a sustainable circular agriculture that uses raw materials to the maximum extent and creates agricultural by-products. Sustainable agricultural practices are based on the following:

- **Care of the soil and own production of raw materials for animal feed;**
- **Organic fertilisation by using by-products of livestock production with a view to optimizing the ratio of using organic and mineral fertilisers;**
- **Renewable energy sources – using livestock manure and other biological raw materials for the production of electricity;**
- **Holistic approach to applying pesticides – new technologies reduce the quantity of pesticides used even below the legal limits;**
- **Crop rotation and use of modern machinery for precision agriculture to optimize all processes and reduce the impact on soil and environment;**
- **Irrigation of areas according to the needs of the respective crop and optimum use of water resources, with continuous monitoring of data at own meteorological stations;**
- **Animal welfare measures applied on farms and a special project intended to preserve the indigenous species of the Black Slavonian pig;**
- **Investments in renewable electricity sources by installing solar power plants.**

The total surface area of arable agricultural land in Fortenova Group's agricultural companies amounts to 34 000 hectares and includes own land and land under lease. Those areas are used to grow raw materials for own animal feed production, in

accordance with the needs of 37 farms most of which are pig breeding farms producing over 50 percent of the total annual production of finishers in Croatia.



All agricultural companies apply multiannual crop rotation, reduce soil tillage and apply green and organic fertilisation, thus providing for the continuity of growth and development of plants reducing their stress. In addition, they use precision agriculture and modern agricultural machinery such as broadcast seeding machines with a maximum of 24 rows and a GPS system, that shoot the seeds into the ground at high speed, thus providing for a uniform sprouting of crops. In parallel to the sowing the fertilisation takes place as well, which optimises the use of labour and machinery, saves time and reduces fuel consumption.

Green manure with a mix of grasses provides numerous advantages, such as the use of CO<sub>2</sub> from the air, and makes the soil loose and porous thus providing for a better accumulation of water in the soil. Such humic soil requires less pesticides to be applied, while securing better production results with the long-term goal of increasing soil productivity.

By taking the holistic approach in applying pesticides, the total use of all types of pesticides at all levels has been reduced. The approach is based on continuous employee education, special pesticide storages that reduce the risk of environmental pollution and regular maintenance of equipment used to apply pesticides.

Over the last ten years all agricultural companies have been using detailed agricultural land analyses for the application of mineral fertilisers, focusing on the macronutrients phosphorus (P<sub>2</sub>O<sub>5</sub>) and potassium (K<sub>2</sub>O). Such approach to applying fertilisers has significantly reduced the quantity of fertiliser used, resulting not only in financial advantages, but also contributing to preserving the environment from an excessive use of mineral fertilisers. Besides phosphorus and potassium, analyses also include the macronutrient nitrogen (N), which directly contributes to crop yields and is applied and distributed depending on the needs on the respective field areas.

Five biogas facilities, located in the immediate vicinity of the largest farms, use livestock manure and other biological raw materials to produce heat and electricity, which is released into the national electricity network. The by-product of electricity production from biogas is digestate – a high-value organic fertiliser that replaces mineral fertilisers. Applying digestate to the soil significantly improves the soil quality, particularly with the help of precision fertilisation programmes – Spatial Management



Systems (SMS), implemented in all of Fortenova Group's agricultural companies. For a sustainable management of organic fertilisers, on about 50 % arable areas slurry and manure are applied, by-products of livestock production.

Vegetable production features a greenhouse for the hydroponic production of tomato in Mitrovac, spreading across an area of 4.5 hectares with an annual production of 2 700 tonnes of tomato. The greenhouse is part of the agricultural complex of Mitrovac, which also includes a dairy cow farm with 2 000 cows and a 2MW biogas facility, which together constitute a successful synergy of advanced livestock production, renewable energy sources and vegetable production. Only biological protection is used in the production of tomato without any pesticides, with live bumblebees used for pollination purposes.

A special sustainable agriculture project is the open-air farm for breeding Black Slavonian pigs, located on the territory of the JUPP Kopački Rit Nature Park. The breeding of Black Slavonian pigs is aligned with the operational and environment protection rules and requirements of the Kopački Rit Nature Park and is significant for preserving this indigenous pig sort.

In general, the year 2022 will be remembered as a climatically exceptionally challenging year in agricultural production due to the long-lasting drought that affected all crops. In order to minimise the impact of climate change on operations, the reporting year saw the commencement of a process of climate change risk identification, with plans to prepare scenarios for adaptation and risk mitigation in the areas of fruit growing, viticulture and crop farming. For the most endangered crops, investments in irrigation are planned for the next year already. For the sake of optimum irrigation, meteorological stations have been installed that follow weather forecasts and in accordance with them operating irrigation plans shall be prepared for each individual crop type.

The development strategy of Fortenova Group's agriculture companies, which is based on sustainable agricultural practices, is dedicated to increasing the use of renewable energy sources in production, irrigating key arable areas, following innovations in the segment of agricultural production which also includes investments in machinery and new technologies, as well as further optimising the use of pesticides, fertilisers and crop types in accordance with the EU Green Deal.

# Farm animal welfare

Part of Fortenova Group's Agriculture Division are dairy production and breeding of livestock: cattle and finishers. Through 37 own farms and a network of contract farmers, the Group's Agriculture Division annually delivers over 42 million litres of milk, 20 thousand pieces of cattle and 410 thousand finishers. The slaughterhouse of the Food Division, i.e. PIK Vrbovec, processed a total of 355 thousand pieces of livestock, whereof 94 percent pigs and 6 percent cattle.

High livestock production standards also imply the quality of animal welfare, which is implemented according to established procedures and guidelines and the overall care at Fortenova Group is based on four main pillars: relying on own raw materials and primary ingredients for animal feed production, veterinary care, nutritional know-how and focus on employee excellence. This approach to management encompasses the entire value chain from field to table, providing for product traceability, consistency and quality. The animal welfare management system exceeds the statutory requirements of the Republic of Croatia in many aspects. Aware of the demand for transparency in livestock breeding and the ever growing number of customers who want an animal welfare verification when choosing meat products, Fortenova Group continues to communicate in that direction.

The Group supports the five animal rights (freedoms) on the farm in compliance with EU guidelines and recommendations of scientific authorities. The first right is the freedom from hunger, thirst and malnutrition. By providing direct access to fresh food and water on the farms, the Group has provided for the continuity, traceability and uniformity of nutrition, with nutritionist support and internal production of primary feed ingredients such as corn, barley, soybeans and wheat. Animal feed is supplied by the Group's crop farming area, which employs four nutritionists.

The second animal right is secured as well – freedom from discomfort by providing appropriate surroundings, including shelter and a comfortable area for rest. The conditions for cattle and pigs are described in detail in the enclosed tables. Keeping conditions also imply the provision of appropriate facilities and

## Five animal rights (freedoms)

- 1 Freedom from thirst and hunger
- 2 Freedom from discomfort
- 3 Freedom from pain, injury and disease
- 4 Freedom to express natural behaviour
- 5 Freedom from fear and distress

equipment, housing and microclimatic conditions. Care is also taken of appropriate temperature and humidity, which positively affects animal behaviour and results in stress avoidance and a reduced disease incidence.



Zvirinac cattle fattening farm, PIK Vinkovci

The freedom from pain, injury and disease is secured by prevention, quick diagnosing and treatment by the Belje Agro-Vet veterinary service, owned by the Group and responsible for all livestock farms. They conduct daily rounds and examine entire herds in order to preventively notice any need of treatment as well as to prevent any signs of stress and fear they may notice. Animal surgery is performed only as a last resort, such as in case of treating wounded claws, with the obligatory use of anaesthetics, painkillers and anti-inflammatory drugs. In cases when therapy is required, whenever possible it is administered without needles, as this is less painful and stressing for the animals.

The freedom to express normal behaviour for the species is enabled on the Group's farms by providing enough space, appropriate housing and social contact with animals of the same species. Additional attention is paid to appropriate grouping of animals.

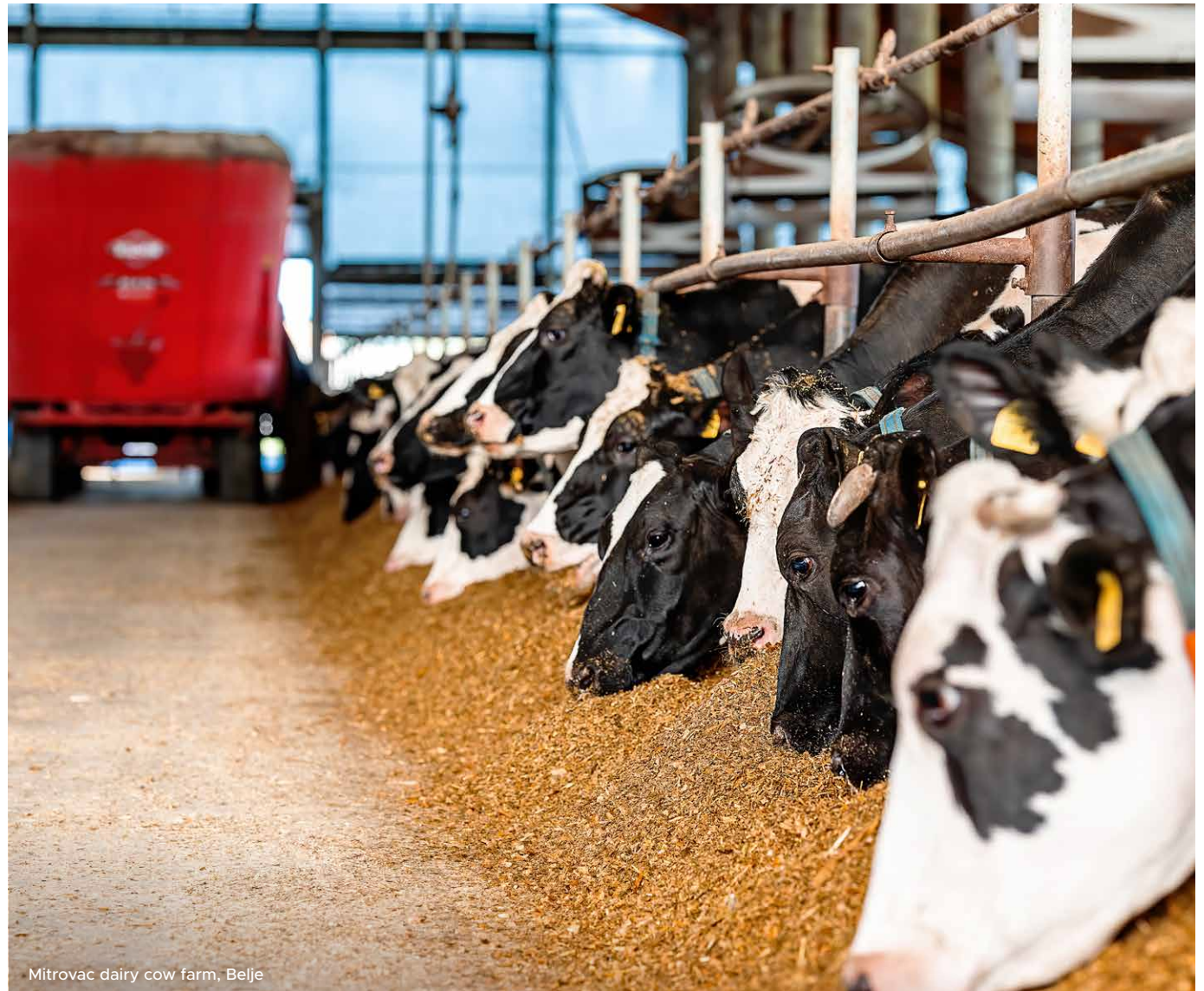
The freedom from fear and distress by providing conditions that do not cause mental suffering is taken care of by employees and veterinarians through continuous education and improvements of animal welfare practices. The avoidance of stress in animals additionally improves the meat quality and also provides for better conditions for the employees. Animal welfare controls on the farms also take place. For example, the welfare of pigs on our farms is observed through four main domains, it has to meet the

minimum of five freedoms and is evaluated and monitored from 81 control points, as shown in the graph. In handling animals, principles of animal behaviour, principles of animal welfare and principles of occupational safety jointly apply.

The transportation of animals from Group's farms is outsourced to companies that accept the Group's additional animal welfare conditions due to the large quantities of contracted transportation. Worth of being singled out among many conditions required to be met in the means of transportation are the preliminary control of each vehicle with regard to high hygiene requirements, the presence of water feeders and ventilation, the possibility of tracking the vehicles via GPS and adherence to the required time to prepare the vehicle between transportation orders. Given that all of the Group's farms, as well as the PIK Vrbovec slaughterhouse are located in Croatia, all livestock transportation orders are carried out in the period of not more than six hours. When it comes to challenges faced in transportation, there are cases where it is questionable whether the required time length to prepare the vehicle according to the established conditions, from 24 to 72 hours, will be adhered to. Furthermore, logistics and farm managers check the vehicles according to the contractual conditions and have the right to refuse a vehicle that does not meet the requested conditions. With additional efforts exerted by both business partners, however, solutions can always be found in practice by rearranging livestock transportation order schedules.

In 2022 the standard operating procedure for animal welfare at PIK Vrbovec, originally introduced in 2008, has been revised, which has additionally improved the animal treatment standards. In Vrbovec a pig slaughterhouse is under construction, featuring a capacity of 500 to 700 thousand of animals a year, with the commencement of operations scheduled for the second quarter of 2023. The distance from the point of unloading the animals to the facility will be shorter in the new facility, which will have several automated processes additionally reducing the possibility of human error.

In 2023 it is planned to prepare an animal welfare policy at Group level, which will enable the exchange of good animal welfare practices among Group companies and the convergence of standards, goals and reporting on this topic.

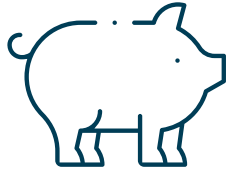


Mitrovac dairy cow farm, Belje

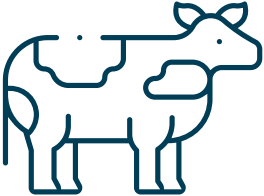
Availability of feed and water	Good environment	Animal treatment/handling	Animal health protection
Good animal welfare practice has to meet a minimum of five claims.			
1. The animal is free from hunger, thirst and malnutrition as it has access to drinking water and appropriate nutrition.	2. The animal is free from physical and thermal discomfort and has access to shelter and a comfortable space for rest.	3. The animal is able to express most of its normal behaviour patterns, as it has sufficient space in appropriate housing together with other animals of the same species and category.  4. The animal does not experience fear or distress, as conditions have been provided to prevent suffering.	5. The animal does not suffer pain, injury or disease, due to appropriate prevention and/or quick diagnose and treatment.
<b>Control points</b>			
13	16	18	34



**Pig welfare practice control system**

Freedom 1	Freedom 2 and 4	Freedom 3	Freedom 4	Freedom 5												
<b>The animal is free from hunger, thirst and malnutrition</b>	<b>Freedom from physical and thermal discomfort and access to shelter and a comfortable place for rest</b>	<b>The animal is free from pain, injury and disease</b>	<b>The animal is able to express most of its usual behaviour patterns</b>	<b>The animal does not experience fear or distress</b>												
<p>The need for feed and water are basic needs for pigs that they strive to satisfy instinctively.</p> <p>Pigs can be <b>fed</b> in rations or at will and the feed used has to be prepared according to the nutritive requirements of the respective category determined as per stage of life.</p> <p>The <b>water</b> that the animals drink and that may be offered to them must have appropriate organoleptic features – clean, without colour, smell and taste. Water must be permanently available to pigs for them to consume it at will.</p>	<p>Appropriate <b>lighting</b> implies that the animals are exposed to light for 16 h and to darkness for 8 h.</p> <p>At farms 6 factors are being monitored: ambience temperature, uniformity of <b>temperature</b> in the room, percentage of <b>humidity, airflow</b> velocity, presence of dust particles and presence of harmful gases in the air.</p> <p><b>The size of room</b> provided on the farms is above the minimum standard prescribed by the law and is understood to include optimum conditions in which the animal may satisfy all its needs, including behaviour patterns secured by Freedom 4. Depending on the stage of life, the following conditions are provided:</p> <table border="1"> <thead> <tr> <th>Type of animal</th> <th>Provided surface (m²)</th> </tr> </thead> <tbody> <tr> <td>Finishers of up to 50 kg live weight</td> <td>0.44</td> </tr> <tr> <td>Finishers from 50kg to 110 kg live weight</td> <td>0.6 - 0.71</td> </tr> <tr> <td>Finishers from 110+ kg live weight</td> <td>1.1</td> </tr> <tr> <td>Sows</td> <td>2.25</td> </tr> <tr> <td>Boars</td> <td>3.0</td> </tr> </tbody> </table>	Type of animal	Provided surface (m²)	Finishers of up to 50 kg live weight	0.44	Finishers from 50kg to 110 kg live weight	0.6 - 0.71	Finishers from 110+ kg live weight	1.1	Sows	2.25	Boars	3.0	<p><b>Daily rounds</b> are carried out.</p> <p>Veterinary care provides for prevention of injury and pain, fast diagnosing and required treatment.</p> <p>Surgical and obstetrical interventions are carried out with the obligatory <b>use of anaesthetics and painkillers</b>.</p> <p>A veterinarian is present at each unloading of pigs at PIK Vrbovec to check whether there have been any injuries during transportation to the slaughterhouse and determine the required measures on site. Injured animals stay in separate sanitary pens and special care is taken of them.</p>	<p>Pigs on farms are kept in groups, and particularly sensitive categories individually – such as boars, sows in the first 28 days of pregnancy and during lactation, as well as injured animals.</p> <p>Additional attention is paid to proper animal group forming.</p> <p>Sufficient room is provided in appropriate housing together with other animals of the same species and category.</p>	<p><b>Equipment and techniques</b> used in handling pigs make it possible to perform the procedure quickly and efficiently, with as little stress as possible. The equipment that may be used has been specifically designed for that purpose and is safe for the employee and only educated employees may use the equipment in the appropriate way that will not cause injuries in the animals.</p> <p>Of all the animals processed in the PIK Vrbovec slaughterhouse, 98 percent come from Fortenova Group companies. They are unloaded in smaller groups, where care is taken to form compatible animal groups. The pigs are protected from precipitation in winter and in summer, and in the summer months they have access to showers for cooling purposes. The stalls provide sufficient room, with feed and water available. The pigs are kept in the depot for a maximum of 8 hours.</p>
Type of animal	Provided surface (m²)															
Finishers of up to 50 kg live weight	0.44															
Finishers from 50kg to 110 kg live weight	0.6 - 0.71															
Finishers from 110+ kg live weight	1.1															
Sows	2.25															
Boars	3.0															
																

**Cattle welfare practice control system**

Freedom 1	Freedoms 2 and 4	Freedom 3	Freedom 4	Freedom 5														
<p>The animal is free from hunger, thirst and malnutrition</p>	<p>The conditions of keeping cattle are in compliance with their natural needs – providing enough room, an appropriate bedding and a natural level of lighting, as well as ventilation</p>	<p>The animal is free from pain, injury and disease</p>	<p>The animal is able to express most of its usual behaviour patterns</p>	<p>The animal does not experience fear or distress</p>														
<p>Cattle have <b>access to water and feed 24/7</b></p> <p>The feeding is planned on an annual level and controlled, besides general quality, for mycotoxins, moulds and yeasts.</p> 	<p>All cattle are kept in <b>free range</b> and not tied. There are no limitations of movement within their sheds. They are provided with <b>more room</b> than stipulated by the law, according to the following provisions:</p> <table border="0"> <tr> <td>Type of animal</td> <td>Provided surface area and other conditions</td> </tr> <tr> <td>Cows</td> <td>More than 6.6 m<sup>2</sup> with a minimum of 3 kg straw for bedding or mattresses for lying down</td> </tr> <tr> <td>Male cattle</td> <td>More than 2.75 m<sup>2</sup> with a minimum of 3 kg straw or a minimum of 25% of area with rubber floor</td> </tr> <tr> <td>Calves</td> <td>Increasing floor area with 1.5 kg straw for bedding or a minimum of 25 % rubber matting:</td> </tr> <tr> <td>Calves up to 150 kg live weight</td> <td>Floor area of at least 1.65 m<sup>2</sup> provided</td> </tr> <tr> <td>Calves from 150 to 220 kg live weight</td> <td>Floor area of at least 1.87 m<sup>2</sup> provided</td> </tr> <tr> <td>Calves of 220+ kg live weight</td> <td>Floor area of at least 1.98 m<sup>2</sup> provided</td> </tr> </table>	Type of animal	Provided surface area and other conditions	Cows	More than 6.6 m <sup>2</sup> with a minimum of 3 kg straw for bedding or mattresses for lying down	Male cattle	More than 2.75 m <sup>2</sup> with a minimum of 3 kg straw or a minimum of 25% of area with rubber floor	Calves	Increasing floor area with 1.5 kg straw for bedding or a minimum of 25 % rubber matting:	Calves up to 150 kg live weight	Floor area of at least 1.65 m <sup>2</sup> provided	Calves from 150 to 220 kg live weight	Floor area of at least 1.87 m <sup>2</sup> provided	Calves of 220+ kg live weight	Floor area of at least 1.98 m <sup>2</sup> provided	<p>Internal <b>procedures and protocols</b> are in place for treating each animal category.</p> <p>The use of <b>antibiotics</b> is reduced to a minimum.</p> <p>New solutions in <b>curing</b> diseases are applied as well, by adding supplements based on medicinal herbs and their extracts to feed.</p>	<p>All cattle are free to behave in a way that is inherent to the species and no animal is alone, as contact with animals of the same species and category is provided.</p> <p>From birth each animal is in contact with animals of the same category. Dairy cows spend 2-3 hours during the day outside of their facilities, during which milking, medical treatment, hygiene and other structured activities take place. The remaining 21 to 22 hours they spend in free activities.</p>	<p><b>Daily rounds</b> are carried out.</p> <p>In case of treating wounded claws or surgery, the <b>use of anaesthetics, painkillers and anti-inflammatory drugs</b> is obligatory.</p> <p>Of all the cattle processed in the PIK Vrbovec slaughterhouse, 40 percent come from Fortenova Group companies. They are unloaded in smaller groups, where care is taken to form compatible animal groups. The cattle are protected from precipitation in winter and in summer. The sheds provide sufficient room, with feed and water available. Cattle are kept at the depot for a maximum of 12 hours.</p>
Type of animal	Provided surface area and other conditions																	
Cows	More than 6.6 m <sup>2</sup> with a minimum of 3 kg straw for bedding or mattresses for lying down																	
Male cattle	More than 2.75 m <sup>2</sup> with a minimum of 3 kg straw or a minimum of 25% of area with rubber floor																	
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Calves of 220+ kg live weight	Floor area of at least 1.98 m <sup>2</sup> provided																	

## 4. Social Information





# Employee wellbeing

By recognizing the importance and role of each individual in the large community of Fortenova Group strives to provide everyone with an inclusive, safe, encouraging and friendly working environment and opportunities to achieve professional and personal goals. Fortenova Group has more than 45 000 employees, which ranks it among the region's largest employers. It is a privilege and a responsibility to establish a system where every employee is provided with help when needed, where solidarity and belonging to a team are fostered and where personal growth and development are encouraged.

Human resources of the Group are managed centrally, via Group function responsible to create, standardize and control key aspects in HR management in all operating companies and Fortenova grupa d.d. The main strategic areas of HR are labour planning, employee recruitment and retention, development of organisational and operational management models, development of salaries and benefits policies and systems and improvement of corporate climate and culture. The HR function integrates knowledge, experience and best practices and regularly

– once a week – organises online meetings with all directors of HR functions at the operating companies where projects and activities are collectively agreed and experience is exchanged. Similarly, companies within the respective business divisions exchange specific knowledge or work on common projects.

Since the incorporation of the company Group HR have been active in the area of social sustainability and many of those activities are reflected in the Code of Ethics adopted in 2021. In all of its activities Human Resources are dedicated to protecting human and social rights, and activities contributing to those areas are presented below. Based on the Diversity Charter signed in 2021, a Diversity, Equity and Inclusion Policy was prepared in 2022 which should upon approval in 2023 be implemented in all Fortenova Group companies. The Policy complements and defines in more detail the principles established by the Group's Code of Ethics on that topic and relies on three pillars – the strengthening of gender equality, inclusion – particularly of persons with disabilities, and employee wellbeing. Group Human Resources are responsible for monitoring the implementation of the Policy in the operating companies based on the assessment of activity plan efficiency and effectiveness.

In late 2022 the “employer branding” project was initiated as well, with a view to improving corporate culture and positioning Fortenova Group as an even more desirable place for work, in order to successfully retain existing employees and attract quality candidates for vacancies. Until 2022 inclusive, analyses were made of the strengths and weaknesses of human resources management practices implemented in the operating companies



of the Group as well as a comparison with other companies, and the project continues to be developed in 2023.

## Freedom of association

The freedom of action of trade unions and union organisations are present in all larger Group companies, while a total of 95 percent of Group employees are covered by collective agreements. With a view to achieving a balanced approach and an equal distribution of benefits among Group employees as compared to market possibilities, regular collective bargaining activities are held with the unions and there are 19 collective bargaining agreements<sup>16</sup> in place at the companies. Furthermore, the collective bargaining agreements are an important process for involving stakeholders in the social dialogue and determining correctives for the company, as well as an acknowledgment of the Group's policies regarding employees and working conditions. Regular meetings with workers' councils and employee representatives are held at all Group companies. Over the course of 2022 nine meetings<sup>17</sup> were held between workers and the Group's Executive Directors, as well as two plenary meetings between Fortenova Group's Chief Executive Officer and representatives of the trade unions that are signatories to the collective agreements in Croatia. At each of those meetings employees and unions had the possibility to ask questions and they were informed on key topics for the company.

## Projects supporting strategic areas of human resources development

Development of salary&remuneration policies	Advancement and talent management	Improvement of employee experience	Recruitment and retention	Development of management systems
<ul style="list-style-type: none"> <li>Project of <b>remuneration classification and structure</b></li> <li><b>Diversity, Equity and Inclusion Policy</b> prepared</li> <li>perception of <b>gender equality and standard of living</b> survey</li> </ul>	<ul style="list-style-type: none"> <li><b>Skip-a-level</b> interview</li> <li>Key employees' career management</li> <li>Progress of the <b>DRIVE programme</b> for talent and advancement management</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of the <b>HRNet talent management system</b> and provision of feedback to employees</li> </ul>	<ul style="list-style-type: none"> <li>Zvijezda HR has developed a best practice based on <b>retention/stay interview</b>.</li> </ul>	<ul style="list-style-type: none"> <li>introduction of the <b>HRIS system</b> for HR data digitalisation and better insight in trends</li> </ul>

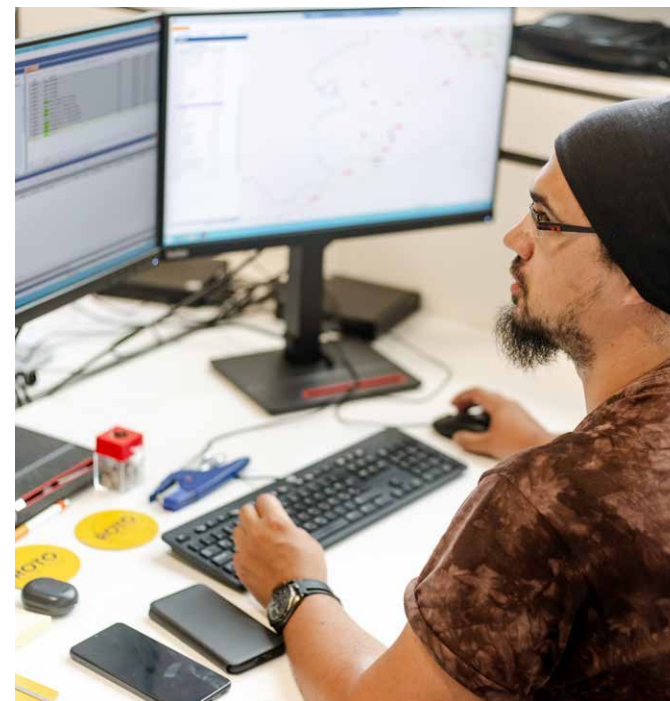
<sup>16</sup> Agrolaguna, Belje, Eko Biograd, PIK Vinkovci, Vinka, Vupik, Konzum HR, Konzum BIH, Mercator SLO, Mercator BIH, Mercator SRB, Mercator EMBA, PIK Vrbovec HR, Zvijezda HR, Jamnica HR, Tisak, Sarajevski kiseljak, Dijamant, Mg Mivela  
<sup>17</sup> Mercator SRB, Sarajevski kiseljak, Mercator SLO, Roto dinamic, Fortenova grupa d.d., mStart HR, Jamnica HR, Konzum HR, Mg Mivela

### Employee recruitment and retention strategy

The search for best practices in human resources management includes the conduct of not only exit interviews as part of the process of employment contract termination, but also of stay interviews intended to retain key employees and improve working conditions. Worth mentioning is Fortenova Group's broader perspective of the entire employee journey, which does not only encompass the job advertisement and the formal annual interview, but rather aims at maintaining a permanent communication with the employee and receiving feedback. For employees recognized as the greatest talents, stay interviews are held once a year. Wishing for talented and different employees to recognize the company as an excellent place for work, job seekers can apply for jobs via company website immediately even when there are currently no vacancies, and all resumes received are

addressed with attention and candidates are contacted at need. All applications, resumes and tests are handled with due care, in compliance with personal data protection requirements and as mentioned earlier, the process will be digitalized and simplified going forward.

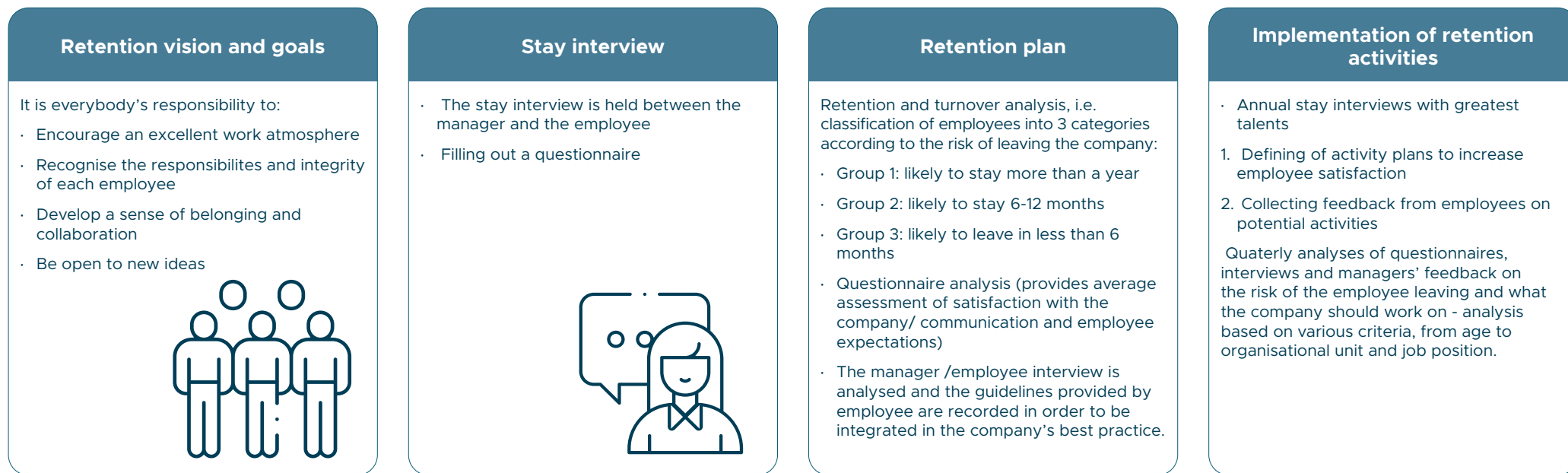
A significant stride in that area has been made by Zvijezda HR, which has with its practice of key employee retention interviews applied for best HR practices under the title Employee Journey from Entry to Stay Interview. Onboarding is complemented by an extended career path perspective where the employee's opinion is appreciated and instant interviews are conducted continuously in order for employees to be aware of their rights and obligations over the course of their career path.



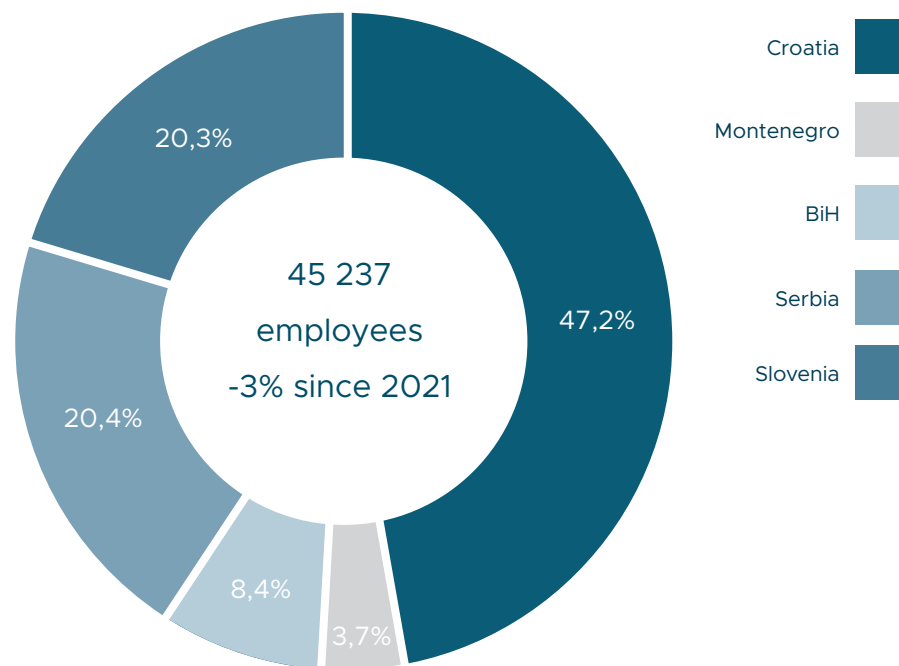
## Zvijezda's Journey along the Career Path

According to research at global level, the greatest number of employees leave in the first two years of employment. The purpose of the stay interview is to check, once the probation period is over, whether the candidate's expectations stated in the recruitment interview have been met and what the employer can do to keep the best talents. Zvijezda's project contains instructions for managers and employees, according to the stages as shown in the graph.

Illustration of the model implemented at Zvijezda HR:



**Distribution of employees and seasonal workers by division and country of operation**



**Employee structure and characteristics**

As at 31<sup>st</sup> December 2022 the number of employees at Fortenova Group amounted to 43 989, or 45 237 if 1 248 seasonal workers are included, which was their average number for the whole reporting period. The number of employees is 3.2 percent lower than in the year before, partly due to the difference in the method of reporting<sup>18</sup>.

Most employees or 80 % of them worked in the Retail and Wholesale Division, while 12 % were employed in the Food Division, 6 % in the Agriculture Division and 2 % in the non-core companies. The greatest number or 47 % of employees worked in Croatia, while Serbia and Slovenia accounted for a total of 20 % of employees and the remaining employees worked in Bosnia and Herzegovina and Montenegro, with shares as shown in the graph.

In order to additionally secure the stability of work processes and employee wellbeing, Fortenova Group permanently employs via employment contracts and in case of objective needs that are limited in time or that are due to increased workload, it uses fixed term employment contracts. The vast majority of contracts or 85 % are permanent and 97 % of employees work full time. Reporting on other workers, including agency workers, high school and university students' internships, work via student services and other types of contracts such as service contracts and other, has been introduced in 2022. It was established that within all those models 13 523 persons were working for the Group or an additional 31 percent of the total number of employees. Out of those, 310 were agency workers, 9 047 student service users and 1 678 other contracts. Data on the number of employees by type of contract are provided in the table below, and additional specification of other employees is available in the chapter Employees in Numbers.

**Distribution of employees by type of employment contract**

	Total number of employees by type of contract	Percentage of employees by type of contract
<b>Permanent contract</b>	37 450	85 %
<b>Fixed term contract</b>	6 540	15 %
<b>With non-guaranteed working hours</b>	0	0 %
<b>Full-time employees</b>	42 853	97 %
<b>Part-time employees</b>	1 136	3 %
<b>Total group employees</b>	43 989	100 %
Seasonal workers	1 248	+3 %
Other employees	13 523	+31 %

<sup>18</sup> The average number of employees in 2021 was 46 738



## Employee development, advancement and training

Employees with potential to assume more complex jobs or to be transferred to some other positions within Fortenova Group have been recognized as talents. They can put their career development forward as one of the topics at the annual interview with managers and the employee's interest and potential are documented in the individual development plan. The plan defines the employee's readiness for horizontal and vertical advancement as well as the timeline within which the management considers the advancement possible. Companies also implement the '**Skip-a-level interview**' to gain insight into as many different opinions and assessments as possible. This implies that the employee talks to a higher ranking manager than their immediate supervisor, for example with the president of the board. Such practice is common within the Beverages Group companies – Jamnica, Sarajevski kiseljak and Mg Mivela.

Training and education are important backbones of the company's competitiveness, and at Fortenova Group all employees have the opportunity to receive additional training depending on their own and the needs of the business. In 2022 the total number of training hours, particularly in retail and wholesale companies that have own internal academies in place, was increased by five per cent against the year before and hence the total number of training hours amounted to 385 908, while the average number of training hours per employee within the Group amounted to 8.8 hours. Thereof 76 percent of trainings were performed internally. The highest growth of 35.35 percent in the average number of training hours was recorded in line management, while the increase in the number of training hours for the middle management amounted to 10.57 percent. A decrease of 9.29 percent was recorded in the average number of training hours for the senior management, while other employees had 1.94 percent less training hours compared to the previous reporting period<sup>19</sup>.

There are also several expert knowledge exchange projects within the Group companies, where the projects **Oil Twist** of the two Oil Group companies – Zvijezda HR and Dijamant and the **Insight Day** conference, organised by Konzum HR, stand out. The companies Jamnica, Sarajevski kiseljak and Mg Mivela from the Beverages Group publish a common magazine and a newsletter under the title **Izvor** (Source). The Beverages Group continued to pursue education courses at the **ALPHA Leadership**

**Academy** with a view to developing the full potential of managers by investing in their knowledge and people leading skills, with 30 new students having joined the Academy in 2022. In 2022 there were also 20 workshops and educations held within the internal **WoW Academy** – Well of Wisdom, in the areas of personal effectiveness, professional competence and business processes. As part of the **Konzum Academy** as the central place of education, Konzum HR continued to encourage and share knowledge among its employees in 2022 as well. In addition, the focus during the year was on developmental education of employees in the areas of communication, teamwork, leadership and sales skills, relevant management functions, sales and operational support, as well as on internal trainings for specialized jobs. Educations related to human rights protection included personal data protection (GDPR) and the understanding and impact of individual business sectors on children's rights.

Roto dinamic introduced the Sales Academy. Over the course of the year educations were conducted with entry and exit tests based on which 41 individual reports were prepared with development plans for 2023. The standard for wholesale was defined, too, containing the description of knowledge, experience, competencies and behaviour, to be used to assess existing and select new employees. The Sales Academy has thus become the flagship of the Roto Academy, developing the standards and development plans for retail and the supply chain.

Progress was made over the course of 2022 in talent management by means of improving the efficiency and talent management processes within the human resources management information system (HRIS), which is an upgrade of the existing system that enables many new modules, including management assessment and self-assessment, and encompasses 18 Group companies<sup>20</sup>. By the end of 2022 the system has been integrated and the implementation of all planned functions of the system is expected by the end of 2023. The analysis of data from the newly established system is expected to provide better insight into the structure of human resources, as well as improvements in the management of salaries, remuneration, efficiency and talents.

As part of the **DRIVE programme**, in 2022 preparations have started for the introduction of the Digital Transformation module with focus on technologies, corporate innovation models, creating the culture of using data to make informed decisions, differences and specificities of business, advanced and predictive analytics and machine learning models.

<sup>19</sup> Data on training provided are available in the chapter ESG Data – Employees in Numbers: Training.

<sup>20</sup> Dijamant, Fortenova grupa d.d., Jamnica HR, Konzum HR, Konzum BH, Mercator BH, Mercator SLO, Mercator IP, Mercator CG, Mercator EMBA, Mercator SRB, Mg Mivela, PIK Vrbovec HR, Roto dinamic, Sarajevski Kiseljak, Tisak, Zvijezda HR, mStart HR, and expected to join in 2023 are also the companies Belje, Agrolaguna, Energija Gradec, PIK Vinkovci, Vupik and Vinka

## DRIVE Beyond Excellence

Within the DRIVE Beyond Excellence programme, initiated in 2021, students gain insight into the areas of finance, supply chains, sales, building customer relations or comprehensive project management with special focus on strengthening team leading skills, recognizing specific personal traits of team members and encouraging their creativity, resourcefulness and inclination to thinking outside the box.

In the first generation of students 34 career advancements were recorded, e.g. the promotion into members of the board in two companies – in Dijamant within the Navigate programme and in Roto dinamic within the Accelerate programme. In the Discover programme, 47 percent of advancements were related to female participants, which also reflects the attention to selecting an equal number of women and men into the programmes.




**NAVIGATE Senior**

programme intended for senior managers with a view to them assuming more complex positions within very short time



**ACCELERATE Middle**

programme intended for the middle management with a view to them assuming more complex positions in the next 1-2 years



**DISCOVER Junior**

programme intended for new and future managers recognized for the first time as potentially capable of assuming leadership positions

	Navigate	Accelerate	Discover	Total per year
<b>Number of students in 2021*</b>	35	98	140	273
<b>Advancements from the first generation</b>	6	9	19	34
<b>Percentage of women in advancements achieved</b>	1.6%	44%	47%	14
<b>Number of students 2022</b>	22	71	91	184
<b>Total</b>	57	169	231	457

\* All programmes feature a fairly even number of women and men, with career advancement being followed even after the programme

## Salary and remuneration policy

Over the course of 2022, 19 collective agreements were closed in the regular course of business and in agreement with social partners the basic salaries and other employee benefits were increased.

**The project of classifying and structuring remunerations**, initiated in 2019, continued in 2022 as well, its main purpose being to achieve the same range of salaries and remunerations for the same positions. Identified for alignment were 4 500 jobs, while appreciating previous practices of the operating companies and their specific requirements in terms of assessing the commencement of implementation of the new model. The experience of the companies that implemented the project in 2021 – Agrolaguna, Belje, PIK Vinkovci, Vupik and Konzum HR, as well as the companies that introduced the system in 2022 – Jamnica HR, Zvijezda HR and Roto dinamic, shows that with the implementation of the new model employees' salaries were increased by applying a different method of payroll calculation. The companies also stated that the new system was more transparent and offered a calculation that was easier to understand for the workers, and the

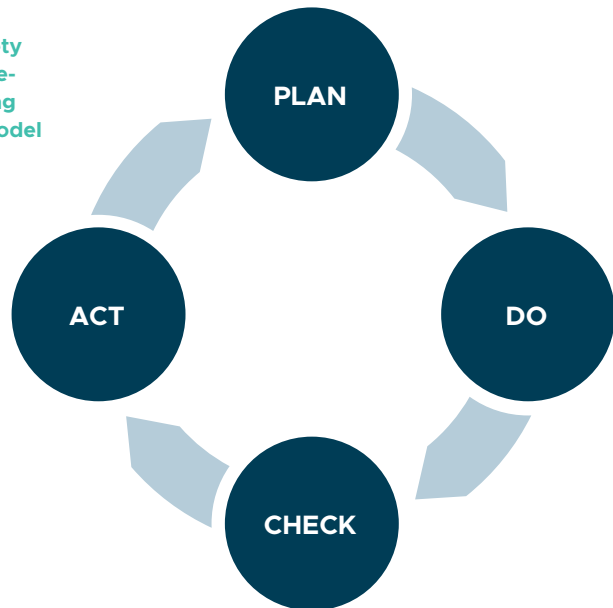
process was conducted in collaboration and in discussion with the workers' councils and the trade unions that were signatories to the collective agreement.

## Health and safety at work

*Safety begins with you* – this is the slogan communicating the expectation that all Fortenova Group employees should contribute to maintaining and improving safety standards at the workplace, as well as assume responsibility for reducing risks and undertaking activities to avoid accidents at work. The occupational health and safety management systems are based on national legislation, and given their legal obligations, 50 percent of the Group companies have established their own occupational safety service, while office operations rely on external service providers.<sup>21</sup> Dijamant, PIK Vrbovec HR, Belje and PIK Vinkovci have publicly disclosed their safety and protection policies and certified their occupational safety management systems with the ISO 45001 standard.

Operational procedures have been defined for hazard identification, safety reporting as well as incident investigation and analysis, and all companies have established emergency procedures and evacuation plans. The process of identifying and investigating injuries connected to work is carried out in accordance with the European Statistics on Accidents at Work (ESAW) methodology. Internal supervisions are performed regularly at companies that have their own safety-at-work services and experts. Risk assessments and internal supervisions, as well as identifying the system's shortcomings by defining corrective measures and monitoring them, are the backbone of continuous improvement of the occupational safety system according to the Plan-Do-Check-Act (PDCA) model. Based on 1 041 internal supervisions carried out in the reporting year 5 464 corrective measures were ordered, with a ratio of corrective measures vs. supervisions of 5:1. The realisation in all main divisions and a comparison with the previous year are outlined in Table 21. Significant increases were recorded in the Retail and Wholesale Division, which are entirely due to the inclusion of Mercator's companies in the monitoring system.

Continuous occupational safety system improvements according to the PDCA model



Comparison of number of internal supervisions and corrective measures implemented in 2022 vs. 2021

	Internal supervisions	Change vs. 2021	Corrective measures	Change vs. 2021	Ratio of supervisions vs. corrective measures
Agriculture	163	-10%	525	-11%	1:3
Food	99	2%	178	123%	1:1
Retail and Wholesale	779	128%	4.761	165%	1:6
<b>Total</b>	<b>1.041</b>	<b>68%</b>	<b>5.464</b>	<b>121%</b>	<b>1:5</b>

<sup>21</sup> All employees and other workers are covered by the occupational safety system that consists of internal systems and external occupational safety service providers.

The quality of the occupational safety system is secured and maintained by hired occupational safety professionals. Out of a total of 64 professionals, 80 percent are academically educated. Trainings related to occupational health and safety at the Group companies are held by internal occupational safety experts or authorised external professionals, depending on the legislation of the respective countries. In 2022, for initial trainings of new employees, including trainings for occupational health and safety, fire protection at the workplace and procedures in emergency situations, 39 585 training hours were held. In those trainings employees are instructed about their right to refuse to work in case of breach of safety requirements, i.e. in case their life or health should be in danger, as well as about the ways of reporting shortcomings at the workplace to immediate supervisors. Such training has been recognized as the main factor in occupational safety improvement processes and plans. Besides through the legally prescribed involvement of employee representatives in the process of risk assessment at the workplace, employees may express their concerns and plead potential hazards through internal communication channels as well, including the intranet and

mail. Participation in the occupational health and safety system has also been made possible through the *Occupational Safety Committees*, established pursuant to regulations at 70 percent of the companies. In 2022 the committees met twice.

The key indicators of occupational safety are the Lost Time Incident Rate (LTIR) and the Lost Work Day Rate (LWDR) as indicator of lost productivity. Their monitoring and comparison indicate to what extent the achievement and maintenance of a safe work environment have been successful and where additional engagement and resources are required to achieve the goals set.

## Main types of injuries

The main types of injuries at work were falls, injuries caused by hand tools and injuries caused by unpredictable animal behaviour, in the retail and wholesale, production and agriculture operations, respectively. In 2022 a total of 1 061 injuries at the

workplace were recorded resulting in lost time, i.e. 67 in total or 6.7 percent fewer than in 2021. In 2022, there was also one fatality of a driver who died in a car accident. The average duration of sick leave, i.e. the average loss of work days per injury is 41 days, with a total of 43 927 work days lost due to injuries at work. A comparison of the annual rates of injuries at work and lost time per 100 employees, annual amount of hours worked and work days lost is shown in the table and graphs below.

**7 % fewer injuries than in the previous year**

Injuries were not recorded for other workers<sup>22</sup>. Namely, any rights arising from employment and insurance related to injury at work are exercised through the registered employer.

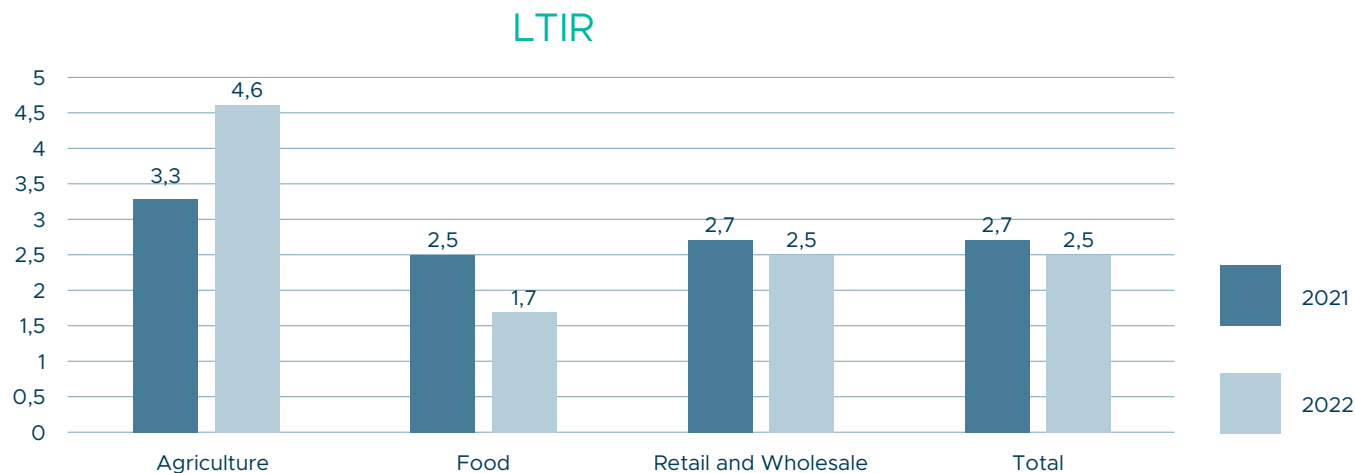
### Occupational safety system performance indicators 2022

	Lost Time Incident Rate (LTIR) per 100 employed workers		Total annual amount of hours worked, including other employees <sup>23</sup>		Lost Work Day Rate (LWDR) per 100 employed workers		Total Loss of Work Days due to injury at work (LWD)	
	2022	Change vs. 2021	2022	Change vs. 2021	2022	Change vs. 2021	2022	Change vs. 2021
<b>Agriculture</b>	4.6	39 %	4 500 624	-7 %	196	56 %	4 415	+45 %
<b>Food</b>	1.7	-32 %	9 954 884	+7 %	41	-49 %	2 042	-46 %
<b>Retail and Wholesale</b>	2.5	-7 %	59 925 424	-2 %	125	-2 %	37 470	-4 %
<b>Total</b>	2.5	-7 %	74 380 932	-1 %	118	-3 %	43 927	-4 %

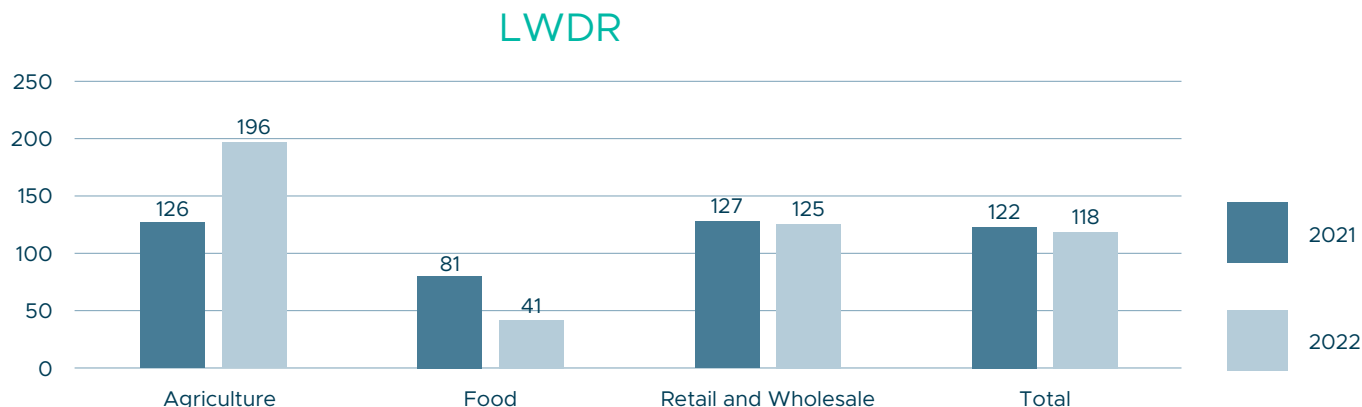
<sup>22</sup> Other workers are understood to include persons who are not employees, but whose workplace is controlled by the organisation, including persons with service contracts, agency workers and interns.

<sup>23</sup> According to the GRI 2-8 definition and the scope of companies included as per disclosures in the section Data Collection Methodology

**Lost Time Incident Rate (LTIR) per 100 workers employed**



**Lost Work Day Rate (LWDR) due to injury at work per 100 workers employed**



**Occupational health and safety activities**

Working at *remote places of work*<sup>24</sup> are 1 660 workers. For those workplaces the risk has been assessed with regard to the hazards, harms and strains at the workplace, with defined technical measures and personal protection equipment. Eight companies, however, do not perform regular supervision at such workplaces due to the reduced risk assessed.

The care about employees' health and medical protection at the workplace is also performed by checking the worker's health condition prior to sending them to a place of work with special working conditions<sup>25</sup>. At the Group companies 5 569 workers work in jobs with special working conditions. Those workers are under medical supervision, with their psychophysical health being monitored and medical checks performed at legally prescribed intervals. The majority of those workers work as drivers of delivery vehicles, self-propelled machines, tractors and forklift trucks as well as under unfavourable microclimatic conditions. The confidentiality of information related to the workers' health condition is provided in compliance with the GDPR.

In 2022 many companies organised various activities and promotions related to health, including sporting events and medical checks. Tisak organised a mobile mammogram for all female employees at the company premises. Poslovni sistem Mercator organised a school promoting health and awareness of vaccination against the flu and at PIK Vrbovec the Croatian Hypertension League performed general medical checks of employees at the company premises. At Jamnica, the projects 'Stress and how to handle it' and 'Do you eat healthy, too?' were presented to the employees through educational activities. Ten Group companies<sup>26</sup> offered their employees the possibility to close favourable additional health insurance policies providing annual general medical checks.

<sup>24</sup> A remote place of work is a place of work where a worker performs the required work at home or at another place other than the employer's premises.

<sup>25</sup> Regulations on jobs with special working conditions (Official Gazette No. 05/1984)

<sup>26</sup> Belje (+Belje AgroVet), Dijamant, Mg Mivela, Roto dinamic, Zvijezda HR, Konzum HR, Mercator BH, Mercator H, Fortenova grupa d.d., mStart HR



## Equality and equal opportunities

Fortenova Group supports the implementation of highest diversity, equity, inclusion and non-discrimination management standards and expects all employees to apply those ethical values in compliance with the Group's Code of Ethics. In accordance with the **Diversity, Equity and Inclusion Policy**, the Group focuses on three pillars: gender equality, inclusion and employee wellbeing.

### Equality in granting benefits

Benefits offered to employees vary depending on the business division and national practices and for the larger companies they are defined by collective agreements<sup>27</sup>, while none of the companies have disregarded the benefits defined by the law. The other companies have defined the granting of benefits by work regulations, guided by the practice of Group companies that have collective agreements in place. When it comes to tangible rewards, most of the companies offer a spectrum that ranges from severance pay at retirement or termination of employment due to business circumstances that exceeds the statutory prescribed one to allowance for transportation to work, rewards to mark special occasions, gifts for children, Christmas bonus, performance bonus, Easter bonus, vacation allowance and solidarity aid, and intangible rewards include paid leave of absence in case of moving house or an additional day off for blood donations, days off for childbirth, for taking care of a close family member in case of illness, when getting married etc.<sup>28</sup> In 2022 no significant differences were found in the granting of benefits other than, exceptionally, the difference in granting additional health insurance policies arising from insurance company rules that the policy can only be closed for a period of one year, hence for workers with fixed term employment for shorter periods no policies are closed.

### Gender equality

At Fortenova Group women account for 65 percent of the total employee number, while their share in the senior management is 33 percent. According to the organisational structure, at Fortenova Group level men are more represented with 67 and 59 percent in senior and middle management, respectively, while women were more represented in line management with a share of 66 percent. Overall, in all three management categories women account for 61 percent.<sup>29</sup> In 2022 the annual monitoring of gender equality parameters has started, which also includes the availability of training, and it was found that in 2022 women had only 3 percent less training than men.<sup>30</sup>

### Three pillars of the Diversity, Equity and Inclusion Policy

#### Gender equality

- Achieving a 50-50 representation of women and men in all managerial functions
- Equal pay for equal work in all functions

#### Inclusion of persons with disabilities

- Increasing the share of colleagues with disabilities
- Increasing the number of partnerships with institutions and companies employing persons with disabilities
- Improving the work conditions for colleagues with disabilities

#### Employee wellbeing

- Monitoring and improving relevant benefits for all employees
- Creating tailor-made benefits and launching initiatives that focus on wellbeing in response to various circumstances in employees' private lives

The preliminary goal is to equalize the share of women with the share of men in management and to improve the sense of gender equality both in women and in men. In the last quarter of 2022 an internal survey was conducted on the perception of gender equality in the Group. The survey included 3 344 respondents, whereof 1 093 persons were in managerial positions and 53 percent of the respondents were women. The respondents graded 11 claims listed in the table below on a scale from 1 to 5. The results at Group level do not indicate any significant shortcomings in gender equality, with slightly higher grades given by men and persons

in managerial positions. The highest grades were given for the claim regarding alliance with women – female colleagues at work, while room for improvement is primarily visible with regards to careers, i.e. clearer advancement criteria. Major differences were not recorded among the data viewed by markets or by different Fortenova Group divisions, either.

**33 % of women in senior management**

### Average score of gender equality by sex and management category

Average grade	non-managerial	managerial	total	female	male
In my company, my career development is encouraged.	3,10	3,78	3,33	3,29	3,37
Within my company, the criteria for promotion are clear.	3,00	3,46	3,15	3,12	3,18
My company provides equal opportunities for advancement to men and women.	3,66	4,15	3,82	3,64	4,02
I am satisfied with my current position at work.	3,49	4,02	3,66	3,64	3,68
I am satisfied with the opportunities for advancement at work.	3,09	3,69	3,29	3,26	3,31
I am satisfied with the balance of my business and private life.	3,52	3,62	3,55	3,56	3,54
Male colleagues in my company support the equality of women in the workforce.	3,94	4,21	4,02	3,83	4,25
Managers in my company support female employees.	3,90	4,16	3,99	3,83	4,16
Managers in my company support women to the same extent as men.	3,89	4,19	3,99	3,83	4,17
I am a good ally to female colleagues at work.	4,30	4,48	4,36	4,25	4,47
Men in my company are good allies to female colleagues.	3,98	4,19	4,05	3,89	4,23

27 Agrolaguna, Belje, Dijamant, Eko Biograd, Konzum HR, Konzum BH, Mercator BH, Mercator SLO, Mercator SRB, Mercator EMBA, Mg Mivela, Sarajevski kiseljak, Tisak, Vinka, Vupik, Zvijezda HR, Jamnica HR, PIK Vrbovec HR, PIK Vinkovci

28 Data on the share of companies providing the above benefits, aid and paid leaves of absence can be found in the chapter ESG Data – Share of companies providing benefits, assistance in specific cases and additional paid leaves of absence

29 Data on the share of women in management can be found in the chapter ESG Data – Distribution of employment contracts by employee category

30 Data on the provision of training can be found in the chapter ESG Data – Training

**Living wage**

Social inclusion implies a salary sufficient to cover the costs of living. Fortenova Group has undertaken to systematically raise salaries in order for the lowest salary in the companies to reach a level sufficient for a decent life. In 2022 an assessment of costs of living on the respective markets was initiated in order to gain better insight into the current position and to plan activities for the improvement of the standard of living for employees and the entire community in which Fortenova Group operates.

The analysis of 4 500 jobs comprised the salaries of women and men by job type. The results of the analysis were not conclusive with regard to the differences as it was not established whether the differences found arise from objective factors such as years of service, turnover, number of people, number of shifts or non-standardized job titles. In 2023 further surveys will be conducted to establish the status of equality for each job position. Viewed with regards to the average salary for men and average salary for women, though, it was found that the ratio of salaries for men and women within the Group is 50:50.

**Social inclusion**

In 2022 the Group employed 1 333 persons with disabilities. Mercator IP is a Group company that employs the most persons with disabilities – 52 percent, while PIK Vrbovec and Dijamant have a sufficient number of persons with disabilities integrated within their collectives, in line with statutory provisions. In terms of inclusion of persons with disabilities, an analysis of the number of employees with disabilities was carried out and the human resources departments made inquiries with regard to the legal possibilities of including persons with disabilities into work collectives, as a basis for further activities. Meetings were held with associations that protect the interests of persons with disabilities and collaboration was offered to them. The Group is committed to providing conditions for a higher inclusion of persons with disabilities into its companies and hence initiatives were proposed to achieve their greater inclusion in accordance with the legal provisions on the markets on which the respective companies operate.

Some of the initiatives have borne results already in late 2022. Konzum HR, Tisak, PIK Vinkovci, Vupik and Jamnica HR closed procurement contracts for goods and services with companies predominantly employing persons with disabilities and have thus become eligible for exemption from or reduction of the obligation to pay a replacement quota. Zvijezda continued to foster the tradition of collaborating with the Association for Promoting Inclusion, through which it employs persons with intellectual

disabilities and Dijamant and Zvijezda traditionally collaborate with the Down Syndrome Association.

The company Mercator Serbia has become member of the **Proud at Work** network of companies, which advocate a full legal and social inclusion of all employees, regardless of their diversity. For next year, in collaboration with the Labris Civil Society Association, the realization of four themed workshops has been agreed: Stereotypes and Prejudice, Position of Women on the Labour Market, People with disabilities and Position of LGBT Persons.

**Work-life balance**

Group companies should distribute the employees' workload by organising work in a way that will allow for a balance between their professional and private life. Each company defines the work organisation and working time policies according to its specific needs and practices. Statistics and practices of many companies in the surrounding have shown that a large number of employees opt for working from home as a benefit that they expect from their employer. In line with the trends, a survey was conducted among HR directors of the operating companies

about preferences in choosing a work model that would provide for a better balance between work and free time and achieve the effect of employee satisfaction, while appreciating the specific needs of operating and production processes. In 2022 the model of working from the office was retained, but with an individual approach to employees with family or personal needs to work from home. According to the results of the survey, the model of flexible working hours, which scored a grade of 3.83 in 24 large companies, is applicable in most companies, and the question to what extent flexible working hours would affect employee satisfaction scored a high 4.38.

**Right to maternity, parental and paternity leave**

All Group employees, regardless of sex and country of operations, are entitled to maternity, parental and paternity leave in accordance with the applicable legal regulations. In 2022 an analysis was made of the status of returns from and continued use of leaves related to childbirth for women and men, which has shown that the benefits provided by the company are consistently conducive to starting a family and enable the exercise of rights in that area. In all companies fathers are entitled to a specified number of days of leave of absence due to childbirth.



### Improvement of employee experience

The improvement of employee experience is an area that responds to formal and informal needs of employees and access to such improvement is formed at company level. In 2022 the companies have recognized that employee experience is improved through particular focus on a proactive approach based on feedback from the corporate climate and culture survey, additional investment in communication channels among colleagues, in health and education, invitations to workshops promoting new mindsets and participation in welcome programmes and programmes intended to foster team spirit.

Jamnica HR and Sarajevski kiseljak have with their employees participated in river bank cleaning and forestation drives. A few years ago Konzum HR founded a hiking club with an ever growing number of members who regularly spend weekends in the mountains together with their families, and other Group employees are welcome to join them. The companies support different sport clubs in which their employees are active, as well as sporting events organised by trade unions for their members, employees of those companies.

Particularly standing out in terms of improving the experience of employees joining the company is mStart HR, which introduced the mentorship programme Buddy and creative materials as a welcome gift under the title **mStart Welcome Cookbook**. Many of the companies and Fortenova grupa d.d. have organised gift packages for employees whose children have started school, provided the parents with a paid day off on the first day of school and a Christmas show for employees' children with gifts from Santa Claus and a photo for remembrance.

In May 2022 Konzum HR has conducted internal activities among employees organised by the HR Department under the title **To me you are THE BEST! (Ti si meni NAJ!)**. As part of the activities employees were asked to propose THE BEST colleague who in their opinion lives the company values and whose behaviour meets one of the required profiles: professional, initiator, righteous, team player. The profiles reflect the company values of professionalism, determination, integrity and teamwork and the colleagues have recognized them in a total of 235 special individuals. Out of 465 applications received in total, the employees with the most nominations and the nicest stories written about them were singled out and the most significant representatives, as selected by their colleagues, were rewarded.

The **My Idea** programme, initiated in June 2020, was continued. By the end of 2022, 1 132 employees took part in the project with 1 420 ideas related to the improvement and enhancement of everyday work and tasks in their work environment. In 2022, 421 ideas were proposed and 342 employees were involved in the project. Each company selected the best ideas of all in regular quarterly cycles and hence 50 ideas proposed by employees were awarded at Group level. Out of the 50 rewarded ideas, 30 have been successfully implemented. It is planned to increase the number of ideas implemented, and the action plan envisages to additionally encourage innovation and support company development plans.

### Feedback and performance evaluation

Receiving feedback is important for a positive employee experience, particularly in the light of expressing clear expectations and goals set. Performance evaluation is one of the tools to exchange updated feedback and serves as a basis for continuous improvement and motivation. At Group level, 36 percent of employees have received a performance evaluation, where evaluation was provided to the majority of senior and middle managers, with shares of 89 percent and 73 percent, respectively, and regarding line management and other employees, performance evaluation has been received by approximately one third of them, with respective shares of 44 percent and 34 percent.<sup>31</sup> The new digital system, which among other functions

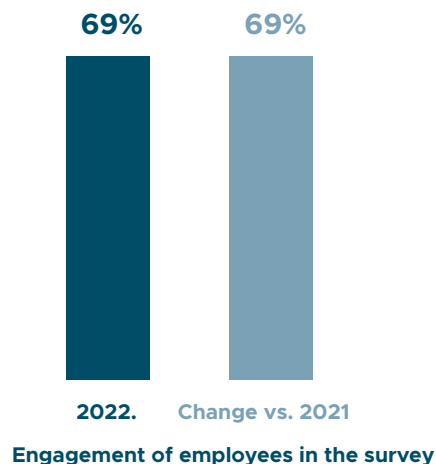
also enables talent management, will contribute to the quality of performance evaluation in 2023.

### Corporate climate and culture

The corporate climate and culture survey is conducted once a year, and in 2022 the questionnaire was filled out for the fourth consecutive year by 30 189 employees from all Group companies. The results of the survey provide insight in the status of corporate culture and climate and the degree of development of common values in the Group. In comparison to previous years, the rate of return grew significantly and amounted to 72.4 percent, with the highest response recorded in Tisak, Roto dinamic, Konzum BH, Vupik and Zvijezda. The average result in all corporate culture and climate dimensions has grown for the fourth year in a row, having reached an average of 3.45 on a scale from 1 to 5 in 2022. Like in previous years, the dimensions of management and organisation received the best grades from Fortenova Group employees, while the degree of contentment is the lowest in the dimension of salaries and benefits.

The operating companies have prepared initiatives based on the results received in order to improve the working and workplace conditions, which were graded lowest by the workers. Among the common goals of all company managements is the maintenance and improvement of results as a goal that is being monitored and evaluated. The results of the survey are shown in the table below.

### Results of the corporate culture and climate survey



● 2022. ● Change vs. 2021

<sup>31</sup> Performance evaluation data are provided in the chapter ESG Data: Number and share of employees who received performance evaluation.

# Local community



Fortenova Group recognizes and accepts its role and responsibilities in the local communities in which it operates. It sees opportunities for continuous improvements in the local community relations, for working on improving the quality of living in those communities and on contributing to their economic growth. The companies' commitment to building relations with the local communities is primarily reflected in the strict adherence to applicable laws and regulations and in building all relations based on mutual trust, transparency and honesty, as well as in the establishment of a constructive and open dialogue with the representatives of all groups of their stakeholders.

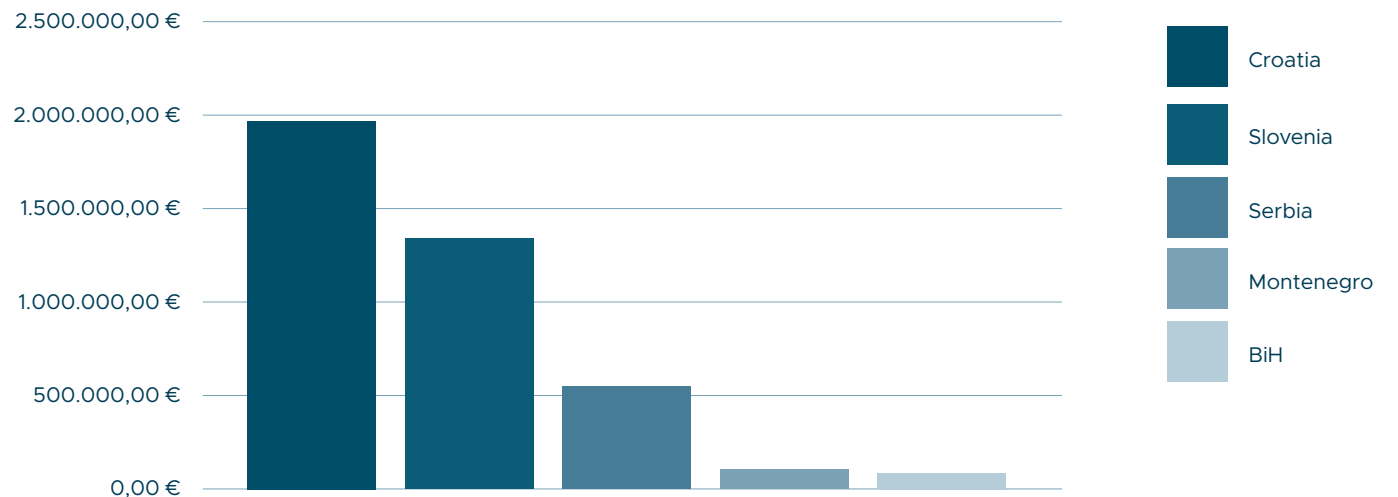
By designing and implementing appropriate socially responsible programmes and policies and participating in common partnership projects with the local communities, the Group exerts efforts to improve the various aspects of life in the local communities – from civil and social to environmental and cultural.

The contribution to economic growth and increasing standards of living is also visible in the design and maintenance of auspices and sponsorship programmes that drive and strengthen the civil society in local communities.

### Projects, donations and sponsorships focusing on local communities

Over the course of 2022, Fortenova Group invested **EUR 4.1 million** in donations and sponsorships (including in-kind), which is an increase of 10 percent compared to 2021. Around five percent of the overall budget was directed to more than 90 projects related to the local community. Out of the total amount, EUR 3.6 million were invested in sponsorships and EUR 0.5 million in donations. The Group supported over 40 humanitarian activities, more than 50 projects focused on socially sensitive groups and more than 60 cultural projects. By individual markets of operations, the majority of the investments, or 48 percent, took place in Croatia.

### Sponsorships and donations by country of operation



### Promoting diversity in the society

One of the interesting new equality-promoting projects in Croatia that Fortenova grupa d.d., Jamnica HR and Konzum HR have joined is the initiative *TRGni se za ravnopravnost* (Equality SQUAREd). It is intended to raise public awareness about the problem of gender inequality in street names, with numerous activities designed to demand for an increased number of streets and squares in cities across Croatia to be named after women.

The project has started on one of the most famous and most frequented squares in Croatia, *Trg hrvatskih velikana* (Great Croatian Men's Square), which also symbolically strongly emphasizes the gender (non)representation. The initial idea is to divide the square in two halves, one of which would still be named Great Croatian Men's Square, and the other would be named Great Croatian Women's Square (*Trg hrvatskih velikanki*), with an important part of the Equality SQUAREd campaign also being the signing of a petition, which has continued in 2023.

## Support to vulnerable groups

In the context of promoting diversity and inclusion within the Group and in the entire society, the Group and its companies with their activities support the most vulnerable groups in the community.

Below are the examples that the Group is most proud of.

### Collaboration with the Croatian Paralympic Committee

Around 15 percent of the global population live with disabilities, which makes them the world's largest minority. However, in discussions on measures to drive diversity and inclusion in the workplace this fact is neglected and persons with disabilities daily experience inequality in exercising their basic human rights. A stronger inclusion of all persons, including those with disabilities, into all segments of social life – including sports – was the motivation for Fortenova Group's collaboration with the Croatian Paralympic Committee (*Hrvatski paraolimpijski odbor*, HPO), whereby it has acquired the status of a friend (*Amis*) of the Croatian Paralympians until Paris 2024. Fortenova Group employees will also be the first participants of HPO's project "Rendezvous with the Paralympians", as part of which they will have the opportunity to hear the Paralympian women and men and take part in the specifically created *qohubs* online workshop on the topic of diversity and inclusion. The workshop has been specifically designed to question existing paradigms, change

perspectives and rethink the potential of including persons with disabilities into everyday activities, thus contributing to mutual understanding which is key to the creation of equal organisations and a more equitable society. Additionally, it can teach us how to surmount obstacles and focus on abilities and not on shortcomings, which – if applied as a functioning pattern to organisations – can contribute to creating added value for any company.

### Projects with Down syndrome organisations and support for blind and visually impaired persons

Through their collaboration with Down syndrome associations the companies Zvijezda HR and Dijamant have in their local communities symbolically tied their social responsibility with the sunflower as a common identification sign for companies whose products are made of the heart of the sunflower and for persons with Down syndrome (Sunflower Children). This collaboration has resulted in the development of a number of projects intended to help raise public awareness and provide concrete help to persons with Down syndrome.

As part of its 100<sup>th</sup> anniversary celebration seven years ago, Zvijezda HR initiated this valuable collaboration with the Croatian Down Syndrome Community as the umbrella organisation assembling eight Down syndrome associations. Those associations daily take care of more than 500 protégés, striving to promote the integration, equality and right of choice for the Sunflower Persons through a number of activities such as courses, lectures, workshops, consultations, therapies and different projects. They use donations, like that from Zvijezda, to finance activities like art, music and culinary workshops, pay for pool exercises for babies with Down syndrome and co-finance services provided by speech therapists, rehabilitation and work therapies and the printing of educative materials.

Furthermore, Zvijezda has organised a humanitarian drive and donated the funds collected to the Guide Dog and Mobility Association for the purpose of training a therapy dog. The dogs that undergo such training are involved in rehabilitation programmes for blind persons and persons with other disabilities as well as for children with developmental difficulties.

Similar to Zvijezda HR, with the campaign "Follow the Sunflower" Dijamant has initiated a collaboration with associations of persons with Down syndrome in Serbia and in striving to educate and sensitise the public on that topic, Dijamant has shot a video-spot conveying an important message: "We are more alike than we are different". Dijamant has started that campaign in

2021, and apart from cash donations it has also organised creative workshops for people with Down syndrome. The collaboration has been continued for the second consecutive year. At the same time, all of the company's digital communication channels contain videos introducing people with Down syndrome, which are intended for people to get to know and accept vulnerable groups and to sensitise the community to help them.

Zvijezda HR has proved to care for vulnerable groups in the local community by supporting social entrepreneurship, too, where its donations have resulted in measurable market effects and new employment. In particular, as part of its collaboration with the Zagreb Association of Blind People and their company Sfera Visia, which employs blind and visually impaired individuals, Zvijezda HR donates the required annual quantity of raw material for the manual production of hard and liquid soap to the production facilities of the company Sfera Visia and this project was continued in 2022 as well. Olive, sunflower and coconut oil produced by Zvijezda HR are used in the manual production of soap as part of the project "Soaps with dots". This social entrepreneurship project of the Zagreb Association of Blind People intended for blind and visually impaired individuals has been recognized and initiated by the Cloak of St. Martin Social Services Cooperative and the support provided to the project is an active contribution to employing blind and visually impaired persons.

In 2022 PIK Vinkovci continued the cooperation agreement with integrative workshops in Croatia employing people with disabilities (not less than 40 % of the total workforce). Those workshops produce different types of work clothing and footwear or provide printing services, regularly purchased by PIK Vinkovci.





#### Support projects for vulnerable social groups – children and young people

Fortenova Group companies support vulnerable social groups through various projects, such as donating funds to help the diseased or helping children and young people without appropriate parental care. Also, through various projects focusing on children and young people, the Group encourages the development of creativity among young generations, connecting them with new knowledge that focuses on environment protection and the importance of healthy and balanced food and waste reduction.

#### Below are some of the projects that have marked the year 2022:

Mercator Slovenija has two projects involving children, which have had multiple beneficial effects in the society and they were both realized in collaboration with suppliers. In one of the projects the company has through the Lumpi Club invited children aged 4 to 10 to help the company create a new generation of Lumpi characters in a large and fanciful competition. Namely, together with the suppliers who have for the purpose of the project given up all the recognizable elements of their brands, Mercator has created white packagings as a unique blank canvas for children's creativity and the kids came up with more than 1 000 drawings, out of which the expert committee selected five original proposals for five characters that have become the new Lumpi club faces. The mission of these new characters from the children's imagination is to drive children's creativity in an innovative way, as well as to invite the youngest customers to create, build and assemble with them instead of throwing the packaging away. Thus the little ones together with their parents

learn in an innovative way that recycling can be fun, too.

The Little Chef of Slovenia project has on its part beaten all the viewing records on one of the national TV stations. This most popular children's culinary competition, that has in 2023 started for the fifth year in a row, has so far included over 1 000 children aged 8 to 15 from over 400 elementary schools. Apart from entertaining whole families (the fourth season reached 685 000 families), activating customers and suppliers – each year over 50 supplier brands join in, integrated in the cooking and the recipes and connected to the customers voting for their favourites – the project also accomplished the key goal of raising awareness of the importance of nutrition among young people. The activity also involves the broader community and schools, which together with Mercator co-create the story that has won awards of the International Jury of Media Associations, the Slovenian Advertising Festival and Effie Slovenia.

In October 2022 Fortenova Group has undertaken additional activities in contributing to the improvement of standards for children and young people by starting a cooperation with the UNICEF Croatia office. It has provided support to the programme Children's Friends Club for medium and large companies, where around 50 representatives from 16 Group companies attended the education under the title "Integration and improvement of business policies and practices on children's rights" and a series of educational lectures intended for working parents was held to improve parental practices.

The Group proudly highlights to have connected the internal corporate culture and climate survey with social responsibility for those in greatest need in the community. In particular, as part of its internal survey on employees' satisfaction with the corporate culture and climate, Fortenova Group has for the fourth consecutive year donated to SOS Children's Villages in Croatia, Serbia and B&H, and for two years also to other selected associations taking care of children without appropriate parental care in Slovenia and Montenegro. In 2022 more than EUR 30.000 were donated on a total of five markets.

By filling out the questionnaires the employees have thus in 2022, like in the previous surveys, taken part in collecting funds to be donated to the children in SOS Children's Villages in Croatia, Bosnia and Herzegovina and Serbia, the Young People's Friends Association in Slovenia and the "Children of the Street" project in Montenegro.

In 2022 Jamnica HR initiated the collaboration with the Open Media Group, an association helping young people without appropriate parental care in finding their first job after leaving social care institutions. The Association organised a business speed-date for employing young people, with Jamnica HR having taken part as well. The company also pursues a project of donating funds for a mural for the needs of the "Our Children" society in Jastrebarsko.

In 2021 Mg Mivela launched the drive "From the heart for Tiršova", where from each bottle sold one dinar was donated for the Cardiology and Cardiac Surgery Department of the Tiršova University Children's Clinic. The company has also donated tablets for the children from the Children's Inn Belgrade (*Svratište Beograd*). The Inn helps children aged 5 to 15 who are, due to their lifestyle, exposed to multiple risks and live or work in the street and enables them to spend the day in a safe and encouraging environment instead in the street.

For the second year in a row Konzum HR has in collaboration with MultiPlusCard carried out the drive "The best Christmas is when we make gifts together" and collected a total of EUR 72,958.07. Out of that amount Konzum HR donated over EUR 26.500 for as many as ten organisations and associations helping children, families in need, the elderly and the infirm, as well as abandoned animals. Added to that amount were additional donations made by MultiPlusCard members, who collected more than EUR 46,000.

Mercator Montenegro continuously helps socially disadvantaged families via the charity broadcast *Dnevnica*, within the scope of which more than 200 families received appropriate aid over the last eight years.

## Projects supporting young people's education and professional affirmation

There are different projects through which Fortenova Group companies provide support to young people's education – from scholarships to equipping specialized classrooms and purchasing equipment for teaching purposes.

Belje pursues a specific mentorship and practical education programme, so far attended by around sixty students and scholarship recipients, which was continued in 2022 by signing four new scholarship contracts for students who have at enrolment in the schools selected to pursue their practical training on the farms of Belje.

Based on the company's collaboration with secondary agricultural schools from Beli Manastir and Osijek and the scholarships provided for some bottleneck occupations, as well as the initial efforts to introduce majors in bottleneck occupations at the school in Beli Manastir, Belje plus received the runner-up award for best regional practices at the 10<sup>th</sup> HR Practical Training Conference under the title "Be Agri Future".

Mercator Slovenia and Mercator Montenegro (CG) have continued to open, i.e. help in equipping classroom stores, where students acquire practical knowledge in retailing, while having the opportunity to learn more about sales skills and retail chain operations from experts and teachers from Mercator. Mercator has thus helped in equipping 11 stores across Slovenia, and along with the new equipment for professional education provided to the Secondary School of Economics and Hospitality in Bar, Mercator-CG helped equip the practical education classroom at the Nikšić-based Secondary School of Economics and Hospitality, too.

Mg Mivela on its part helped renovate the IT classroom at the J.J.Zmaj Elementary School in 2022 and secured 21 tablets for children of the schools in Tobolac and Velučje, which will facilitate the learning for children and everyday work for their teachers. Dijamant, on the other hand, has a special campaign called "Young Pastry Cook", intended to educate and motivate future pastry cooks to engage in the confectionary industry and to promote the confectionary trade.

The interesting project for young people pursued by Sarajevski kiseljak involved students of the academies of fine arts from Sarajevo and Banja Luka, who had the assignment to design new



limited-edition labels for the bottles of Sarajevski kiseljak. The project was intended to provide students with the opportunity to experience work on developing the design for a product that is present on the market and demonstrate their skills, thus getting the opportunity for affirmation in the business world while also showing the results of their work to the broader community that consumes the product on a daily basis.

## Projects encouraging environment protection

By installing smart recycling devices in 2022 Sarajevski kiseljak and Mercator-S implemented projects focusing on environment protection and waste reduction in the local communities. Sarajevski kiseljak has thus, in collaboration with a local retail chain and a management service provider for packaging and packaging waste, by installing the recycling devices initiated a pilot-project called "Recycle and Donate". The technology of the recycling device enables it to recognize the waste type, accept and store it and to evaluate the amount of the waste,

which is then directed as a cash donation to the "RUKE" (Hands Association) and the organisation "Pomozi.ba". Similar devices, smart presses, have been installed by Mercator in collaboration with partners on 10 locations in Belgrade and Zrenjanin. Via application the presses can be connected to other smart devices and users can thus collect points that can be exchanged against discount coupons for a product of their choice, and the amount of the discount depends on the number of points.

### Corporate giving strategy goals

Via its corporate giving strategy the Group plans to additionally direct resources towards activities and projects that result in generating the greatest positive impacts and bring numerous common benefits and contributions to both communities and companies. The Group believes that only such an approach can contribute to creating trust, positive reputation and openness of new stakeholders to cooperation and preventively address potential misunderstandings and negative impacts on the society and the environment.

The companies' impact in achieving common goals of social and environmental sustainability, particularly in the context of global Sustainable Development Goals (SDG) is thus additionally strengthened.

# Product quality, safety and sustainability

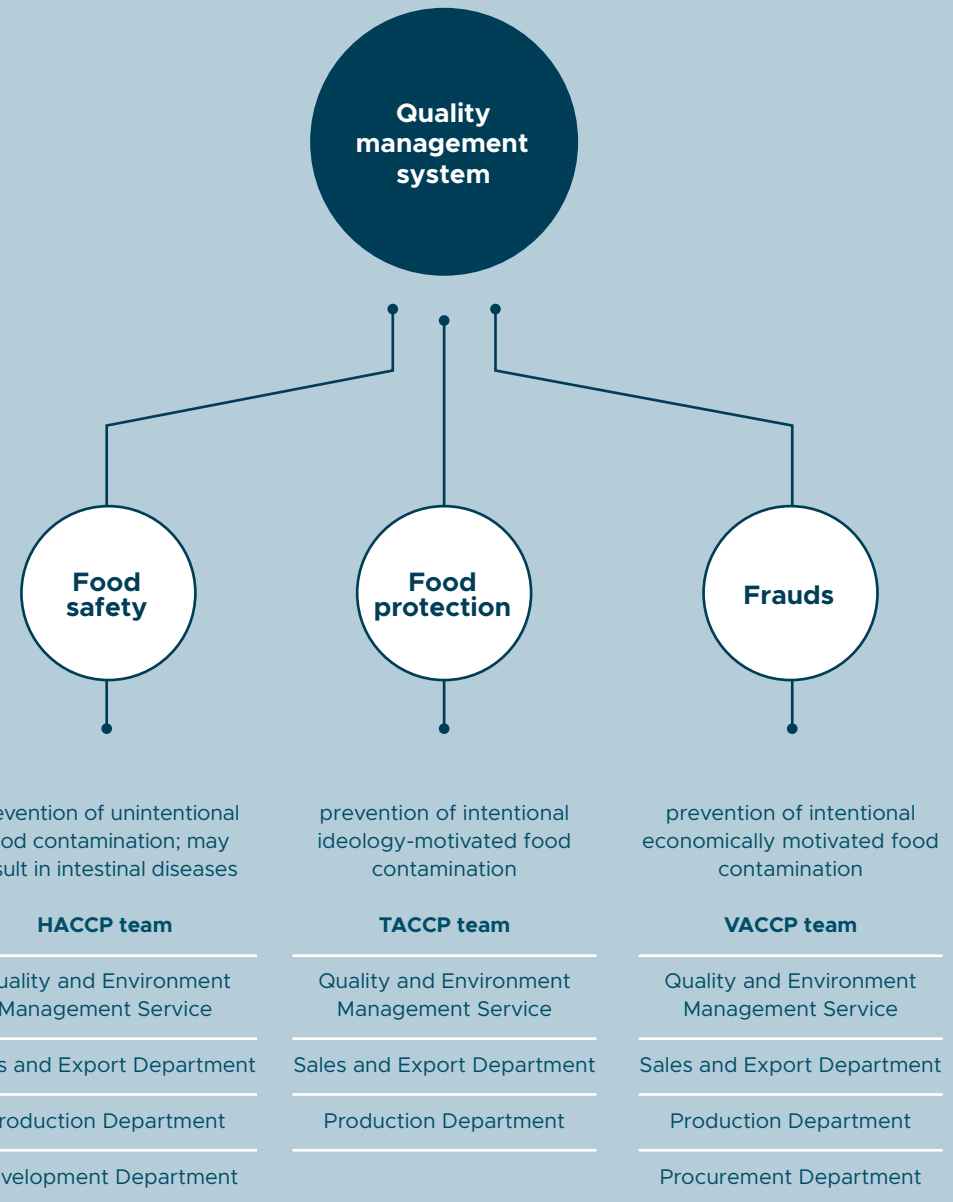
Fortenova Group has a broad range of product categories that it produces and places on the market via its retail business – from primary products and processed raw materials to finished products offered to consumers in retail. The high level of product quality and product safety are the highest priority, and it is also of exceptional importance to achieve consumer satisfaction and welfare by investing in the relations with consumers and finding out their views and preferences. Fortenova Group’s motto is to treat each consumer with due care, in a friendly, prompt and comprehensive manner in order for the relationship with them to be based on mutual trust, with the highest level of product quality and safety.

Therefore a strict framework of securing the quality and safety of the Group’s raw materials and products has been established, with standardized policies and procedures applied across its businesses. In the food and retail companies the effect that the Group’s products and services have on customers’ health and safety is assessed at each stage of the process – from developing the product to placing it on the market.

Quality control at the Group companies is organised as part of the quality management system, the backbone of which are the strict adherence to the legislative framework and health safety standards, the continuous monitoring of production processes, investments in research and development and continuous improvements of management aspects. The quality management system is implemented in three areas: food safety, food protection and food fraud.



The graph below shows the main activities, departments and teams in all three areas:





## Food safety culture

The food safety culture within the Group is implemented through education and day-to-day employee engagement. It is based on common values, beliefs and standards that affect the mindset and behaviour when it comes to food safety in the organisation. This behavioural approach has many elements, from systems that are used to encourage employees to strongly assume responsibility in processes, securing relevant competencies and regular employee educations to analysing risks and focusing on the availability of tools and information for a high-quality and consistent implementation of processes related to food safety. In 2022 a questionnaire was distributed within this system intended to analyse the feedback on food safety culture. The outcome of this exercise is a new food safety culture scoring model in the areas of strategy, education, communication, efficiency and risk awareness. The model is accompanied by a communication and education plan to encourage desired practices and align the food safety culture with the overall company culture.



### Educations

The education of employees and management regarding customer safety and health is intensively pursued, both internally and externally. Particular attention is paid to recording incompliances of products and processes, for which the causes are carefully examined, with risk mitigation and prevention measures adopted based on the results.

Over the course of 2022 Fortenova Group's Internal Food Safety Audit held educations and trainings for the employees of its operating companies in the segment of food quality and safety on the following topics:

- Importance and methodology of product and supplier risk assessment
- Assessment of food fraud
- Importance of supplier audits
- Covid-19: implementation of remote audits
- Codex Alimentarius – General Principles of Food Hygiene 2020
- Food safety culture in the organisation
- Allergen management
- Novelties in EU legislation:
- Consumer Protection Act
- Allergen management
- Food Contact Materials Act
- Water for human consumption.



## Health safety analyses and inspections

Besides in the internal production labs, all Fortenova Group's products and raw materials are also analysed in authorised accredited laboratories. Internal labs control the production, raw materials and the hygiene of processes and employees by way of microbiological, chemical and physical analyses. Analyses are also conducted with regard to the organoleptic features of food to check its appearance, quality, taste, scent and other parameters in accordance with the manufacturer's product specification. The retail companies Konzum and Mercator carry out analyses within their own organoleptic laboratories. An overview of the analyses and testings conducted in 2022 at Fortenova Group level by purpose of the testing is given in the table below. Worth to be singled out is Mercator SLO, which conducted 1 235 analyses in meeting the specifications of the *Izbrana Kakovost!* (selected quality) certificate in its internal fruit and vegetable quality control lab, thus having confirmed the quality and safety of its products.

Apart from the internal analyses, customers' safety and health are also protected by inspections in the areas of food safety

and quality and consumer protection. In 2022 Group companies were subject to 4 282 inspections by the State Inspectorate. In less than 2 percent of the inspected cases irregularities were detected that resulted in a fine or warning. In total, 120 cases of non-compliance with regulations were recorded, whereof 79 cases resulted in a warning and 41 cases were subject to a fine or penalty. For each detected non-compliance corrective and preventive measures were taken in order to prevent such non-compliances from happening again.

**1 090 501**  
*product health safety and quality analyses in internal laboratories*

Analyses and tests	2022
<b>Number of product safety and quality analyses performed in Fortenova Group's internal laboratories</b>	1 090 501
<b>Number of product safety analyses performed in accredited external laboratories</b>	162 978
<b>Number of internal organoleptic tests of food and non-food products</b>	70 209


## Product and service labelling

Each year Fortenova Group launches new products and performs numerous improvements on the existing ones. Group products bearing sustainable development characteristics fall within the *Better-for-you* category, which includes products that are better than their traditional equivalent, with a view to contributing to consumer health and promoting raw-materials from sustainable sources. The Group has systematically invested in the development and extension of the *Better-for-you* product portfolio, and an overview of significant contributions to sustainability in the categories of product declarations, product improvement and new product launches that contribute to sustainable development and consumer health goals is stated below.

All Fortenova Group's food products are labelled in compliance with the Regulation (EU) No. 1169/2011 and other relevant national regulations. Within Fortenova Group internal experts, supported by the services of renowned authorized verification companies specializing in labelling compliance, are responsible for preparing and ensuring compliance of label declarations on all markets where the Group operates.

Besides basic information, the declarations and packaging of the Group's products feature valuable information for the consumer and the environment<sup>32</sup>. Basic information shows the food business entity or the consumer how to prepare, display, store and use the product in a safe and correct manner, but also provides information on additional values as shown in the table below.

The companies strive to implement best practices in product labelling with a view to achieving transparency and functionality, which in communication with the consumers contributes to healthier habits of the population and to the quality of living for people with diet restrictions. All products feature instructions for use and many also the recommended intake and the share of nutrients. Several companies stand out in their labelling practices. In the food processing industry, PIK Vrbovec provides information on processed meat products on the absence of flavour enhancers, artificial colours, gluten and soya. Zvijezda HR highlights the absence of specific additives, such as preservatives, emulsifiers, added colours or hydrogenated fats, while Dijamant points out that the respective product is free from preservatives, gluten or flavour enhancers and they also make claims on the recommended daily intake of vitamins and other claims on a specific product's health benefits. Health claims on the packaging of integral

Basic product labelling information	Information on additional value of the product
<ul style="list-style-type: none"> <li>· Storing conditions</li> <li>· Nutritional value</li> <li>· Allergens</li> <li>· Shelf life</li> <li>· Product features, including specification and ingredients of the product</li> <li>· Hazard pictograms</li> <li>· Information on origin, producer and importers</li> </ul>	<ul style="list-style-type: none"> <li>· Functional and health claim features of <i>Better-for-you</i> products</li> <li>· Certificates of relevant trademarks</li> <li>· Packaging materials and information on recycling possibilities</li> </ul> 

crackers at Mercator SRB point out the absence of sugars and the high fibre content.

When displaying products in the Group's retail stores, particular attention is paid to proper, clear and legible declarations for products sold in bulk or at the gastro and bakery departments, which contributes to customers with diet restrictions finding the respective ingredients. In the Retail Division several companies have made health claims with regard to the product being a source of vitamins, a source of proteins or without added sugar. Mercator SRB and Konzum BIH apply higher standards in labelling private label products than those prescribed by the law and, unless in collision with the legislation of the Republic of Srpska, follow the EU legislation<sup>33</sup>.

Several companies also stand out in terms of **offering products with features that contribute to sustainable development** to their consumers. Dijamant and Zvijezda hold the RSPO<sup>34</sup> certificate for the procurement of sustainable palm oil, while the products of Mercator SLO and Mercator Emba bear the Rainforest Alliance certificate, that contributes to sustainable agriculture in the value chain, including the preservation of biodiversity and natural resources, as well as socially sustainable practices, verifying that no child labour is present on the farms, that ethical working conditions are provided and that the native inhabitants'

rights are respected. PIK Vrbovec HR provides voluntary designations of packaging material types and pictographic instructions on how to dispose of and recycle the packaging material.

The retail companies prevent food waste by highlighting that a product's shelf life is about to expire and by reducing the prices of such products. For some private label products the features of packaging with reduced environmental impact are declared – for example a list of primary packaging materials, packaging produced of recycled materials, 100 % made of paper or of sugar cane.

In the reporting period there were 43 cases of non-compliance with regulations related to product or service data and labelling for which monetary fines were imposed and 154 cases that resulted in warnings. The cases were mostly related to missing data on the product declaration or the cleanliness of a part of the store, such as a shelf or the floor. Some of the infringements were related to shelf life, changed organoleptic features of the product or non-compliance with specific regulations related to food and other products. Certain measures resulted from inspections intended to control the adherence to anti-epidemic measures and sanitary-technical and hygienic conditions and resulted in the need to remedy various types of damages through appropriate education of employees.

<sup>32</sup> The companies PIK Vinkovci and Vinka as producers of primary agricultural products and vegetables are exempt from the obligation of detailed labelling.

<sup>33</sup> Additional benefits and the European declaration standard apply in most cases at Mercator SRB and Konzum BIH, unless they are in collision with the legislation of the Republic of Srpska.

<sup>34</sup> Roundtable on Sustainable Palm Oil

## New product launches and improvements of existing assortment

During the reporting year the possibilities were assessed for a systematic introduction of requirements to procure raw materials from sustainable sources and the work on imposing additional requirements on the raw materials and packaging supply chain continues in 2023.

The year saw numerous new product launches from the health food line, i.e. *Better-for-you* products, as well as several products where the environmental impact has been reduced due to the characteristics of the selected or changed packaging. The Rainforest Alliance certificate is held by two newly launched products and in 2022 a new product with Carbon Trust™ certified packaging was introduced as well.

Mercator Emba eliminated barley malt with a specific natural flavour from a product for the customer McDonalds in order to obtain a gluten-free product. It also launched a new product, **BenQuick extra dark hot chocolate** 10X25g, for the preparation of a thick hot beverage with reduced sugar content and a high cocoa content (45 %). In accordance with the Regulation 1924/2006 the product bears two nutrition claims: *30 % less sugar compared to BenQuick dark hot chocolate* and *rich in fibres*. The product is a good choice for consumers who are aware of the importance of a healthy diet and avoid or limit the intake of sugar. The product **BQ selection instant cocoa with coconut sugar** contains and declares cocoa with Rainforest Alliance certificate. The type of packaging material for the product **BenQuick stick pack** for portion-packed products has been changed. The new packaging has a reduced weight and is easier to recycle.

Mercator SRB holds a certificate for fresh **organic fruit and vegetables** issued by TMS CEE.

Mercator IP launched 24 new products of the **Minute** brand from the *Better-for-you* category. The products are from the categories of ready-to-serve meals, sandwiches and salads and have a high content of proteins and fibres and the offer also includes vegan products. In order for the customer to recognise the benefits, some products feature the traffic light label communicating their energy values.

Within its **Bio Zone** brand Mercator SLO launched a new sugar-free product – **Oat Beverage**, which comes in a carton packaging with a cap made of sugar cane, whereby the carbon footprint of the packaging has been reduced by 20 percent. The existing five products of the same beverage brand have as well



been improved by the new packaging with sugar cane cap and all of the packaging bears the Carbon Trust™ certificate. The improved packaging for other beverages of the **Bio Zone brand – almond, rice and soya** – is made of 69 percent plant material.

All new private label products for which the packaging was introduced or modified in 2022, provide information on the origin of the main product ingredient. Seven new products with the Rainforest Alliance certificate were introduced in 2022 and five products were launched. All products in the **Active Zone** line feature an extended energy table. For most of the products of the **Garden Good line in the dry fruit and nuts category** the so-called traffic light label was introduced on the packaging providing additional information for the consumers on the product's nutritive quality.

Jamnica HR continued to work on its functional drinks, combining nutritive and technological solutions to provide health-beneficial features. In 2022 it launched three products from the *Better-for-you* category: **Toco multivitamin, Toco orange-nectarine-carrot and Toco red orange-avocado-beetroot**, with all products stating information about the recommended daily intake of vitamins and minerals.

Mg Mivela launched a new product as well, **Mg Mivela Imuno**.

Sarajevski kiseljak is the forerunner on the market with an additional pictogram on the cap and label, not prescribed by the law, regarding the tethered cap on the products **Sarajevski kiseljak and Sensation**. It has also improved the recipe for the product **Sensation lime kiwano**.

PIK Vrbovec HR launched 14 new products in the *Better-for-you* category: **Planet of Plants minced, Planet of Plants dumplings, Planet of Plants hot dog, PIK&GO meat sticks piquant, PIK&GO chips cracklings, Mediterranean turkey ham vac., Mediterranean turkey ham cuts, Galanta salami, Galanta salami cuts, Bella salami, Bella salami cuts, Pikola sausage, Slavona sausage, sausage for vegetable stews**. The year 2022 is also the second year of the *Clean Label* product, initiated in 2020 with a view to developing a processed meat product line with no additives, in collaboration with the Croatian Public Health Institute and co-financed with EU-funds.

Fortenova Group is getting prepared for a new generation of consumers who find it important to contribute to the mitigation of climate change with their eating habits or who are looking for an alternative to meat products, by continuing to develop the recognisable **Planet of Planet** product line of 100 % plant origin. Within this product line Zvijezda HR and PIK Vrbovec HR have developed products that are gluten and soya free and also feature instructions on how to properly dispose of waste.

## Introduced quality system certificates

In certification audits all Group companies have regularly scored high results and are proud holders of certificates in many areas: quality systems (ISO 9000/9001<sup>35</sup>, ISO 22000, FSSC 22000<sup>36</sup>, HACCP<sup>37</sup>, IFS<sup>38</sup> or SQMS<sup>39</sup>), good manufacturing practice (GMP+<sup>40</sup>), occupational health and safety (ISO45001<sup>41</sup>), information security (ISO 27000<sup>42</sup>), environment management (ISO14001) and energy management (ISO 50001<sup>43</sup>).

When it comes to ethical audits and certificates, the companies hold *Sedex Members Ethical Trade Audit* (SMETA) and GLOBAL G.A.P. *Risk Assessment on Social Practice* (GASP). In 2022 Zvijezda HR for the first time participated in the SMETA 4 audit, which has verified its high labour, health and safety and business ethics standards, additionally highlighting this aspect of the company's social responsibility. They have also verified the zero tolerance policy on human rights violation such as child labour and forced labour and the compliance with statutory labour standards, including restrictions of excessive labour and discrimination.

For the third consecutive year the company PIK Vinkovci has been awarded the GRASP certificate for responsible social practices in the production of fruit and vegetables, which is an external verification of workers' health, safety and well-being, and the assessment includes the

consistent adherence to national laws and the guidelines of the International Labour Organisation. The procedure specifically assesses the workers' voice, information on human and labour rights, indicators of human and labour rights and the protection of children and young workers.

Belje, PIK Vinkovci, Vinka and Vupik also hold the GLOBAL G.A.P. standard and the *Integrated Farm Assurance* (IFA), applicable to fruit and vegetables, aquaculture, floriculture, livestock breeding etc. This standard is also the basis for the GGN designation, a consumer designation for certified, responsible agriculture and transparency.

Mercator CG, which operates under the Idea brand, is Montenegro's first retail chain to hold the **Fair with the Consumer** certificate. The certificate is issued by the Consumer Protection Centre with a view to highlighting additional value in the area of consumer protection, including product safety, non-misleading advertising, personal data protection and consumer welfare in the area of addressing consumer complaints amicably. With this certificate Mercator CG proves that the company enjoys trust when it comes to managing employees' ethical concerns, social responsibility in providing IDEA Super Card services and marketing communications, as well as in managing environmental aspects.



35 Belje, PIK Vinkovci, Vinka, Vupik, Agrolaguna, Dijamant, Jamnica HR, PIK Vrbovec HR, Zvijezda HR, Mg Mivela, Mercator SRB, mStart HR, Energija Gradec

36 Vinka, Konzum HR

37 PIK Vinkovci, Dijamant, Jamnica HR, PIK Vrbovec HR, Zvijezda HR, Mg Mivela, LG Moslavina, Konzum HR, Mercator CG, Mercator IP, Mercator SRB

38 PIK Vrbovec HR, Konzum HR, Belje

39 Mercator EMBA holds this certificate verifying the high standards of the company McDonalds, a partner it has collaborated with for many years

40 Dijamant

41 Belje, PIK Vinkovci, Dijamant, PIK Vrbovec HR

42 Zvijezda HR, Konzum HR

43 Belje, PIK Vinkovci, Jamnica HR, PIK Vrbovec HR, Zvijezda HR, Konzum HR, Mg Mivela

# Supply chain

Fortenova Group's supply chain has a far-reaching impact on stakeholders and the environment and with its business partner practices the Group intends to realize a positive impact on the entire value creation chain. The Group is estimated to do business with more than 29 000 suppliers – from small agricultural producers and suppliers of raw materials, packaging and energy to suppliers of finished products sold through the Group's retail network and IT solutions and service providers.

Procurement management at Fortenova Group takes place in two key areas: procurement of merchandise for the retail business and procurement of other goods and services, where the latter is pursued according to the **Procurement Procedure**. In the Food Division the companies determine the procurement rules for raw materials that are subject to quality assessment as per legal provisions, but also of exceptional importance for the competitiveness of the products in the respective business segment.

The Procurement Procedure has been cascaded to the operating companies and contains guidance for operations in the procurement process, including the obligation to adhere to statutory regulations, principles of proceeding in the procurement process, the process of supplier approval and the obligation to report significant breaches. Employees taking part

in procurement processes are expected to apply transparency principles and ethical rules defined by the Group's Code and to approach potential suppliers in an equitable and unbiased way throughout the process of supplier assessment. The approval procedure prior to the commencement of the procurement includes obligatory decision elements such as criteria for supplier selection and planned deadlines. For key suppliers the operating companies are obligated to assess their performance not less than once a year, and they have to report any breaches of ethical standards, rules relating to employee health and safety, repeated breaches of contractual obligations or other ways in which damage has been inflicted on Fortenova Group, to the holding company's Procurement Department. In 2022 no breaches of the above rules related to procurement were reported.

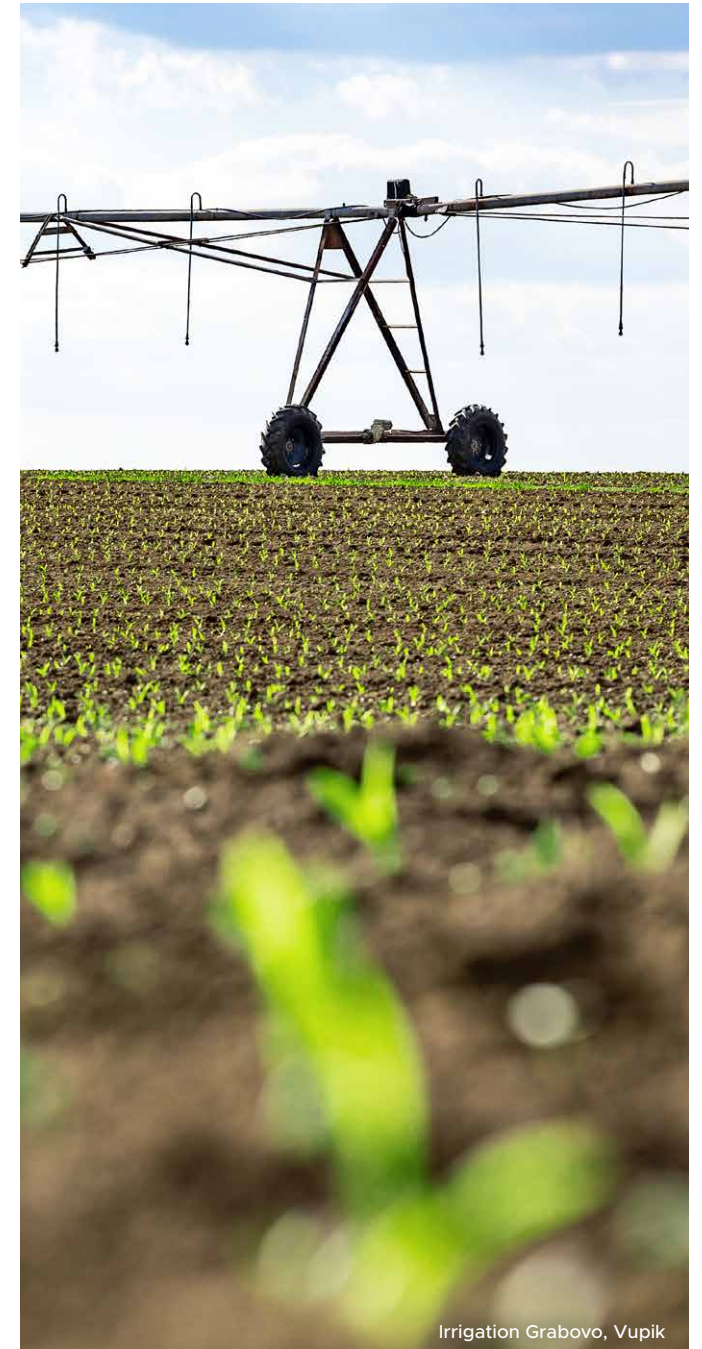
## Creating prerequisites for driving sustainable development through the supply chain

During the last materiality analysis the procurement area as a factor of the Group's sustainable development has been recognized as a topic of medium materiality, but its significance is expected to grow with new insights in the Group's impact on the region's socio-economic aspects. Given that Fortenova Group's sustainability journey is only at its beginning, the focus within the procurement process is on creating clear expectations and a structure for supplier assessment. Over the course of the year preparative activities started for the establishment of internal procedures and a system of supplier assessment according to ESG criteria, as well as the project of identifying areas with the most significant impact on the operations and the value chain and relevant ESG criteria that would, through the procurement process, drive indirect positive and reduce potential negative effects.

Although the system of supplier assessment by standardised sustainable practice criteria at Group level is only in the process of being established, there are eight companies<sup>44</sup> within the Group that already implement such practices. Those companies have recognized 581 Group suppliers as relevant for assessment by environmental criteria, where in 99.3 percent certain checks have been made but none of them resulted in negative environmental impact having been found nor has any of them led to termination of contract. Particularly standing out are the systematic checks conducted among the suppliers of PIK Vrbovec based on initiatives to purchase packaging with reduced environmental impact in terms of reduced quantities of plastic, cardboard and multi-layered packaging and optimising the number of deliveries and the footprint within Scope 3.

## Local procurement brings benefits for the entire supply chain

It is estimated that on average more than 80 percent of the Group's budget is spent on purchases from suppliers from the local region. With this practice the Group companies not only gain trust among their collaborators, but also reap numerous benefits of the short supply chain that provides for higher quality of food products and reduces the impact in creating GHG emissions within Scope 3. Local practices in retail and wholesale companies are part of the strategic market approach where numerous strong alliances and partnerships have been created, with the number of local suppliers actively growing. This practice has provided small suppliers with access to the shelves of the region's largest retail chains and the Group's retail and wholesale companies have extended the supply of local products for their customers.



Irrigation Grabovo, Vupik

44 PIK Vrbovec HR, Vupik, Zvijezda HR, Energija Gradec, Jamnica HR, Mg Mivela, M Energija i Sarajevski kiseljak



## Support for local producers

The role of Fortenova Group as food producer and retailer also comprises the promotion and strengthening of the economies in local communities and the care of consumer needs when it comes to healthier nutrition and fresh products. With that in mind, the Retail and Wholesale Division exerts efforts to support the local producers and offer its consumers the best local values.

Below are the shifts made in projects of collaboration with local suppliers in 2022. With its project **Najbolje iz Hrvatske (The best from Croatia)** Konzum HR in 2022 increased the number of stores where customers can find the product assortment of small local producers and family farms from 68 stores in late 2021 to 80 stores in late 2022 – which includes 57 stores of Konzum HR's largest format, Super Konzum, 12 Maxi Konzum stores and 11 small Konzum convenience stores. Compared to the year before, the total turnover in that category grew by as much as 31 percent. In late 2022 the assortment comprised as many as 330 different products from 62 producers, whose offer is promoted with attractive signs on the shelves and showcases and through all channels – in 2022 it was present in 20 regular brochures on the themed pages OPG – The best from

**Najbolje iz Hrvatske Konzum HR**  
– 31 % increase in revenue against 2021

## Radi imamo domaće Mercator SLO – main retail channel for 20 cooperatives and 160 local suppliers

Croatia (OPG: *obiteljska poljoprivredna gospodarstva* – family farms).

Through the brand **Radi imamo domaće (We love local)** Mercator SLO has connected local producers and processing companies across the country, and domestic products are given special attention at the store shelves. From the first initiative to offer customers as fresh as possible products of domestic origin from the nearby fields, orchards, vineyards and gardens, over time the project has gained national importance for the development of the domestic agriculture, has been diversified and extended and earned affection among the customers and in the industry. The concept was introduced in 2016 under the name “Local”, as one of Mercator's unique sales propositions. The brand not only collaborated with the local producers, but also supported Slovenian athletes and various local associations. At the time of publication of this Report, the “Radi imamo domaće” assortment includes a total of 1 500 local products and is present in 264 stores. Out of the 1 500 products, 96 are indigenous and more than 100 belong to the co-branding group. At the same time, in H2/2020 the co-brand **Radi imamo domaće – private label** was initiated, having started off with 56 products. In early 2023 the co-brand comprised a total of more than 100 products. *Radi imamo domaće* sales accounted for three percent of the total sales value in early 2023, with the *Radi imamo domaće* – private label holding a share of 16 percent in the sales of the *Radi imamo domaće* brand. *Radi imamo*

*domaće* has made it possible for Mercator SLO to become the main retail channel for 20 cooperatives and 160 local suppliers.

The project **Ukusi moga kraja (The tastes of my home region)** at Mercator SRB has provided small producers with the possibility of presenting their products on the shelves of large retail stores. The project was initiated in 2015 and has since then promoted authentic Serbian products produced according to traditional domestic recipes. In 2022 this product line comprised 188 products, and since 2021 it holds the designation of *Čuvarkuća 2021*, assigned by the Serbian Chamber of Commerce as part of the project “Created in Serbia”, which is primarily intended to provide support to domestic products and manufacturers, but also to educate consumers about the importance of buying such products and about their high quality and local origin. The designation is assigned to products that comprise at least 80 percent of domestic Serbian resources, including raw material, processing, labour, packaging etc. The share of that assortment has continuously been growing and accounted for 2.3 percent in the total retail value in 2022.



## Supplier assessment for raw material assurance purposes

In the global trading system the evaluation and selection of suppliers are exceptionally important in building a supplier portfolio with the best, low-risk offer. On the retail market Fortenova Group assumes the position of both buyer and supplier of goods and services. In its interaction with the business partners important for the retail network the Group is guided by the principles of impartiality, consumer satisfaction and transparent criteria under which it enters business partner relations with a view to exchanging goods of highest quality.

In its role as buyer, the Group investigates the suppliers' capacities, technological resources, delivery strategies and many other business practice aspects, including counterfeit control. In negotiations, priorities and benefits for the Group and its partners are aligned, while acting to the benefit of the consumers and sustainable development. Internal methodologies are applied to assess the risk of products, raw-materials and food product supplier risks in all food and retail companies. By this process the risks are brought down to a minimum and supervision is exercised in each phase of operations.

Within the regional retail network, a centralized quality criteria supplier assessment system has been established. Private label suppliers are being evaluated and are subject to audits on the local market, where they are expected to meet all statutory product health safety



and product quality requirements. The number of audits conducted in 2022 is shown in the table below. Apart from the health safety of raw materials and products, particular attention is paid to product, packaging and food contact materials quality analyses. This requires an intensive intersectoral collaboration within all Fortenova Group companies, while contributing to better synergy and efficiency in selecting suppliers and placing the products on the market.

The content of the required parameters and checks through supplier audits within the Group is standardized in the producer specifications and based on legal provisions, IFS guidelines and specific Group requirements. Private label producers are obligated to prove that they have implemented ISO 9000/9001, ISO 22000, HACCP or IFS or BRC standards and all other certificates that apply to specific product types, such as bioproducts or gluten-free products. Suppliers are also required to submit comprehensive documentation to verify product safety when delivering ordered raw materials or products, and all documentation is reviewed before putting the product on the market.

A growing number of Group companies introduce certificates that prove ethical and sustainable practices in the supply chain, with the following to be singled out: Belje, PIK Vinkovci and Vupik are members of the Donau Soja organisation, the goal of which is to strengthen the chain of sustainable GMO-free soya procurement in regions along the Danube river. Belje, PIK Vinkovci and Vinka have certified their products with the **GLOBAL G.A.P.** certificate with a view to improving the quality of food in a way that is sustainable and responsible towards the environment and the local communities in which they operate<sup>45</sup>. In addition, Belje, PIK Vinkovci, Vupik and Zvijezda HR hold the *EU International Sustainability and Carbon Certification* sustainable procurement certificates.

### Internal audits and audits of suppliers and customers in 2022

	Retail	Food	Agriculture	Total
<b>Number of internal audits</b>	1 503	132	140	1 775
<b>New supplier audits</b>	40	1	16	57
<b>Existing supplier audits</b>	283	8	609	900
<b>Number of customer audits</b>	2	28	7	37

<sup>45</sup> List of products with Global G.A.P. certificate: sour cherry, raspberry and apple – Vinka; wheat, barley, sunflower, soybean, sugar beet, corn, tomato – Belje; barley, wheat, corn, soybean, sunflower, cabbage, kale, leak, onion, melon, watermelon, peas, potato, sugar beet and sweet corn – PIK Vinkovci.



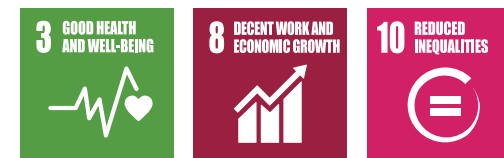
# 5. Corporate governance



**Fortenova Group consists of the parent (holding) company Fortenova grupa d.d. (“Company”) and operating companies. The governance of Fortenova grupa d.d. and its subsidiaries (“Group”) is based on statutory regulations, healthy business practices and general corporate governance principles.**

**Five principles of Fortenova Group’s Corporate Governance Code**

<b>Purpose</b>	Enables the achievement of operational purpose and goals
<b>Accountability</b>	Clearly defined roles and responsibilities/accountabilities
	Transparency of information on all important matters
<b>Integrity, honesty, transparency and stability</b>	Enables independent contribution in decision-making and diversity of perspectives
	Based on ethical business practices and honesty to capital holders and stakeholders
<b>Strategic alignment/ uniformity</b>	Facilitates effective formulation and implementation of strategy
<b>Organisational efficiency</b>	Supported by appropriate organisational structure, with checks and balance between controls and efficiency



**Company Assembly**

The General Assembly/Meeting is the Company’s only governing body the work of which is open to the participation of all holders of ownership stakes (shareholders). The main function of the General Assembly is to provide for the expression of will of the shareholders. Unlike the Board of Directors, the General Assembly is not a permanent governing body and is convened *ad hoc*, but not less than once a year. The General Assembly of the Company’s direct shareholder, Fortenova Group HoldCo B.V., is convened by written notification (invitation) published within the legal deadline before the day of holding the General Meeting. The Meeting of Depositary Receipt (DR) Holders of Fortenova Group STAK Stichting in Amsterdam, the Company’s ultimate owner, is held in the Netherlands either in person or by electronic means, and is convened via email notification containing data on the venue, date and exact time of holding the Meeting, sent to the DR Holders not later than 8 days prior to the Meeting.

Key decisions with a significant or important impact on the Company’s assets, financial position, operating result, ownership structure and management are made solely at the General Meeting by the stipulated majority.

Shareholders are allowed to participate and particularly to vote at the General Meeting by using modern communication technologies (e.g. by electronic means). The voting rights comprise all of the

Company’s shareholders other than those not allowed to vote due to sanctions, and the number of votes belonging to shareholders at the General Meeting is equal to the number of shares/ownership stakes they hold, regardless of the type of those shares/ownership stakes.

**Responsibilities of the General Assembly**

The General Assembly decides, among other matters, on amendments to the Articles of Association; change of registered seat or country of incorporation of the Company and any change in the Company’s form; merger, demerger, amalgamation or cessation of the Company; appointment and/or revocation of members of the Company’s Board of Directors, remuneration for their work and any other benefits (e.g. insurance) based on their position; appointment of auditors; increases or decreases of the Company’s equity capital; initial public offering of the Company; establishment of consolidated and stand-alone financial statements of the Company; giving approval on matters that require the approval of the General Assembly in accordance with the legal regulations or the Articles of Association; performs other duties that fall within the competence of the General Assembly in accordance with the law or the Articles of Association.

## Board of Directors

The Company is run by the Board of Directors.

The Board of Directors (BoD), acting jointly on a completely informed basis, in good faith, by applying due care and acting in the best interests of the Company and its shareholders, bears ultimate responsibility for the Company's success and the delivery of sustainable value for the shareholders. The BoD applies high ethical standards and where the decisions of the BoD may have different effects on different shareholder groups, the BoD treats all shareholders in a fair way.

The BoD is envisaged to consist of up to 9 (nine) members, whereof 1 (one) Member of the BoD is an Executive Director, who is appointed as Chief Executive Officer (CEO). Other members of the BoD are Non-Executive Directors, 1 (one) of whom is the representative of the Company's employees, in accordance with the binding provisions of the labour regulations.

Members of the BoD elect a Chairman and at least one Deputy Chairman of the BoD among themselves. The person who is also an Executive Director can be elected neither as the Chairman nor as the first Deputy Chairman of the BoD.

### Members of the Board of Directors

As at 31<sup>st</sup> December 2022 the Board of Directors acted in the following composition:

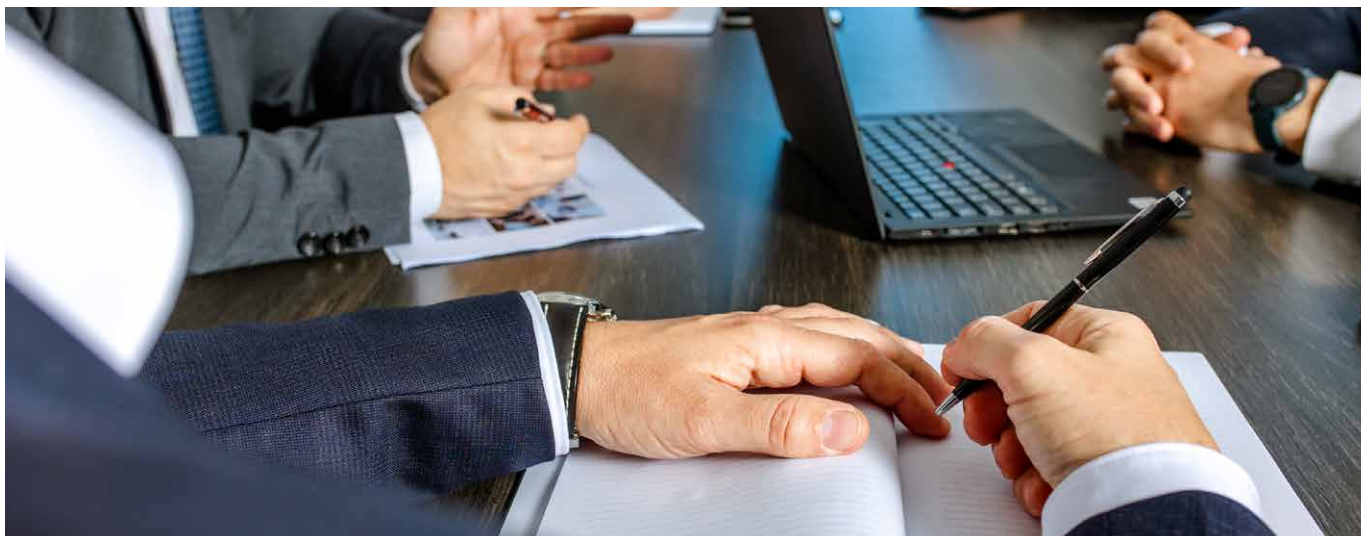
- Chairman of the BoD and Non-Executive Director Maksim Poletaev
  - Appointed by decision of the General Assembly of 24<sup>th</sup> December 2021
  - Born on 6<sup>th</sup> April 1971
  - Other significant positions: *Member of the Board of Directors of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan,*
- Deputy Chairman of the BoD and Non-Executive Director: Damir Spudić
  - Appointed by decision of the General Assembly of 17<sup>th</sup> March 2021
  - Born on 9<sup>th</sup> April 1982
  - Other significant positions: *Member of the Management Board of the company ENERGIJA NATURALIS d.o.o., Deputy Chairman of the Supervisory Board of Pevex d.d., Member of the Supervisory Board of LUKA PLOČE d.d. (Port of Ploče)*
- Member of the BoD and Non-Executive Director: Vsevolod Rozanov
  - Appointed by decision of the General Assembly of 10<sup>th</sup> December 2019
  - Born on 30<sup>th</sup> July 1971
  - Other significant positions: *Member of the Management Board of the companies Softline JSC; Whoosh Holding PJSC, Magnit PJSC*
- Member of the BoD and Non-Executive Director: Pavao Vujnovac
  - Appointed by decision of the General Assembly of 13<sup>th</sup> July 2022
  - Born on 20<sup>th</sup> December 1974
  - Other significant positions: *President of the Management Board of the company PRVO PLINARSKO DRUŠTVO d.o.o. and the company ENERGIJA NATURALIS d.o.o., Chairman of the Supervisory Board of LUKA PLOČE d.d.*
- Member of the BoD, Non-Executive Director and workers' representative: Ivica Mudrinić
  - Appointed by decision of the Workers' Council of 31<sup>st</sup> August 2022
  - Born on 28<sup>th</sup> October 1955
  - Other significant positions: *Founder and Director of the company MUDRINIC MANAGEMENT CONSULTING d.o.o., Co-Founder of the company HUB385, Member of the Board of Directors of the Rochester Institute of Technology*
- Member of the BoD and Chief Executive Officer: Fabris Peruško
  - Appointed by decision of the General Assembly of 2<sup>nd</sup> April 2019
  - Born on 19<sup>th</sup> September 1973.

### Principles of selecting Members of the Board of Directors

The basic criteria for selecting a new BoD Member make sure that:

- the structure of the BoD membership represents a combination of various types of knowledge and professional and practical experience, reflecting the balance of qualifications aligned with the structure and main operations of the Company;
- the members of the BoD are persons who possess appropriate personal qualities that reflect high moral standards and the readiness to take part in the activities and process of making decisions in the Company in an active and unbiased manner;
- the members of the BoD are persons with special expertise required to manage the Company;
- no conflict of interest occurs between the members of the BoD and the Company.

At least once a year the BoD evaluates its own work in the preceding period, as well as the work of each of the committees. The BoD submits a report on the evaluation of its work to the General Assembly. The evaluation and the report must include the contribution and responsibilities of individual members, joint activities of the BoD, the work of the committees, the goals achieved by the Company in comparison to the goals set as well as other relevant findings, taking into account the owners' determination to achieve the highest standards of the Group's activities in accordance with its presence in the local community.



### Responsibilities of the Board of Directors

The BoD sets the Company's strategic goals, takes care that the necessary financial and human resources are in place for the realisation of the Company's goals and supervises and controls the management of the Company's affairs. The BoD is also responsible for the effectiveness of corporate governance practices, remunerations to directors and succession planning, a transparent process of nominating and appointing members of the BoD and Executive Directors, managing potential conflicts of interest, the integrity of the system of accounting and finance as well as the process of disclosing information and communications.

Falling under the competence of the BoD are, among other:

- Determining the Company's long-term strategy and goals and monitoring the implementation of the strategy and achievement of the goals;
- Establishing Company and Group culture, values and standards and taking care that the obligations to shareholders are understood and met;
- Supervising the management with regard to their performance in meeting the agreed short-term and long-term goals and compliance with relevant laws, rules and regulations;
- Setting financial goals and approving budgets and financial plans as well as the funds required to meet those goals;
- Reviewing and approving the annual business plans of the Company, the Group and at least each of the key operating companies of the Company;
- Deciding on whether the Company and the Group will enter into significant new business areas/divisions or exit from any of the existing business areas/divisions;
- Deciding on major acquisitions, mergers, divestments or capital investments;
- Approving Group policies and adopting rules of procedure of the BoD and rules of procedure of the Executive Directors;
- Appointing the Company's executive directors;
- Approving employments or dismissals of employees in key positions upon recommendation of the Executive Directors and
- Approving any matters and business decisions where such decisions exceed the authority that the BoD delegated to the committees, the CEO or the Executive Directors of the Company in accordance with the corporate documents.

The Board of Directors acts in compliance with the Articles of Association, the Corporate Code of Governance, the Rules of Procedure of the BoD and the Group's Code of Ethics.

### Remunerations for Members of the Board of Directors

The BoD is entitled to a fixed fee and other benefits in accordance with the rules of the Remuneration and Travel Policy for Non-Executive Directors of Fortenova grupa d.d., as adopted by the General Assembly.

### Committees of the Board of Directors

The BoD delegates certain responsibilities and authorities to its committees. The work of the committees is of crucial importance for the effective operations of the BoD. On behalf of the Board of Directors the committees consider in depth and in detail the matters relevant to their Terms of Reference and report to the BoD after every meeting. The committees prepare reports, materials, recommendations or draft decisions for the BoD (advisory role), but do not decide on matters falling under the competence of the BoD.



In its work the Board of Directors is supported by four key committees:

#### a. Audit and Risk Committee

Founded for the purpose of establishing an effective and high-quality internal control system in the Company.

#### b. Finance Committee

Founded for the purpose of analysing in detail the financial statements and providing support to the Company's accounting department.

#### c. Nominations, Remuneration and Corporate Governance Committee

The purpose of this Committee is to take care of the generally accepted principles of good governance and:

- make sure that there is a formal, rigorous and transparent procedure of appointing new members of the BoD and executive directors;
- assist the BoD by taking care that its composition is regularly reviewed and refreshed in order to be efficient and able to work in the best interests of the shareholders;

- assist the BoD in meeting its supervisory function, taking care that the remuneration policy and practice are implemented in a fair and responsible manner and that remuneration is always related to corporate and individual results;
- evaluate and recommend a corporate structure of the Company in such way that it evolves;
- advise on appointments of other key personnel, including newly created positions.

#### d. Strategy and Transformation Committee

The purpose of the Strategy and Transformation Committee is to monitor the strategic direction and transformation portfolio of the Group (including its financial and non-financial impacts and benefits, scope, potential risks, determining the sequence and timeline of projects contained therein). The primary responsibility for the implementation of strategy and transformation projects is assigned to the Executive Directors and supervised by the Board of Directors. This Committee supports the BoD in meeting its supervisory responsibilities related to the Company's strategy.



## Executive Directors

The Board of Directors appoints the Executive Directors. The Company may have from 3 (three) to 7 (seven) Executive Directors, at least 1 (one) of whom is appointed from among the members of the BoD. One of the Executive Directors who is also member of the BoD is appointed as Chief Executive Officer. The Executive Directors manage the Company's operations as a collegiate body.

### Executive Directors

As at 31<sup>st</sup> December 2022 the Company's Executive Directors are:

- Chief Executive Officer: Fabris Peruško, appointed for the first time in April 2019; specific knowledge: restructuring, corporate governance; experience: Member of the Management Board for Finance at Tisak; Director of Operations of the company Lamoda.ru, Consultant at McKinsey & Co.
- Executive Director, Finance Division: James Pearson, appointed for the first time in March 2020; specific knowledge: controlling, treasury, auditing of retail, FMCG and agriculture areas; experience: Director of Finance, British American Tobacco
- Executive Director, Retail Division: Siegfried Alfons Ganshorn, appointed for the first time in July 2019; specific knowledge: distribution, logistics; experience: Chief Sales Officer and President of the Management Board of Kaufland
- Executive Director, Food Division: Sotirios Yannopoulos, appointed for the first time in November 2019; specific knowledge: strategy, routes to market and revenue growth; experience: Manager at Procter I Gamble, Regional General Manager Coca Cola Hellenic.

### Principles of selecting Executive Directors

The Board of Directors selects the Executive Directors of Fortenova grupa d.d. in compliance with the same principles, taking into account the candidates' previous work experience, competencies and expertise, as prescribed by the Corporate Governance Code. Involved in the selection process are also independent specialised agencies with relevant experience in the area of strategic management recruitment, according to the input parameters provided by the Board of Directors. The selection process is managed by Group Human Resources. In the process of selecting among applying candidates care is taken that the candidates in their professional history or their life's work particularly stand out in terms of the values supported or proclaimed by the Group in its statutory acts in accordance with the aforementioned principles of the Corporate Governance Code.

### Responsibilities of Executive Directors

The Executive Directors manage the Company's affairs. In accordance with their responsibilities under the Articles of Association, the Executive Directors perform the following duties and responsibilities:

- Represent the Company;
- Manage the Company's operations;
- Convene the General Meeting of the Company in situations prescribed by the relevant laws;
- Execute the decisions adopted by the General Assembly and the Board of Directors within the scope or their responsibilities;
- Exercise shareholders' rights on behalf of the Company in its direct subsidiaries, with the approval of the BoD and the General Assembly, as applicable;
- Submit reports to the BoD in accordance with the law;

- perform duties falling under their competence according to the law or the Articles of Association.

The Executive Directors are authorized to represent the Company in day-to-day operations. For specific matters relating to the Company the Executive Directors need the prior approval of the BoD and/or the General Assembly. For certain matters related to the direct or indirect subsidiaries the Executive Directors require the prior approval of the BoD or the General Assembly. Namely, the Executive Directors represent the Company in exercising voting rights at the general assemblies of its direct or indirect subsidiaries.

The Executive Directors act in accordance with the Group's Articles of Association, Corporate Governance Code, Rules of Procedure of the Executive Directors and Code of Ethics.

### Remunerations for Executive Directors and highest governance bodies of key operating companies

The remuneration criteria and amounts for Executive Directors are determined by the BoD. The Executive Directors' remuneration consists of the following:

- Fixed remuneration (i.e. basic salary, benefits and pension)
  - Fixed remuneration that does not depend on the Company's results;
- Annual bonus
  - Variable remuneration related to operational success and individual performance and contribution in the respective business year;
- Reimbursement of travel and other costs.

*Regulations on the Conditions for Exercising Bonus Rights for Management* have been adopted at Group level, and the key performance indicators (KPI) for the Executive Directors are defined by separate BoD decision, with particular focus on the results of the corporate climate and culture survey.

The annual KPI's for members of the highest governance bodies are defined by decision of the BoD of Fortenova grupa d.d. and are cascaded from the Group BoD through the Executive Directors to the operating company managements. In the KPI's of the members of highest governance bodies of a respective company a particular portion is held by and emphasis placed on employees' occupational safety and health criteria and the results of the organisational climate and culture survey.

The BoD evaluates the work of the Executive Directors according to key performance indicators, using methods of self-assessment and assessment. The Executive Directors conduct the same

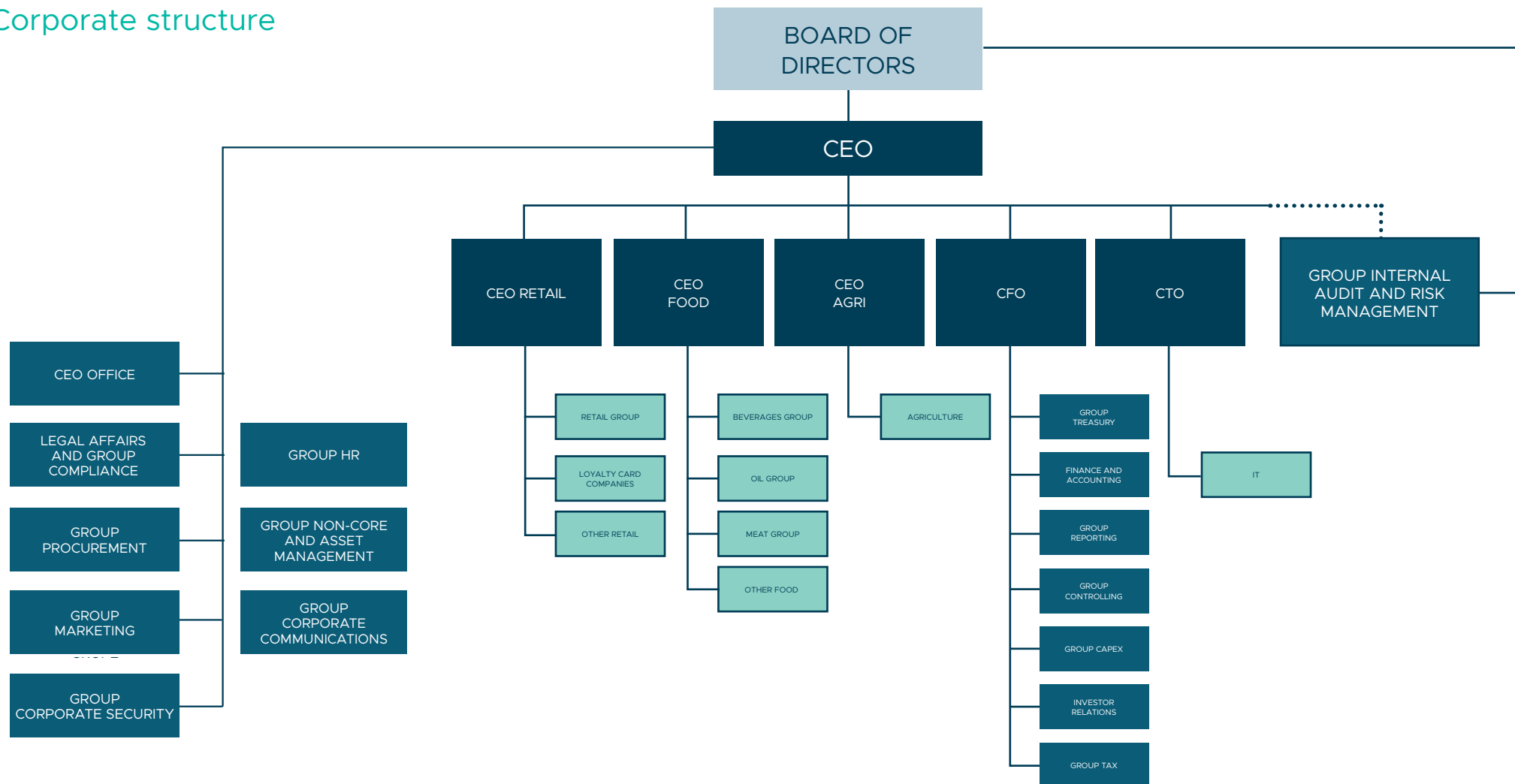
procedure in assessing the performance of operating company managements. Assessments made so far have shown satisfactory results of highest governance body members. In follow-up interviews possible improvements are agreed and suggestions made with regard to the previous period.

The evaluation of performance of the highest governance bodies in key companies<sup>46</sup> takes place pursuant to the *Regulations on*

*the Conditions for Exercising Bonus Rights for Management*, where the criteria of performance evaluation are precisely defined. Evaluation principles apply in key Group companies and as a rule, the criteria for exercising bonus rights include the generated EBIT, cash flow, market share, corporate culture and personal contribution, provided that the annual bonus amount for disbursement is determined depending on the level of success of the respective company, level of individual success, the period

of time actively spent in the position that gives rise to the annual bonus and the solidarity factor. For each participant an individual annual bonus plan is established and signed (contracted) consisting of the goals to be achieved, which include common goals as defined by the General Assembly of the respective company and personal goals.

## Corporate structure



<sup>46</sup> Fortenova grupa d.d., Konzum HR, Konzum BIH, Tisak, Mercator SLO, Mercator BIH, Mercator SRB, Mercator CG, Dijamant, Zvezda HR, Sarajevski Kiseljak, Jamnica HR, Mg Mivela, Roto dinamic, PIK Vrbovec HR, PIK Vinkovci, Vupik, Belje, Agrolaguna, mStart HR

# Communication on critical concerns



The Articles of Association of Fortenova grupa d.d stipulate that shareholders may request for the General Meeting to be held at any point in time by sending a written notice to the Executive Directors. The General Meeting is held at least once a year and whenever the interests of the Company so require.

The notification process in the Company takes place via proposing decisions and holding regular and extraordinary meetings of the BoD and meetings of the Executive Directors of Fortenova grupa d.d.

In 2022 the Board of Directors as the highest governance body held a total of 17 meetings, where its members were present either personally or via an appropriate means of communication. At the meetings 81 decisions were made on matters of key importance for the Group. The BoD adopted 40 decisions voting by correspondence. The Executive Directors held 49 regular and 26 extraordinary meetings, where they adopted 404 decisions in regular procedure and 39 decisions in extraordinary procedure. Out of the total number of decisions made, 300 were related to operating company decisions (250 in regular and 50 in extraordinary procedure).

The Executive Directors are responsible for the continuous monitoring and evaluation of:

- Performance / operating results of the Company and the Group;
- Relevant market circumstances and outlook;
- Other events and circumstances (political, regulatory etc.) which may significantly affect the operations or the

position of the Company, the Group or any of its members.

The Executive Directors are obligated to notify the BoD of any significant developments, circumstances or prospects that may have a significant adverse effect on the operations or the position of the Company, Group or any of its members. Such reports are prepared in writing, with appropriate argumentation and data, except in extraordinary circumstances which require for them to be communicated immediately, by the fastest possible means of communication. When requested by the BoD, the Executive Directors are obligated to timely prepare explanations and reports on any matters falling under their responsibility.

Communication on key matters in the operating companies takes place in management board meetings and in communication between the respective management and the Executive Directors of Fortenova grupa d.d., orally and directly at meetings and in writing via email, newsletters, in the form of decisions, instructions, policies, regulations, recommendations and so on, and job systematisations with terms of reference and internal decisions clearly prescribe the obligations and responsibilities of managers and other employees in charge of economic, environmental and social topics. The supervisory boards of companies submit reports on the supervision performed over the management to the general assemblies of the respective companies.

Communication on key matters also takes place via required annual management reports such as the annual financial statements and other prescribed reports.

# Compliance and corporate policies

Fortenova Group's compliance system is continuously being improved in order to secure the compliance with laws and adopt best practices, the goal being to make sure that changes in legislation are taken into account as soon as possible. Compliance is defined by the Compliance Policy, according to which the responsibilities of employees and management are defined, and it is implemented by means of four basic compliance principles and with the help of the Compliance Function.

The **Compliance Policy** establishes the main requirements with regard to the compliance framework across the Group as well as the minimum measures of protection and standards that need to be applied. The main principles of compliance are:

- Integrity;
- Tone-at-the-top principle;
- Compliance is owned by the management;
- Compliance is the responsibility of each employee.

All Group companies are required to properly understand all relevant laws, regulations and standards on the respective markets and in the legislations in which they operate and to act in accordance with them. Additionally, in 40 percent of Fortenova Group companies<sup>47</sup> there is a compliance function holder. Compliance function holders are educated in terms of compliance policies through individual and group meetings and educational materials as well as through day-to-day communication in case of any questions related to implementation. Group companies that do not have a compliance function holder are obligated to establish a compliance framework as well, by adopting group policies and



other internal acts, conducting implementation activities and other activities coordinated by Fortenova Group.

In 2022, at Fortenova Group level 133 cases were recorded in which monetary fines in the total value of EUR 179,257 were paid. Another 63 cases included warnings, where non-monetary measures were imposed. Most frequently such cases were related to standard inspection procedures in the domain of labour law, food safety and environment protection. The most significant case, conducted due to personal data breach, is a case in which the content of video-surveillance was processed without the consent stipulated by the law. This case has been described in the section on [information security and data protection](#).

## Corporate policies

In 2021 the development of own compliance policies started – the general Compliance Policy, the Anti-Bribery and Anti-Corruption Policy – Gifts and Gratuities, the Anti-Money-Laundering Policy and the Prevention of Conflict of Interest Policy. Over the course of 2022, implementation activities were conducted with regards to the adopted policies and another policy was adopted – the Competition Protection Policy. All the most important compliance policies were adopted as Group policies and all Group companies are required to adhere to them.

## Embedding policy commitments

The Group promotes an appropriate culture of compliance, awareness of compliance standards, procedures and guidelines and of understanding relevant problems related to compliance. Therefore, each process within the Group companies has to be covered by an appropriate internal procedure, and if further clarification is required for the internal procedural steps, work instructions are prepared for each sector/department taking part in the process separately.

It is exceptionally important for all internal procedures to include internal controls, i.e. to define a person and the way to control the regularity of implemented activities and the pertaining documentation for each key step. The procedure should also envisage the way in which the person in charge of the control shall verify to have performed a substantive, and not just a formal control of the regularity of the implemented activities.

Group companies regularly provide appropriate training and education on topics related to compliance as set forth in the Code of Ethics and related policies, make sure that all internal acts are readily available and apply an open-door policy for all issues.

<sup>47</sup> Konzum HR, Konzum BIH, Mercator SLO, Mercator SRB, Tisak, Jamnica HR, Mg Mivela, Sarajevski kiseljak, Zvijezda HR, Dijamant, PIK Vrbovec HR, Belje, Agrolaguna, PIK Vinkovci, Vupik, mStart HR, Roto dinamic.



# Business Conduct

Ethical issues and guidance for decisions to be made by Fortenova Group employees can be found in the Code of Ethics. The basic principles to be protected and respected according to the Code are the following:

- Protection of dignity and respecting human rights;
- Diversity and inclusion.

The other basic principles to be highlighted are:

- Freedom of work and prohibition of child labour and forced labour;
- Professional and personal employee development;
- Environment, health and safety protection;
- Respect and trust;
- Protection of children and family life;
- Employee wellbeing;
- Minimising adverse effects of operations;
- Zero tolerance for any form of child labour;
- Optimum work-life balance;
- Reduction of carbon footprint;
- Zero tolerance for any form of forced labour;
- Education and training;
- Health and safety of every person.

The Code of Ethics is primarily intended for Fortenova Group employees, but it is also publicly available on the website to all stakeholders and interested parties. Values like assets, intellectual property rights and confidential and privileged information enjoy special protection by application of the Code of Ethics. Fortenova Group expects all its stakeholders to accept and apply those principles.

## Grievance mechanisms at Fortenova Group

A grievance mechanism is implemented in all Group companies and is founded in the Group **Code of Ethics** and carried out based on the **Rules of Procedure of the Ethics Committee**.

## Process of handling complaints to the Ethics Committee

<b>Reporting a case</b>	All stakeholders have the right to lodge a complaint against unethical behaviour related to the Group's operations.
	The complaint can be lodged by email, post or telephone.
	The report can be made anonymously.
<b>Preliminary case processing</b>	The complaint is received by the President of the Ethics Committee.
	The deadline to process the complaint is not more than 60 days as of the date of receiving the complaint.
<b>Incident response</b>	The proposal of an appropriate measure and/or penalty shall be proportionate to the unethical conduct.
<b>Decision on measures</b>	In case of a breach, the Executive Directors of Fortenova grupa d.d. decide on appropriate measures.
	Measures due to breach can be imposed according to severity: written warning; order to remedy the breach of Code of Ethics; written warning emphasizing the possibility of termination of employment; termination of employment contract; monetary fine; possible criminal proceedings against the perpetrator of unethical conduct, in accordance with applicable regulations.

## Number of ethics complaints at Fortenova Group companies in 2022

<b>Total number of complaints received</b>	<b>24</b>
<b>Total number of complaints pending</b>	<b>2</b>
<b>Total number of complaints processed</b>	<b>22</b>

Executive Directors are informed about matters of special concern, with the total number of complaints and their status being regularly presented at meetings.

Fortenova grupa d.d. recognises that integrity and reputation are based on the trust of its employees and business partners and hence the Company applies and promotes ethical principles

and values, proactively striving to adhere to the highest possible business standards according to applicable laws and regulations with a view to regulating and clearly communicating the corporate responsibility of all Group stakeholders, achieving regulatory compliance and protecting the people who "speak up" against suspected or committed irregularities.

Hence Fortenova grupa d.d. has adopted the **Rulebook on the Procedure for Internal Reporting and Resolution of Irregularities**, which governs the procedure of internal reporting of irregularities in the Company, establishes the procedure that applies in case a Company employee or another person should report suspected or committed irregularities in the work environment and governs the procedure of appointing a confidant and their deputy. The Rulebook is intended to provide for appropriate reporting of irregularities and for the protection of the person reporting the irregularities from retaliation related thereto.

Based on that Rulebook each stakeholder may file a complaint to the confidant at Fortenova grupa d.d. and provide them with any required information relating to the report available to them. The confidant conducts the procedure of verifying the merits of the complaint and if it should be justified, they forward it to the investigative body. The investigative body for the procedure is the Ethics Committee that acts in accordance with the Rules of Procedure of the Ethics Committee. If the investigation should find that the irregularity report is grounded, a written report with proposed measures and/or sanctions is delivered to the Executive Directors. The Executive Directors of Fortenova grupa d.d. are obligated to consider the confidant's report over the following 8 days and either confirm the confidant's decision proposal or make a different decision. The possible sanctions for irregular behaviour are warning, warning with notice on possibility of employment contract termination, monetary fine and termination of employment contract.

Other Group companies in Croatia, which were obligated to do so in accordance with the Act on the Protection of Persons Reporting Irregularities/Whistle-Blowers from 2022, have as well established or updated the already existing mechanisms of internal reporting of irregularities to a confidant.

In addition, the **Work Regulations** of the respective Group companies stipulate the procedure and measures of protecting the workers' dignity at work and prohibit any direct or indirect discrimination related to work and work conditions, including the criteria and conditions for employment, career advancement, career guidance, professional qualifications, training and retraining, in accordance with the specific legislation. Fortenova grupa d.d. and its operating companies have nominated an authorised representative for receiving and dealing with complaints related to the protection of workers' dignity.

## Communicating matters of special concern

The Board of Directors and the Executive Directors are regularly informed in meetings, by regular and extraordinary reports, on matters of special concern. Furthermore, if the Internal Audit has performed a review or extraordinary audit based on a report received, the results thereof are also regularly presented to the Executive Directors in the form of reports.

### Systems of reporting matters of special concern

Two types of reporting systems	
<p>The internal reporting system is defined by internal rulebooks and the confidant/deputy confidant for reporting irregularities is a person nominated to receive and deal with internal irregularity reports. The confidant is obligated to receive the irregularity report, take action to investigate the irregularities and provide the reporting person with feedback, as a rule within 30 days, but not longer than within 90 days following the date of the certificate of receipt of the report and protect the identity of the person reporting the irregularity and the data received in the report from unauthorised disclosure, i.e. from disclosure to other persons. All rights, authorities and obligations of the confidant also apply to the deputy confidant.</p>	<p>Report to the Ethics Committee – the investigative body established pursuant to the Code of Ethics. The task of the Ethics Committee is to receive reports on any behaviour that is unethical and/or in any way not in compliance with the Code of Ethics and address them, including by proposing appropriate corrective measures and providing protection for employees who report any unethical conduct.</p>



### Processes of mitigating and preventing negative impacts

The processes of mitigating and preventing negative impacts include the development and implementation of risk mitigating measures or the provision of advice and help with regards to those measures, including clear standards, procedures and guidelines in order to prevent, mitigate and minimise important compliance risks and to detect and report compliance breaches and react to them.

Remediation in case of reports made by workers relating to human rights protection, as well as other social and personal matters in accordance with the Rulebook on Reporting Internal Irregularities is carried out by notifying the person reporting the irregularities of their rights stipulated by national regulations. The organisation's mechanisms of action are stipulated in the Rulebook on the Procedure for Internal Reporting of Irregularities at Fortenova Group and rely on the Code of Ethics, the Rules of Procedure of the Ethics Committee, the Personal Data Protection Policy, the Anti-Money-Laundering Policy, the Competition Policy and the Work Regulations. In the operating companies the collective agreements prescribe the procedure of protecting workers' dignity and the measures in case of possible breaches. Workers are involved through their representatives such as

worker councils, employee councils or trade unions, depending on the legislation of the respective state. Any person who was involved in the procedure or reporting irregularities has the right to receive feedback and the reporting person also has the right to receive the decision with legal remedy instruction. The Group conducts audits, surveys and analyses based on which policies and procedures are created with a view to mitigating existing and preventing any future negative effects.

### Conflict of interest

Given that Fortenova Group comprises operating companies that operate on several markets and engage in numerous activities, there is an increased possibility of the occurrence of conflict of interest. Fortenova Group has therefore adopted a **Conflict of Interest Prevention Policy** and the pertaining **Ultimate Beneficial Owner Procedure**. They define examples of potential conflicts of interest, key persons, roles and responsibilities, the procedure of reporting, the procedure of addressing the reports and mitigating measures. Any reported conflict of interest and any reasonable suspicion of conflict of interest are adequately documented in the Conflict of Interest Register.

In accordance with the aforementioned Policy, all employees and key personnel are obligated to avoid any conflict of interest that may affect the performance of their duties. Once a conflict of interest is identified, reasonable steps for its resolution have to be taken without delay in order to protect the interests of the Group and its operating companies. Key personnel are obligated to provide information on their own and the relationships of their spouses and blood relatives in the direct line, relatives in the side-lines up to the fourth degree or in-laws (marital line) up to the second degree regarding ownership over business entities (of more than 5 percent), managerial positions in legal entities or employments in any other business entity. The **Conflict of Interest Statement** is submitted once a year and potential conflicts of interest are also checked by Internal Audit. In addition, the Ultimate Beneficial Owners Procedure regulates potential conflict of interest regarding third parties as well. The Procedure also envisages the establishment of an ultimate beneficial owners database at Group level, which was done in 2022. It is a live database where data on new partners are entered regularly, and data on existing partners are updated periodically. The Conflict of Interest Prevention Policy and the pertaining internal acts have been or are in the process of being adopted at all Fortenova Group operating companies.

## Anti-Corruption

Fortenova Group does not tolerate the abuse of power and does not engage in any form of corruption or bribery to achieve undue advantage or gain. Any form of illegitimate use of influence to gain personal benefits or benefits for any other person or the Group is prohibited, including but not limited to the following: active, passive and indirect bribery and nepotism. In accordance with the principles defined in the Group's Code of Ethics on zero tolerance for any form of corruption and the employees' obligation to familiarize themselves with, recognize and prevent any contact with situations where there is a suspicion of corruption, preventive notifications on the Group's anti-corruption policy and educations on the consistent implementation of that policy are carried out.

In 2022, at five companies accounting for 12 percent of operations an assessment of exposure to the risk of corruption was made. The risk is related to avoiding bribery and corruption practices, with particular focus on gifts and gratuities, specifically with regard to establishing new business relationships or continuing existing relationships as well as current or recently completed projects. In the reporting period 35 percent of employees were informed about the Group's anti-corruption policy and 17 percent of employees attended anti-corruption training. Anti-corruption policies were communicated to 50 percent of senior and middle managers, while line managers and other employees were represented with around one third. The highest share, or 57 percent of the total number of employees, to whom the anti-corruption policies were communicated to and 99 percent of on anticorruption training took place in Slovenia<sup>49</sup>. In 2022 no anticorruption trainings took place in Serbia, Bosnia and Herzegovina and Montenegro, 19 percent of employees in the aforementioned countries were informed about the anti-corruption policies at Fortenova Group. This is the first year for the Group to report on this topic and it is considered to increase the level of monitoring and consistency in reporting in the years to come, integrating the knowledge of existing practices at all companies due to the high importance of this topic for the Group's external stakeholders.

### Operations in compliance with market competition rules

In 2022 no incidents were reported nor were there any court proceedings related to market competition against any of the Group companies.

## Human Rights

The respect for human rights and the protection of dignity are among the basic ethical principles defined in the Group's Code of Ethics. In 2022 an assessment of the exposure to the risk of human rights breaches was made in 10 percent of the Group's companies and 45 percent of employees attended training on some of the aspects of human rights.<sup>50</sup> The implementation of a structured approach to human rights management is planned for next year.

### Main areas of the Group's activities regarding human rights:

- Protection of dignity and unconditional respect for human rights
- Freedom of individuals to work and choose their job and prohibition of child labour or forced labour
- Professional and personal development of employees
- Protection of privacy
- Zero tolerance for discrimination, harassment and mobbing, and accordingly strict prohibition of any discrimination, harassment and mobbing against any person
- Diversity and inclusion
- Health and safety for everyone



<sup>49</sup> Data on notifications and education on anti-corruption policies are provided in the chapter ESG Data – Anti-Corruption.

<sup>50</sup> Data on the number of employees who have attended training in human rights by country of operation are provided in the chapter ESG Data: Governance.

## Information security and personal data protection

Given all the major global operational, financial and reputational risks related to information security and personal data protection, this area has been recognized as part of the Group's sustainability in two aspects – technical and social excellence in managing information systems, as well as the right to privacy as an area of fundamental human rights, where Fortenova Group has an impact on numerous stakeholders – from employees and business partners to consumers and customers.



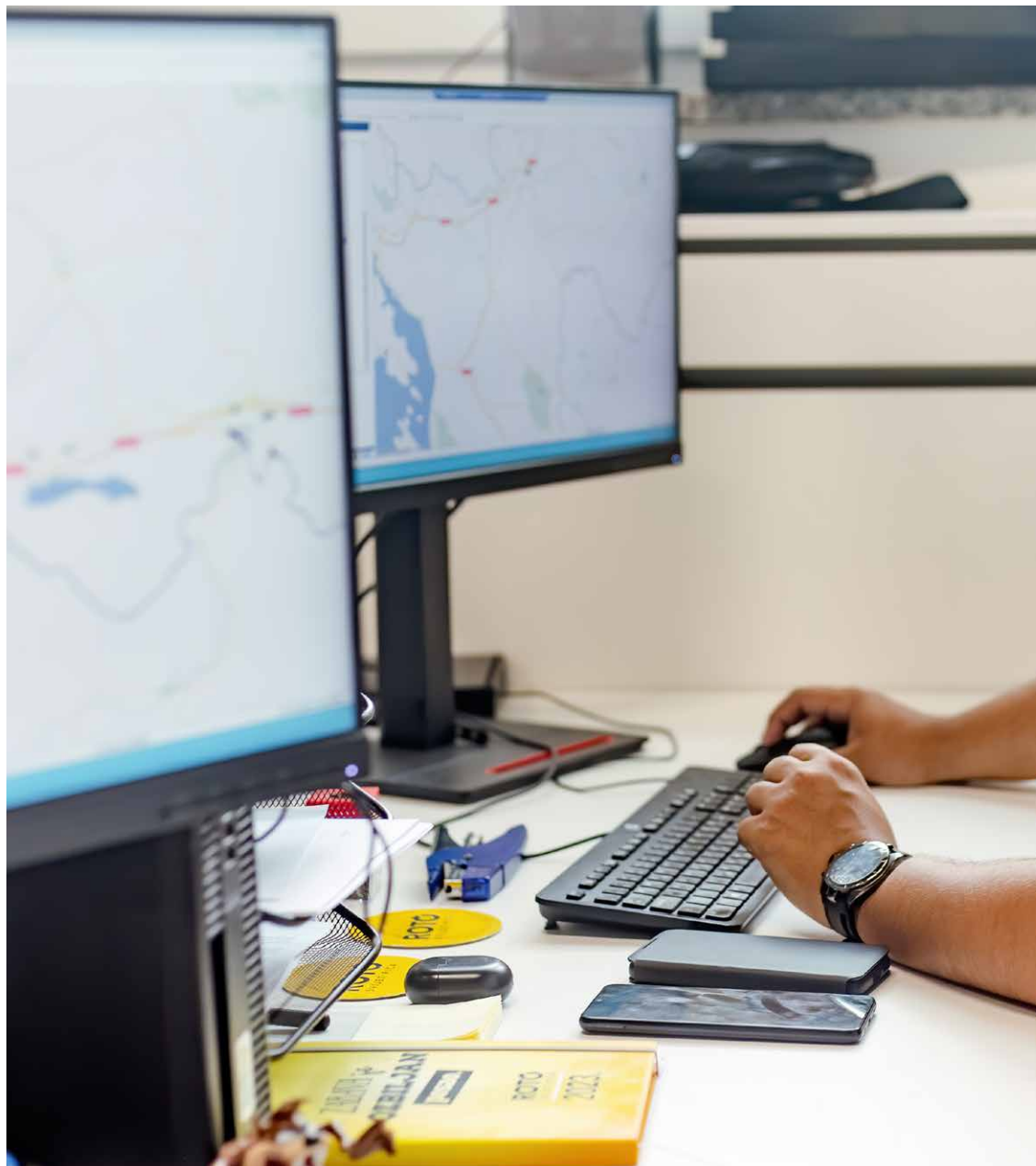
The Group's information security management system is based on the continuous assessment of security threats and risks that the Group is exposed to, the application of best industrial practices in protecting the confidentiality, integrity and availability of data and IT systems, continuous surveillance and reporting on the efficiency of key IT security controls and employee education.

Each Group employee that uses IT systems, other than checkouts in retail and wholesale, is obligated to attend an online training on information security immediately upon employment, where they receive information on practices set forth in the rulebooks, as well as instructions for reporting security incidents. Additionally, the information security system holds the ISO 27001 standard and applies CIS *Critical Security Controls* and PCI DSS (Payment Card Industry Data Security Standard). No security incident was recorded in 2022.

When using personal data for business purposes, Fortenova Group establishes the protection and promotion of the right to privacy and procedures for reporting, monitoring and preventing the breach of

privacy. The Group's Data Classification Policy defines personal data as confidential information. The data protection management is conducted in accordance with the Act on the Implementation of the General Data Protection Regulation (GDPR) and the European data protection standard is also implemented in countries of operation outside the EU.

The most important case of personal data breach in 2022 is the case where video surveillance content was processed without the statutorily required consent. It was found to have been caused by the employee not having adhered to operating procedures. The company had previously implemented measures to inform employees of their obligations to adhere to procedures, including online education. Disciplinary measures were taken against the employee as well as additional measures where signage was placed on video surveillance locations to prevent such cases from happening again. An administrative penalty and monetary fine in the amount of EUR 89,588 was imposed in January 2022 by a ruling of the Personal Data Protection Agency.





## 6. Financial Information

Determining the financial indicators that measure the progress towards sustainable development is one of the key tools that private companies use to monitor their path to sustainability. In 2022 at Fortenova Group we continued to monitor the relevant indicators, and keep working on introducing new ones. Thus in 2023 we will integrate ESG criteria in our investment decisions in order to be able to assess the future impact of our projects and their contribution to the Group's green transition.

The creation of economic value within the Group is considered to have a positive impact on the economic development of the communities in which it operates, particularly through the payments made into the state budget in the amount of EUR 531 million, as well as through strategically selected sponsorships and donations intended to drive projects related to the welfare of the local community and to environment protection.

## Creating Economic Value

The data on economic value creation and distribution provide a basic indication of the way in which the organisation has created value for stakeholders. In 2022 net sales amounted to EUR 5,280 billion, which is an increase of 31 % against 2021, while the directly created economic value grew by 30 %. The distributed economic value is the result of operating costs, employees' salaries, payments to capital providers, payments into state budgets and investments in the community. Paid taxes and other dues are shown by state in Table 33. The financial results in the context of contributing to the creation and distribution of economic value for stakeholders are provided in the enclosed table.

### Directly created and distributed economic value

Parameter	Total (EUR million)
<b>Directly created economic value – revenues from sales of products, goods, services, assets, leases, interest, dividends and other operating revenues</b>	<b>5,419.0</b>
<b>Distributed economic value</b>	<b>-5,296,5</b>
<b>Operating costs: costs of materials and merchandise, services, banking services and commissions, employee benefits, insurance premiums, commissions to credit card institutions and other costs</b>	<b>-4,287.9</b>
<b>Employee salaries and wages</b>	<b>-407,7</b>
<b>Payments to capital providers (interest paid)</b>	<b>-67.0</b>
<b>Payments into the state budget (taxes and other dues)</b>	<b>-531.4</b>
<b>Investments in the community</b>	<b>-2.6</b>
<b>Retained economic value</b>	<b>122,5</b>

### Tax and tax risk management

Fortenova Group's Tax Policy, introduced in 2020, has been approved by the Board of Directors of Fortenova grupa d.d. and it is updated whenever the circumstances so require. The Policy establishes the Group's tax strategy and includes the following backbones:

- Alignment with the business strategy and relevant legislation by complying with the tax coherence and reporting obligations in all countries of the Group's operations
- Optimisation of taxes and assessment of planning opportunities in accordance with the laws and within clear risk parameters, and maintenance of a tax control framework that enables proactive tax risk management;
- Stating taxes in compliance with relevant national reporting regulations and requirements as well as standards such as the IFRS
- Supporting operations in creating, building and protecting shareholder values.

The tax function organized as part of Group Finance is responsible for strategic tax matters as well as those relevant to the Group, while the departments and relevant persons in the respective operating companies are responsible for day-to-day and specific tax matters. Internal audits can be performed on an annual basis to verify whether the operating companies have proceeded in accordance with the Tax Policy principles and tax strategies defined at operating company level.

The communication on tax matters with tax authorities is open and transparent. The operating companies manage the day-to-day operational communications with tax authorities regarding matters such as filing tax returns and technical matters, while the Group's tax function is involved in matters relevant to the whole Group and in specific circumstances where its involvement is relevant, such as public consultation in case of new tax regulations.

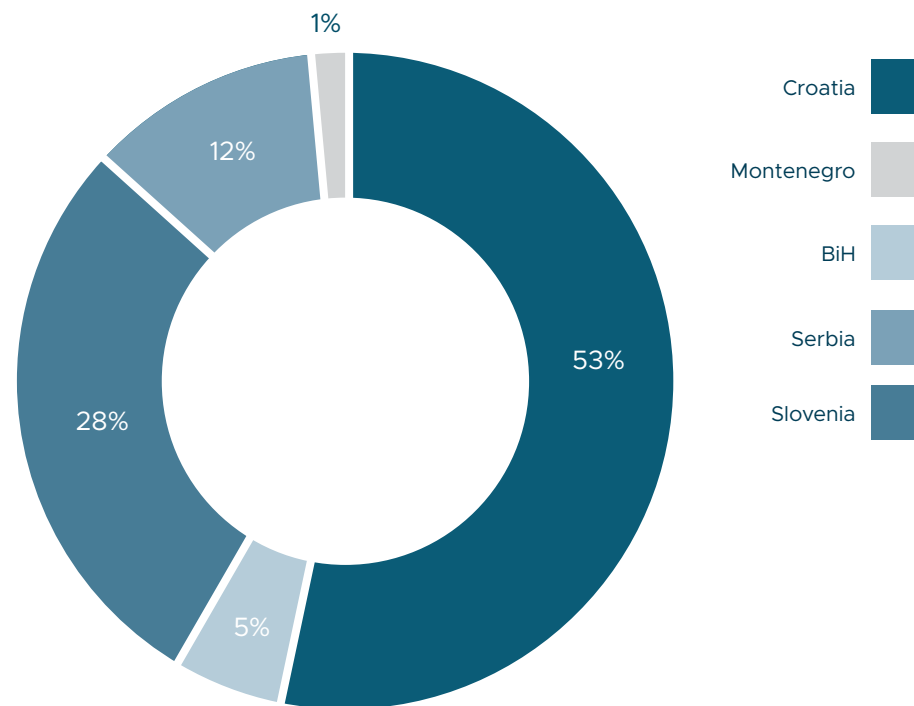
The tax risks faced by the Group are related to its size and complexity and include non-compliance, legal, transactional, operational and reputational risks. Prior to entering any significant transactions, the tax implications and risks are preventively analysed. The tax function is involved in analyses and decisions regarding significant transactions. The central tax risk management at Group level is the responsibility of the Group Tax Function, which for tax risk analysis purposes works together with the operating companies and other organisational units.

Tax data relating to the economic value exchanged with the local population via the obligations set forth by local legislation, including tax expenses, are disclosed herein, while other parameters are available in the financial statements of Fortenova Group and its operating companies.

The most significant dues at Fortenova Group are personal income tax and surtax as well as contributions, value added tax and corporate income tax, which account for 89 % of total taxes paid. In the total amount of taxes paid, the major part or 47 % is accounted for by dues related to salaries, including personal income tax, surtax and contributions. Out of the total amount, 53 % were paid in the Republic of Croatia, which is directly related to the number and size of Group companies located in Croatia. Additionally, the Group's consolidated financial statements feature general information on corporate income taxes, such as information on current corporate income tax, deferred taxes, tax losses carried forward and so on.

The European Green Deal envisages an update of EU tax policies as one of the financial instruments intended to direct operations towards sustainable development. With the preliminary identification of regulatory changes related to the European Green Deal, Fortenova Group has taken into account the possibility of an increase in green taxes and shall next year, in accordance with the expected changes, assess the relevant impacts on operations going forward.

#### Payments into the state budget – taxes and other dues



#### Payments into the state budget – taxes and other dues

Parameter	Croatia	B&H	Slovenia	Serbia	Montenegro	Total (EURm)
<b>Payments into the state budget (other taxes and payments to the state):</b>	<b>-283.5</b>	<b>-26.4</b>	<b>-150.9</b>	<b>-62.6</b>	<b>-7.9</b>	<b>-531.3</b>
<b>Value added Tax</b>	-127.7	-10.4	-43.3	-22.5	-3.2	-207.1
<b>Corporate income tax</b>	-13.7	-0.3	-2.8	-0.2	0.0	-17.0
<b>Income tax and surtax, contributions</b>	-108.2	-12.1	-92.9	-34.7	-3.1	-251.0
<b>Other taxes and dues (excise duties, membership fees, public utility charges, customs duties, concessions, other)</b>	-33.9	-3.6	-11.9	-5.2	-1.6	-56.2

# Financial assistance received from the government

At Fortenova Group, government aid is mainly received in the Agriculture Division, particularly in livestock breeding. Based on registered crop farming and livestock breeding activities, the right to receive direct aid is exercised according to the Regulation on the implementation of direct support for agriculture and IAKS rural development measures, with a view to preserving the activities of companies engaging in agriculture. Aid is assigned for the production, growing or planting of agricultural products, for breeding or keeping livestock, as well as for maintaining agricultural areas in a condition suitable for grazing or cultivation.

In order for beneficiaries to be eligible for direct aid, they have to adhere to the conditions set forth in the above Regulation, as well as the Regulation on Multiple Conformity, stipulating the conditions and standards that agricultural producers have to adhere to in production. Similarly, all production surface areas have to be entered in the ARKOD system and all pieces of livestock into the Single Register of Domestic Animals (*Jedinstveni registar domaćih životinja*, JRDŽ).

The companies file their applications within the required deadline to the Agency for Payments in Agriculture, Fisheries and Rural Development for each production year, according to the sowing plan and the number of pieces of livestock.

## Payments into state budget – taxes and other dues

Parametar	Croatia	B&H	Slovenia	Serbia	Monte-negro	Total (mil. EUR)
<b>Total monetary value of financial assistance received by the organisation from governments over the course of the reporting period</b>	<b>21.3</b>	<b>0.5</b>	<b>3.2</b>	<b>1.7</b>	<b>0.0</b>	<b>26.7</b>
<b>Exemption from tax payment and tax credits</b>	0.0	0.5	0.0	0.0	0.0	0.5
<b>Aid, grants for investments, research and development and other significant types of grants, financial incentives and awards</b>	21.3	0.0	2.6	1.7	0.0	25.6
<b>Deferred fee payments</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financial assistance from export credit agencies (ECA)</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other financial benefits that were or may be received from any government for any business activity</b>	0.0	0.0	0.6	0.0	0.0	0.6
<b>Share of government in the shareholder structure (%) <sup>51</sup></b>	14.14%	0.00%	0.00%	0.00%	0.00%	14.14%

<sup>51</sup> Agrolaguna (HZMO 14,14%)



# EU Taxonomy

## General methodological approach

The first step of the EU Taxonomy assessment is the eligibility test, during which a top-down approach is taken. Based on core and non-core business activities, Fortenova Group as such does not fall into any of the sectors identified for the first two objectives, however, some of the daily activities of our operating companies subject to this Report include also activities specified within the EU Taxonomy. Based on the last year's report on the EU Taxonomy and additional screening of activities by Operative companies, some activities were identified early on as those with Taxonomy potential. To determine which activities are in fact Taxonomy-eligible, a detailed assessment was run at the level of all operative companies and Fortenova grupa d.d. against the economic activities, by reviewing activities' descriptions and NACE codes provided within the EU Taxonomy framework and its Climate Delegated Act<sup>52</sup>. Assessments were done at the individual level of each included Operative company and the results were then consolidated at the Group level. NACE codes listed as an indicative tool were used, however, the Group did not rely on them exclusively, especially since many of companies operate in markets outside of EU which are not necessarily entirely aligned with the NACE classification. For the actual assessment, each Operative company has made its own analysis of registered activities and those which are being performed in practice resulting in recorded revenue, operating expenses, or capital expenditures. Based on such analyses, Operative companies have identified economic activities which fall under the EU Taxonomy scope. The eligibility assessment looked at activities in general, not along the lines of the three KPIs defined in the disclosure obligation deriving from the Taxonomy Regulation, so it may happen that a given eligible – or even aligned – activity does not contribute to all three KPIs. The results of the assessment, i.e., the list of activities that have been identified as Taxonomy eligible is provided in the below in Figure 1: List of eligible activities.

Once a list of Taxonomy-eligible activities was concluded, the second step, following the eligibility assessment, was the

alignment assessment, during which the Taxonomy-eligible activities were analyzed according to the criteria applicable to them. Alignment assessment was conducted in three main parts. First, assessment of whether each of the Group's eligible activities fulfils the relevant EU Taxonomy technical screening criteria for a substantial contribution to one of the two environmental objectives (i.e., Climate change mitigation and Climate change adaptation). Compliance with the technical screening criteria was typically assessed and documented individually for each economic activity at operative company level, in a decentralized manner. Second, assessment of whether each of the Group's eligible activities fulfils the relevant EU Taxonomy criteria to avoid significantly harming (do no significant harm – DNSH) the other four environmental objectives. The DNSH criteria mainly include environmental aspects. Most of these aspects are realized through compliance with the EU directives indicated by the Taxonomy, however often domestic regulations and legislation also require their fulfilment. As a rule, the criteria were examined at activity level. Third part was to demonstrate that member companies meet the requirements of minimum safeguards (MSs) along the four topics (i.e., human rights, including workers' rights, corruption and bribery, taxation, fair competition). This was done by identification of group level documents related to the requirements in the policies and legislation specified by the Taxonomy Regulation and focused screening of identified documents along key thematic areas of minimum safeguards. However, assessment for minimum safeguards criteria was also done at the company level by identification of relevant documents and screening along the key thematic areas.

As a third step, once Taxonomy-eligible and Taxonomy-aligned economic activities were identified within Fortenova Group, financial data collection and analysis on the KPIs (i.e., Turnover, OpEx and CapEx) related to respective activities. The corresponding EU Taxonomy KPIs are derived from consolidated financial indicators and therefore include only operating companies fully involved in the consolidation. Such analysis

was performed for fiscal year 2022 at the level of each company which identified at least one Taxonomy-eligible activity. Companies subject to this analysis collected and analyzed their own financial data in the context of economic activities included in the EU Taxonomy, i.e., the denominator and numerator for each KPI. The denominator of KPIs for identified eligible and aligned activities includes the items defined by the Taxonomy Regulation, while their numerator can be assigned to activities identified as eligible or aligned during the relevant assessments. As mentioned above, the results were then consolidated for reporting purposes. Approach to calculation of the three KPIs is further explained in section *Accounting policies and KPIs*. Given the Group's current accounting policy, in calculating OpEx indicators where different types of costs related to one activity are recorded in a common account, it was not always possible to separate the costs relevant to the EU taxonomy from those that need to be excluded. Over the forthcoming period Fortenova Group will purchase an appropriate software programme to monitor accounting items in accordance with the EU taxonomy requirements, which will provide for accuracy and consistency in disclosing future EU taxonomy-related KPI's.

The final step, after KPIs have been calculated, was to disclose the relevant information and KPIs as the integrated part of the non-financial. According to the Taxonomy Regulation, Fortenova Group is obliged to disclose how and to what extent its economic activities are linked to sustainable activities appearing in the Regulation. Publication according to the EU Taxonomy enables Fortenova Group to create transparency regarding its sustainable activities and to present progress in sustainability.

<sup>52</sup> Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

## Taxonomy aligned activities on Group level in 2022

### 5. Waste management

**5.3. Construction, extension and operation of waste water collection and treatment plants**

**5.5. Collection and transport of non-hazardous waste in source segregated fractions**

Mainly recycling of cardboard and plastic



### 6. Transport

**6.4. Operation of personal mobility devices, cycle logistics**

**6.5. Transport by motorbikes, passenger cars and light commercial vehicles**

Vehicle hires for customers and corporate fleet vehicle hires for employees

### 7. Construction and real estate activities

**7.1. Construction of new buildings**

Real estate development business (creation and development of assets and resale) and store building construction

**7.2. Renovation of existing buildings**

Mainly store renovations

**7.3. Installation, maintenance and repair of energy efficient equipment**

Mainly lightning replacements

**7.4. Installation, maintenance and repair of charging station for electric vehicles in buildings**

Mainly installation of charging stations

**7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of building**

**7.6. Installation, maintenance and repair of renewable energy technologies**

Mainly solar panels

**7.7. Acquisitions and ownership of building**

Store leasing

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022u

Economic activities (1)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm')						
			Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)
	000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																
5.5. Collection and transport of non-hazardous waste in source segregated fractions	595,0	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0,0%
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	8,9	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0,0%
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>	<b>603,9</b>	<b>0,0%</b>														<b>0,0%</b>
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																
4.20. Cogeneration of heat/cool and electricity from bioenergy	14.123,8	0,3%														
5.5. Collection and transport of non-hazardous waste in source segregated fractions	103,2	0,0%														
5.9 Material recovery from non-hazardous waste	1.215,2	0,0%														
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	1.454,9	0,0%														
6.6. Freight transport services by road	1.152,0	0,0%														
7.7. Acquisition and ownership of buildings	12.195,2	0,2%														
8.1. Data processing, hosting and related activities	1.165,0	0,0%														
8.2. Computer programming, consultancy and related activities	6.732,2	0,1%														
<b>Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>	<b>38.141,6</b>	<b>0,6%</b>														
<b>Total (A.1 + A.2)</b>	<b>38.745,5</b>	<b>0,6%</b>														
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																
<b>Turnover of Taxonomy-non-eligible activities (B)</b>	<b>5.299.063,2</b>	<b>99,3%</b>														
<b>Total (A + B)</b>	<b>5.337.808,6</b>	<b>99,9%</b>														

Activity 1 is Taxonomy -eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 1/2

Economic activities (1)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')						Taxonomy-aligned proportion of CapEx, year N (18)	
			Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)		Minimum safeguards (17)
	000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																
5.3. Construction, extension and operation of waste water collection and treatment plants	146,0	0,1%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%
5.5. Collection and transport of non-hazardous waste in source segregated fractions	20,9	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%
6.4. Operation of personal mobility devices, cycle logistics	13,6	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	261,5	0,2%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%
7.3. Installation, maintenance and repair of energy efficiency equipment	2.105,0	1,3%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	1%
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	74,3	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	188,4	0,1%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%
7.6. Installation, maintenance and repair of renewable energy technologies	20,4	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>	<b>2.830,3</b>	<b>1,8%</b>														<b>2%</b>
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																
4.9. Transmission and distribution of electricity	87,6	0,1%														
4.15. District heating/cooling distribution	6,5	0,0%														
4.16. Installation and operation of electric heat pumps	203,8	0,1%														
4.20. Cogeneration of heat/cool and electricity from bioenergy	137,3	0,1%														
4.24. Production of heat/cool from bioenergy	356,5	0,2%														
5.2. Renewal of water collection, treatment and supply systems	67,9	0,0%														
5.4. Renewal of waste water collection and treatment	110,8	0,1%														
5.5. Collection and transport of non-hazardous waste in source segregated fractions	170,8	0,1%														

(1) Activity 1 is Taxonomy -eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 2/2

Economic activities (1)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm*)						
			Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N (18)
	000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	2.053,3	1,3%														
6.6. Freight transport services by road	1.467,1	0,9%														
7.1. Construction of new buildings	4.375,8	2,7%														
7.2. Renovation of existing buildings	13.589,2	8,4%														
7.6. Installation, maintenance and repair of renewable energy technologies	196,4	0,1%														
8.1 Data processing, hosting and related activities	469,6	0,3%														
8.2 Computer programming, consultancy and related activities	760,7	0,5%														
9.1. Close to market research, development and innovation	4,8	0,0%														
<b>CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>	<b>24.058,2</b>	<b>15,0%</b>														
<b>Total (A.1 + A.2)</b>	<b>26.888,5</b>	<b>16,7%</b>														
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																
<b>Turnover of Taxonomy-non-eligible activities (B)</b>	<b>134.028,7</b>	<b>83,3%</b>														
<b>Total (A + B)</b>	<b>160.917,2</b>	<b>100,0%</b>														

(1) Activity 1 is Taxonomy -eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm')							Taxonomy-aligned proportion of OpEx, year N (18)
			Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)		
	000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																	
5.3. Construction, extension and operation of waste water collection and treatment plants	56,0	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%	
5.5. Collection and transport of non-hazardous waste in source segregated fractions	2.711,5	0,3%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%	
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	18,9	0,0%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%	
7.3. Installation, maintenance and repair of energy efficiency equipment	1.504,3	0,2%	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0%	
<b>OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>	<b>4.290,8</b>	<b>0,5%</b>														<b>0%</b>	
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																	
4.15. District heating/cooling distribution	7,1	0,0%															
4.20. Cogeneration of heat/cool and electricity from bioenergy	1.480,9	0,2%															
4.24. Production of heat/cool from bioenergy	0,7	0,0%															
4.9. Transmission and distribution of electricity	0,5	0,0%															
5.2. Renewal of water collection, treatment and supply systems	323,4	0,0%															
5.3. Construction, extension and operation of waste water collection and treatment plants	1,1	0,0%															
5.4. Renewal of waste water collection and treatment	237,4	0,0%															
5.5. Collection and transport of non-hazardous waste in source segregated fractions	128,9	0,0%															
6.2. Freight rail transport	12,5	0,0%															
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	2.419,6	0,3%															
6.6. Freight transport services by road	2.959,2	0,3%															
7.2. Renovation of existing buildings	19.626,2	2,1%															
7.7. Acquisition and ownership of buildings	31,5	0,0%															

Obrazac: Udio operativnih troškova od proizvoda ili usluga povezanih s taksonomski prihvatljivim gospodarskim aktivnostima - objava za 2022. godinu - 2/2

Economic activities (1)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm')						
			Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year N (18)
	000 EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent
8.1 Data processing, hosting and related activities	2.220,3	0,2%														
8.2 Computer programming, consultancy and related activities	13.325,2	1,4%														
9.1. Close to market research, development and innovation	51,8	0,0%														
<b>OpEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>	<b>42.826,2</b>	<b>4,6%</b>														
<b>Total (A.1 + A.2)</b>	<b>47.116,9</b>	<b>5,1%</b>														
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																
<b>Turnover of Taxonomy-non-eligible activities (B)</b>	<b>881.851,2</b>	<b>94,9%</b>														
<b>Total (A + B)</b>	<b>928.968,1</b>	<b>100,0%</b>														

(1) Activity 1 is Taxonomy -eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the OpEx KPI of the non-financial undertaking.

# 7. Key Performance Indicators 2022





## E

Quantity of GHG emissions in Scope 1 and 2 2022. (tonnes of CO <sub>2</sub> equivalent)	600,365
Quantity of GHG emissions in Scope 1 and 2 2021. (tonnes of CO <sub>2</sub> equivalent)	620,778
% of GHG emission reductions in Scope 1 and 2	-3.9
Quantity of GHG emissions in Scope 3 2021. (tonnes of CO <sub>2</sub> equivalent)	0.11
Quantity of biogenic emissions (from biomass) in 2022 not included in Scopes 1, 2 and 3 (tonnes of CO <sub>2</sub> equivalent)	73.867
Energy consumption 2022 (GJ)	6,002,212
Energy consumption 2021 (GJ)	5,981,558
% of increase in energy consumption	0.25
% energy products from renewable sources	37
Energy intensity 2022 (MJ/EUR net sales)	1,14
Operating locations owned, leased, under management or in the immediate vicinity of protected areas and areas of high value with regards to biological diversity outside of protected areas (% and number of companies) <sup>53</sup>	12% (5 companies)
Potable water withdrawn	2,784
Water withdrawn (ML)	5,253
Water consumed	1,461
% of fluctuation in water consumption	Not comparable
Water withdrawn from areas with water shortage (ML)	0
Quantity of material used	1,336,439
% of fluctuation in material consumption	Not comparable
Number of pollutions in water discharge	1
Waste quantity 2022 (t)	87,545
% of waste quantity reduction	25
Pollutions related to waste	0
% of companies with ISO14001 certificate	30

## S

Number of employees	45,237
Employee turnover (% of employment contract cessations)	24
Lost Time Incident Rate per 100 employees (LTIR)	2,5
Lost Work Day Rate due to injury at work per 100 employees (LWDR)	118
Share of women in senior management (%)	33
Share of women in management (% incl. senior, middle and line)	61
Salary ratio men vs. women	50:50
Number of employee nationalities	27+
Average number of employee training hours	8,8
Employee coverage by collective agreements (%)	95
Share of employees who received performance assessment	36
Share of employees directly asked to familiarise themselves with anti-corruption policy	17
Share of employees who attended human rights training	45
Share of companies with local community projects	21

## G

Separated Executive Director and BoD Chairman functions	Yes
ESG criteria for performance evaluation of executive director team members	Yes
Share of companies where risk of exposure to corruption has been assessed (%)	12
Number of established cases of corruption	0
Number of established cases contrary to market competition rules	0
Share of companies where risk of exposure to human rights violation has been assessed (%)	11
Number of reports to Ethics Committee	4
Number of reports to Ethics Committee related to breach of children's rights	0
Number of established cases of Code of Ethics breaches	1
Number of established cases of discrimination	1 <sup>54</sup>
Total number of reported concerns about ethical issues in Group companies including reports to the Ethics Committee	28
Number of significant information security incidents	0
Number of cases of personal data protection breaches	1

53 PIK Vinkovci (production activity bordering on protected areas in Croatia No. 930 and 892), Beje (agricultural activity within Kopački rit NP), Jamnica HR (production activity within the Pokupsko/Kupa river basin, Natura 2000 POP HR1000001), Mercator CG (smaller store within the Skadarsko jezero National Park, WDPA ID 16385), Mercator SRB (medium-sized store within Kopaonik National Park in Serbia)

54 The case was investigated in detail and a solution was found that was accepted by all parties involved. One employee received a verbal warning.

## 8. About this Report and Appendices





This is Fortenova Group's second Sustainability Report, published in the middle of 2023, pertaining to the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2022. It was prepared taking into consideration the Global Reporting Initiative (GRI) standards, version 2021.

The appendices below comprise the methodology and scope of companies included in the Report, as well as a list of the companies'

abbreviated and full legal names. The appendices contain lists of memberships, associations, recognitions and awards, the evaluation by the Expert Committee of HR PSOR, a list of tables and graphs included in the Report and a GRI table of contents.

For any additional questions on the Report please contact: [sustainability@fortenovagrupa.hr](mailto:sustainability@fortenovagrupa.hr).

## Methodology of data collection and corrected disclosures

### Data collection and quality

Data on employees, training, salaries, occupational health and safety as well as suppliers and the local community were collected by means of central data collection on annual level via standardised forms. They are available for audit for each particular company comprised in the Report. All 42 companies and Fortenova grupa d.d., comprised in the Report, have submitted forms with an acceptable level of omitted responses. Some companies have left empty fields as a sign that specific aspects are not present or relevant, where it has been assumed that the reply is negative, particularly for smaller companies engaging in office activities, where the form was partly irrelevant. As the relevant parts were filled out, the form was accepted as valid. Given the large quantities of data collected and the fact that in 2021 they were collected and analysed manually, without standardized categories, and in 2022 the process was again not fully automated and the verification was done manually, errors are possible and the quality of data by individual parameters may be limited. Data for 2021 and 2022 are comparable for the corrected emission and energy disclosures, but are not fully comparable for materials, waste and water due to the larger number of and changes in categories under which those aspects are reported, and they differ among the respective legislations as well.

### Scope of companies included

The report includes 42 operating companies and Fortenova grupa d.d., according to the enclosed list of companies Abbreviated Company Names. Data are reported according to four business divisions: agriculture, food, retail and wholesale and non-core

companies. In this classification the category of non-core companies is in certain cases grouped together with the holding company and includes mStart. Although mStart is not part of the non-core companies, such grouping is appropriate from the aspect of the low impact of companies with office operations on the environment and their similarity in terms of many other social parameters. All significant topics are reported for all 43 Group companies, except in the area of occupational health and safety. Reporting on occupational safety is limited to companies from the agriculture, food, retail and wholesale divisions. The reason for excluding non-core businesses and Fortenova grupa d.d. from reporting on occupational safety lies in the fact that their activities are very limited to administrative or low-risk activities and that they on average employ 15 people<sup>55</sup>. In terms of stating the shares of companies in the parameters stated in the report, the total number of companies is 43 as well. Aggregated data on ESG topics are shown in the tables enclosed in the appendices hereto, that the text in the paragraphs above refers to. Significant areas of operations are defined as states in which the Group operates, and local employment includes employees and goods purchases from the states of Southeast Europe.

The Report does not include a total of 13 companies that are included in the consolidated financial statements. Jamnica Waters LLC has not been included due to the company in Hungary having been closed down. Other excluded companies either generate no revenue or employ less than two employees and primarily engage in activities with no significant impact on ESG aspects.

<sup>55</sup> MultiplusCard, mStart SRB, A007, Mercator H, Super Kartica SRB, Jamnica HR, Super Kartica BIH, Zvezda SLO, Kor Broker, LG Moslavina, Energija Gradec, Super Kartica CG, Pik Vrbovec SRB, Žitnjak, Pik Vrbovec BIH, M Energija

## Environmental parameters

### Energy

Energy consumption is calculated by subtracting the sum of energy purchased and produced within the organisation from the sum of sold energy. In the mix of energy sources, cooling energy and energy from renewable sources are not present and have hence not been listed among the components of energy consumption. For energy consumption calculation purposes, data were collected on the consumption of fossil fuels and renewable energy sources in stationary (e.g. boilers on site) and mobile (e.g. company cars) energy sources. Data on purchased non-renewable and renewable fuels were collected based on invoices, the production of biogas in 5 biogas facilities of the company Energija Gradec has been determined by measurement, while purchase and sold electricity and heat have been determined based on paid invoices and measurement. The applied conversion factors from fuel to energy are the lower calorific/heating values and densities of the respective fuels, taken from the document Energy in Croatia (lit. Hrvoje Požar Energy Institute. Energy in Croatia, 2021, Annual Energy Overview. Ministry of Economy and Sustainable Development, 2022). The energy intensity includes all types of energy consumed within the organisation according to the list in GRI 2016 Disclosure 302-1.

Furthermore, the energy consumed in 2021 has been recalculated and amounts to 5,198,487 GJ, which is 30 % less than disclosed in 2021. Of the corrected errors the following are worth noting: The previously disclosed cause of inconsistently applied conversion factors of energy products into energy quantities and the rough estimates of energy consumption, where in most cases the quantity of energy products consumed in operations taking place in rented premises shared with other tenants was overestimated with regards to the share in the surface area of such premises. One case of double addition was corrected. Also, it was not possible to compare the data with the previous year, where no reporting took place.

### GHG emissions

Fortenova Group's direct gross emissions were calculated according to the principle of operational supervision for 43 companies for Scopes 1 and 2, and for 5 companies for Scope 3, in tonnes of CO<sub>2</sub> equivalent, including all relevant types of greenhouse gas (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and PFC's). PFC emissions are relevant only for Scope 1. The calculation applied ISO 14064-1 and ISO/TR 14069 standards and two methodologies: The GHG Protocol for business entities (GHG Protocol Corporate - A Corporate Accounting and Reporting

Standard) and the IPCC methodology. The national emission factors were taken from the database of the European Environment Agency (EEA) and amount to 138, 222, 739, 678 and 471 gCO<sub>2</sub>e/kWh for Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro, respectively. The GHG emissions intensity has been stated as the sum of Scopes 1 and 2 by revenue and includes all relevant emission types.

In 2021 there was still no implemented and ready solution that would enable companies to follow, collect and calculate the GHG emissions and they had no access to the necessary education for such calculations, hence they used publicly available calculators. Consequently, the preliminary calculation for GHG emissions in 2021 had not included the emissions of a total of 13 companies, and among those that did provide data, several shortcomings were established which have been eliminated. The GHG emissions and energy for 2021 have been recalculated, with the principle of data completeness according to the GHG protocol for all types of emissions having been established. Fortenova Group's recalculated total emissions in Scopes 1 and 2 for the reporting year 2021 amount to 620,778 tCO<sub>2</sub>e, which is 60 % lower than the emissions disclosed in the previous reporting period.

In a comparison with the previous preliminary calculations, which were disclosed indicatively, it turned out that the greatest errors occurred in Scope 2 as the emissions in agriculture and retail were significantly overestimated due to discrepancies in the calculation methodology and the lack of a data verification system. Due to lack of awareness, Scope 2 fugitive emissions in retail and agriculture were mostly omitted. The largest sources of emissions that were added subsequently were fugitive emissions in the agriculture sector.

### Water

Water consumption is calculated by deducting the discharged water quantity from the withdrawn. Part of the withdrawn water has been embodied in commercial products and some companies have reported significant evaporation of water in water condensation processes. Withdrawn mineral water containing over 1 000 ML of dissolved substances has been classified into the GRI category of potable water as the dissolved substances do not affect the health safety of potable water.

### Materials

The calculation of reused materials, more specifically returnable glass bottles at Jamnica and Sarajevski kiseljak, pertains to the number of processed returnable glass bottles put on the market divided by the total number of glass bottles put on the market including newly purchased glass bottles.

## Human Resources

### Management

For the purposes of this part of the Report *senior management* is defined as persons who are either members of the highest governance body in the company or directors at B-1 level, while *middle and line management* are defined in each company according to their respective internal organisation charts and job systematisations.

### Other workers

According to the Global Reporting Initiative methodology, GRI 2 Standard, Disclosure 2-8, for reporting purposes the category "other workers who are not employees and whose work is controlled by the organisation" includes workers with service contracts, voucher workers, consultants, workers on occasional and temporary jobs, in warehousing and goods handling services and all other natural persons working under other types of contracts.

### Declaration of gender identity

Within the scope of the legislative frameworks of the respective countries of operation employees do not have the possibility of gender identity declaration other than the options of "male" and "female" nor the possibility of refusing to declare their gender identity. Hence this category has not been listed among employee data.



# Appendices - ESG Data

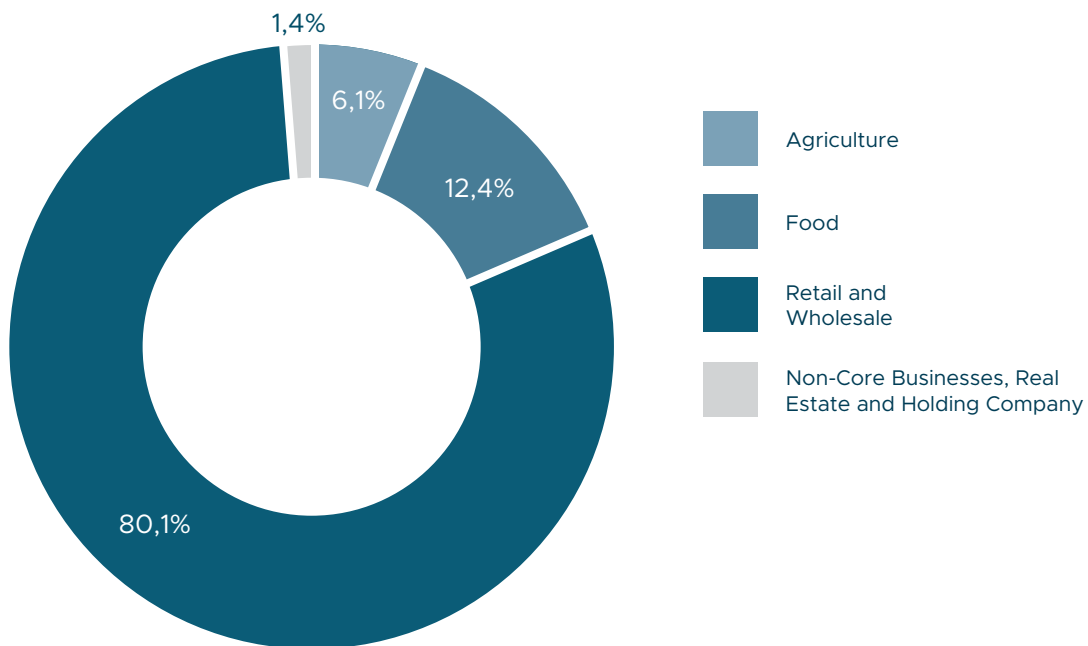
## Employees in numbers

Distribution of employees by gender according to employment contracts

	Permanent employees	Temporary employees	Full time employees	Part time employees	With non-guaranteed time	Croatia	Slovenia	Serbia	B&H	Montenegro	Agriculture	Food	Retail and Wholesale	Non-Core and Holding Company
Male	13.082	2.304	15.225	161	0	8.567	2.175	3.231	1.022	391	1.929	3.664	9.454	339
	35 %	35 %	36 %	14 %	0 %	41 %	24 %	36 %	28 %	24 %	72 %	67 %	27 %	57 %
Female	24.368	4.236	27.628	975	0	12.206	6.755	5.730	2.687	1.225	752	1.806	25.786	259
	65 %	65 %	64 %	86 %	0 %	59 %	76 %	64 %	72 %	76 %	28 %	33 %	73 %	43 %

Note: The omission of the category *Other* as the third option of gender identity declaration is explained in the chapter Methodology.

Distribution of employees by division including seasonal workers



**Distribution of employees by type of employment contract, state and area of operations**

	Croatia	Slovenia	Serbia	B&H	Montenegro	Total number of employees by contract type	Percentage of employees by contract type
Permanent employees	17 621	8 635	7 325	2 628	1 241	37 450	85 %
Temporary employees	3 153	295	1 636	1 081	375	6 540	15 %
With non-guaranteed working hours	0	0	0	0	0	0	0 %
Full-time employees	20 613	8 205	8 860	3 561	1 614	42 853	97 %
Part-time employees	160	725	101	148	2	1 136	3 %

**Distribution of employment contract by employee category**

	<30	30 - 50	>50	Male	Female
Senior Management	1	197	90	193	95
%	0 %	68 %	31 %	67 %	33 %
Middle Management	9	418	174	349	252
%	1 %	70 %	29 %	58 %	42 %
Line Management	238	2 436	1 047	1 275	2 446
%	6 %	65 %	28 %	34 %	66 %
Other Employees	6 146	20 490	12 746	13 578	25 807
%	16 %	52 %	32 %	34 %	66 %
<b>Total</b>	<b>6 394</b>	<b>23 541</b>	<b>14 057</b>	<b>15 395</b>	<b>28 600</b>
%	15 %	44 %	24 %	35 %	65 %

The share of senior management from the local community amounts to 89 %.

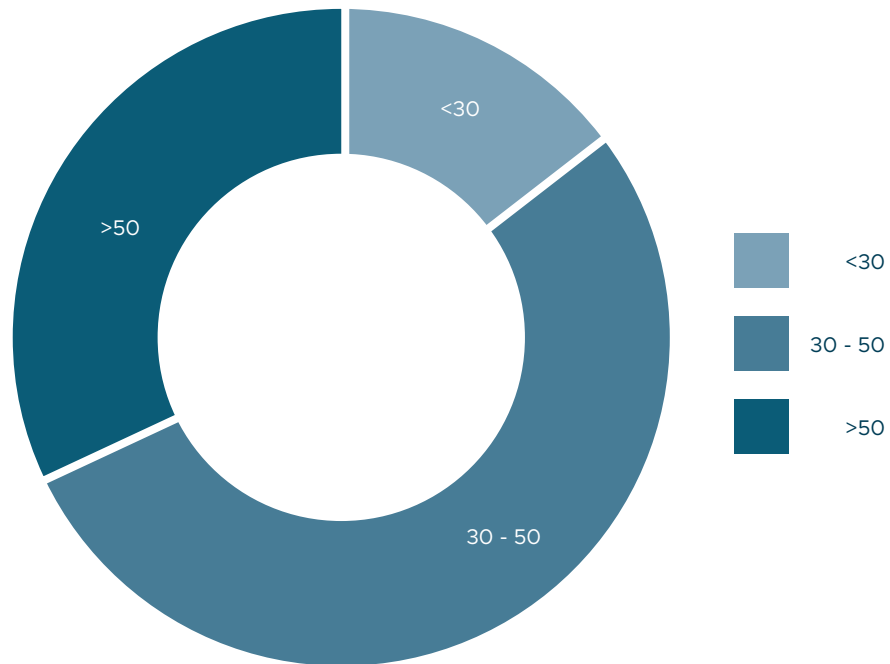
	No. of persons	Share of workers in total number of Fortenova Group employees
<b>Seasonal workers</b>	<b>1 248</b>	<b>3 %</b>
<b>Total number of workers other than employees whose work is controlled by the organisation*</b>		
Student work	1 395	3 %
Secondary school interns	1 018	2 %
University interns	74	0 %
Student-service	9 047	21 %
Agency workers	310	1 %
Volunteers	1	0 %
Other workers	1 678	4 %
<b>Total</b>	<b>13 523</b>	<b>31 %</b>

\* Includes workers according to the Global Reporting Initiative methodology, GRI 2 Standard, Disclosure 2-8. Pertains to workers who are not employees and whose work is controlled by the organisation. The category "other workers" includes workers with service contracts, voucher workers, consultants, workers on occasional and temporary jobs, in warehousing and goods handling services and all other natural persons working according to other contract types.

**Age structure of employees by type of contract, state and area of operations**

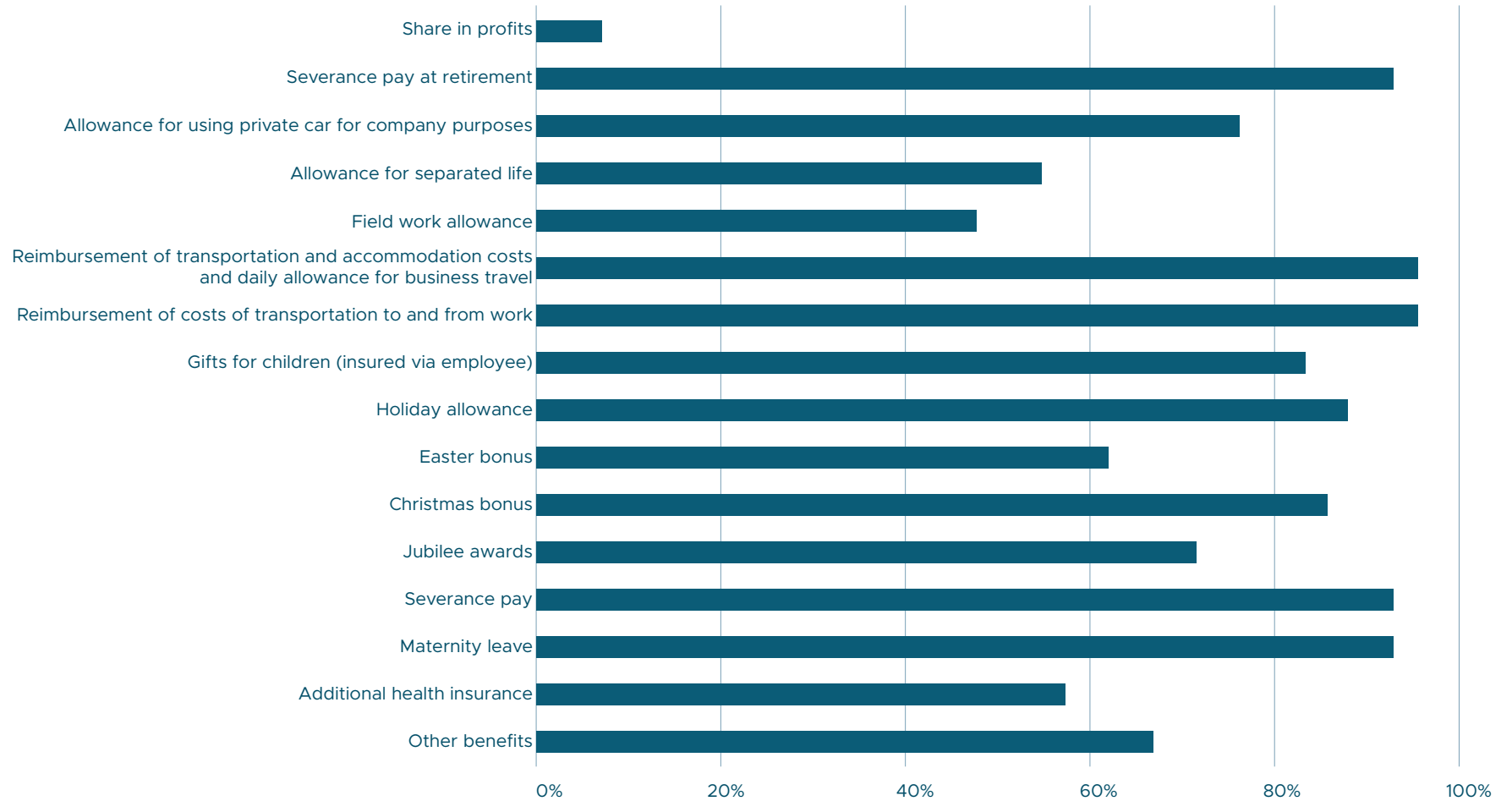
	Senior Management	Middle Management	Line Management	Other Employees	Croatia	Slovenia	Serbia	B&H	Montenegro	Total
<b>&lt;30</b>	1	9	238	6 146	2 864	1 327	1 345	572	286	6 394
<b>%</b>	0	1	6	16	14	15	15	15	18	15
<b>30 - 50</b>	197	418	2 436	20 490	10 879	4 392	5 075	2 174	1 021	23 541
<b>%</b>	68	70	65	52	52	49	57	59	63	54
<b>&gt;50</b>	90	174	1 047	12 746	7 031	3 215	2 541	964	306	14 057
<b>%</b>	31	29	28	32	34	36	28	26	19	32

**Distribution of employees by age group**



Share of companies providing benefits, assistance in specific cases and additional paid leaves of absence

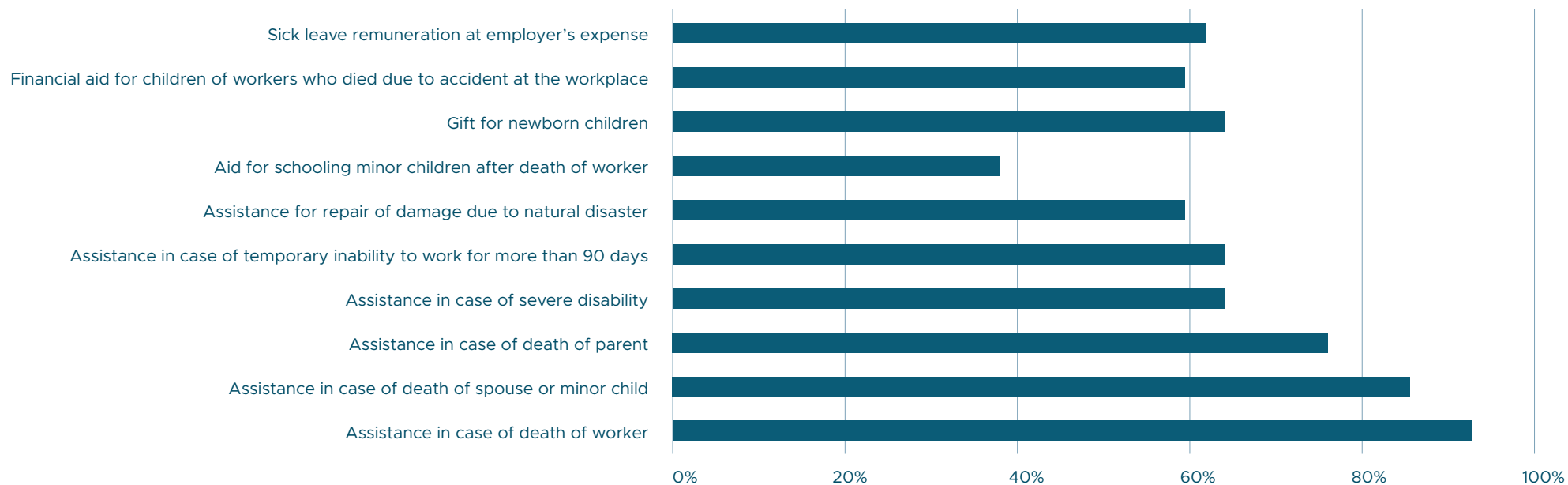
### Share of companies providing above benefits





Share of companies providing benefits, helps for specific circumstances and additional paid leaves

### Share of companies providing assistance



## Training

### Average number of employee training hours

Male	9,0
Female	8,7
<b>Total</b>	<b>8,8</b>
Senior Management	22,3
Middle Management	21,3
Line Management	11,7
Other Employees	7,8

### Share of employees who received training on specific topics

Anti-Corruption (%)	35
Human Rights (%)	45

### Share of companies with available training and assistance programmes

<b>Training programmes</b>	
Internal training courses	76 %
Financial support for external training or education	69 %
Provision of studying periods with guaranteed return to job	19 %
<b>Assistance programmes</b>	
Retirement planning for persons intending to retire	48 %
Retraining of employees intending to continue working	33 %
Severance pay	81 %
Taking into account age and years of service for severance payments	79 %
Employee assignment/placement services	29 %
Assistance (e.g. training, consultancy) with regards to end of career	31 %

### Number and share of employees who received performance evaluation

	Number of employees	Share of employees (%)
Senior Management	257	89
Middle Management	438	73
Line Management	1 649	44
Other Employees	13 277	34
<b>Total</b>	<b>15 621</b>	<b>36</b>

**Turnover by age group, gender and state of operations. Total number of newly employed and persons whose employment has ceased**

	<30	30 - 50	>50	Male	Female	Croatia	Montenegro	B&H	Serbia	Slovenia
No. of newly employed	4 320	4 182	1 331	3 859	5 974	4 122	559	1 228	2 543	1 381
Turnover rate (%)	61	17	9	24	20	19	28	33	28	15
No. of persons whose employment has ceased	3 566	4 639	2 235	4 131	6 308	4 205	548	1 234	2 664	1 788
Turnover rate (5)	50	19	16	26	22	20	28	33	29	20

**Right for parental leave for the birth of the child**

	Male	Female
Rate of return	140	86
Retention rate	115	83
Number of employees returned from parental leave during reporting period	166	1 156
Number of employees expected to return to work after parental leave	177	1 249
Number of employees returned to work upon completion of parental leave	247	1 074
Number of employees returned to work upon completion of parental leave who remained employed 12 months upon return to work	191	959

## Governance

### Anti-Corruption: Communication and training on anti-corruption policy

205-2 Anti-Corruption										
	Croatia	Slovenia	Serbia	B&H	Montenegro	Senior Management	Middle Management	Line Management	Other employees	Total
No. of employees informed about the anti-corruption policy and procedures:	3 659	8 856	98	1 202	1 616	160	297	1 506	13 468	15 431
Share (%)	24	57	1	8	10	56	49	40	34	35
No. of employees who attended anti-corruption training	95	7 252	0	0	0	33	92	894	6 328	7 347
Share (%)	1	99	0	0	0	11	15	24	16	17

### Human rights: Human rights risk assessment and training

Share of companies with human rights breach risk exposure assessment	11 %
Percentage of employees trained with regard to policies or procedures of human rights protection significant for the business	45 %

	Croatia	Montenegro	B&H	Serbia	Slovenia	Total
Total number of training hours dedicated to policies or procedures of human rights protection significant for the business	9.332	2	2	1.871	8.732	69.963
Share (%)	13	0	0	3	12	100

**Cases of non-adherence to laws and regulations from the socio-economic and environmental areas**

	Environment	Employment	Other cases (financial, economic, administrative etc.)	Customer health and safety	Breach of privacy or data loss	Data on products and services	Marketing communication	Total
No. of monetary fines	3	6	124	41	1	43	3	221
No. of non-monetary penalties or other measures	7	46	10	79	0	154	2	298

Number of employment contract terminations related to above cases	60
Terminated or not renewed contracts with business partners	44

**Structure of BoD Committees**

<b>Audit and Risk Committee</b>	
Chairman	Maksim Poletaev
No. of members	3
<b>Finance Committee</b>	
Chairman	Vsevolod Rozanov
No. of members	2
<b>Strategy and Transformation Committee</b>	
Chairman	Ivica Mudrinić
No. of members	3
<b>Nomination, Remuneration and Corporate Governance Committee</b>	
Chairman	Ivica Mudrinić
No. of members	4

**Environmental data****Distribution of water consumption by business divisions in 2022**

Water in ML	Agriculture	Food	Retail and Wholesale	Non-Core Businesses and Real Estate, Holding Company	Total
Water withdrawn	3 079	2 046	127	1	5 253
Water discharged	1 902	1 763	127	0	3 792
Water consumption <sup>56</sup>	1 177	282	0	1	1 461
Water embodied in food products and agriculture	1 477	510	0	0	1 987

<sup>56</sup> The water consumption has been calculated according to GRI Disclosure 303-5 as the difference between water withdrawn and water discharged. Water embodied in food products and for irrigation has been stated separately.

# Memberships and associations

In the light of its commitment to sustainable development and efficient management and leaning on the decision to formally join the **UN Global Compact**, the world's largest sustainable development and corporate sustainability initiative in 2021, in 2022 Fortenova Group continued with its activities of joining associations that advocate and promote the UN Global Compact's principles. It has thus in practice implemented activities it has undertaken to promote – to support the society in which it operates and be engaged in all markets where it is present and to report every year on the permanent efforts that it invests in sustainability.

Therefore, after having become member of the Croatian Business Council for Sustainable Development (*Hrvatski poslovni savjet za održivi razvoj*, HR PSOR) in late 2021, an organisation whose mission it is to raise awareness of sustainable development as the fundamental development of the Republic of Croatia (HR PSOR is the local branch of the World Business Council for Sustainable Development, WBCSD), in 2022 Fortenova Group in Croatia joined the **International Institute for Climate Action (IICA)**, an association of experts in the area of climate change and climate policy.

The Institute is a successor of the Croatian Association for Reducing the Carbon Footprint, its purpose being to help the business community in its fight against climate change, in reducing CO<sub>2</sub> emissions, introducing the Low-Carbon Development Strategy and the European Green Deal in their business plans and processes and thus support their sustainable/green economic development and growth in the Republic of Croatia and the EU. The Institute is involved in the International Association for Sustainable Economy (IASE), which educates and certifies experts in ESG areas.



In 2022 Fortenova Group has become member of the Association of Processing Industries and Activities in Technology in Croatia. Furthermore, it has actively participated in the work of the Environment protection in the economy Community Council of the Croatian Chamber of Commerce as its member. The exchange of best practice and the participation in creating topics and initiatives that affect sustainability and business in general continued in 2022 also through other associations on different markets where Fortenova has been member from earlier.

During the reporting period Fortenova grupa d.d., together with its companies Mercator d.o.o. and Mercator Emba, realized all preparative activities to become member of the **Slovenian Institute for the Development of Social Responsibility (Inštitut za razvoj družbene odgovornosti – IRDO)**, and the formal membership followed in mid-January 2023. The Institute is Slovenia's leading organisation that makes a concrete contribution to the development of social responsibility in Slovenia and on the global level by conducting research, education and consultancy activities. In doing so, it collaborates with local and international experts, institutions, organisations, governments and companies, promoting and connecting them by exchanging knowledge, best practice and experience on social responsibility.

With its membership in the above organisations Fortenova Group has become an active participant of relevant sustainability development initiatives, with access to all information and knowledge important for that area of social activity, thus additionally verifying its own social responsibility. At the same time, it serves as a role model for a stronger involvement of the business sector in activities intended to make progress towards sustainable development goals and achieving corporate sustainability.

Pursuant to the effective legislation that obligates employers in Croatia, Serbia, Bosnia and Herzegovina, Montenegro and Slovenia to be members of independent professional and business organisations, Fortenova Group and its operating companies are members of the Croatian Chamber of Commerce and the respective Chambers of Commerce of Serbia, Bosnia and Herzegovina, Montenegro and Slovenia.

At the same time, on a voluntary basis, the Group and its operating companies are members of numerous national and wider interest groups and associations intended to protect, advocate, align and promote the interests of its members, employers/managers, i.e. the businesses in which the companies operate.

A list of individual memberships singled out by the companies is provided in the table below.

<p>TRADE AND LOGISTICS ASSOCIATION</p>  <p><b>Konzum plus d.o.o.</b></p> <hr/> <p><b>Roto dinamic d.o.o.</b></p>	<p>ROUNDTABLE SUSTAINABLE PALM OIL</p>  <p><b>Zvijezda plus d.o.o.</b></p> <hr/> <p><b>Dijamant</b></p>	<p>CROATIAN SEED</p>  <p><b>Belje</b></p> <hr/> <p><b>PIK Vinkovci</b></p> <hr/> <p><b>Eko Biograd</b></p>	<p>ECONOMIC INTEREST ASSOCIATION FOR THE PRODUCTION, PROCESSING AND TRADE OF LIVESTOCK, LIVESTOCK PRODUCTS AND ANIMAL FEED CROATIASTOČAR</p> <p><b>Belje</b></p> <hr/> <p><b>PIK Vrbovec plus d.o.o. HR</b></p>	<p>NATIONAL ALLIANCE FOR LOCAL ECONOMIC DEVELOPMENT</p>  <p><b>Dijamant</b></p> <hr/> <p><b>Mercator-S d.o.o. Beograd</b></p>
<p>EMPLOYER ASSOCIATION FBiH</p>  <p><b>Konzum BH d.o.o. Sarajevo</b></p> <hr/> <p><b>Mercator BH d.o.o. Sarajevo</b></p>	<p>ASSOCIATION OF PROCESSING INDUSTRIES AND ACTIVITIES IN TECHNOLOGY</p>  <p><b>PIK Vrbovec plus d.o.o. HR</b></p> <hr/> <p><b>Zvijezda plus d.o.o.</b></p>	<p>CROATIAN BUSINESS CLUB</p>  <p><b>Sarajevski Kiseljak d.o.o.</b></p> <hr/> <p><b>Mercator BH d.o.o. Sarajevo</b></p>	<p>CROATIAN IRRIGATION ASSOCIATION</p> <p><b>PIK Vinkovci plus d.o.o.</b></p> <hr/> <p><b>Eko Biograd</b></p> <hr/> <p><b>Vinka plus d.o.o.</b></p> <hr/> <p><b>Vupik plus d.o.o.</b></p>	<p>CROATIAN PIG PRODUCERS' ASSOCIATION</p>  <p><b>PIK Vinkovci plus d.o.o.</b></p> <hr/> <p><b>Eko Biograd</b></p>

# Awards and recognitions



## Companies which won the awards

- Agrolaguna d.d.
- Belje plus d.o.o.  
(+Belje Agro-vet plus d.o.o.)
- Dijamant d.o.o.
- JAMNICA plus d.o.o.
- Fortenova grupa d.d.
- Konzum Sarajevo d.o.o.
- Konzum plus d.o.o.
- MERCATOR-CG d.o.o. Podgorica
- Mercator EMBA d.o.o.
- Mercator IP d.o.o.
- MERCATOR-S D.O.O. Beograd
- mStart plus d.o.o.
- PIK Vinkovci plus d.o.o.
- PIK VRBOVEC plus d.o.o.
- Poslovni sistemi Mercator d.d.
- Roto dinamic plus d.o.o.
- VUPIK plus d.o.o.
- ZVIJEZDA plus d.o.o.





## Abbreviated names of Fortenova Group companies for reporting purposes

Division		State of operations	Full company name	Abbreviated company name
Agriculture		Croatia	1 Beje Agro-vet plus d.o.o.	Beje Agro-vet
			2 Beje plus d.o.o.	Beje
			3 Eko Biograd plus d.o.o.	Eko Biograd
			4 Energija Gradec d.o.o.	Energija Gradec
			5 PIK-Vinkovci plus d.o.o.	PIK Vinkovci
			6 VINKA plus d.o.o.	Vinka
			7 VUPIK plus d.o.o.	Vupik
			8 Felix plus d.o.o.	Felix <sup>57</sup>
Food	Beverages Group	Bosnia and Herzegovina	9 Sarajevski kiseljak d.o.o.	Sarajevski Kiseljak
		Slovenia	10 Jamnica mineralna voda d.o.o.	Jamnica SLO
		Croatia	11 JAMNICA plus d.o.o.	Jamnica HR
		Serbia	12 Mg Mivela d.o.o. Trstenik	Mg Mivela
		Croatia	13 Agrolaguna d.d.	Agrolaguna
		Croatia	14 Vinarija Novigrad d.o.o.	Vinarija Novigrad
	Meat Group	Bosnia and Herzegovina	15 PIK BH d.o.o. Laktaši	PIK BIH
		Croatia	16 PIK VRBOVEC plus d.o.o.	PIK Vrbovec HR
		Serbia	17 Pik Vrbovec S d.o.o. Beograd	PIK Vrbovec SRB
	Edible Oils Group	Slovenia	18 Zvijezda d.o.o. Ljubljana	Zvijezda SLO
		Croatia	19 ZVIJEZDA plus d.o.o.	Zvijezda HR
		Serbia	20 Dijamant d.o.o. Zrenjanin	Dijamant
		Slovenia	21 Mercator-EMBA d.o.o.	Mercator Emba
	Food - other	Croatia	22 ROTO DINAMIC d.o.o.	Roto dinamic
Retail and Wholesale	Retail	Bosnia and Herzegovina	23 Konzum d.o.o. Sarajevo	Konzum BIH
		Croatia	24 Konzum plus d.o.o.	Konzum HR
		Bosnia and Herzegovina	25 Mercator-BH d.o.o. Sarajevo	Mercator BIH
		Slovenia	26 Mercator IP d.o.o.	Mercator IP
		Montenegro	27 MERCATOR-CG d.o.o. Podgorica	Mercator CG
		Serbia	28 MERCATOR-S D.O.O. Beograd	Mercator SRB
		Slovenia	29 Poslovni sistem Mercator d.d.	Mercator SLO
		Slovenia	30 M- Energija d.o.o.	M-Energija
		Loyalty Card Operation companies	Croatia	31 MultiPlusCard d.o.o.
	Serbia		32 Super Kartica d.o.o. Beograd	Super kartica SRB
	Montenegro		33 Super Kartica d.o.o. Podgorica	Super kartica CG
	Bosnia and Herzegovina		34 Super Kartica d.o.o. Sarajevo	Super kartica BIH
	Retail - other	Croatia	35 Mercator-H d.o.o.	Mercator HR
			36 AO07 plus d.o.o.	AO07
37 TISAK plus d.o.o.			Tisak	
38 ŽITNJAK D.D.			Žitnjak	
Holding Company		Croatia	39 Fortenova grupa d.d.	Fortenova grupa d.d.
Non-Core Businesses and Real Estate	Croatia	40 Kor Broker d.o.o.	Kor Broker	
		41 LG Moslavina plus d.o.o.	LG Moslavina	
		42 mStart plus d.o.o.	mStart HR	
		43 mStart Business Solutions d.o.o.	mStart SRB	

<sup>57</sup> Jamnica Hungary and Zvijezda B&H have not been included in the sustainability reporting, but are listed among the abbreviations. Jamnica Hungary and Zvijezda B&H have been excluded due to discontinuation of business.

# Opinion of the HR PSOR (HR BCSD) Commission on Fortenova Group's 2022 Sustainability report

Having evaluated Fortenova Group's second consecutive Sustainability Report which contains information on the Group's sustainability impact in 2022, we herewith verify that the Report is compliant with the requirements of the latest generation of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2021), including the relevant 2022 GRI 13 Sector Standard for Agriculture, Aquaculture and Fishing.

The Report contains information on Fortenova Group's material impacts in all important production sectors, which – given the size and diversity of activities included in the Report – was a major challenge. We therefore commend the well-structured Report, which is comprehensible despite the complexity of information and features all key information concerning the Group's impacts that the reader might be interested in. The report consistently follows the Guidelines' disclosure requirements, with adequately implemented reporting principles such as data relevance, clarity and balance of information set out.

We have noticed the quality of the approach to reporting right at the very beginning, in the Statement of the CEO, which constitutes one of the better examples of reporting under this disclosure requirement. The letter is exceptionally detailed and dedicated to all the most important impacts of the Group on material sustainability areas, featuring a very informative summary of the company's most important activities as well as strategic determinants when it comes to sustainability.

Along with the Statement of the CEO, the establishment of the Sustainability Committee shows the active engagement and allocation of responsibilities for the sustainability impacts among the broader managerial staff, proving that this topic is really strategically integrated in the process of making business decisions.

***The establishment of the Sustainability Committee shows the active engagement and allocation of responsibilities for the sustainability impacts among the broader managerial staff, proving that this topic is really strategically integrated in the process of making business decisions.***

Although the company is undergoing a process of transformation, there is a clearly visible, exceptional commitment to the climate challenge and a strategic determination to achieve climate neutrality. As of 2022 strategic risks include the transitional climate risk arising from the economic, environmental and social transition towards a low-carbon and climate-friendly economy. The short-term and long-term goals of reducing GHG emissions are included in the preparation of a strategy and action plan for the carbon footprint reduction. Besides that, energy efficiency projects are implemented and Scope 1 and 2 GHG emissions are followed in detail, and we hope that in the future reports we will also see a gradual approach to measuring and reporting Scope 3 emissions in an increasing number of Group companies.

The company informs us about many projects intended to reduce negative impacts in various areas of sustainability. Those include plastic waste reduction projects, projects introducing reduced weight plastic packaging and those increasing the share of recycled plastic, while the introduction of the tethered cap will additionally simplify the waste management process. There is also the development of products based on plant proteins, which resulted in the launch of the product line under the commercial name Planet of Plants.

In the area of environment management, besides GHG emissions the report features other impacts as well, such as water consumption and processing, material consumption, waste management and food donations intended to reduce food waste.

Particular attention has been paid to reporting according to the GRI 13 Sector Standard for Agriculture. Standing out is the commitment to animal care, which the Report describes in detail. There are also information about soil care, and the responsibility for adjustment to climate change is reflected in the plans to introduce

irrigation on 4000 hectares of land, which will increase food supply safety and improve price control.

Social topics have been covered well, too, with particular attention paid to reporting on employees, their wellbeing and investments in education. It is clear that investments are made in occupational health and safety, with 7 % fewer accidents in the reporting period than in the year before. In spite of that, the Group faces labour shortages and high employee turnover rates and it is clear that going forward more attention and efforts will be required in this area in order to stop personnel outflow and secure optimum employment.

Investments are made in shortening the supply chains, which has been recognized as strengthening supply safety and contributing to fighting climate change. Furthermore, a larger number of local suppliers increases the company's positive economic impact on the local community. In preparation is also the introduction of a system of evaluating suppliers according to sustainability criteria. Another form of investing in the community are donations, which have been set out in detail, with a large number of social projects supported on all markets of Fortenova Group's operations.

Besides to the community, Fortenova Group pays due attention to interested stakeholders and hence in the period under review a number of round table discussions were held on all five markets of the Group's operations, where stakeholders were given the opportunity to express their opinions and concerns and to draw attention to important topics.

For the future reporting period we suggest for Fortenova Group to provide a clearer overview of impacts, i.e. indicators of the Sector Standard, as those are more difficult to follow in the report. Particular attention should be given to the fact that according to GRI all the sectoral indicators are material for the company. We would also like to read a more detailed overview of the management rewarding policy with regard to the goals related to sustainability topics.

And finally, it should be noted that Fortenova Group prepared a truly interesting and informative Sustainability Report where many elements have the character of best practice examples. This does not mean, though, that there is no room for improvement, which we expect to see in next year's report.

# GRI content index

<b>Statement of use</b>	Fortenova grupa d.d. has reported in accordance with the GRI Standards for the period between 1st January 2022 and 31st December 2022.
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard</b>	GRI 13: Agriculture, Aquaculture and Fishing 2022

## Material topics

<b>E</b>	Decarbonisation / risks and opportunities due to climate change ( <a href="#">GRI 305 Emissions</a> ), Waste Management ( <a href="#">GRI 306 Waste</a> ), Energy and Efficiency ( <a href="#">GRI 302 Energy</a> ), Water ( <a href="#">GRI 303 Water and Effluents</a> ), Animal Welfare ( <a href="#">GRI 13</a> )
<b>S</b>	Employee Wellbeing ( <a href="#">GRI 202 Market Presence</a> , <a href="#">GRI 401 Employment</a> , <a href="#">GRI 402 Labour/Management Relations</a> , <a href="#">GRI 403 Occupational Health and Safety</a> , <a href="#">GRI 404 Training and Education</a> , <a href="#">GRI 406 Non-discrimination</a> , <a href="#">GRI 407 Freedom of Association and Collective Bargaining</a> ) Diversity and Inclusion ( <a href="#">GRI 405 Diversity and Equal Opportunity</a> )
<b>G</b>	Ethical issues and anti-corruption ( <a href="#">GRI 205 Anti-corruption</a> )

## Material topics of medium importance

[GRI 304: Biodiversity 2016](#)

[GRI 308: Supplier Environmental Assessment 2016](#)

[GRI 413: Local Communities 2016](#)

[GRI 417: Marketing and Labelling 2016](#)

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.	
			Requirements omitted	Reason	Explanation		
<b>General disclosures</b>							
<b>The organization and its reporting practices</b>							
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	<a href="#">1 General and strategic information</a>					
	2-2 Entities included in the organization’s sustainability reporting	<a href="#">Corporate structure</a> <a href="#">Abbreviated names of Fortenova Group companies for reporting purposes</a> <a href="#">Scope of companies included</a>					
	2-3 Reporting period, frequency and contact point	<a href="#">8 About preparing this Report and Appendices</a>					
	2-4 Restatements of information	<a href="#">Methodology of data collection and corrected disclosures</a>					
	2-5 External assurance	<a href="#">Evaluation of the Report by HR PSOR Expert Committee</a>					
	<b>Activities and workers</b>						
	2-6 Activities, value chain and other business relationship	<a href="#">1 General and Strategic Information</a> <a href="#">Supply chain</a>					13.23.1
	2-7 Employees	<a href="#">Employee structure and characteristics</a> <a href="#">Employees in numbers:</a> <a href="#">Table 37. Distribution of employees by gender according to employment contracts</a> <a href="#">Table 38. Distribution of employees by contract type, state and area of operations</a> <a href="#">Methodology of data collection and corrected disclosures: Human Resources</a>					
	2-8 Workers who are not employees	<a href="#">Employee structure and characteristics</a> <a href="#">Employees in numbers:</a> <a href="#">Table 39. Distribution of employment contracts by employee category</a> <a href="#">Methodology of data collection and corrected disclosures: Human Resources</a>	c	Not applicable	Disclosures on turnover of other employees are not possible because this is the first year of reporting on other workers.		

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>GRI 2: General Disclosures 2021</b>	<b>Governance</b>					
	2-9 Governance structure and composition	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">5 Corporate governance</a>	c - ii, vi, viii	Information incomplete	Data currently not recorded in that manner	
	2-10 Nomination and selection of the highest governance body	<a href="#">Principles of selecting BoD members</a> <a href="#">Principles of selecting Executive Directors</a>	b - ii, iii	Information incomplete	Data currently not recorded in that manner	
	2-11 Chair of the highest governance body	<a href="#">BoD members</a> <a href="#">Executive Directors</a>				
	2-12 Role of the highest governance body in overseeing the management of impacts	<a href="#">2 Strategy, governance and materiality assessment</a>				
	2-13 Delegation of responsibility for managing impacts	<a href="#">2 Strategy, governance and materiality assessment</a>				
	2-14 Role of the highest governance body in sustainability reporting	<a href="#">2 Strategy, governance and materiality assessment</a>				
	2-15 Conflicts of interest	<a href="#">Conflict-of-interest management</a>				
	2-16 Communication of critical concerns	<a href="#">Communication of matters of special concern</a> <a href="#">Reporting of irregularities and unethical conduct at Fortenova Group</a>				
	2-17 Collective knowledge of the highest governance body	<a href="#">2 Strategy, governance and materiality assessment</a>				
	2-18 Evolution of the performance of the highest governance body	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Principles of selecting BoD members</a> <a href="#">Remuneration for Executive Directors and highest governance bodies of key operating companies</a>				
	2-19 Remuneration policies	<a href="#">Remuneration for Executive Directors and highest governance bodies of key operating companies</a> <a href="#">Remuneration for BoD members</a> <a href="#">7 Key Information 2022: G</a>				
	2-20 Process to determine remuneration	<a href="#">Remuneration for Executive Directors and highest governance bodies of key operating companies</a> <a href="#">Remuneration for BoD members</a>	a - iii	Information incomplete	In 2022 remuneration consultants were not involved in establishing remunerations. The Workers' Council is authorised to elect a workers' representative into the BoD.	
	2-21 Annual total compensation ratio	<a href="#">Employee Wellbeing</a>	a, b, c	Information incomplete	Salary information by employee category is not comparable due to reason described in the chapter on gender equality, including differences due to objective criteria.	

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>GRI 2: General Disclosures 2021</b>	<b>Strategy, policies, and practices</b>					
	2-22 Statement on sustainable development strategy	<a href="#">Letter from the CEO and BoD Member</a>				
	2-23 Policy commitments	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Compliance and Corporate Policies</a> <a href="#">Human rights</a> Integration/incorporation of corporate policy obligations	c	Not applicable / Information incomplete	Internal policies are not publicly available, i.e. they are available to internal stakeholders. Human rights are defined in the Group Code of Ethics, while the preparation of a Group policy related to human rights is under way, envisaged to include an in-depth verification process.	
	2-24 Embedding policy commitments	<a href="#">Integration/incorporation of corporate policy obligations</a>	a - iii			
	2-25 Processes to remediate negative impacts	<a href="#">Processes of mitigating and preventing negative impacts</a>	e	Information incomplete	No established mechanism for collecting, processing and reporting on the efficiency of complaint mechanisms	
	2-26 Mechanisms for seeking advice and raising concerns	<a href="#">Reporting of irregularities and unethical conduct at Fortenova Group</a>				
	2-27 Compliance with laws and regulations	<a href="#">Compliance and Corporate Policies</a> <a href="#">Table 49 Cases of non-adherence to laws and regulations from the socio-economic and environmental areas</a>	b - ii	Not applicable	This is the first year of reporting on cases of non-adherence to laws and regulations.	
	2-28 Membership associations	<a href="#">Memberships and associations</a>		Information incomplete	The materiality of individual memberships could not be determined based on the list of memberships provided, hence the extended list is included in the Report.	
	<b>Stakeholder engagement</b>					
	2-29 Approach to stakeholder engagement	<a href="#">Engaging our stakeholders and materiality assessment</a>				
2-30 Collective bargaining agreements	<a href="#">Freedom of association</a> <a href="#">Equality in granting benefits</a>					

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Material topics</b>						
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	<a href="#">Engaging our stakeholders and materiality assessment</a>				
	3-2 List of material topics	<a href="#">Engaging our stakeholders and materiality assessment</a>				
<b>Economic performance</b>						
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	<a href="#">Creating economic value for stakeholders</a>				13.22.2
	201-2 Financial implications and other risks and opportunities due to climate change	<a href="#">Risks and opportunities related to environmental, social and governance aspects</a> <a href="#">Climate change</a>	iii, iv, v	Information incomplete	The analysis of climate risks and opportunities is under way, and the omitted disclosures on the results of the climate risk and opportunity analysis are expected in the next reporting period.	13.2.2
	201-4 Financial assistance received from government	<a href="#">Creating economic value for stakeholders</a>				
<b>Market presence</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">Employee Wellbeing</a>				
<b>GRI 202: Market Presence 2016</b>	202-2 Proportion of senior management hired from the local community	<a href="#">Table 39. Distribution of employment contracts by employee category</a> <a href="#">Data collection methodology and corrected disclosures: Scope of companies included, Human Resources</a>				
<b>Procurement practices</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">Supply chain</a>				
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	<a href="#">Local procurement brings benefits for the entire supply chain</a> <a href="#">Data collection methodology and corrected disclosures: Scope of companies included</a>				

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Anti-corruption</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">Compliance and Corporate Policies</a>				13.25.1, 13.26.1
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	<a href="#">Compliance and Corporate Policies: Anti-corruption</a>				13.26.2
	205-2 Communication and training about anti-corruption policies and procedures	<a href="#">ESG Data, Governance: Table 47. Anti-corruption: Notification and training on anti-corruption policy</a>	a, c, d	Information unavailable	The Company's BoD approved the Anti-Corruption Policy in 2021 and hence 2022 is the first year of reporting and holding educations on that topic.	13.26.3
	205-3 Confirmed incidents of corruption and actions taken	<a href="#">7 Key Information 2022</a>				13.26.4
<b>Anti-competitive behavior</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">ESG data, Governance: Table 47. Anti-corruption notification and training on anti-corruption policy</a>				
<b>GRI 206: Anti-competitive Behaviour 2016</b>	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<a href="#">7 Key Information 2022</a>				13.25.2



GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Tax</b>						
<b>GRI 207: Tax 2019</b>	207-1 Approach to tax	<a href="#">Tax and Tax Risk Management</a>	a - i, iv	Information incomplete	The Tax Policy is not publicly available. There is no disclosure on the connection between sustainable development strategy and tax policy, as the sustainable development strategy was not adopted until end of 2022.	
	207-2 Tax governance, control, and risk management	<a href="#">Tax and Tax Risk Management</a> <a href="#">Code of Ethics</a>	c	Information incomplete	Certain tax data are available as part of the financial reporting, pursuant to legislative regulation. The Financial Statements are available on the FINA website.	
	207-3 Stakeholder engagement and management of concerns related to tax	<a href="#">Tax and Tax Risk Management</a> <a href="#">Code of Ethics</a>				
<b>Materials</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Materials and raw materials</a>				
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	<a href="#">Materials and raw materials</a>				
	301-2 Recycled input materials used	<a href="#">Materials and raw materials: Table 11. Distribution of materials spent</a>				
	301-3 Reclaimed products and their packaging materials	Repeated use of materials <a href="#">Data collection methodology and corrected disclosures: Materials</a>				
<b>Energy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Energy and emissions</a>				
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	<a href="#">Energy consumption: Table 3. Total consumption of energy products and energy at Fortenova Group</a> <a href="#">Data collection methodology and corrected disclosures: Energy</a>	c - iv	Information incomplete	Steam consumption is included in thermal energy consumption, but steam consumption has not been stated separately due to technical error in data collection.	
	302-3 Energy intensity	<a href="#">Energy consumption</a>				

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Water and effluents</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Water</a>				13.7.1
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	<a href="#">Water</a> <a href="#">Data collection methodology and corrected disclosures: Water</a> <a href="#">2 Strategy, governance and materiality assessment</a>	d	Information incomplete	Approach with publicly defined goals in water management is in preparation, whereafter a Group policy related to this topic will be developed in the following years.	13.7.2
	303-2 Management of water discharge-related impacts	<a href="#">Water</a>	a - i, ii, iii	Information incomplete		13.7.3
	303-3 Water withdrawal		a, b	Information incomplete	Total quantity of water withdrawn, discharged and consumed as well as quantities of potable water and water withdrawn from areas with water scarcity have been disclosed. The distribution of water by source and water recipients in 2022 will be disclosed again in the following reporting period. The number of incidents related to water discharge has been disclosed as well.	13.7.4
	303-5 Water consumption	<a href="#">Water</a> <a href="#">Data collection methodology and corrected disclosures: Water</a>	a, b, c, d			
<b>Biodiversity</b>						
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<a href="#">7 Key Information 2022</a>	a - vi, viii	Information incomplete	The Company acts in accordance with statutory regulations with regards to stores located in national parks and in compliance with the concessions granted to the production businesses.	13.3.2

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Emissions</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Climate change</a>				13.1.1, 13.2.1
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	<a href="#">GHG emissions</a> <a href="#">7 Key Information 2022</a> <a href="#">Data collection methodology and corrected disclosures: GHG emissions</a>	d	Information incomplete	The initial year has not been selected.	13.1.2
	305-2 Energy indirect (Scope 2) GHG emissions			Information incomplete		13.1.3
	305-3 Other indirect (Scope 3) GHG emissions		e	Information incomplete		13.1.4
	305-4 GHG emissions intensity	<a href="#">GHG emissions</a> <a href="#">Data collection methodology and corrected disclosures: GHG emissions</a>				13.1.5
<b>Waste</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Waste</a>				13.8.1
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	<a href="#">Waste</a>				13.8.2
	306-2 Management of significant waste-related impacts		b	Information incomplete	There is no procedure to establish whether third parties manage waste.	13.8.3
	306-3 Waste generated	<a href="#">Waste</a> <a href="#">7 Key Information 2022</a>	b	Not applicable	There were no incidents related to waste, i.e. there are no pollution costs disclosed in the financial statements.	13.8.4
	306-4 Waste diverted from disposal	<a href="#">Waste</a>				13.8.5
	306-5 Waste directed to disposal					13.8.6

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Supplier environmental assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">Supply chain</a>				
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-2 Negative environmental impacts in the supply chain and actions taken	<a href="#">Creating the prerequisites for driving sustainable development through the supply chain</a>				
<b>Employment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Employee wellbeing</a>				13.20.1
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	<a href="#">Employee structure and characteristics</a> <a href="#">Employees in numbers: Table 45. Turnover by age group, gender and country of operation. Total number of newly employed and persons whose employment has ceased</a>				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="#">Equality in granting benefits</a> <a href="#">Employees in numbers: Table 41. Share of companies providing benefits, assistance for specific cases and additional paid leaves of absence</a>  <a href="#">Data collection methodology and corrected disclosures: Scope of companies included</a>				
	401-3 Parental leave	<a href="#">Right to maternity, parental and paternity leave</a> <a href="#">Employees in numbers: Table 46. Right to leave of absence in case of childbirth</a>				

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Occupational health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Occupational health and safety</a> <a href="#">Data collection methodology and corrected disclosures: Scope of companies included</a>				13.19.1
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	<a href="#">Occupational health and safety</a> <a href="#">Data collection methodology and corrected disclosures: Scope of companies included, Human Resources</a>				13.19.2
	403-2 Hazard identification, risk assessment, and incident investigation		b	Information incomplete	Management and worker authorities are a local parameter subject to description and cannot be aggregated in a way that would contribute to understanding the management system at Group level.	13.19.3
	403-3 Occupational health services					13.19.4
	403-4 Worker participation, consultation, and communication on occupational health and safety					13.19.5
	403-5 Worker training on occupational health and safety					13.19.6
	403-6 Promotion of worker health		<a href="#">Main types of injury</a> <a href="#">Activities for occupational health and safety</a>	b	Information incomplete	Information is available and the majority of services and programmes have been disclosed. The disclosed list is incomplete due to the quantity of data and the number of companies. The data cannot be further aggregated to contribute to the information on the scope of health promotion in a meaningful way, hence important examples have been provided.

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<a href="#">Occupational health and safety</a>				13.19.8
	403-8 Workers covered by an occupational health and safety management system	<a href="#">Data collection methodology and corrected disclosures: Scope of companies included, Human Resources</a>				13.19.9
	403-9 Work-related injuries	<a href="#">Main types of injury</a> <a href="#">Data collection methodology and corrected disclosures: Scope of companies included, Human Resources</a>				13.19.10
<b>Training and education</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Employee wellbeing</a>				
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	<a href="#">Employee development, advancement and training</a>	b	Information incomplete	Programs providing help to facilitate possibility of permanent employment and manage the successful end of career due to retirement or employment termination are currently not being systematically monitored.	
	404-2 Programs for upgrading employee skills and transition assistance programs	<a href="#">ESG Data - Employees in numbers: Training</a> <a href="#">Data collection methodology and corrected disclosures: Human Resources</a>				
	404-3 Percentage of employees receiving regular performance and career development reviews	<a href="#">Feedback and performance evaluation</a> <a href="#">ESG data: Table 44. Number and share of employees that received performance evaluation</a> <a href="#">Data collection methodology and corrected disclosures: Human Resources</a>				

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Diversity and equal opportunity</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Employee wellbeing</a>				13.15.1
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	<a href="#">5 Corporate Governance</a> <a href="#">Equality and equal opportunities</a> ESG Data: <a href="#">Table 40. Age structure of employees by type of employment contract, state and business division</a> <a href="#">Data collection methodology and corrected disclosures: Human Resources</a>	a - iii	Information incomplete	Other diversity indicators of organisation's governance bodies are not being monitored.	13.15.2
	405-2 Ratio of basic salary and remuneration of women to men	<a href="#">7 Key Information 2022</a> <a href="#">Data collection methodology and corrected disclosures: Human Resources</a>	a	Information incomplete	Information on salary by employee categories are not comparable due to reason described in the chapter on gender equality, including differences due to objective criteria.	13.15.3
<b>Non-discrimination</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Employee wellbeing</a>				
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	<a href="#">Human Rights</a> <a href="#">7 Key Information 2022</a>				13.15.4
<b>Freedom of association and collective bargaining</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Employee wellbeing</a>				13.18.1, 13.21.1
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<a href="#">Freedom of association</a>	b	Not applicable	The freedom of association and bargaining is fully provided and this right has been exercised in 95 % of cases, hence no measures for its provision have been stated.	13.18.2, 13.21.2

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Local communities</b>						
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	<a href="#">Local community Key Information 2022</a>	a	Information incomplete	Systematic monitoring of impacts on society and environment has not yet been established at Group level, i.e. currently only part of that segment has been established through the Corporate Giving Policy.	13.12.2
<b>Customer health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">2 Strategy, governance and materiality assessment</a> <a href="#">Product quality, safety and sustainability</a>				13.10.1
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	<a href="#">Launching of new products and improvement of existing assortment</a>	a	Not applicable	The percentage of improved products cannot be stated as there is no centralised system for the entire sum of all products. Improved products have been stated.	13.10.2
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	<a href="#">Health safety analyses and inspection controls</a>	a - iii	Information incomplete	Data to be collected as of 2023.	13.10.3
<b>Marketing and labeling</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<a href="#">Product quality, safety and sustainability</a>				
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labeling	<a href="#">Labelling of products and services</a>	b	Not applicable	Data are currently not recorded by the criteria of Disclosure 417-1 a	
	417-2 Incidents of non-compliance concerning product and service information and labeling		b	Not applicable	Data to be collected as of 2023.	





GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Agriculture, Aquaculture and Fishery 2022</b>						
<b>GRI 13.5: Soil health</b>	3-3 Management of material topics	<a href="#">Sustainable agricultural practices</a>				13.5.1
<b>GRI 13.6: Pesticides use</b>	3-3 Management of material topics	<a href="#">Sustainable agricultural practices</a>				13.6.1
	13.6.2. Use of pesticides by the toxicity hazard levels	<a href="#">Sustainable agricultural practices</a>	13.6.2	Information incomplete	An analysis of pesticide use at Group level is in process.	13.6.2
<b>GRI 13.9: Food security</b>	3-3 Management of material topics	<a href="#">Sustainable agricultural practices</a> <a href="#">Waste</a>	13.9.1.	Information incomplete	Companies are monitoring data on waste and preventing food waste, with a systematic approach to stating those data in the process of being established.	13.9.1
	13.9 Weight of waste generated	<a href="#">Waste</a>	13.9.2.	Information incomplete	The preparation of a methodology for this parameter is under way.	13.9.2
<b>GRI 13.22: Economic inclusion</b>	3-3 Management of material topics	<a href="#">Support to local producers</a> <a href="#">Creating economic value for stakeholders</a>				
<b>Animal health and welfare</b>						
<b>GRI 13.11: Animal health and welfare</b>	3-3 Management of material topics	<a href="#">Animal welfare on farms</a>				13.11.1

GRI Standard	Disclosure	Location	Omission			GRI Sector Standard Ref.No.
			Requirements omitted	Reason	Explanation	
<b>Topics from GRI sectoral standards not recognized as significant</b>						
<b>GRI 13: Agriculture, Aquaculture and Fishery 2022</b>						
13.4	Natural ecosystem conversion		Activities in agricultural companies have been taking place in terrestrial ecosystems for many years, in which no significant conversions that took place in the reporting period. Considering plans of agricultural companies to expand the areas under irrigation in the coming years, this topic will be revisited accordingly.			
13.13	Land and resource rights		In the reporting period, there were no conflicts related to land use rights.			
13.14	Rights of indigenous peoples		In the Group's area of activity, the indigenous population is in the majority, and in the business area of agriculture, the inclusion of minority groups is encouraged.			
13.24	Public policy		Representatives of operating companies and the Group are members of professional associations through which they actively participate in making proposals for the development of the legislative framework. A detailed overview of activities is not available, because there is no central monitoring of these activities. Additionally, according to the Corporate Giving policy, the Fortenova group does not sponsor, donate or organize volunteering for political parties, political programs or events, and organizations with political interests.			

Impressum

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