



SUSTAINABILITY IN A CUP

FRANCK Sustainability Report for 2020 and 2021





130

godina
novih
početaka

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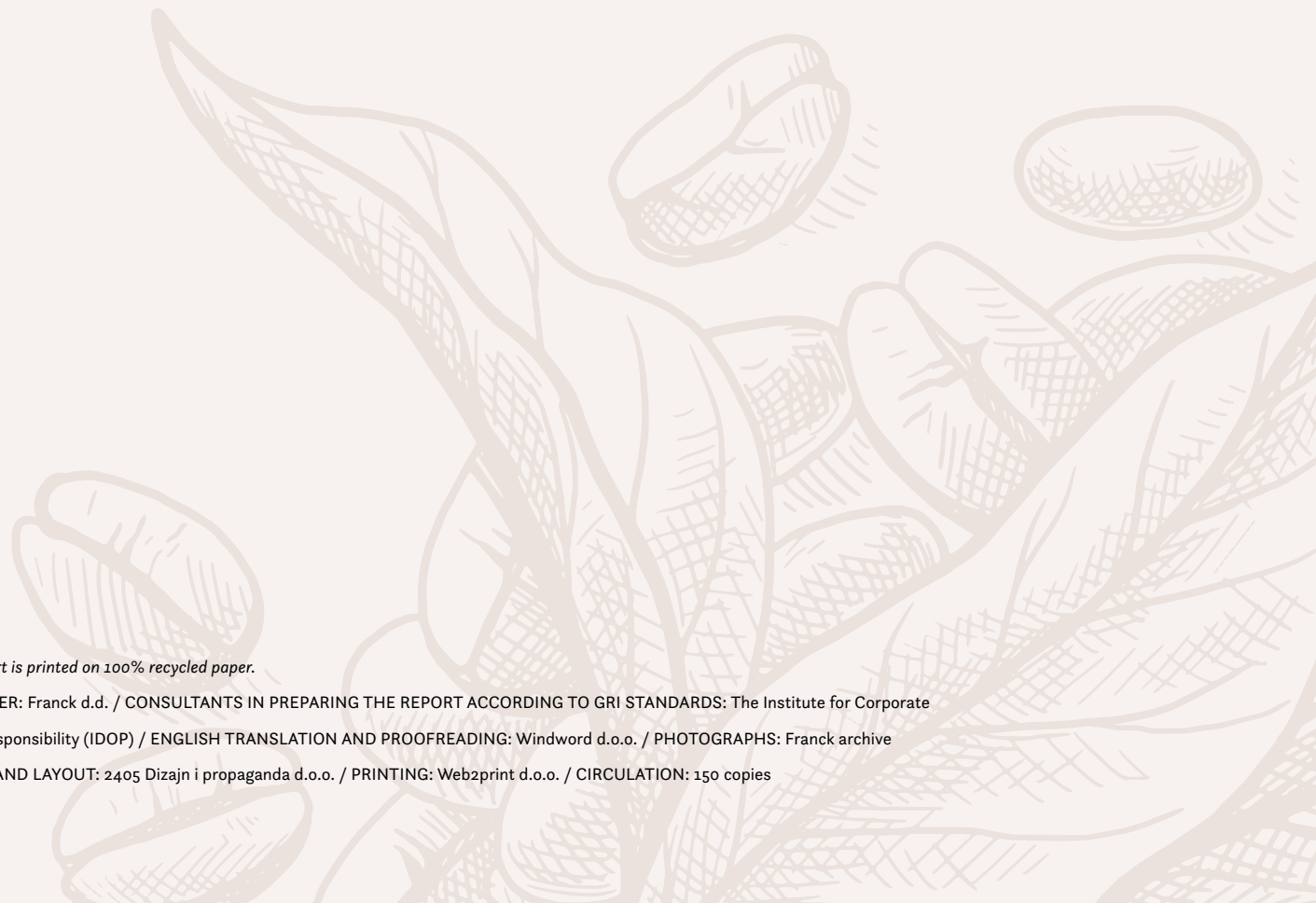


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We are grateful for all the achievements of our colleagues before us. And while we build the future that we aspire to, celebrating new opportunities and successes, we are aware that every new day is an opportunity for a new start.

— Ivan Artuković, Director

Message from the Director



It is my pleasure to present the second Franck Sustainability Report, that gives an overview of our strategies for sustainable operations and activities, in accordance with the United Nations Sustainable Development Goals.

This year, Franck celebrates its 130TH anniversary, embodied by our valuable heritage of premium quality that we have successfully linked with the dynamics of modern operations and an innovative approach. In these 130 years, we have built the backbone for the development of a coffee and tea culture, and the preparation and enjoyment rituals that represent such an important part of our culture of life. We take pride in our accomplishments as we celebrate our jubilee sharing millions of cups of pleasure with our consumers in Croatia and the region.

Meanwhile, by integrating the principles of sustainability into our business strategy, we have laid strong foundations for creating new values, both for the community and for our operations. This report therefore gives a detailed overview of our activities and the progress we have achieved in the areas of energy and environmental efficiency, quality assurance and product certification, sustainable procurement, innovations and development, and development projects that are aimed at ensuring sustainable global coffee production.

For Franck investing in sustainability means focusing on reducing negative impacts on the environment, conserving our natural resources, ensuring positive economic effects, and improving the quality of life in the communities in which we operate. In light of this, we invest in our employees, suppliers, consumers, business partners, and in culture, sport and youth programmes, and actively contribute to improving the quality of life through charity projects. I am particularly proud of our team spirit, and the speed and efficacy with which we reacted to all the challenges put before us in the past two years, ensuring the continuity of our operations, and the safety of our people. In the midst of the pandemic, we also continued investments to increase capacity and flexibility in our production plants, as this is important both for current production and for our future development projects.

I would particularly like to thank all of our employees, who did a tremendous job during the COVID-19 pandemic and after the earthquake. I would also like to thank our long-term partners, with whom we have further strengthened our ties. The period covered in this report, the 2020 and 2021 fiscal years, required us to give an effective response at all levels and in all areas of our operations. I am proud of our large Franck team – people who time and time again show their readiness and responsibility, and who ensured

that our operations based on sustainability could continue forward without interruption. In celebrating this grand 130TH anniversary, I would also like to address our loyal customers, with whom we share the passion and love for a cup of our favourite beverage, one that connects us, inspires us in a cup of espresso, gives a moment of pure peace and satisfaction with our teas, joy with our friends over a cappuccino and the many experiences and memories that we celebrate with them over generations. This is the essence of our existence in which we recognise the values that bring us together.

We are grateful for all the achievements of our colleagues before us. And while we build the future that we aspire to, celebrating new opportunities and successes, we are aware that every new day is an opportunity for a new start. This is our attitude towards the opportunities that we create, towards team spirit, the knowledge and new ideas we share, the mutual respect we nurture, the competitive approach we advocate and the responsibility we take. As our anniversary campaign slogan says, “130 years of new beginnings” – we look forward to the new moments and successes that the next century will bring. Let us remain consistent, taking in a bit from every cup that bears the Franck logo!

Ivan Artuković, Director

About the sustainability report

This Sustainability Report has been prepared in accordance with the internationally recognised framework for non-financial reporting – GRI Standards: core option for a two-year reporting period, and unless otherwise specifies, covers the 2020 and 2021 fiscal years (from January 1 to December 31). The report provides an overview of the activities of Franck d.d. Hrvatska.

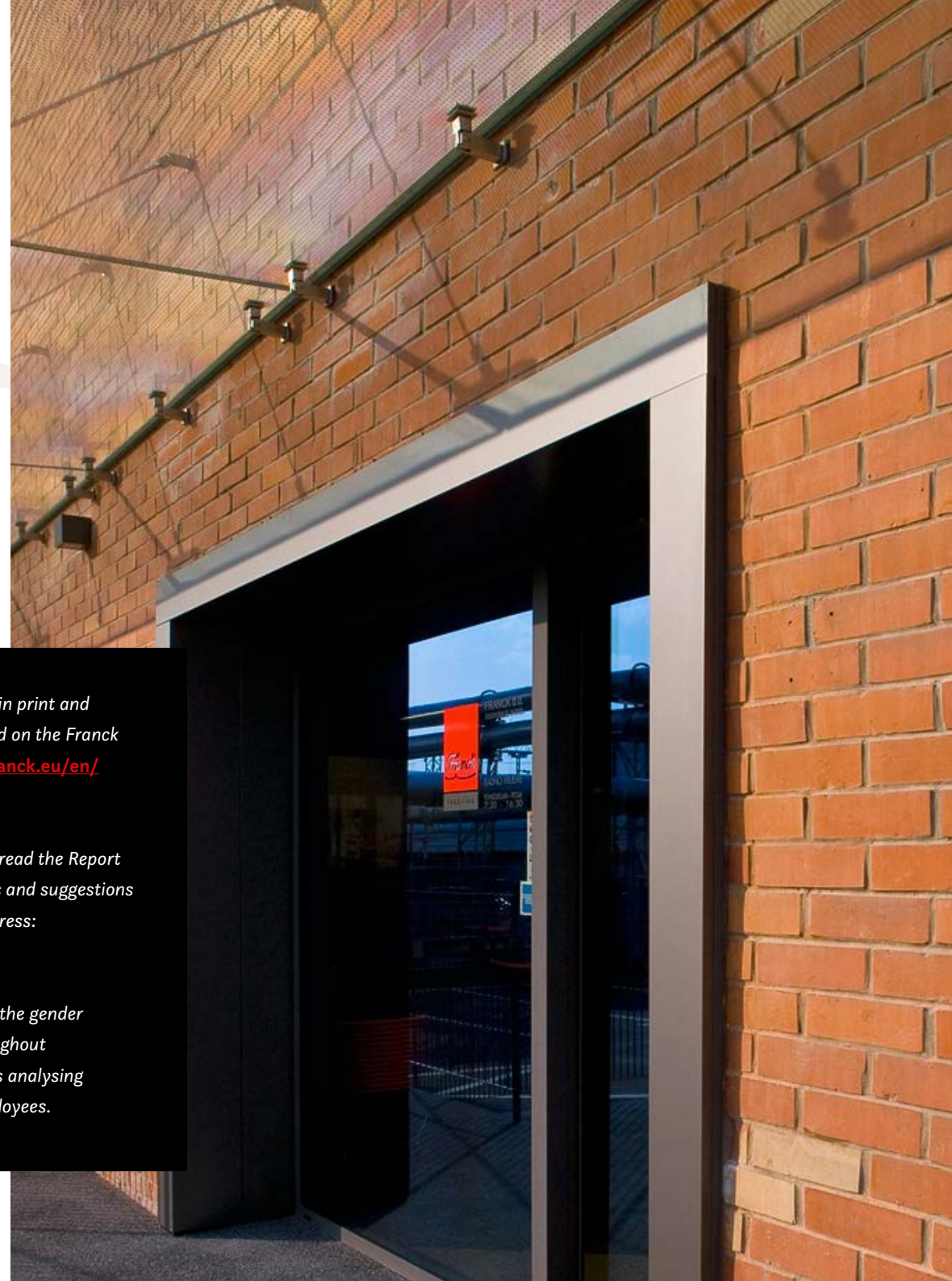
Recognising the importance of business and reporting according to the Sustainable Development Goals, Franck engaged the help of an expert on SDG Impact Assessment and Sustainability Strategy Development to define the areas in which it has the greatest impact and the relevant goals to monitor progress.

The Report transparently presents non-financial information regarding the impact of the operations of Franck d.d. (hereinafter: Franck) on society, the economy and the environment. All non-financial information was collected by the Working Group for Non-Financial Reporting covering multiple Franck departments using the IDOP platform for the collection of ESG information.

The Report was prepared in print and PDF format, and published on the Franck website: <https://www.franck.eu/en/company/responsibility>

We invite stakeholders to read the Report and share their comments and suggestions at the following email address: info@franck.eu

For the sake of simplicity, the gender neutral form is used throughout the text, except in sections analysing gender differences of employees.



About Us

NAME OF THE ORGANISATION:
Franck d.d.

FRANCK
ACTIVITIES:

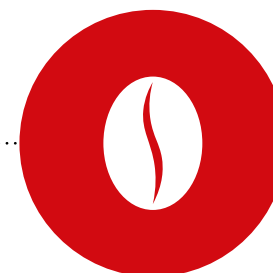
**Production
of tea**

**Production
of coffee**

**Production
of food**

HEADQUARTERS:
**Vodovodna ulica 20
Zagreb, Croatia**

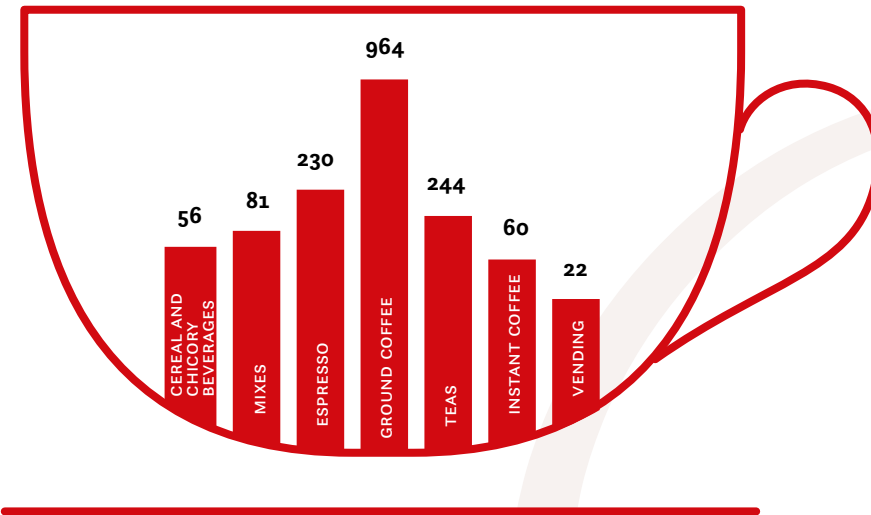
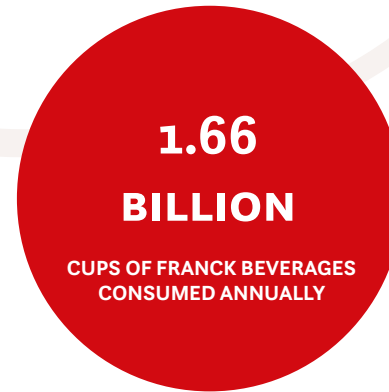
YEAR OF ESTABLISHMENT:
1892



DIRECT ECONOMIC VALUE GENERATED AND DISTRBUTED (IN HRK)	2021	2020	2019
Direct economic value generated – Revenues (revenues from the sale of goods, assets, palettes, papers, revenues from leases, logistics services, and interest)	615,385,818	574,471,559	723,889,373*
Distributed economic value	577,460,533	547,040,436	636,898,451
Operating expenditures (material costs, insurance, group expenditures, transaction, lease costs, work clothing, employee training)	452,863,977	418,779,158	494,474,696
Employee expenditures (salaries)	81,043,723	80,100,889	84,506,564
Capital expenditures (interest costs)	4,032,753	7,724,535	17,055,456
Budgetary expenditures (income tax, pension and health care contributions)	37,892,655	39,235,742	39,214,975
Community investments (donations in goods and money)	1,628,415	1,200,112	1,646,759
Retained economic value	37,925,285	27,431,123	86,990,923
* <i>Franck Group – total revenues</i>	734,733,264	654,798,467	818,375,902

Key success indicators

	2021	2020	2019
Total number of employees	475	458	495
New products	10	6	26
Quantity of products or services (tonnes)	12,088	11,996	12,479
Net revenues (total sales revenues) in HRK	596,340,509	558,375,319	610,759,905



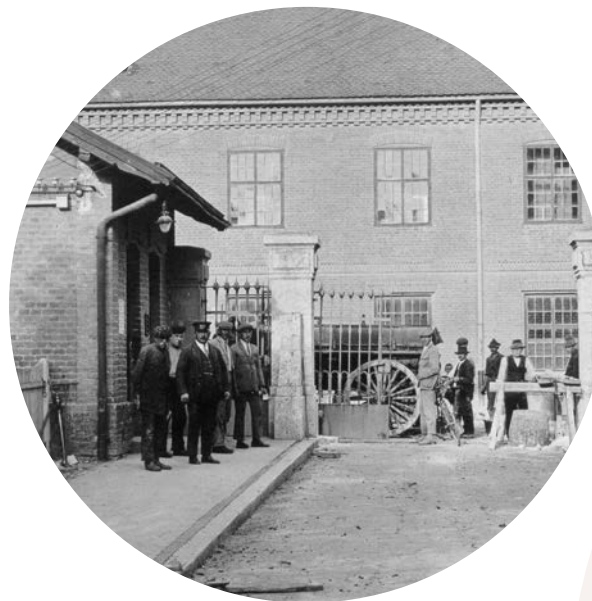
FRANCK PRODUCTS CONSUMPTION PER CUP (MILLION)



A short glance through history

Franck's history and tradition stretches back a full 130 years. The Franck story began in 1827, when young and ambitious German entrepreneur, Johann H. Franck, was the first to successfully make a beverage out of the medicinal plant, chicory. The Zagreb factory was opened in 1892 on the outskirts of the city at the time, on Vodovodna Street, where it still stands today. The initial activities were based on Johann Franck's idea to create a hot beverage from the chicory plant.

Meanwhile, chicory was planted in the fields of Moslavina, and a buying station with drying facility for this noble plant was opened in Bjelovar in 1900. Since then, the company has been expanding to regional markets and continuously investing in production, research and development, and innovations, thus becoming a symbol of vision and the entrepreneurial spirit.



- 
- 1828** ●
Franck registered as Heinrich Franck G.m.b.H
- 1892** ●
branch office opened on Vodovodna St. in Zagreb, where the company headquarters still stand today
- 1900** ●
first chicory drying station opened in Bjelovar
- 1918** ●
start of coffee substitute production
- 1945** ●
Franck coffee substitute presented to the Croatian market
- 1960** ●
start of coffee production
- 1962** ●
instant product plant opened for instant coffees and instant cappuccino
- 1968** ●
first tea in filter bag produced on the Croatian market
- 1972** ●
the iconic Jubilarna coffee is presented to the market
- 1975** ●
launch of Franck Classic *espresso*
- 1982** ●
presentation of the first vacuum pack enabling ground coffee to preserve its aroma
- 1993** ●
presentation of Jubilarna vacuum pack coffee, commonly called the Brick
- 2002** ●
presentation of the Extra espresso coffee system, the first *single-serve espresso-machines*
- 2008** ●
opening of the production plant in Grude, BiH as a *greenfield* investment
- 2014** ●
Franck becomes a member of the association International Coffee Partners, and supports the coffee&climate initiative
- 2015** ●
acquisition of the Slovenian brands Santana and Loka; tea factory fully refurbished as one of the most modern in this part of Europe
- 2016** ●
partnership in the Slovenian company ELLE GI of Kopar
- 2017** ●
Franck becomes a member of Tea & Herbal Infusions Europe (THIE)
- 2019** ●
launch of premium Franck Superiore espresso with selected coffee beans from Rainforest Certified™ plantations; start of operations of Franck Snogoo, a modern self-service vending machine network
- 2020** ●
launch of the line of Specialty coffees, specially created by the Franck experts; Franck webshop launched
- 2021** ●
successful recertification for IFS Food v7; opening the first fully digital *walk-in coffee store* under the brand Franck Snogoo

Focus on innovation and success through sustainability

During its 130 years of operations, Franck has acquired vast experience in the production of coffee, tea and cereal and chicory-based beverages. Based on those experiences, the company is building its future through innovations and premium quality products and services. Today, Franck is equally dedicated to the further optimisation of operations and production plants, and the development of products that keep up with the lifestyle of consumers, and changes in market access.

During the pandemic in 2020, Franck ensured increased production capacities and flexibility in the coffee factory, as this was assessed as important for both existing production and for new development projects. Investments at the level of Franck totalled HRK 22.4 million, financed from company funds, with the largest individual investment directed into mill and silo system within the coffee plant. This investment also encompassed automation and increased the efficacy of the final, transport packaging in the production plant for Franck Cappuccino and other instant products. This marked the continuation of the project to increase packaging capacities that was launched in 2018.

In 2021, total investments were valued at HRK 35.4 million, funded independently by the company. The most significant single investment was in the tea production plant, valued at HRK 11.5 million. This investment increases the production capacities, ensured continuity in quality, and achieved rationalisation in production processes, a greater degree of automation and flexibility.

With the successfully realised investments so far, the company has shown strategic thinking and focus on long-term business sustainability, and with this aim, it continues to create opportunities for another step forward in the region.

Meanwhile, special attention is paid to research and development, which is why Franck is recognised as an innovator, raising the bar of quality and defining market trends. Innovation has always been at the heart of Franck's business. The company itself is based on the innovation of Johann Franck, who successfully created a beverage out of chicory, and this entrepreneurial spirit and culture of innovation are still Franck's main driving force today.

Because of this, the company encourages the continuous development of its main product categories, but also of the entire market in accordance with consumer trends and preferences.

Franck is extremely proud of the fact that generations have been raised on their products and that even today, 130 years after the factory was founded, Franck's name still stands as a guarantee of top quality. This is the value upon which the company is built and which represents one of the backbones of Franck's business. Every product is a result of great commitment, work and effort, expertise and experience, a wealth of knowledge of the market and consumers, and significant investments in development and innovation. Today, Franck successfully combines this valuable heritage of quality with the dynamics of modern business, an innovative approach, and advanced technological processes.

Franck's business is based on the attitude that consumers are provided with not only products, but also love and passion that Franck invests in the development and marketing of these products.



Franck brands

For the past 130 years since establishment of the factory, Franck has been the market leader in coffee and tea. Numerous hit products such as Jubilarna coffee, Stretto and Superiore espresso lines, Franck Cappuccino, and a broad assortment of more than 30 types of tea of different high-quality flavours have positioned the company at the top of the Adria region, and achieved strong market shares in the regional HoReCa channels. In striving for excellence, Franck is constantly creating strong brands, which is recognized within the rest of the portfolio that includes chicory and cereal beverages, spices, side dishes and baking ingredients.

The company's strategic focus is on further business development and sustainable growth in the hot beverage category. Franck is introducing new trends through continuous investments in production excellence, the application of advanced technological solutions, and the development of innovative concepts and products.

The focus is clear: to strengthen the company's leadership position through innovation, a high standard of product quality, and systematic work on the development of the product range and brands, in order to create conditions for new expansions in the region and business internationalisation.

Striving for growth built on innovation

In this reporting period, Franck developed and launched a total of 16 new products in line with customer preferences. The product line was supplemented with a [line of premium specialty coffees](#) – selected by Franck’s master cuppes – from Kenya, Indonesia and Peru, with carefully selected and individually roasted coffee beans of authentic origin from selected plantations in these growing countries. This is a personalised approach that satisfies the diverse tastes of genuine coffee lovers, and in their orders, consumers can also purchase coffee beans or specially ground for their preference brewing method: džezva pot, Mokka, filter, French press or for an espresso machine – these are just a few of the choices.

With the pandemic and more time spent at home, consumption patterns changed, with a strong surge in sales of single-serve espresso for household use. In following this strong trend of increased household consumption, especially for single serve espresso, Franck now offers a diverse selection of premium coffees for preparation at home. With the existing capsule coffee machine, the new Extra Easy Serve espresso machine with pods containing

freshly ground coffee in a filter bag and protected atmosphere has been presented alongside Franck’s other popular espresso brands, as well as novelties such as pure, original 100% Arabica coffees - premium single-origin Guatemala and Colombia. In order to offer its customers the very best coffee enjoyment experience at home, with a selection to choose from, the Franck Nota capsules, that are compatible with Dolce Gusto machines, have also been presented in four rich Franck coffee flavours.

In the instant cappuccino category, Franck is keeping up with the current trend of colourful dessert beverages and presented two new flavours: Franck Cappuccino Raspberry Macaron in pink, thanks to natural colouring and the addition of powdered raspberry, and Franck Cappuccino Golden Macaron in an unexpected combination of flavours with the addition of curcuma and ginger. A novelty was also presented in the category of cereal and chicory beverages — *Bianka Proja* — that can be prepared in different ways.

Considering the strong demand for coffee-to-go, in 2021, Franck opened the first ever digitalised

Franck Snogoo store. This is a contemporary walk-in store in which customers can purchase a cup of premium Franck coffee-to-go and other warm and cold beverages, together with sandwiches, desserts, freshly squeezed juices and snacks 24 hours a day.

The Franck Snogoo store offers more than 36 different coffee beverages of well-known Franck brands, and refrigerated vending machines serving refreshing ice coffee and cappuccino beverages and juices. The first completely digitalised Franck Snogoo store in Croatia also includes several digital novelties, such as Digital Signage, a large central touch screen and navigation and display system for the content related to the space. The Franck Snogoo vending machines are available at more than 2000 locations across Croatia, with further expansion of the network. They support all forms of payment, including contactless card payment and payment via applications.

Customers can download the Snogoo application for free and become members of the loyalty club to collect reward points that can later be redeemed for products in the store.

Franck opened the first digitized Franck Snogoo store in 2021

In 2021, the chicory campaign was successfully completed, where a thousand tonnes of chicory was processed in Franck's factory in Bjelovar, with 250 tonnes of premium quality dry chicory produced after primary processing. The chicory Franck uses for its beverages is completely grown and processed in Croatia, and the finished product is then exported to nearly all European markets, and to the US, Canada, New Zealand, Australia and Qatar.

Franck's plan for the upcoming period is to continue product development in line with consumer trends, while nurturing direct relations with consumers and society as a whole. Thanks to this, the company is succeeding in justifying loyalty of its customers and retaining the leadership position in the segment of innovation and the premium quality of its products.



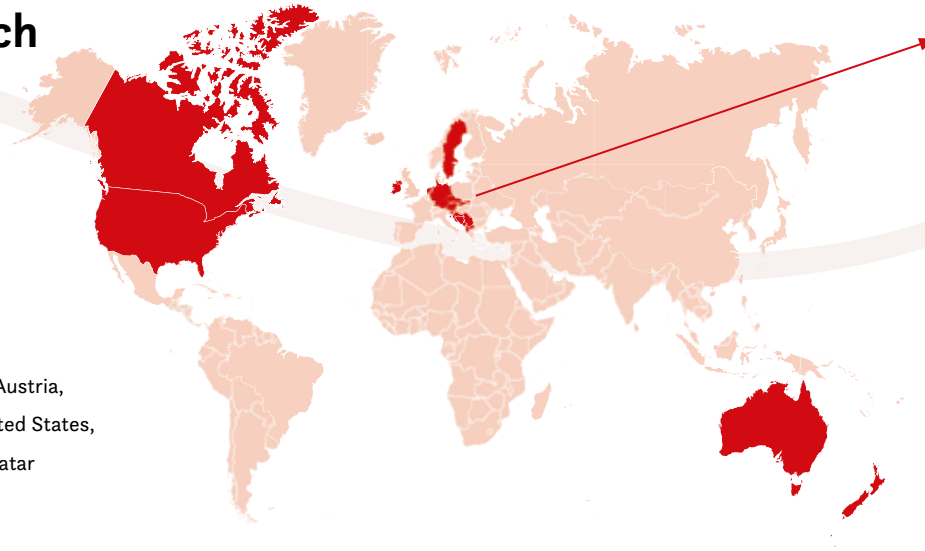
WATCH THE VIDEO

Franck product lines





The markets in which Franck operates



Sweden, Germany, the Netherlands, Austria, the Czech Republic, Slovakia, the United States, Canada, Australia, New Zealand and Qatar



Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Albania, Kosovo and North Macedonia

The company's headquarters is in Zagreb. Franck operates, with its subsidiaries, in the markets of Bosnia and Herzegovina, Slovenia and North Macedonia, as well as Slovakia and Austria. In partnership with distributors, it also operates in Serbia, Montenegro, Kosovo and Albania. Franck products are exported to Germany, Austria, the Netherlands, Romania, Ireland, Sweden, Czech Republic, Canada, United States, Australia, New Zealand and Qatar. Franck has no ban on operating in any market.

Production facilities are located in Zagreb, in addition to the facility for primary processing of chicory in Bjelovar and in Grude (Bosnia and Herzegovina) and Koper (Slovenia). In Croatia,

distribution is organised through five warehouses and distribution centres in Zagreb, Split, Zadar, Rijeka and Osijek.

With ongoing improvements to business efficacy and better positioning in all sales channels, Franck pays special attention to premium service and providing reliable support and logistics to all its partners in the HoReCa channel. The Franck sales organisation for the HoReCa channel is a prime example of excellence and a strong team able to quickly react to meet partner needs.

In order to continuously improve services, a regional service centre, fully equipped to provide high-level professional support to all partners, was opened in

2016 in Zagreb. In addition to servicing professional coffee machines, the centre also provides educational programmes for service technicians, which further raises the level of excellence in the HoReCa channel. In this way, the company develops its business together with its customers, which makes it a reliable long-term partner.

CHANGES IN THE PLACE OF BUSINESS, INCLUDING FACILITY OPENINGS, CLOSINGS AND EXPANSIONS

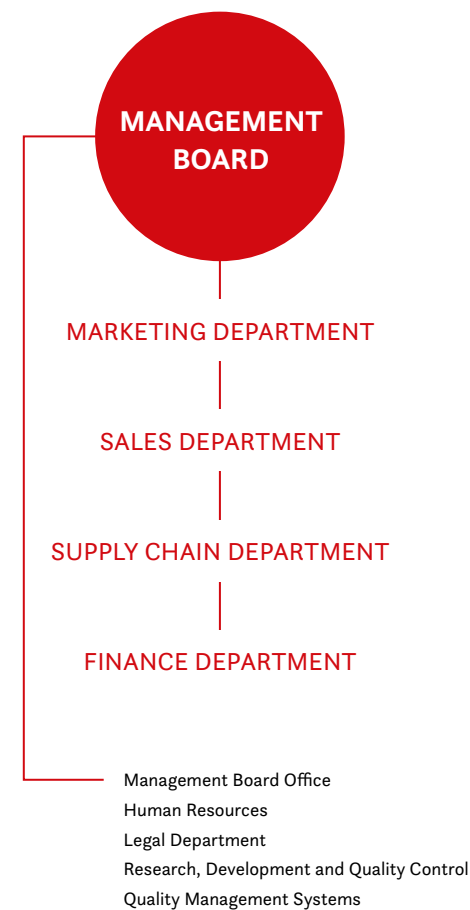
During the reporting period, there were no changes in the business locations, all production activities take place at the location of the company's headquarters.

Corporate structure and management

The legal form of the Franck company is a joint stock company, which has all the bodies prescribed by the Croatian Company Act. The highest governing body is the Management Board, which consists of one member – the director. The work of the Management Board is supervised by the Supervisory Board, which consists of three members. The General Assembly consists of the company’s shareholders. Franck is a joint stock company whose shareholders are legal entities (indirect ownership) and natural persons (direct ownership). The company holds a regular general meeting once a year.

The Company’s operations are managed by the Management Board headed by a director and a management team that make business decisions in the areas for which they are responsible – finance, production, research and development, procurement, quality control, sales, marketing, human resources – as the backbone of the company’s activities. All issues related to the impact on the environment, society and the economy are the responsibility of the Management Board. Corporate Communications Department, along with a wider team of experts from various fields, is responsible for coordinating activities and implementing sustainability programs.

Management structure of Franck



Franck's strategic memberships

Through membership in national and international associations dedicated to sustainable development, Franck contributes its experience and knowledge to the aim of improving sustainability within the industry.

› **International Coffee Partners (ICP)** is a non-profit pre-competitive organisation that brings together eight leading coffee producers and traders in Europe. Through ICP membership, Franck is actively involved in empowering and supporting small coffee farmers.

› **Tea and Herbal Infusions Europe (THIE)** is a professional association representing the interests of producers and traders of tea (*Camellia sinensis*) and herbal infusions as well as extracts thereof at the EU and global level. Within THIE, Franck

actively participates in activities aimed at a healthy, market-oriented, innovative and legally compliant product.

› **Croatian Employers' Association (CEA)** In 2019, Franck participated in the establishment of the Coordination of Coffee Producers, Processors and Distributors and it actively participates in the work of the Coordination of Food and Beverages at CEA, as well as the Association of the Food Industry and Agriculture.

› **Croatian Chamber of Economy (CCE)** Through its activities and initiatives, Franck, in cooperation with members of the Croatian Chamber of Economy, actively participates in the exchange of knowledge and practices of the industry.





INTERNATIONAL Coffee Partners

International Coffee Partners (ICP)

ICP is a non-profit pre-competitive organisation that brings together eight leading coffee producers and traders in Europe: Löfbergs (Sweden), Neumann Kaffe Gruppe (Germany), Paulig (Finland), Tchibo (Germany), Delta (Portugal), Lavazza (Italy), Joh. Johannson Kaffe (Norway) and Franck (Croatia). It was founded in 2001 with the aim of making small coffee farmers competitive by relying on sustainable practices. ICP's vision goes beyond the actual implementation of individual development projects; ICP wants to contribute to the sustainable transformation of the coffee sector. Innovative regional programmes in Central America, Uganda, Tanzania, Indonesia, and Brazil have resulted in significant benefits for farmers' families, as well as the entire supply chain. With the help of the Hanns R. Neumann Stiftung foundation, the implementing partner, ICP projects are being carried out globally.

coffee & climate

enabling effective response

coffee&climate Initiative

Areas suitable for coffee cultivation are extremely sensitive to climate variations, and increasingly severe climate change can reduce the areas suitable for cultivation by 2% to 3% in some years. The most significant problems are rising temperatures, heavy rains, winds and prolonged periods of the dry season, which results in the development of various crop diseases, erosion and poor soil quality, and ultimately reduced yields and poorer coffee bean quality. To help small coffee producers, key coffee market players from the private, development and research sectors have set up the coffee&climate (c&c) initiative, which Franck has also joined. As a development partnership, c&c was launched by leading European coffee producers and traders gathered within International Coffee Partners.





SUSTAINABLE DEVELOPMENT STRATEGY – *BUSINESS WITH A PURPOSE*

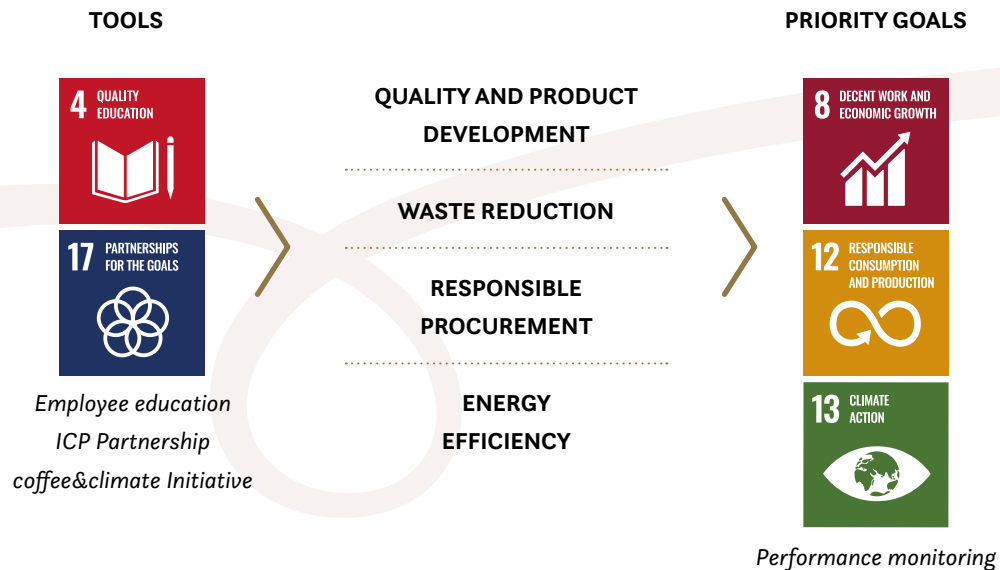
The valuable heritage of quality, which has lasted for 130 years, is successfully combined with the dynamics of modern business, innovative approach, and advanced technological processes. One of the strategic determinants of Franck's business is the integration of responsibility and sustainability in all segments.

Investing in sustainability for Franck means a long-term focus on reducing negative environmental impacts, ensuring a positive economic impact and improving the quality of life in the environment in which it operates. Franck invests in its employees, suppliers, consumers, business partners, culture, sports, programs for youth and actively contributes to improving the quality of life through humanitarian projects.

Franck's sustainability strategy is closely tied to its purpose of doing business – which above all is focused on returning to and investing in the community. Through all its business processes, Franck takes into account its impacts on employees, the community, suppliers, environment and consumers. Accordingly, three priority sustainability goals have been defined, and the company aims in the coming years to contribute to these goals through product development, quality and sustainable and responsible procurement.

In its employees, Franck sees the driving force for positive change. In partnership and cooperation with organisations on the global coffee market, it sees a source of innovative solutions for progress and sustainable company development, and for the economy and society in which it operates.

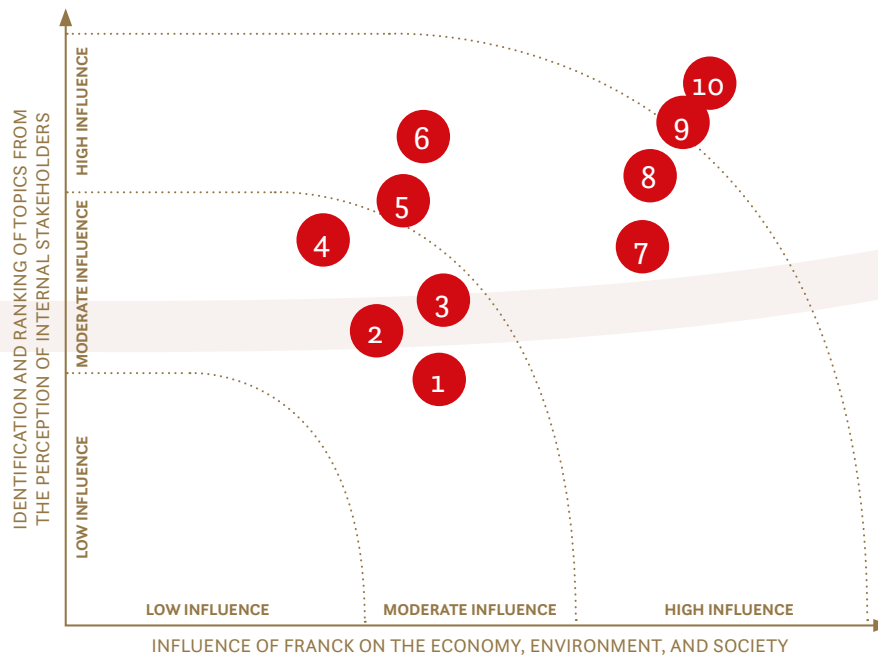
The set business goals in the coming years are aimed at meeting the sustainability targets by 2030. One of the priorities, which was successfully realized, was introduction of the ISO 14001 standard that will help improve ecological performance, meet compliance requirements, and achieve environmental goals. Through this, Franck directly contributes to all three priority goals.



MATERIALITY MATRIX

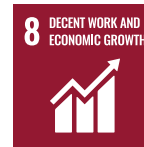
The materiality matrix presents the identified and ranked environmental, economic and social material topics which are the basis for the preparation of sustainability report and the monitoring of non-financial indicators in order to achieve set goals of Franck’s sustainable development.

The methodology used to prepare the materiality matrix is the recommended form of non-financial reporting in line with the GRI Standards, and the identified topics are significant within the organization and along the supply chain.



- | | |
|---------------------------|--------------------------------------|
| 1 Human rights | 6 Development of the local community |
| 2 Local suppliers | 7 Employee education |
| 3 Responsible procurement | 8 Growth and economic profitability |
| 4 Energy efficiency | 9 Product development |
| 5 Waste reduction | 10 Product quality and safety |

GOAL 8



Franck promotes inclusive and sustainable economic growth, full and productive employment and decent work for all. By investing in research, development and innovation, it seeks to improve the efficient exploitation of resources.

- Product development
- Responsible procurement
- Local suppliers
- Internship programme for youth
- International ISO Standards

GOAL 12



Franck strives for sustainable consumption and production patterns that reduce the use of natural resources and the deterioration and pollution of the environment. Efficient management and use of natural resources achieves product quality according to the highest industry standards.

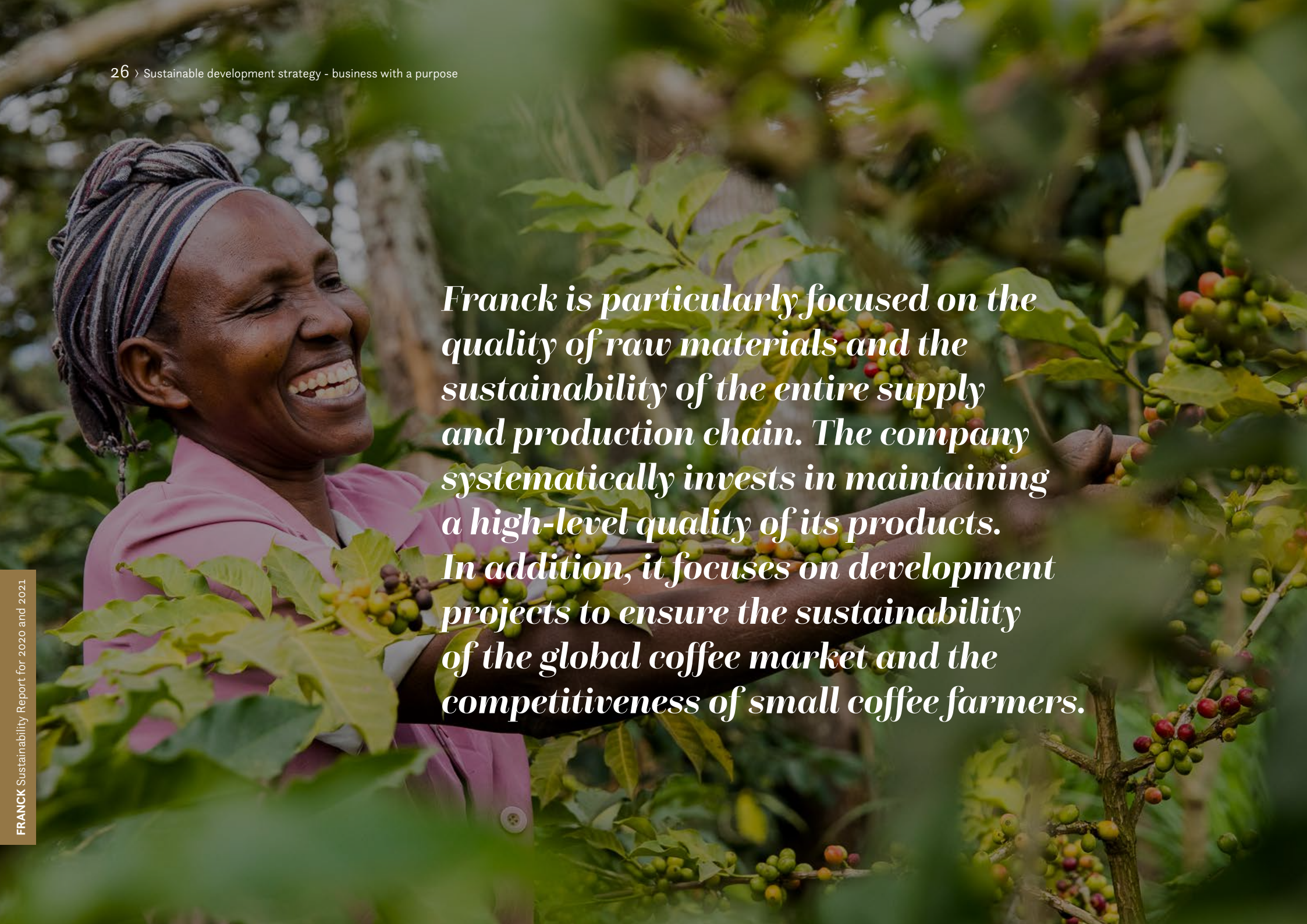
- Product quality
- Packaging waste reduction strategy
- Highest industry standards
- International ISO Standards

GOAL 13



Franck believes in taking urgent action to combat climate change and its impacts. It does so primarily by ensuring that business operations do not encroach on the ecosystems and communities in which it operates and by supporting suppliers in their resilience to climate impacts.

- Energy efficiency
- Emission reduction
- coffee&climate initiative
- International ISO Standards

A woman with a joyful expression is shown in profile, wearing a pink shirt and a patterned headwrap. She is actively harvesting coffee cherries from a branch in a vibrant green coffee plantation. The background is filled with dense foliage and coffee trees, creating a sense of a healthy and productive agricultural environment.

Franch is particularly focused on the quality of raw materials and the sustainability of the entire supply and production chain. The company systematically invests in maintaining a high-level quality of its products. In addition, it focuses on development projects to ensure the sustainability of the global coffee market and the competitiveness of small coffee farmers.

Sustainable global coffee production

Franck is particularly focused on the quality of raw materials and the sustainability of the entire supply and production chain. The company systematically invests in maintaining a high-level quality of its products. In addition, it focuses on development projects to ensure the sustainability of the global coffee market and the competitiveness of small coffee farmers.

One of the ways to achieve this is by acting as a member of International Coffee Partners (ICP), as well as coffee&climate initiative with a vision to train coffee farmers to effectively adapt and respond to climate change that significantly affects the availability and quality of coffee. Thus, Franck actively participates in the implementation of development projects on a global level by providing the necessary financial and advisory support. As part of the ICP, Franck works to empower and support small coffee farmers to implement sustainable practices that enable them to increase yields, improve crop quality, increase competitiveness, have more efficient market access, and improve working and living conditions.

20 YEARS AS PART OF THE INTERNATIONAL COFFEE PARTNERS

In 2021, International Coffee Partners (ICP) celebrated 20 years of continuous support to small coffee growers and their families. As a strong pre-competitive partnership of eight leading European coffee producers and traders, ICP has succeeded in testifying to and confirming the importance of innovative and holistic project concepts and cooperation within the coffee sector, and the aim of tackling the challenges faced by coffee growers and their families.

The anniversary was celebrated with an online panel entitled [“Focus on People! How the coffee sector can ensure smallholder families’ livelihoods”](#).

As it was emphasized at the panel, ICP believes that smallholder family farms - just like any other company – can give better results when men, women and different generations work together. That is why constantly perfecting the skills of good agricultural practice, with other qualifications to strengthen competitiveness and managing operations, is extremely important. In recent years, two groups of coffee growers have received special support – women and youth. More than 16,000 young people under the age of 35 and nearly 61,000 women received training by the ICP within projects implemented during 2019.

To date, the ICP projects have included and assisted more than 100,000 farming families in 13 coffee-growing countries. Thanks to the long-term presence, based on five-year strategies, the ICP recently updated its [Theory of Change](#), to strongly emphasise the holistic approach to living. This approach addresses issues of gender, youth, family businesses, grower’s organisations, and adaptations to climate change.

Current ICP projects in Brazil, Ethiopia, Guatemala, Indonesia, Tanzania and Uganda are implemented by the Hanns R. Neumann Stiftung Foundation (HRNS). These projects are focused on coffee production, creating added value for growers, diversification and better market access, and to date have assisted in increasing revenues and stabilising capital inflows. This has reduced the gap concerning revenues needed to achieve a decent standard of living.

Thanks to the holistic approach, coffee-growing families have the opportunity to have a complete overview of their production systems. As a sustainable element of life in rural areas, coffee generates opportunities for all: families, the community and the coffee sector. However, this only functions if we are focused on the development of small grower families, and not just on their activities in coffee growing.

EXAMPLES OF POSITIVE PRACTICES

Teddy Nkyambadda, a coffee grower from Uganda and her family are beneficiaries of the ICP projects. In joining in a local ICP project, she learned about good agricultural practices and steps to take after the harvest of coffee and other crops. Teddy has also become a role model for the youth in her area.

“I am teaching them good practices in agriculture, like measuring the plot, bottle-based irrigation and pruning,” she said. She has started to view her farm as a company, and sees that family growers in her area are a community that should work together. This is the case with the local grower association in Uganda, called the Depot Committee. For Teddy, this committee plays a key role in implementing joint plans for savings, storing, processing and placing their coffee on the market. In Uganda, Teddy now manages her coffee-growing company with much more confidence, and has succeeded in increasing the yield of her crops.

The greatest challenge that the ICP has faced over the past 20 years has certainly been the COVID-19 pandemic. Thanks to its long-term presence, the ICP stands firmly by the coffee-growing community in the challenging times, and was also there during the pandemic. The ICP very quickly took significant steps to inform its staff on the ground and the coffee growers of the situation, and offered support opportunity to protect the sowing and harvest cycle, and to protect the financial stability of grower families.

LONG-REACHING EFFECT OF ICP PROJECTS

Through its projects, ICP aims to encourage the potential of young people, to turn coffee growing into an attractive business opportunity for the entire family, to support a more competitive placement of coffee through grower’s associations, and to tackle the many effects of climate change. These are but a few of the challenges that the ICP recognises are areas that all sides need to join forces to resolve.

ICP has completed 23 projects in 13 countries, and projects are currently underway in six countries around the globe. A total of EUR 17 million has been

invested, an impressive amount with impressive outcomes: in Trifinio, a key coffee-growing area and a biodiversity hotspot, every invested US dollar has achieved a return on investment of 3.7 US dollars. More than 58,000 coffee growers on 47,000 hectares of agricultural land around the world attended ICP training sessions in 2020 alone, and the results were astounding. In Indonesia, 88% of family farmers improved the management of their farms. In Tanzania, 85% of small grower households introduced recommended post-harvest practices. And according to an external evaluation, 90% of project participants in South America stated that they felt a brighter future was ahead.



WATCH THE VIDEO

*In Indonesia, 88%
of family farmers
improved the
management of
their farms.*



Since 2001, ICP has implemented 23 projects in 13 countries

- › By the end of December 2020, a total of 122,557 small grower families had received direct benefits from ICP interventions
- › Since 2001, ICP has supported and facilitated the establishment of 1763 agricultural cooperatives
- › Farmers participating in the ICP programmes come from the following areas:
 - 78% Africa
 - 7% Latin America
 - 15% Asia
- › For more details on the influence of ICP projects and project results, see the ICP Annual Report for 2020.

coffee&climate

The aim of the initiative is to provide support to small coffee farmers, their families and communities, so as to better be able to respond to climate change, to increase resilience and improve their standard of living.

Since its establishment in 2010, c&c has been operating in seven regions around the world: following a participatory and inclusive five-step approach, small grower families get access to practical tools and knowledge that enables them to better adapt their plantations to climate change, minimise carbon emissions, and improve the carbon storage potential in coffee-growing areas.

With more than 92,000 households that grow coffee to date, c&c is currently in the third phase of implementation and this will include an additional 80,000 families by 2024.

The project includes activities such as the application of effective techniques to save water resources by irrigation, develop cover crops to prevent soil heating and wilting of coffee plants. Farmers are actively participating in practical educational workshops, which facilitates them in selecting and implementing solutions that best meet their specific needs. Further, growers have access to the [online platforms](#) with the unified database offering practical advice, guidelines and useful tools.



WATCH THE VIDEO



Dialogue with stakeholders

Franck’s primary stakeholders are the customers who regularly buy Franck’s products, but equally important stakeholders are our employees, suppliers, business partners, banks, NGOs, academic community, member associations, the media, etc. It is through dialogue with stakeholders who affect or could affect business that transparency is enabled, which is the foundation and inspiration for improving business and business processes for sustainable development.

In order to define important topics of corporate social responsibility and sustainable development strategy, activities were carried out to identify the Sustainable Development Goals to which Franck most contributes. Franck plans to carry out dialogue activities with external stakeholders in forthcoming reporting periods.

To ensure a sufficient source of important information, external communication channels have been established with:

- › Suppliers, traders and subcontractors
- › Customers
- › National authorities
- › Organisations of importance and other interested parties (professional organisations, clubs, chamber of commerce, associations...).

Franck communicates with all stakeholders in the food chain that can affect product safety, which is defined through individual contracts. All external communication related to the area of food safety, Halal and Kosher quality is carried out by Franck employees in their areas of work, with the consent of the HACCP team coordinator.

Franck has classified its stakeholders according to the key groups to ensure an understanding of their needs through effective communication on specific social, environmental and economic topics.

Stakeholder categories are listed below:

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> › employees › B2B customers › business partners and distributors › owners and shareholders | <ul style="list-style-type: none"> › consumers › suppliers › investors and financial institutions › regulatory bodies › business and professional associations › sectoral cooperation | <ul style="list-style-type: none"> › local community › coffee growers and workers › media and the public |
|---|---|---|

Dialogue with stakeholders has been achieved through:

PROVIDING INFORMATION

Franck informs stakeholders about business and activities by providing transparent information through official channels: the official website www.franck.eu, which is available in six languages, Franck webshop, social media channels [Facebook](#), [YouTube](#), [LinkedIn](#), [Instagram](#) and [TikTok](#), digital newsletter for consumers, press releases, Financial Agency (FINA) and the Sustainability Report, Franck daily news for employees, company Intranet and bulletin boards.

CONSULTATIONS AND DIALOGUE

Regular consultations and exchange of information take place mainly in meetings, working groups, emails, customer visits, trade fairs, etc.

PARTNERSHIPS

Cooperation and partnerships are realised through active membership and support.

Operating in crisis situations

The last two years (2020 and 2021) influenced the company to change its business dynamics due to increased business complexity and demands for the procurement department to adapt to the new and unpredictable situation on the market.

In the reporting period, it was essential to disperse the procurement risks and find new alternatives, primarily concerning packaging materials, so as to ensure continuity of production at all times. It was also necessary to adapt operations to meet new delivery periods for raw materials and production materials, caused by supply chain disturbances. Franck is focused on ensuring operational efficiency and providing support for the development of new innovative products and services. Considering the market situation that reduced the availability of quantities of raw materials, with their growing prices, all processes needed to be adapted to meet these new circumstances.

CRISIS TEAM

Crisis team meetings are initiated by one of the members. It consists of the Management Board, executive directors and the director for the management of food safety and quality systems. Other business functions are included as needed. All members of the crisis team are always available on mobile phones.

A crisis situation includes the following situations – fire, explosion, hail/weather disaster with significant material damage, terrorist threat, workplace injury, failure of the energy system that directly affects products, environmental pollution, customer complaints with the possibility of brand damage, identified non-compliance requiring initiation of the product withdrawal procedure, notification of the administrative body about the possibility of a pandemic, notification of the supplier about the subsequently determined non-compliance of raw materials and/or packaging and other cases at the discretion of the Management Board.





QUALITY AND SECURITY AS BUSINESS IMPERATIVES

Franck's mission is to ensure long-term consumer satisfaction by nurturing a century-old tradition and top-quality products and services, preserving health, safety, environmental protection and energy efficiency, and to confirm its status as one of the leading companies in the region. The entire work of the company's employees is based on strong teamwork and cooperation in achieving the set goal, which is a satisfied consumer who always returns. It is one of the key elements in ensuring continuous quality and implementing a set of standards related to food quality and safety and energy management.

Franck has established a food quality and safety management system that fully meets the requirements of the legislation of the Republic of Croatia and the EU, and the strategic aims of the company.

Customer satisfaction is the only long-term guarantee of success in the market, but this cannot be achieved without working every day on maintaining and improving the quality and safety of products. Consequently, Franck pays great attention to developing relationships with consumers and observing changes in their desires and expectations, as well as ensuring that products always comply with the highest world standards in the food industry.

Franch
JUBILARNA
ORIGINAL

Franch
JUBILARNA
ORIGINAL

JUBILARNA

130 years of tradition, quality and safety

Premium product quality and continuous upgrading of business practices and processes are strategic goals for Franck. One of the most important business determinants of Franck is a special focus on ensuring quality and food safety, customer satisfaction, innovation in line with global trends, and recognizing current and anticipating future consumer needs. Franck is focused on producing high quality and compliant products based on good manufacturing practice and food quality and safety management principles.

To ensure continuous quality, food safety and energy efficiency, Franck has established an integrated management system based on standards, regulations and principles in line with Franck's food quality and safety management system. The application and implementation of the requirements of the company's management system consists of the implementation, maintenance and continuous development of an integrated system. The integrated management system is based on HACCP principles according to the Codex Alimentarius document (Hazard Analysis and Critical Control Points) and other norms and regulations related to the food

industry and its markets (IFS Food Standard v7, Halal, Kosher, Rainforest Alliance, BIO) and ISO 50001 (Energy Management System) and ISO 14001 (Environmental Protection Management System).

The secret to maintaining premium quality is simple – we follow tradition and update it through the use of innovations and advanced technologies.

Moreover, the ISO 22000 food safety management system was implemented at the Grude location, and by obtaining a Halal certificate, it was confirmed that Franck's operations meet all the requirements of BAS 1049. All standards were established for the purpose of achieving the ultimate goal – to maintain a high level of food quality and safety as well as consumer/customer satisfaction.



WATCH THE VIDEO

Product safety and quality as the primary goal

Franck is constantly doing research and working on improving the efficiency of its food quality and safety management system. If the regular maintenance and operation of the system identifies a need for improvements and changes in the management system, they will be initiated and implemented. Observing non-compliances that are not necessarily directly related to product safety and initiating corrective and preventive actions raises awareness of the possibility for improving the system, as do changes in case the system fails to recognise deviations that jeopardise product safety.

Through modernisation activities, a continuous effort has been made to integrate the management system into day-to-day operations as a basis for successful business process management, in order to confirm the relevance of the Food Quality and Safety Policy.



Quality assurance and product safety certificates

The introduction of a quality management system was a strategic decision. The internationally recognised certificates that Franck holds are not only a guarantee to consumers and business partners, but also a constant reminder and obligation to everyone at Franck that there must be no compromise in terms of quality and safety.

The food safety culture is an integral part of the Franck Food Quality and Safety Policy, and through this the company expresses its focus on development and strengthening the food safety culture and its dedication to a safe and high quality product. Understanding the food safety culture at Franck is key for stimulating ongoing improvements and preventing deviations in processes that influence safety, quality and the legality of products.

Plans are in place for the forthcoming period for all employees to be included in training sessions and workshops on how implementing measures further raises the degree of the food safety culture. Training and workshops contribute to improving alignment with the legislation and IFS standard requirements, communication among departments, company competitiveness, reduce complaints and incompliances, improve internal processes, and ultimately improve consumer protection.

Franck holds the following quality assurance and product safety certificates:



IFS FOOD CERTIFICATION

Since 28 July 2016, Franck has held an IFS certificate (Higher level), confirming compliance with the requirements of the IFS Food Standard, which in the newest version of the standard (v7) also includes a new chapter associated with Food safety culture.



RAINFOREST ALLIANCE CERTIFICATE

This certificate is a synonym for environmental, economic and social sustainability. The green frog seal, an indicator of a clean environment, is recognisable on many products that support sustainable development and ecological production. Franck has launched the premium Superiore Espresso that bears said certification, meaning that all the beans contained in that blend come from certified plantations. Such plantations must take care of their employees, they have to be paid fairly, have health insurance, their children need to receive education, and they must take care of the environment. For this reason, Franck is extremely proud to have the opportunity to support such plantations while further investing in their knowledge, effort and work in order to contribute to the sustainability and sustainable cultivation of coffee.



CROATIAN QUALITY

The "Croatian Quality" label helps customers recognize products of highest quality and croatian origins. The following Franck products proudly bear this label: Jubilarna coffee, Jubilarna decaffeinated coffee, Gloria and Espresso Assortment, instant corn semolina and instant wheat semolina.



HALAL CERTIFICATE

Franck has held the Halal certificate since 21 April 2016, proving that the products comply with the requirements of the Halal standard HRN BAS 1049:2012. The certificate applies to the following product categories: coffee, instant mixes, teas, catering sugars, hot mix, and instant coffee. The company Management Board has recognised the requirements of the Halal quality as a clear link and direction to be pursued in the further development of the management system within the company. Compliance with Halal quality requirements is linked with the compliance with national and international legal regulations, as well as the basic requirements of reference standards previously incorporated into regular operations. The implementation of the BAS 1049 standard enables business transparency according to the requirements of the Halal market and attracts even a wider range of consumers.

The Franck plants and warehouse at Vodovodna Street and the Franck Snogoo service and warehouse and its coffee machine service area that is situated at separate location on Radnička Street, Zagreb have been certified.

With the implementation of the environmental protection management system, the existing management systems have been upgraded, contributing to the process of sustainable development based on achieving balance in economic progress, social fairness, and the conservation of natural resources.

By maintaining the environmental protection management system, Franck is able to ensure efficient and effective reductions of its negative environmental impact, both in production and in all other business processes in the company. Operations have been fully aligned with the legal requirements for environmental protection and responsible waste management.



KOSHER CERTIFICATE

Franck also holds the Kosher coffee certificate. With the introduction of Kosher certification, Franck has entered the category of manufacturers in the region's market that offer a safe and quality product with a guarantee.



ENERGY MANAGEMENT SYSTEM CERTIFICATE (ISO 50001)

Since 25 February 2016, Franck has held an energy management certificate. A new version of the ISO 50001:2018 standard has been published, which brings minor changes in the requirements compared to the previous one, and the next regular audit for Franck will be in line with these new requirements.



ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM CERTIFICATE (ISO 14001)

With the implementation of the environmental protection management system, the existing management system has been updated to ensure efficient and effective reductions of negative impacts on the environment, both within production and in other business processes in the company. The process began in 2021 and was completed in 2022.

Quality assurance and safety systems

Franck establishes, implements and ensures the success of all planned activities that make it possible to produce a safe product. The process approach to the organisation is secured through the constant improvement of processes, with the aim of improving operations and strengthening Franck as an organisation. The dynamic environment in which Franck operates, the changes and new trends on the market, innovations included in products and processes all constantly direct the company towards new improvements.

The Franck Management Board has established the Food Quality and Safety Policy, thus confirming its commitment and ensuring the production of high-quality products that are safe for consumption throughout supply chain, from the procurement of the highest-quality raw materials to the distribution of the finished product to consumers.

Franck is focused on meeting the special requirements of customers and consumers and meeting all requirements related to quality, wholesomeness and safety of products according to the HACCP principles and international quality standards.

Products manufactured at the production facility, as well as other products manufactured by partners, are continuously monitored to ensure their top quality

and safety. Every employee is obliged to adhere to the adopted Food Quality and Safety Policy and, within the scope of their responsibilities and authorisations, to contribute to achieving the set goals. Franck's corporate culture supports and promotes the principles of sustainable development, environmental responsibility, and energy efficiency policy, and it also respects human rights and supports other lifestyles and diversity.

THE FRANCK MANAGEMENT SYSTEM

For each calendar year, the Management Board sets goals through the Annual Management Plan for Food Safety and Quality Systems. Organisational goals are measurable and limited by the period for which they are adopted, with a clear definition of persons responsible for goals. Direct cascading of goals to lower levels while respecting networking among departments achieves greater efficiency and directs the organisation towards achieving the desired market position. Tasks, responsibilities and authority of business functions and organisational relationships among them are defined by job descriptions. In addition, documented procedures, plans, and work instructions set out the responsibilities of business functions for identifying and keeping records of problems encountered and initiating and implementing appropriate corrections.

PRODUCT QUALITY CONTROL

Ensuring product safety is very important to Franck, which is why policies are actively implemented to check product safety through regular analysis of all raw materials and finished products according to a defined plan based on risk analysis and assessment. Analyses are performed by authorised, accredited external laboratories, and their results are sent in the form of an analytical report. In addition to the product, attention is paid to other aspects that may affect the final quality of the product, so that the primary packaging material used in the production process is also checked, as well as the quality of water used at production sites.

Swabs of production surfaces are regularly analysed, and production plant cleaning protocols are validated and revalidated to ensure that high hygiene standards are maintained in all of our plants. An indicator of a well-implemented and managed management system for ensuring product safety is that in 2020 and 2021 there were no cases of non-compliance with regulations and voluntary codes regarding the impacts of products and services on health and safety.

Internal independent audits are regularly conducted to determine whether the management system is:

- › compliant with the requirements of the reference standards
- › compliant with the requirements established internally in the food safety management system documentation,
- › effectively applied and maintained.

A documented Internal Audit procedure has been established, which, among other things, determines the necessary management for planning and conducting internal audits, ensuring the objectivity and impartiality of the auditing process, and reporting and maintaining records of internal audit results. By conducting internal audits (internal independent audit), the suitability of all implemented control measures or combinations thereof are verified. This includes changes resulting from investments into the workplace, production lines and process automation. On an annual basis, audits of certification houses are carried out for the standards that have implemented and whose guidelines and requirements Franck adheres to in its daily work. In addition to external audits, inspections by authorised institutions are also carried out. In 2020 and 2021, Franck showed full compliance with all the requirements of the standards, i.e., all legal provisions that were subject to audit. The Management Board evaluates the Management System at least once a year through a record called the Management Board's Assessment of Management System. Based on that assessment, the basis for the Annual System Management Plan for the next calendar year is created.



Franck is focused on meeting the special requirements of customers and consumers and meeting all requirements related to quality, wholesomeness and safety of products according to the HACCP principles and international quality standards.

MARKETING AND LABELLING PRODUCTS AND SERVICES

Compliance with product labelling legislation ensures unhindered market access, and an aligned and fair approach to consumers who are able to receive all the necessary information about the product from the content of the product declaration.

Product labelling, in terms of compliance of the applied compulsory texts of the declaration on the packaging itself, is managed through the Marketing, Research and Development and Quality Control and Departments, with the assistance of Legal Affairs as required.

Accordingly, in 2020, Franck opened a new work post “Regulatory affairs expert” within Research, Development and Quality Control services. The main task of this position is to focus on greater centralisation with regard to tracking legislation, ensuring more effective oversight of the development of product declarations, and following announcements of changes and actions at the level of Croatia, the European Union, and other markets of interest. The job description includes keeping regular contacts with the competent authorities in the Republic of Croatia, and all state institutions, NGOs and verification companies, as well as regular participation in expert meetings and maintaining contacts with colleagues in other companies, for

the purpose of exchanging experiences, knowledge and positive practices.

In addition to product labelling, Franck also pays special attention to its consumers and the importance of providing complete, clear, and non-misleading information. Accordingly, the Regulatory affairs expert works together with the marketing service as support in interpreting the laws, ordinances and regulations concerning consumer protection and the requirements of verification companies.

Responsible product labelling is recognised as a comprehensive measure. In addition to consumer production, it also raises information management and product traceability to a higher level:

- a) The Franck Food Quality and Safety Policy is set and signed by the company Director; this policy stipulates (and binds) the company operations to meet all legal requirements, while also fulfilling special buyer and consumer demands.
- b) By implementing the Company policy and introducing an internal Food Quality and Safety Policy, Allergen Policy, Food Fraud Policy (aims to resolve fraud in food) and a food safety management system and certificates (IFS Food, HACCP, Halal, Kosher, Rainforest Alliance), a high standard has been set in the system, which also includes the management of product labelling and marketing communication. The decision to apply the said policies includes the development of detailed specifications that serve as a basis for the final document, in which the product is described in all segments. The drafting of specifications can require a comprehensive examination and collection of data by the supplier, buyer requirements, legislation, and market for which the product labelling text is produced.
- c) A clear goal of the company with the described approach is a safe, secure, competitive and sustainable product and services, that meet all market and legislative requirements.

The company goal is to provide safe, competitive, and sustainable products and services that meet all market demands and legislative requirements.



Product and service information and labelling requirements:

Indication of the source of product or service components	YES
Content, in particular regarding substances that may affect the environment or society	YES
Safe use of products or services	YES
Product disposal and environmental/society impacts	YES

- d) In achieving this goal, the company has defined all responsibilities and internal and external resources. Internal company resources include the entire Marketing, Research, Development and Quality Control and Coffee Procurement services, and also Legal Affairs as required. External resources include law offices, ministries, Croatian Chamber of Economy, suppliers, and market research companies.
- e) Complaints management and consumer communications.

- f) The entire organisation is based on clearly defined processes that prescribe all steps in a given process, and all responsibilities. In the context of product labelling, the system includes clearly set processes on means of managing and tracking the legal regulations pertaining to product labelling, as well as previously described means of collecting and processing data, and of corrective action where needed.

Marketing communication and product labelling within the segment of the Consumer Protection Act and Consumer Information Regulation is a shared responsibility and work of the Marketing and Research, Development and Quality Control departments. The synergy of knowledge related to understanding the market, brand and consumers is combined with the knowledge of fair information practices and legal obligations of the food business entity on labelling and consumer information.

A close-up photograph of a glass filled with iced tea. The glass is filled with ice cubes, several slices of citrus fruit (including grapefruit and lime), and fresh strawberries. A sprig of fresh thyme is tucked into the top of the drink. A white tea bag is suspended in the liquid, with a small white tag attached to it. The tag has the text "Make it. Drink it. Love it." printed on it. The background is dark and out of focus, showing more of the same drink and some cinnamon sticks.

New communications channels via the web and social media have further strengthened ongoing, two-way communications and established a high quality relationship with our customers.

Make it.
Drink it.
Love it.

COMPLAINT MANAGEMENT AND CONSUMER COMMUNICATIONS

With the aim of evaluating the successful execution of these processes and the consumer communication goals, a documented procedure has been developed that defines how buyer and end consumer complaints are handled, from receiving complaints, assigning it to the responsible person, processing and analysing customer complaints and inquiries.

This procedure is aimed at improving and facilitating consumer communications, for the purpose of ensuring ongoing improvements by analysing samples that are the subject of complaints or inquiries. Through this organised approach to handling complaints and through constant improvements, the company is able to prevent the same causes, while sample analysis performed at least once a year serves as a foundation to establish the goals for the next period, in order to prevent damages that could be incurred to the value of the brand.

In the case of complaints or inquiries relating to communications on the packaging or segments associated with all other written and verbal communication, Franck has an open e-mail address (info@franck.eu) and toll-free telephone number (0800 33 44 33) for all complaints or inquiries. Franck uses an external service (company) with which it has concluded a contract for defined obligations and manner of their handling for the collection of all complaints, inquiries and praise.

The ultimate goal and responsibility of Franck is that every question/complaint/praise receives a response within the legally defined time limit. New communications channels via the web and social media have further strengthened ongoing, two-way communications and established a strong relationship with customers.

The organisation has not confirmed a single case of non-compliance with the regulations with an impact on products and services that pertain to health and safety. All requirements concerning quality, health suitability and product safety has been met in accordance with the principles of HACCP and international quality standards pursuant to the valid legislation of Croatia and the EU.

The assessed achievement of results with the selected and implemented communication management approach is best seen through

the processing of data pertaining to received buyer (consumer) complaints, and the fact that there was an unannounced inspection held during 2020 and 2021, with the conclusion of complete compliance with the law for a contested product, without any warnings or fines issued. On the basis of this, it is assessed that the management process currently in place is highly effective and sets a high standard.

In 2020 and 2021, there were no cases of non-compliance with regulations and voluntary codes regarding product and service data and labelling, and no cases of non-compliance with regulations related to marketing communications, including advertising, promotion and sponsorship, by type of outcome. Furthermore, in the same period, there were no (significant) fines imposed, or non-compliance with laws and regulations, and no action contrary to what was prescribed by the applicable legislation was observed.





Quality and sustainability from plantation to cup

The ethics and sustainability of the supply chain are among the most important segments of Franck's sustainability. The process of procurement of raw materials, materials, packaging, trade goods, and machines is characterised by high standards of quality for raw materials and sustainability of the entire supply and production chain. Through active membership in International Coffee Partners and Tea and Herbal Infusions Europe and by supporting the sustainable development of farmers, Franck aims to ensure the availability of the best possible quality of raw materials so that the end user has the highest quality product.

Franck nurtures long-term cooperation with the majority of suppliers who supply the organisation. Variations in cooperation with suppliers and changes in procurement are possible since the company selects optimal bids based on the Request for proposal, which must necessarily meet all quality requirements and defined Franck standards. The procurement process at Franck is aligned with the legislation of the Republic of Croatia and the European Union, and is described by the basic rules, processes, process steps and participants in the procurement of goods and services for Franck.

The supply chain crisis that pertains to raw materials, logistics, oil and transport, has been ongoing since the start of the pandemic, and continues to deepen, primarily in response to the increased demand of faster economic growth, reduced supply and exhaustion of reserves as a consequence of the lockdown.

Given the situation on the market, which led to reduced qualities of raw materials and their growing prices, the processes have been adapted to the new situation.

The company has more than 30 active suppliers for the basic raw materials (coffee and tea). The majority of suppliers (63%) are foreign suppliers who obtain raw materials that are primarily grown in the territory of equatorial countries (coffee), while the remaining 37% are local suppliers and EU suppliers from which cereals, certain types of tea, and chicory are procured.

Franck's suppliers are widely distributed and, apart from Croatia, they also come from Germany, UK, Netherlands, United Arab Emirates, Switzerland, Italy, Spain, Austria, France, Poland, Slovenia, Sweden, Czech Republic, Belgium, Turkey, Greece, Bosnia and Herzegovina, etc.

Given the complexity of production, there are different sources of supply in the food industry, namely:

- › suppliers – traders for raw coffee, instant coffee, other raw materials
- › manufacturers (manufacturers of cardboard packaging and coffee machines, technical goods and spare parts)
- › distributors (consumer use, stationery).

VALUE OF PAYMENTS TO ALL SUPPLIERS

	No. of suppliers	Value of payments (HRK)
2021	1,440	427,763,000
2020	1,444	445,768,000
2019	1,718	425,657,000

The procurement department works together with the expert services in the selection and procurement of new production machinery. This is aimed at faster more effective meeting of market demands, with special emphasis on ensuring that all new machinery is more energy efficient and therefore more environmentally friendly.

PRODUCT TRACEABILITY AS A REQUIREMENT FOR HIGH QUALITY RAW MATERIALS

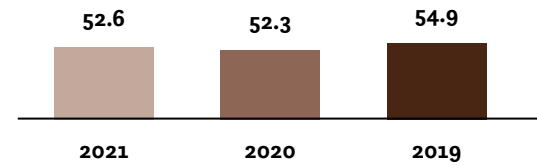
Product traceability is established so that it is possible to identify any legal or natural person who is the supplier of raw materials used in production, through all stages of production, processing and distribution. Upon completion of the production process, the products receive unique logistics data from the SAP business system on the transport box, which monitors the condition and movement of products.

Special equipment has been installed for the purpose of monitoring and measuring. Mass measurements that are subject to supervision related to the regulations on packages are calibrated by an authorised service with traceable standards. Certificates, certifications or calibrations on the performed calibration are issued. Special attention is paid to monitoring and measuring equipment used in the areas of significant energy consumption.

SUPPORT TO LOCAL SUPPLIERS

Great efforts are invested to procure more locally and regionally, which results in a reduced negative environmental impact due to transport, and also reduces the costs of transport. Due to the coffee production that Franck is primarily engaged in, it is not possible to implement local procurement, because the basic raw materials are grown in remote parts of the world.

SHARE OF CROATIAN SUPPLIERS (%)



Whenever possible, Franck procures raw materials for production in Croatia. Over the years, Franck has established cooperation with a great number of domestic suppliers.

Franck buys all cereals from local suppliers, as well as chamomile, which is important because of the specific taste, i.e., organoleptic properties that characterise the Croatian chamomile that is rich in essential oils.

Local suppliers come from all parts of Croatia. For example, the packaging for the finished products and various production and raw materials that are an integral part of the company's products, and which meet Franck's standards, is mostly purchased in Croatia. Certain raw materials, trade goods and production materials can be purchased only in Europe from specialised manufacturers or distributors of, e.g., coffee machines. Precisely due to the certificates that Franck holds, special attention must be given to the procurement of raw materials and production materials that must correspond precisely to the Franck's required specifications.

LONG-TERM DEDICATION TO LOCAL PRODUCTS

The chicory that Franck uses for classic cereal and chicory beverages is grown and fully processed in Croatia. Dried chicory cubes are roasted, ground and packaged into classic coffee substitutes or, according to proven recipes, mixed with cereals and barley malt to give a delicious decaffeinated beverage rich in inulin that can be enjoyed by both children and adults.

In order to attract modern consumers and their needs, Franck has further adapted to today's fast-paced lifestyle by offering beverages in this category, which continues to emphasise the need for taking care of health and nutrition. In addition to the classic drinks such as Divka and Kneipp, a line of instant drinks made from cereals and chicory named Bianka was launched.

Franck cooperates with a domestic grower of chicory used in the production of cereal and chicory drinks, and this cooperation has been ongoing for many years, going far beyond the mere business relationship of purchasing raw materials. Namely, the company strives to continuously invest in professional knowledge and the application of positive practices in order to improve both the cultivation of crops and production processes in Franck's production facilities.

SUPPLIER AUDITS

Supervision of the processes that are performed by the suppliers is ensured by conducting audits at the suppliers' facilities at least once in a cycle of three calendar years, i.e., depending on the obligations of the suppliers defined by individual service production contracts.

The procurement process is continuously monitored and controlled so as to ensure that all external materials and services that have an impact on food safety and quality meet all requirements. In order to ensure the product safety of these products, as well as compliance with standards, Franck expects suppliers to comply with the requirements of the Food Act within the given legal deadline, in the segment of implementing a self-monitoring system based on HACCP principles.

Processes that take place outside the organisation and that affect product safety or quality are managed in accordance with the contract concluded between both parties. The contract clearly defines all obligations and responsibilities of both parties pertaining to product safety. Auditing subcontracted processes and suppliers is defined on the basis of the supplier score, hazard analysis, and assessment of accompanying risks for every following year, and the Annual Audit Plan for suppliers and service production is drafted. Conducting supplier audits (in accordance with the Annual plan of the Food Safety Management

System) allows for the introduction of modifications if the verification activities suggest such a need.

FRANCK QUALITY STANDARDS

In addition to the country of origin labelling, each coffee is defined by an international quality standard i.e. specification. The standard for each type and origin of coffee prescribes the minimum physico-chemical parameters that coffee must meet and the description of the cup. Taking into account the long tradition and experience in working with coffee, Franck has developed additional internal specifications, i.e., internal quality standards for each type of coffee.

This process is stricter due to high standards. However, Franck has recognised this method as the only way to satisfy its customers and protect its quality.



“

Every step of the production process is carefully monitored, and within the roastery we also have an auxiliary laboratory where quality control is carried out, which is later confirmed in the main laboratory. The entire process, from receiving raw materials to roasting and sending to machines and mills, is set up on the latest operating system. Now we have even more options to keep track of new production requirements.

— Željko Korman is the manager at Franck's coffee roasting unit.

**INTERNAL QUALITY STANDARDS AT EVERY STEP –
FROM COFFEE BEAN TO THE FINISHED PRODUCT:**



1. PICKING RAW COFFEE

2. ANALYSIS OF THE SAMPLE OF RAW COFFEE AND

ROASTING: The physical and chemical parameters are tested on a received small sample of raw coffee (300 – 500 g) is tested, and if the results are satisfactory, the sample is roasted in a small laboratory roaster.

3. CUPPING AND ANALYSIS OF THE ROASTED COFFEE:

Master cuppers participate in cupping, and with their long experience, they evaluate the cup based on the presence of all the desired characteristics of aromas typical of the origin that are released from the coffee beans in the roasting process. Analysis of the physical and chemical parameters is also performed on the roasted sample.

4. ORDER: If the sample meets the defined criteria according to the Franck standards, raw coffee is ordered based on that sample.

5. PRODUCTION: Upon arrival of the consignment, and prior to entry into production, the quality compliance of the delivered raw coffee is verified against the previously confirmed/selected sample. If all quality parameters are met, then the consignment is approved for receipt. The raw coffee is cleaned, stored, roasted, blended according to the recipe, ground (for ground coffee) and then packed.

6. ANALYSIS OF THE FINAL PRODUCT: Each step of roasting, grinding and packing is monitored and analysed and finally evaluated by the master cupper and an internal trained panel.

7. RELEASE TO THE MARKET: The product is approved for market release if all set standards are met.



CORPORATE SOCIAL RESPONSIBILITY

Franck's successful operations over the past 130 years of dynamic growth and development is thanks to its employees, who have interwoven their knowledge, experience and enthusiasm into the foundations of the company, and who achieve the best results in their work, every day.

As the leader in tea production, and based on the principles of sustainability and responsibility, in 2021 Franck presented the socially responsible project "Franck Beestro". The Beestro project is an innovative way to combine a quality product such as tea, which like many other plants and agricultural crops could not exist without bees, with raising awareness about the importance of bees and beekeeping. The project has also given consumers the opportunity to directly contribute to increasing food sources for bees by planting honey plants.

GOALS

4 QUALITY
EDUCATION



8 DECENT WORK AND
ECONOMIC GROWTH





TOTAL NUMBER OF EMPLOYEES:

475 2021 **458** 2020



INVESTMENTS IN YOUTH DEVELOPMENT: (rate of Millennial generation of the Franck team)

44% 2021 **40.8%** 2020



EMPLOYEE TRAINING (HOURS):

603 2021 **50** 2020



FRANCK'S BARISTAS HAVE TRAINED:

> 2000 people
IN 320 training sessions

2021

Education with the aim of raising the quality of beverages prepared and served in hospitality businesses.

> 600 people
IN 110 training sessions

2020



Employee structure

In 2020, Franck had only eight agency workers, while in 2021, this number was reduced to only one.

Data on the employee structure were collected internally from the Human Resources Department through the SAP software system on the last day of the calendar year, based on employee master data.

RECRUITMENT

The recruitment process at Franck is standardised. After identifying the need to recruit a new staff member, Franck advertises a job opening on the intranet, job advertising portals, Franck's careers page, LinkedIn, Croatian Employment Service, etc. The goal is to find the most competent candidate who will fit in with their knowledge and qualities.

In the hiring process, all candidates are held in the same esteem, regardless of age or gender or with regard to any difficulties. The external audit checks certain relevant data in the field of human resources and recruitment process once a year.

TOTAL NUMBER OF EMPLOYEES BY TYPE OF CONTRACT (UNLIMITED/LIMITED TIME), BY GENDER:

	2021		2020		2019	
	UNLIMITED	LIMITED	UNLIMITED	LIMITED	UNLIMITED	LIMITED
	440	35	434	24	442	53
Men	259	22	262	19	259	43
Women	181	13	172	5	183	10
Total	475		458		495	

TOTAL NUMBER OF EMPLOYEES BY TYPE OF CONTRACT (FULL TIME/PART TIME) BY GENDER:

	2021		2020		2019	
	FULL TIME	PART TIME	FULL TIME	PART TIME	FULL TIME	PART TIME
	472	3	456	2	492	3
Men	279	2	280	1	301	1
Women	193	1	176	1	191	2
Total	475		458		495	

RATE OF NEW RECRUITMENT AND RATE OF FLUCTUATION BY AGE GROUP (YEARS) AND GENDER IN 2021, 2020 AND 2019:

	Number of people on 31 December			Rate of new hires			Fluctuation rate (rate of departures)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
< 30	59	51	63	45.76 %	9.80 %	39.68 %	11.86 %	13.73 %	20.63 %
30-50	280	277	296	10.71 %	2.53 %	10.47 %	8.21 %	5.42 %	12.16 %
> 50	136	130	136	2.21 %	3.08 %	7.35 %	10.29 %	12.31 %	14.71 %
Men	281	281	302	9.96 %	3.91 %	10.60 %	9.96 %	8.19 %	13.25 %
Women	194	177	193	16.49 %	2.82 %	17.62 %	8.25 %	8.47 %	15.03 %
Total	475	458	495	12.63 %	3.49 %	13.33 %	9.26 %	8.30 %	13.94 %

EMPOWERING YOUTH

One of the strategic determinants of business is investment in young people and providing opportunities to gain experience and knowledge through internships, student work or formal employment. Therefore, Franck regularly looks for young and ambitious people who are ready for dynamic coffee- and tea-filled working days.

OFFERING OPPORTUNITIES FOR YOUNG PEOPLE – FRANCK STARTUP TRAINEE PROGRAMME

Franck’s traineeship programme is intended for young people who have just completed their studies, giving them the opportunity to affirm themselves as a new competent workforce that Franck will be able to rely on in the development of the organisation. The goal of the programme is to prepare the key staff in the context of the development of competencies, knowledge and skills.

The successful Franck StartUp traineeship programme was launched in 2019. During this two-year traineeship, Franck ensures each participant has a mentor and a programme that provides a comprehensive overview of operations and the opportunities available in the company, with a competitive monthly salary and the opportunity to conclude a full-time employment contract upon completion of the traineeship programme. The aim of the programme is to find and retain young talent

in the Franck team, where the company creates an environment that is motivating and stimulating, and where different perspectives and ideas that can improve certain processes or aspects of operations are appreciated and valued. Franck sees this is the greatest positive effect in having different generations working together on the same team.

So far, 15 young people have participated in this programme. In addition to knowledge and experience, they also had the opportunity to be permanently employed by the company. Some of them presented their impressions and experience on Franck’s YouTube channel.



STUDENT INTERNSHIPS AND COOPERATION WITH THE ACADEMIC COMMUNITY

Franck cooperates with the academic community and several educational institutions to provide students with the opportunity to carry out their internships and create a work environment that helps them grow and thrive and step forward into their careers.

Furthermore, as a socially responsible company, Franck recognises and supports valuable initiatives aimed at developing the community in which it operates. As part of the cooperation with the *Knowledge at Work* foundation, Franck supports the improvement of education for the youngest. Children and young people receive insight into certain business areas, thus getting a broader picture of the diversity of professional orientations and professions. Later, this assists them in choosing the course of their further education and professional direction.

As a part of this initiative, children and young people have the opportunity to visit and become familiar with Franck. During the visit, Franck's employees explain what they do in different parts of organization, making different jobs more familiar to the youth.



COOPERATION BETWEEN FRANCK AND THE RUĐER BOŠKOVIĆ TECHNICAL SCHOOL

Franck and the Ruđer Bošković Technical School have been partners since 2019 in a project co-financed by the European Union entitled "Establishment of regional competency centres in vocational education in the (sub)sectors of mechanical engineering, electrical engineering and computer science, agriculture and health". The aim of the project is to establish regional competency centres that will provide the relevant practical skills for students and adult participants in vocational education in the sub(sectors) of mechanical engineering, electrical engineering and computer science, so as to increase their opportunities to enter the labour market.

The target group of this project are educational workers in institutions for vocational education, students enrolled in vocational education institutions, and all other interested adult participants. For students at the Ruđer Bošković Technical School, Franck has prepared a proposal of practical classes in the field of Maintenance, and students are able to pass through the units of electrical energy supply, energy supply, maintenance, automation, measurements in production, occupational safety, legal testing and repairs. Franck employees, who are also programme mentors, participated in creating the educational curriculum that enables students to obtain valuable practical experience.

INCLUSION PROGRAMME FOR PERSONS WITH PHYSICAL AND INTELLECTUAL DISABILITIES IN THE WORKPLACE

Throughout the recruitment process, Franck cooperates with the Zagreb Rehabilitation Centre (CRZ) to support the positive practice of improving the quality of life of people with disabilities through inclusion into the workplace. In 2007, Franck started cooperating with the Association for Promoting Inclusion from Zagreb. After the Association was transformed, the cooperation continued in 2016 with the Zagreb Rehabilitation Centre (CRZ). Their

beneficiaries are involved in work activities under regular and normal working conditions with a work assistant, supervision and full support, primarily in the field of product packaging and labelling.

Franck carries out the process of introducing people with intellectual disabilities into the workplace in accordance with positive examples from practice, in cooperation with the parents of beneficiaries, professionals and representatives of partner associations with which Franck regularly cooperates. This project goes beyond legal obligations and is in line with Franck’s policy of applying the principle of social responsibility in all business segments.

EMPLOYEE BENEFITS

All employees enjoy equal conditions and benefits, such as: support for sick leave longer than 90 days, Christmas bonus, Easter bonus, jubilee award, annual award for work results, maternity/parental leave, childbirth allowance, Christmas gift for the child, retirement bonus, secured parking, paid monthly transport, occupational safety insurance, supplement for a hot meal, and full annual physical exam. In addition, all employees who have a child starting the first grade of primary school are able to take a free day to spend it with their first-grader.

A survey about the organisational culture and engagement of employees that was conducted in 2020, provided useful information that allowed Franck to identify and improve areas that employees pointed out as important, including their suggestions for activities. The survey found that employees would like greater flexibility of work hours, enabling occasional work from home in agreement with managers, and a flexible work day.

Investing in employees also includes various programs, such as a quality training programme and other benefits, and rewards for results achieved.

NUMBER OF WORK HOURS AT FRANCK BY BENEFICIARIES OF THE ZAGREB REHABILITATION CENTRE (CRZ) (HOURS)



2021	564
2020	960
2019	3,670



In 2020, a number of their beneficiaries worked in packaging at Franck’s production facility for a total of 960 hours, while in 2021, a total of

564 HOURS

FRANCK JUBILEE REWARDS

Franck has been recognised as a desirable employer and a company that attracts and retains the best people, who have become the company's most valuable asset. Thanks to this, Franck has today succeeded in connecting wisdom and great experience and knowledge of those who have worked at the company for up to 40 years, with the dynamic attitude of youth just starting out on their professional growth and development. Every year, Franck gives out jubilee rewards, and in 2020 the jubilee reward was paid out to 46 employees, and in 2021 to 43 employees.

Milica Tot, Željko Sreš and Koviljka Pekić, have been building their careers in Franck for several decades.



PARENTAL LEAVE

The Franck policy is to enable all employees, male and female, to take maternity and/or parental leave, and to return to work in the same or comparable position. All employees, male and female, who have had or adopted a child and become parents, have the right to 100% of the amount of their gross salary for the first six months, and the legally stipulated amount for the second 6-month period. In 2020, 37.5% of female employees returned to work after the expiry of their maternity leave, while in 2021 that share was 60%. In 2020, 66.6% of employees, male and female, remained employed 12 months after returning from parental leave. In 2021, all those who came back to work are still employed today.



		2021	2020
Entitled to parent leave	MEN	1	0
	WOMEN	15	13
Parent leave taken	MEN	1	0
	WOMEN	5	5
Return to work	MEN	1	0
	WOMEN	5	3
Retention	MEN	1	0
	WOMEN	5	2
Return rate	MEN	60 %	37.5 %
	WOMEN		
Retention rate	MEN	100 %	66.6 %
	WOMEN		

Team excellence as a key to success

Franck's successful business operation over more than a century of dynamic growth and development can be attributed to the employees who have woven their knowledge, experience and enthusiasm into the foundations of the business and who achieve excellent results in their daily work.

Health and safety in the workplace, education of the employees, zero tolerance for any kind of discrimination, and teamwork are important parts of the growth and development of Franck's corporate social responsibility. Employees are given the opportunity for professional growth and development in a dynamic industry and a stimulating work environment where honesty, integrity, responsibility and innovation are valued and nurtured. The team of top-notch Franck

experts of various profiles is provided with further education, upgrading of knowledge and improvement of skills, as well as work on innovative projects that introduce new trends and define the market. This approach to responsibility towards employees represents Franck's values that are the foundation of Franck's business and corporate culture.

Franck promotes its values through the rules of business ethics:

- › secure and decent working conditions and a fair salary
- › protection of health and safety in the workplace
- › protection of personal freedom, dignity and integrity
- › rejection of any form of discrimination in the workplace.



WATCH THE VIDEO

FRANCK VALUES

Franck's corporate culture is defined by basic corporate values, behaviours, and beliefs which are incorporated in corporate behaviour rules and which make the backbone of everyday work and socially responsible behaviour.

Through these values and behaviours, and following business principles and respecting the importance and role of each employee, Franck achieves the set goals. These values represent vital beliefs essential to employees and the company, which guide them permanently in achieving business goals.

FRANCK VALUES:



Competitiveness

We innovate and create new value for our customers and partners



Professionalism

We strive for excellence in all we do



Respect

We build trust and accept differences



Responsibility

We are aware that with little steps we can achieve significant progress



Team spirit

Together we create a positive work environment

INTERNAL SURVEY ON EMPLOYEE SATISFACTION AND ENGAGEMENT

In 2020, Franck partnered with Moj Posao to conduct an anonymous survey of employee satisfaction and engagement. The high response rate of 81% was above the industry average (71%), showing that Franck's employees want to participate and are ready to give their contribution to the further development and improvement of all segments of the business. The categories receiving the highest scores were dedication to work, challenging work tasks, and loyalty.

Employees are excellent company ambassadors and are fully dedicated to their work and to the company's image. They are clear on the purpose and benefit of what they do, and are prepared to invest additional efforts to ensure success. This clearly shows that a team spirit is alive and well in the company, and the company appreciates and nurtures this. Furthermore, the survey showed that more than 98% of employees believe in the premium quality of Franck products, and would recommend them to others.



When referring to attitudes on market relations, development of innovations and trends, nearly 75% of employees agreed with the claim that Franck is a modern and innovative brand that is keeping up with the times and adapting to modern consumers. In fact, 82% of Franck employees agree that Franck is a trend leader in the coffee and tea consumption culture. They stressed the importance and significance of teams that work continuously on innovations and to promote Franck products and brands, while contributing to the further promotion of the coffee and tea culture. Ultimately, this positively reflects on the Franck image.

A total of 48% of employees highlighted that they should be more involved in resolving important problems through work on projects, and they stressed that they expect more engagement in their progress and personal development.



A high 83% of Franck employees assessed that the company's care for employee health is satisfactory, and some of the areas they were most satisfied with were their colleagues, work atmosphere and job.

Employee health and safety

Franck maintains the health, safety and wellbeing of its employees as its primary interest. Therefore, the company applies and responsibly promotes all measures necessary to protect health and safety in the workplace. Franck's Workplace Safety Rulebook lays down the rights, responsibilities and obligations of all employees concerning workplace safety and improving protection, and all other conditions that ensure the protection of worker life and health, prevent workplace injuries, professional disease and other workplace-associated illnesses.

To ensure the protection of the life and health of employees, a risk assessment is carried out. The recognised AUVA (Allgemeine Unfallversicherungsanstalt) method and the Austrian WKO method are used for the preparation of the risk assessment in Franck. The contracted occupational physician also participates in the assessment and development of measures as an integral part of the assessment team. Furthermore, all employees are involved in the preparation of the risk assessment by means of a written questionnaire and they have their own representative in the development team (employee representative) and the employer's representative.

Franck has a risk assessment in which all the hazards, harms and efforts in the workplace are

described in detail. Production facilities and workplaces are visited regularly, and possible irregularities are noticed so that they could be dealt with and stopped from recurring.

Data related to workplace health and safety are harmonised with the internal document of the Risk Assessment and the Occupational Safety and Health Ordinance. The risk assessment at Franck is made based on the Occupational Safety and Health Act and the Ordinance on the Preparation of Hazard (Risk) Assessments.

Special measures and the use of personal protection equipment are used where there are risks to employees' health.

In compliance with all the norms prescribed by the Labour Act, regular meetings with representatives of the work council are held at Franck. The Ordinance on Internal Reporting of Irregularities was adopted and the following decisions on appointment were made:

- › persons of trust
- › representative for the protection of the dignity of workers
- › representative for personal data protection
- › Personal Data Protection Officer at the level of the organization.

Meetings are held four times a year, while the legal obligation requires two meetings a year. The goal is to efficiently and timely address all justified employee demands. An occupational safety representative has to participate in the regular meetings of the Occupational Safety and Health Committee and inform the Committee about possible dangerous situations. Every employee has the right and obligation to report any potentially dangerous situation to their immediate supervisor. The report is then considered in cooperation with the Production Plant Manager and the occupational safety service and is processed.

Physical exams are mandatory for employees assigned to positions with special working conditions (more specifically, employees who operate a forklift or a crane and work at height or with chemicals). Also, eye exams are mandatory for employees who work on a computer for more than four hours a day. All employees who come into contact with the finished product are obliged to undergo a sanitary inspection.

Occupational health and safety training for employees includes: safe work practices, basic firefighting, specialist training (when handling a forklift, crane) and training in toxicology for employees who handle chemicals, safe hygienic and sanitary work practices in production, and a minimum hygiene standards course.

WORKPLACE INJURIES

After any workplace injury, the circumstances in which the injury occurred are established in detail and the cause is investigated. Employees are re-educated at the workplace where the injury occurred, and employees are additionally informed of possible dangers and risks. Also, all injuries in the previous period are discussed at regular meetings of the Occupational Safety and Health Committee.

The main types of workplace injuries: minor injuries – superficial injuries and sprains and strains due to a wrong step while walking, etc. There were no deaths as a result of workplace injuries or poor work-related health in 2020 or 2021. There were also no work-related cases of ill health.

RECORDED WORKPLACE INJURIES



2021	7
2020	7
2019	9

HEALTH AND SAFETY IN THE SPOTLIGHT DURING THE PANDEMIC

When the first cases of infection with the COVID-19 virus were reported, Franck quickly responded with the establishment of a crisis team to coordinate all processes and activities, with the aim of protecting

employee health. Internal documents were passed to prescribe all necessary measures, so as to maximally protect all employees, while also securing the continuity of operations. All the recommended prevention measures were introduced and hygiene standards and protocols enhanced, both in Croatia and in the other countries in the region where the company operates – from remote work, additional measures to protect field staff, reorganisation of teams and certain business processes, to online meetings, regular disinfection of production plants, establishment of different teams that would have no mutual contact, to organized transport during lockdown for employees working in the production, and securing protective equipment and materials.

Within a very short time period, remote work from home was organized for all those whose work could be performed in that way, with all the necessary means for work. The Franck coordination team, consisting of members of the management team, was present in the offices at all times, while abiding by all protection measures, to offer additional support to teams in production and sales in the field, as specific jobs that cannot be performed from home.

This indeed required additional adaptations and reorganisation of work and business processes in order to respond to all the challenges, and the summer break was used for additional preparations and development of different scenarios and protocols ready for rapid implementation,

depending on how the situation developed in the fall. Employees were regularly informed of all measures and rules of conduct via e-mail, internal news, the intranet and bulletin board. Posters with measures to prevent the spread of the disease were posted at prominent places, and a protocol published on cases of infections in employees or suspicion of infection at the company location.

Taking into account the importance of mental health, educational resources have been secured for employees on the topics of stress and adaptation to new situations, and on mental health in general. As additional support, an online programme was developed that included valuable advice of experts, information from psychologists on reactions to different stressful situations, and techniques to help and support employees in dealing with daily challenges.

FRANCK RECEIVES THE RECOGNITION “EXCELLENCE IN ADVERSITY”



The Selectio consulting company awarded Franck the “Excellence in adversity” recognition in 2021. Franck was assessed as an employer in several categories – adaptability and flexibility, work organisation, communication with employees during a crisis period, and on the basis of initiatives launched to secure the health and wellbeing of employees, including the company’s technological readiness to adapt to new ways of working.

Education to an amazing cup of coffee

Franck plans and systematically invests in employee development through educational and development programmes and training sessions, as well as internal knowledge exchange, by entrusting them with greater responsibilities. This is all part of the individual career development plans, in line with competency development needs defined in collaboration with managers. Team members are encouraged to continue their learning at business schools and in specialist programmes, and through participation in professional conferences, seminars and courses.



FRANCK INNOVATIONS

Given the dynamics of the industry in which Franck operates, innovation is the foundation of Franck's business, which is why the team encourages, develops and particularly appreciates an innovative spirit and creativity. Franck values an innovative approach to process and business improvement.

For this reason, the Franck Innovations project – a central point for collecting and emphasising employees' ideas – was launched. It is an electronic form that is used to report improvements or innovative solutions. Technical, technological, organisational and other improvements can be submitted, which can become a new company's value and lead to increased competitiveness as well as to improve or accelerate any segment of the business. The employees' best innovations and ideas are evaluated according to the criteria set out in the Ordinance on Innovations and their Rewarding, and the best innovation is rewarded.



ORIENTATION PROGRAMME FOR NEW EMPLOYEES

Franck is guided by the principle that the company's success in achieving ambitious growth goals depends on its ability to recognise, attract, integrate, develop, motivate and retain high-quality people and top-notch talents. Franck draws its strength from leadership in talent management, thus a talent focus is one of the company's most important growth strategies. By attracting high-quality people, Franck becomes stronger. In order to help them get acquainted with the company and integrate into the team, Franck has a special orientation programme for new employees.

INVESTING IN EMPLOYEE KNOWLEDGE AND SKILLS

All employees may apply to take part in internal education. The types of internal education available to employees:

- › Finance for non-finance employees
- › Excel – formulas and functions, pivot tables
- › From bean to cup
- › Quality assurance and food safety
- › Barista skills
- › Tour of the production facilities
- › Chicory – a functional food
- › Processing incoming invoices from receipt to payment
- › Generation management

In 2021, the new educational programme “Marketing academy” with seven modules was added for the marketing department.

Internal trainings are led by the Franck employees who are experts in their fields. The efficacy of education is monitored by keeping records of workshops attended for every employee and evaluation of attended education sessions through questionnaires.

The type and scope of programmes implemented and assistance provided to upgrade employee skills:

- › internal and external training to improve employee skills and knowledge
- › traineeship programmes for young people without work experience to receive the opportunity for professional growth and development.

Transition assistance programmes provided to facilitate permanent employability and the management of career endings resulting from retirement or termination of employment:

- › employee inclusion programme (employees with disabilities)
- › retirement planning for employees about to retire
- › payment of severance pays according to length of service and age
- › deployment of employees to another job post in case of inability to perform current work.

Employees are able to attend different additional external education sessions in the fields of their work. Due to the pandemic situation that marked 2020 and 2021, most education sessions were held online in line with precautionary measures. Thanks to their expertise and experience, Franck employees often serve as mentors for students at different universities. This mentorship is an excellent opportunity for mentors to further develop their skills and social responsibility.

HOURS OF EMPLOYEE EDUCATION		
2021	2020	2019
603	50	1,278



FranckKompetence – THE FRANCK COMPETENCE MODEL

In 2021, Franck launched a new project to define the competence model, called FranckKompetence. The project encompassed the entire company and all its employees and is based on the opinions and proposals of employees from different departments, with the support and coordination of external consultants. The competence model is adapted to the Franck values and needs, though it is certain to change over time, adapting to new times and new generations.

Implementing the competence model has several goals, among the top goals is to clearly communicate expected knowledge, skills, values and attitudes of Frank's employees in line with job descriptions, roles and expected work performance. Following from this, it is just as important to plan education and training, employee development, advancements and rewards based on objective assessments of the set competency standard and work performance. Another goal is to identify competencies for a specific work position, where additional education and personnel development is required, for the better identification of talent, and defining career development paths in line with employee expectations and company needs. It is also aimed at developing expert, management, organisational and

personal competencies, and raising self-awareness of all those involved in the assessment processes and self-assessments of competencies.

Several employees expressed a desire to become internal FranckKompetence trainers, for the purpose of ongoing internal transfer of knowledge and team education. A series of training sessions was held, and further education and promotion of FranckKompetence is planned.

The internal educators present the competency model to employees, and explain its purpose, aims and significance, and assessment methods, because the objective is for all employees to be able to assess themselves through this model. The overall purpose of the FranckKompetence programme is the professional and personal empowerment of Franck employees. This certainly gives added value, both to the employee and to the company and its successful operation.

The model opens the space for every employee to express their talents and preferences, and the opportunity to be recognised for their abilities and included in new projects which, we believe, will be highly stimulating in their daily work. On the other hand, by working on competencies, we indicate the areas that require more development, engagement and work.



PROFESSIONAL TRAINING OF HOSPITALITY STAFF THROUGH THE FRANCK BARISTA ACADEMY

Franck implements a comprehensive hospitality staff education programme within the Franck Barista Academy. The goal is to get acquainted with all areas related to coffee – from the plantation to the cup – and to improve the skills and art of preparing top-notch espresso and other beverages based on coffee and tea.

This educational programme, which has been running for ten years, is led by a team of Franck's professional baristas through regular presentations and individually tailored educational workshops for hospitality staff. Franck's professional baristas are continuously trained and certified by international professional organisations such as the Specialty Coffee Association (SCA), and regularly collaborate with Hug & Punch Premier Campus, the only SCA certified training centre in this part of Europe that aims to educate coffee specialists according to international standards, while pushing the boundaries of the coffee world in Croatia.

Franck's barista team passed through intensive two-week training programme called Brewing professional and Roasting professional at the Specialty Coffee Association Premier Campus in Matulji. In both the practical and theoretical parts of the course, baristas earned 100 points towards their SCA certificate, meaning that they passed exams in all modules according to the requirements and criteria for professional barista-trainers, and they will continue to transfer their skills and knowledge to hospitality workers. Special emphasis was placed on the importance of education in preparing and serving espresso and other espresso-based beverages, to raise the quality of coffee served in hospitality facilities. This is the special role of the Franck team of certified baristas.

As the market leader, Franck's focus is excellence in the preparation of top-notch coffee and tea, thus raising the level of quality of beverages that are prepared and served in café bars, hotels and restaurants. A special emphasis is placed on perfecting barista skills and creativity and ultimately building a new generation of top-notch connoisseurs and

experts for the preparation of espresso and other coffee and tea beverages.

Trends in the world of hot beverages are constantly evolving and this is very much reflected in the Croatian market. Special attention is paid to the quality of the beverage obtained in the catering facility, which entails the importance of barista skills. Today, guests are more inclined to choose a café with a skilled barista who will prepare excellent coffee for them, and this is a competitive advantage for every cafe owner.

In addition, different ways of preparing coffee, such as [cold-brew](#) or nitro coffee, are becoming more and more popular and, accordingly, the programme of the Franck Barista Academy is constantly being developed and adapted. Today, the Franck Barista Academy has different training programmes and modules, depending on the needs of each catering facility and the previous knowledge and skills of the staff.

	2021	2020*	2019
Number of training hours for hospitality workers, trained by Franck baristas	1,000	300	2,000
Number of trained workers	2,000	600	4,154

*2020 was marked by the closure of all hospitality facilities due to the pandemic, and training could not be held and most facilities were closed.



FRANCK BARISTA CONTEST (FRANCK REGIONAL BARISTA CONTEST)

Franck has been organising a regional barista competition for the past six years to raise the bar in the quality of espresso and other coffee beverages and to support partners in the HoReCa channel by investing in the further development of the barista scene and knowledge. The competition tests the ability and skill of competitors in the preparation of various coffee beverages, and each year, an average of 50 competitors from almost 15,000 partner venues from the region participate. This was the first competition of its kind presented to the professional and general public, which motivated the rest of the market to launch similar projects. During 2021 and 2020, the planned barista contests were held in a format to meet all the stipulated epidemiological measures.

FRANCK BARISTA COFFEE INSPIRATION

To further enrich the barista education programme and to offer youth interested in a career in hospitality the opportunity to further their education and attain new skills, in 2021, Franck established cooperation with secondary vocational schools in the field of hospitality, i.e. regional centers of competency in the tourism and hospitality sector in four cities – Zagreb, Osijek, Split and Pula.

In this way, the company is reaching out towards younger generations, offering the opportunity for

them to acquire new knowledge and skills, and obtain insight into the newest trends in the world of hot beverages. Lectures were held by the Franck barista professional team, in line with the valid epidemiological measures. The team members are continually educated and work to develop new beverages and products in line with industry development and consumer preferences. On average, the Franck barista team holds about 2000 hours of training per year, for over 4000 hospitality workers. In cooperation with vocational schools, the Franck training was expanded to include a larger number of young people and adults, and the value of the project was also recognised by the Ministry of Science and Education.

The aims of working with vocational schools as part of the Franck Barista Coffee Inspiration project:

- › Contributing to raising the quality of hospitality and tourism offer in Croatia,
- › Addressing the issue of deficits of a qualified labour force,
- › Supporting alignments of skills and knowledge of youth with the current trends and market innovations and employer needs,
- › Providing support to young talents in building their careers in the hospitality sector, and securing opportunities to acquire competencies and work experience,
- › Further popularisation of the barista profession, and other positions in hospitality,
- › Contributing to raising the quality of service and coffee and tea beverages in the context of excellence in the tourism offer.

Within the project, cooperation with these schools included lectures for pupils and professors, and the programme also included equipping classrooms for practical coursework in these schools with the necessary machines and other equipment, familiarising pupils with the production and development of hot beverages as part of an organised tour of Franck, attendance of pupils and professors to barista contests, offering professional practice for the best pupils in renowned hospitality locales that are long-time Franck partners, and additional specialised education for the best at the Hug & Punch Specialty Coffee Association (SCA) Premier Campus in Matulji.



WATCH THE VIDEO



Franck's baristas also worked with professors to review and update the course syllabi in sections pertaining to the preparation of espresso, and enriched it with novelties, global coffee trends, and additional information that is useful to new generations of hospitality workers.

FRANCK BARISTA CLUB

In 2019, the Franck Barista Club Award was presented and awarded for the first time to promote excellence in hospitality. Franck Barista Club is a system of evaluating and rewarding the best partner hospitality businesses for the quality of beverages prepared and served to their guests.

In the first year, a total of 31 hospitality businesses were nominated, and the award was given to a total of 17 businesses from 10 Croatian cities. In 2020, the number of nominated businesses grew to 58, and each of them was visited four times by the Franck expert panel. All nominated businesses were evaluated using the mystery guest method based on the criteria such as the quality and presentation of espresso and other coffee and tea beverages, equipment maintenance, guest service and more. The highest score of 45 points was given to a total of 13 hospitality businesses, with another 38 from 10 Croatian cities meeting the requirements to receive the Franck Barista Club award.

INTERNATIONAL COFFEE DAY

In order to promote the coffee culture, Franck has popularised International Coffee Day, which is celebrated on 1 October every year. Various activities were carried out over the years, in which Franck actively involved its business partners, coffee experts of various profiles and consumers.

Over the years, Franck's numerous HoReCa partners have joined the celebration with their initiatives and activities to mark the occasion. One of the important goals of the International Coffee Day is to raise public awareness of the importance of empowering and supporting small coffee farmers in implementing sustainable practices.



FRANCK Sustainability in a cup



The profession of barista is becoming more and more popular, as seen in the fact that the number of those registering in the Franck Barista Contests increases every year. In this way, waiters from throughout the region have the opportunity to acquire new knowledge and skills that are key for a successful career and profiling in the world of coffee, while also offering support to our partners in the HoReCa channel. Through projects like the Franck Barista Club, we are able to support our hospitality partners, to further stimulate and promote excellence, and to confirm our dedication to defining trends and raising the quality of espresso and other coffee beverages in hospitality premises in Croatia.

— Franck's professional barista team

Stimulating equality, diversity and inclusion in the workplace

Franck's employees form a large team that develops and nurtures a corporate culture of mutual support and cooperation, as well as respect and open communication. Franck respects, promotes and nurtures diversity as a source of talent, creativity and innovation, creating an atmosphere of

understanding and acceptance. All Franck employees have equal rights and opportunities, and a clear anti-discrimination system has been established that allows employees to report all forms of discrimination easily and securely. In 2020 and 2021, there were no cases of discrimination in Franck.

DIVERSITY WITHIN THE ORGANISATION'S GOVERNANCE BODIES IN EACH OF THE FOLLOWING CATEGORIES

Percentage of individuals within the organisation's governance bodies	2021 and 2020	2019
Women	44 %	47.37 %
Men	56 %	52.63 %
30 - 50 years	67 %	63.16 %
> 50 years	33 %	36.84 %

PERCENTAGE OF EMPLOYEES BY EMPLOYEE CATEGORY IN EACH OF THE FOLLOWING DIVERSITY CATEGORIES

	2021	2020	2019
Women	40.84 % (194)	38.45 % (177)	38.99 % (193)
Men	59.16 % (281)	61.35 % (281)	61.01 % (302)
< 30 years	12.42 % (59)	11.14 % (51)	12.73 % (63)
30 - 50 years	58.45 % (280)	60.48 % (277)	59.80 % (296)
> 50 years	28.63 % (136)	28.38 % (130)	27.47 % (136)
Millennials	44 %	40.83 %	40 %
Persons with disabilities	3.2 %	3.5 %	3.6 %
Total	475	458	495

COMBATTING CORRUPTION

Franck has a zero-tolerance policy for corruption, and acts in accordance with the highest professional and ethical standards in the international environment in which it operates.

By signing the anti-corruption statement or the contract containing the anti-corruption clause, Franck guarantees to every business partner who requests the signing of such a statement, i.e., contract, that it does not support or encourage any form of corrupt practices in its business. In 2020 and 2021, there were no cases or reports of corruption cases at Franck.



A reliable partner to the local community for 130 years

The development of the community in which Franck operates is ensured by recruiting the local population, by implementing development projects and through sponsorships and donations to numerous sports, cultural, educational, humanitarian and other socially beneficial activities.

Within Franck's Corporate Social Responsibility programme, valuable projects of various non-profit organisations are supported through financial resources and goods. The categories that are sponsored and supported are important for the development of society as a whole, and they include sports and physical activity, science and education, environmental protection and the sustainability of the supply chain, professional meetings and conferences, and humanitarian projects.

There are three key principles in the allocation of funds and decisions on the financing of activities relevant to Franck: excellence, impartiality and equality of procedure, and the prevention of conflict of interest.



DONATIONS IN MONEY AND GOODS TO SUPPORT SERVICES COMBATting THE PANDEMIC AND CONSEQUENCES OF THE EARTHQUAKES

Contributing to and assisting the community has been nurtured by Franck for a full 130 years, and this approach and values are particularly evident during crisis situations that call for presence, solidarity and offering support and aid where needed. The company reacted to the needs that arose during the pandemic and earthquakes that affected Zagreb and the Banovina region, and also in Bosnia and Herzegovina and Slovenia.

In early 2021, Franck initiated a rapid response to assist citizens in the earthquake affected region of Sisak-Moslavina County, by making a donation of over HRK 400,000, of which HRK 200,000 was financial assistance. Support for those affected was also important in the months that followed, with the company continuing to provide ongoing support to those affected by the destructive earthquake, to ensure no one was forgotten or left behind.

The donated products and funds were distributed through the network and with the help of volunteers of the Croatian Red Cross to help those in need affected by the earthquake. The company continued

to provide support that it assessed would be exceptionally important in the months that followed. In a joint aid action, Franck's logistics partner was also included, securing transport of donated products to the affected areas in Sisak-Moslavina County, so that the goods could be directly delivered to the Red Cross warehouses in Petrinja, Glina, Sisak and Hrvatska Kostajnica, to more effectively cover all affected areas, and to direct products where they were most needed.

In order to aid and assist the work of all those who worked tirelessly around the clock to combat the pandemic and consequences of the earthquake in Zagreb and the surrounding areas, Franck secured donations in coffee, tea and self-service coffee and tea machines for numerous institutions, valued at over HRK 300,000. These donations were distributed to health care workers, emergency services and volunteers at the National Crisis Staff and in the city branches of the Red Cross in Zagreb, Pula, Rijeka, Osijek and Split. Franck's employees, who managed to ensure normal market supply even during these challenging circumstances, also managed to organize direct deliveries of donations to the Dr. Andrija Štampar Public Health Education Institute, the Sestre Milosrdnice Clinical Hospital Centre, and the Croatian Nurses' Association.

In line with needs, Franck also continued to assist institutions and individuals in Croatia and the region, as it did from the very start of the pandemic and the earthquake in Zagreb. Franck also secured donations in Slovenia and Bosnia and Herzegovina. In Slovenia, it donated more than 2000 products to the Slovenian Association of Friends of Youth (ZPMS) for children and youth from socially threatened families who were most affected by the pandemic. At the same time, Franck supported the charity project “A Minute for Heroes” organised by its partner Mercator, which together with the Slovenian Red Cross and Caritas donated Franck products to volunteers and health care workers throughout Slovenia, with messages of gratitude for their tireless and selfless work.

SPONSORSHIP RENEWED WITH THE CIBONA BASKETBALL CLUB

Franck has always stood by the Cibona BK, both in the best times, and in the hardest times – with more than 40 years of support and cooperation which the company reinstated in 2021 in the role of sponsor. In the year that the Cibona BK celebrates its 75th birthday, Franck, together with other partners, has renewed its sponsorship cooperation and support for the club. *“Together with the other sponsors and partners of the club, Franck is ready to support this young, talented and ambitious team with exceptional potential, and the development of basketball from the youngest ages to the professional level,”* said Ivan Artuković, Franck Director upon signing the contract in the VIP salon at the Dražen Petrović Basketball Centre.

SUCCESSFUL LONG-TERM COOPERATION WITH JRE CROATIA

Franck has had more than five years of successful cooperation with the association Jeunes Restaurateurs d’Europe – Hrvatska (JRE Croatia). This is an association of top chefs and restaurant owners and is a proud member of the international community that is active in 16 countries, bringing together the most creative chefs and more than 350 restaurants. With friends and partners from JRE Croatia, we are connected through numerous projects and the realisation of ideas, the most recent of which was a grand celebratory lunch to celebrate Franck’s 130th birthday.

Franck regularly participates in JRE Croatia activities to present premium espresso, innovative coffee and tea cocktails and other novelties that best complement the creative dishes served in Croatia’s top restaurants, in which Jeune Restaurateurs continually tracks and improves. Franck has recognised the JRE association as a symbol of excellence in the world of fine food and beverages, that is perfectly complemented with premium coffee and the surrounding coffee culture. As a domestic producer, through this partnership the company aims to give its contribution to further raising the bar of excellence in Croatia’s culinary world.

As part of this cooperation, Franck received a delegation of Croatian representatives of Jeunes Restaurateurs (JRE), Europe’s best known association of top-notch chefs, at its premises on Zagreb’s Vodovodna Street.

Franck and JRE Croatia share the same vision and goals; education of young professionals in the hospitality and culinary industries. It is our desire to present and show young people all the beauty of this profession, and educate them to be even more professional and do their job effortlessly. Never ending passion – that is the motto of JRE Croatia, and that emotion and passion is what we want to share with everyone.

During the tour, the renowned Croatian chefs had the opportunity to view the entire coffee production process that at Franck starts exclusively with premium quality raw materials. In order to learn more about coffee and the quality preparation of espresso, they also had the lesson on the origin and procurement of coffee and participated in a coffee cupping workshop, as a method of coffee evaluation that is used in quality control and the development of new products.



FRANCK'S SPONSORSHIPS AND PARTNERSHIPS IN 2020/2021 BY CATEGORY

SPORT	The Croatian Ski Association and Snow Queen Trophy, Croatia Open Umag tennis tournament – ATP Plava laguna, FC Dinamo Zagreb, FC Šibenik, BK Zabok, Croatian Karate Federation, KPA Zaron, BK Cibona, BK Jazina Zadar, Via Adriatica Bike, Zagreb Night Run
TOURISM, HOSPITALITY AND GASTRONOMY	JRE Croatia – Jeunes Restaurateurs, Chef's Stage, leading gastronomy and hospitality congress in Šibenik
EDUCATIONAL INSTITUTIONS	Student organisation AISEC Zagreb; Faculty of Economics, University of Zagreb; Zagreb School of Economics and Management; Faculty of Food Technology and Biotechnology; University of Zagreb
EXPERT CONFERENCES AND GROUPS	HURA – Communication Days, Women in Adria conference “From idea to shelf”, Lider conference “Grand plans day”
HUMANITARIAN AID ORGANISATIONS	City branches of the Red Cross in Zagreb, Pula, Rijeka, Osijek and Split, Caritas of the Zagreb Archdiocese, Institution Dobri dom of the City of Zagreb, Gornja Bistra Special Hospital
HEALTH CARE INSTITUTIONS	Zagreb Clinical Hospital, Sestre Milosrdnice Clinical Hospital, Dr. Fran Mihaljević Infectious Diseases Clinic, Dubrava Clinical Hospital, Sveti Duh Clinical Hospital, Dr. Andrija Štampar Public Health Education Institute, Split Clinical Hospital
OTHER	Croatian Nurses' Association, Selce Volunteer Fire Brigade, society Zelena i Plava Sesvete, Book “My Zagreb – the most beautiful in the world” by Željka Žutelija

TRADITIONAL BLOOD DRIVE

For many years, Franck has been promoting and, with the support of its employees, organising a voluntary blood drive three times a year in cooperation with the Red Cross Society of the City of Zagreb and the Croatian Institute of Transfusion Medicine. In 2018 on Blood Donor Day, the 65th anniversary of the first blood drive in Zagreb was marked, which was held at Franck back in 1953. As a token of gratitude and remembrance of the first

blood drive, Franck was awarded the Red Cross Zagreb's Medal of Gratitude.

The blood drive is held three times per year, and all donors receive a meal and a drink, as well as the right to one paid day off. On average, about 40 people show up at every drive, and some employees are regular blood donors. Despite the pandemic, during 2020 and 2021, Franck organised six voluntary blood drives, while abiding by all epidemiological measures.



“

I'm motivated by the desire to help others. Franck is a great employer, organising the blood drive here at the company. I am proud to work in an environment with such empathy and such a strong social conscience. I am happy that we can come together and contribute every year to this campaign that can literally save someone's life. Giving blood costs nothing for a healthy person, but it means so much.

— Ilija Tešić has given blood 20 times so far.

SOCIALLY RESPONSIBLE PROJECT “FRANCK BEESTRO”

Franck Beestro is a project aimed at protecting endangered bee communities that are an irreplaceable part of our ecosystem. The project was presented in 2021 with the support of the Croatian Beekeeper’s Association, with the aim of raising awareness of the importance of bees for life on Earth and stimulating its customers and the general public to do their part in conserving our natural resources and protecting these precious pollinators.

Without bees, there can be no flowers or plants, and therefore no tea. The world’s agriculture depends on bees, and they are an irreplaceable means for pollinating about 75% of all food products. But the abundance of these precious pollinators is declining rapidly, due in part to a lack of honey plants and trees.

To ensure that the bees always have enough food, Franck has decided to enable everyone to help the bees and host them in their very own Franck Beestro. The Franck Beestro is a special tin container containing two boxes of fine Franck tea and seeds of honey flowers and herbs, such as sage, lavender, thyme, sunflower, and blue tansy that can be planted in the container. The charming raised illustration on the container is the design of one of Croatia’s best young artists, Vedran Klemens.

All you need to do is remove the tea packaging from the container, fill the Beestro with soil for flowers and plant the seeds that come with the package. Water well and put somewhere with sufficient light.

The project was conceived and made a reality with the professional assistance of agriculture expert, Sandra Bedran, MSc who is also the project ambassador. The success of the project in the first year was confirmed by more than 15,000 Beestros “opened” around Croatia by consumers in just two and a half months.

The value of the project and its positive effect were recognised with professional awards. Franck and the agency Imago Ogilvy won the gold IdejaX award for the Beestro project in the category Best on Market for non-alcoholic beverages, and a second gold IdejaX award in the category of Corporate Social Responsibility. The project won bronze in the category GrandPRix for corporate social responsibility awarded by the Croatian Public Relations Association, as well as bronze award in the same category in regional competition.

The exceptionally positive reactions by Franck consumers, the public and the profession are just further encouragement for the long-term development of this project, and expansion onto other markets such as Bosnia and Herzegovina, where the project was presented in 2022.



At Franck, we are guided by the principles of sustainability and responsibility that we apply in our work every day, in projects such as the Franck Beestro that engage our customers. We are particularly proud that, in this case, we can use our market leader status in the tea category to raise public awareness of the key role of bees in the sustenance of our ecosystems and biodiversity, and protection of life on Earth as we know it. Every step, even the smallest, that we take in that direction, is worth the effort. If every of us does one small thing for the bees, together we can do a lot for the world we live in.

The success of the project in the first year was confirmed by more than 15,000 Beestros “opened” around Croatia by consumers in just two and a half months. The value of the project and its positive effect were recognised with professional awards.

FRANCK VOLUNTEERS

As part of an ongoing volunteer program, Franck seeks to contribute to the community in which it lives and operates. At Franck, giving is an act of solidarity and a positive civic action which, as a responsible company, it seeks to encourage and wholeheartedly support for the benefit of the team and the community in which it operates.

HONEY MEADOW IN NOVI JELKOVEC

Franck's employees and Zelene i Plave Sesvete NGO organised a volunteer campaign to clean up overgrown meadows in the Novi Jelkovec area, and to transform them into floral meadows with honey flowers and plants. This volunteer action is an ongoing part of the company activities within the project Franck Beestro. Within the project, Franck donated the seeds of honey plants and flowers, and financial resources for the project to the NGO.

Novi Jelkovec is a part of the Sesvete neighbourhood in Zagreb, extending from Mt. Medvednica in the north almost to the Sava River in the south. This neighbourhood contains the largest forested areas in Zagreb, creating the ideal conditions for honey bees, one of the most important animal species in our ecosystem.

The Franck employees donated their time and joined forces with the volunteers of the ecological initiative Čisteći medvjedići to turn these abandoned and overgrown meadows in Sesvete into more beautiful areas for the local residents, and to return the former glory to this otherwise honey-producing area. After the clean-up phase, honey plants and flowers were planted in Novi Jelkovec. By turning this area into a floral meadow, the diversity needed to ensure food for the bees will increase. This is one of the main goals of the project Franck Beestro.



WATCH THE VIDEO



SUPPORTING THE GLOBAL CAMPAIGN “FOLLOW THE FROG”

Franck’s Superiore espresso is a blend of selected coffee beans exclusively from Rainforest Alliance™ certified plantations that meet the highest standards of ecological, social and economic sustainability. In line with the aims of this organisation, Franck has joined in the global campaign “Follow The Frog”.

This campaign is for those brands that work with the Rainforest Alliance organisation and support the conservation of biodiversity and sustainable development.

Franck has joined in with an educational video for social media and organising a prize game for consumers. The campaign “Follow the Frog” aims to connect people from around the whole

world to “built a better tomorrow through our actions today”.

This means promoting sustainable and urban agriculture, recycling, joint forest management and other practices, through the selection and purchase of goods produced by company partners of the Rainforest Alliance organisation.



CORPORATE ENVIRONMENTAL RESPONSIBILITY

Performing activities in an urban environment has not only created the obligation to have a responsible attitude towards the environment, but also developed awareness of the need to constantly advance our high standards in all of Franck's activities. Franck has achieved respectable results in environmental protection thanks to its focus on the rational use of material resources and energy.

Franck is planning to further advance its already high standards by integrating target parameters for environmental impacts into its business plans. The target parameters of environmental impacts are aligned with the long-term plan to achieve a neutral carbon footprint, to satisfy energy needs exclusively from renewable resources, and ensure complete sorting of waste.

GOALS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION





Rainforest Alliance[™] Certificate

Superiore espresso made from specially selected coffee beans grown exclusively on certified plantations



ISO 50001

Energy management system implemented



ISO 14001

Environmental management system implemented

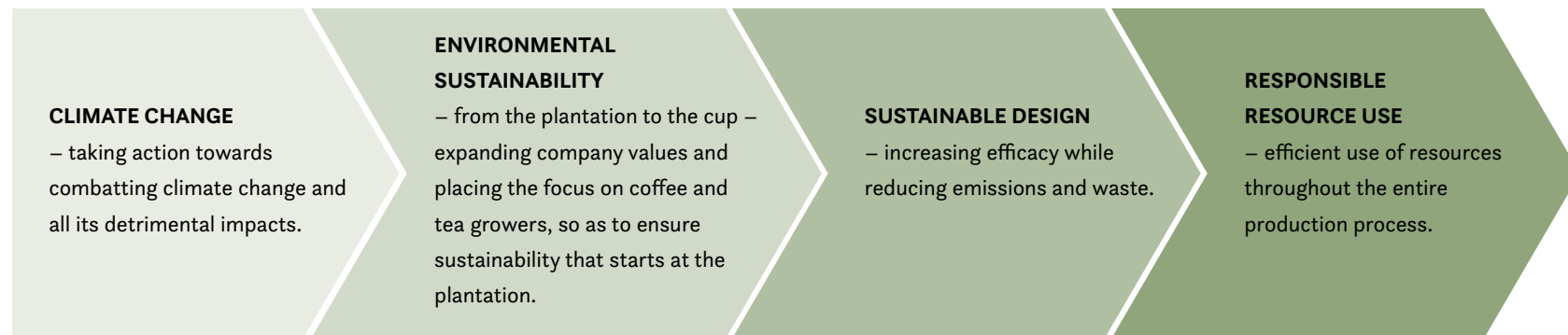


Packaging materials development strategy adopted

A proactive approach and engagement of human and other resources are important to Franck, to ensure that the standards of corporate environmental responsibility are completely integrated into operations. Corporate environmental responsibility is achieved through education, and increasing the number of initiatives and projects focused on reducing negative environmental impacts in all phases of the production process (e.g., sustainable packaging plan).



The four fundamental pillars of environmental responsibility of Franck's activities are:



Environmental protection management system

The environmental protection management system was introduced in 2022, thereby upgrading the existing management system. The aim is to further contribute to sustainable development that is based on achieving a balance between economic progress, social justice and preserving natural resources.

Maintenance of the environmental protection management system ensures effective and efficient reduction of negative environmental impacts, both in production and in all other business processes within the company.

Operations are aligned with the legal requirements ensuing from our environmental responsibility and contribute to better waste management.

In this way, we strengthen customer trust and loyalty, in the sense of ensuring a lower environmental impact, and generating new business opportunities on markets where ecological production processes are particularly important.



THE AIMS OF ECOLOGICAL EFFICACY

include ongoing improvements in the following areas:



Energy efficiency plans and the use of renewable energy sources



Responsible management of water consumption



Development strategy for sustainable packaging materials, with the aim of improving recycling and reducing negative impacts



Support for projects aimed at sustainable agriculture

Energy efficiency

Climate challenges have stimulated the company to take a more prominent role in combatting the negative effects of climate change. Through corporate environmental responsibility, Franck has decided to make its contribution by switching to operations with low CO₂ emissions.

Franck's energy management is guided by ISO 50001 standard that is based on the principles of continuous awareness raising and systematic improvement of energy performance. Information on energy performance is continuously ensured, as well as the necessary resources to achieve general and specific goals.



In addition, procurement of energy efficient products and services and design that improves energy efficiency is supported. The Energy Efficiency Policy is at the disposal to all employees as well as external collaborators with the aim of raising awareness of the need for rational energy use while performing business operations, and familiarising everyone with the possibility that they are welcome to give their suggestions on how to improve the company's energy efficiency. In order to achieve improvement of the energy management, the Energy Efficiency Policy is reviewed at least once a year and updated as necessary.

When introducing new technologies and working on projects, Franck ensures that its operations and business practices do not have an adverse effect on the environment. In addition, an alert system has been introduced in case of increased water consumption. The company has set the main goal of continuous improvements of environmental protection management, which ultimately also results in lower costs, as natural resources are more efficiently used during production.

In order to achieve energy efficiency goals, special action programmes are documented which include monitoring of the realisation of set goals and programmes.

THE GOALS SET WITHIN THE ISO 50001 STANDARD ARE:



Reduced average consumption of electrical energy by 1% per unit product in 2022 compared to 2021



Reduced average consumption of natural gas for coffee roasting by 1% per unit product in 2022 compared to 2021



Reduced average heat energy consumption by 2% by degree of heating day in 2022 in comparison to 2021



Reduced average water consumption by 6% per unit product in 2022 in comparison to 2021



Maintaining the average fuel consumption under 5.7 l/100 km for personal vehicles, and 7.5 l/100 km for delivery vehicles



Maintaining the average consumption of technical gases (UNP/LPG-a) at less than 2 kg per forklift work hour

Energy

ELECTRICAL ENERGY CONSUMPTION

Electrical energy is used to run production lines, and for the operation of offices, systems and auxiliary services. The company's absolute consumption of electricity increased compared to the previous year as a result of the investments made, related to the increase in productivity and production capacity. During the last three years, investments and activities with an impact on energy have been realized both at the technological level (e.g. cardboard packaging machine in the powder plant, the new C24E machine for packing tea, heating and cooling of the Snogoo spaces) and at the management level (e.g. achieving high yield levels on production lines, turning off stand by equipment, optimal regulation of air purification system in industrial buildings).

In September 2015, Franck successfully made its largest and most significant investment in the reconstruction of the tea production facility and further automation of the coffee production facility.

An investment amounting to HRK 20 million was made, and the end result significantly improved production efficiency and flexibility, ensuring the highest degree of competitiveness in the future. Construction included the implementation of a series of technological innovations. The highest-quality materials available on the construction market were used to ensure the energy efficiency of the entire building, including more than 3,200 m² of production space.

Care for energy efficiency was confirmed with the installation of modern LED lighting that creates a comfortable working environment and lowers electric energy consumption. Also, eight climate control chambers were installed on the roof and a central cooling system, thus fitting the entire building with ventilation and cooling in compliance with advanced technological parameters, in every section of the production facility.

Planned investments aimed to improve energy efficacy of operations in the forthcoming period are:

- › **A new roasting plant and pelleting press** (with preheating of the raw coffee) – Replacement of the turbo roaster with a new, more energy efficient, roaster will reduce natural gas consumption (up to 50%) and electricity consumption four-fold. With exceptionally lower energy consumption, this new roaster would also ensure better quality roasting of all coffees in comparison with the former turbo roaster.
- › **Additional investments in LED lighting** – LED lighting consumes less electricity and has a longer life, which reduces maintenance costs. LED lighting also has no glass parts, which is suitable for the food industry and IFS and also offers good lighting properties (CRI index).
- › **Replacement of old doors and windows on the technical management building** – Investments into new windows and doors with a much better heat coefficient, reduces the costs of heating in winter and cooling in summer, while also raising the quality of time spent indoors.
- › **Use of waste heat from air compressors** – Air compressors generate large quantities of heat energy, which can be used to heat sanitation water and to heat water used for heating in winter.

Changes in the consumption of energy in 2019, 2020 and 2021 that do not follow the declining trend were primarily due to the COVID isolation measures in effect, which was most seen in the consumption of electrical energy and heat (steam) energy due to remote work or the need to more frequently air out production and work spaces.

Also, the investments made (cardboard packaging machine in the powder plant, new C24E machine for packaging tea) and expansion of operations with the Franck Snogoo line resulted in the summation of energy consumption associated with these investments.

HEAT CONSUMPTION

Heat consumption needed for factory operation (roasting lines for coffee and coffee substitutes) and heating uses natural gas and steam. A part of this consumption relates to production processes that are proportional to the quantity of processed coffee, while the second part depends on the external weather conditions.

The COVID-19 pandemic had a significant impact on operation in the factories, where the heat consumption was altered due to remote working from home and more frequent airing out of the factory and work spaces.

TOTAL ENERGY CONSUMPTION IN THE ORGANISATION FOR 2019, 2020 AND 2021¹

		2021	2020	2019
		MWh	MWh	MWh
Fuel consumption from non-renewable sources	diesel	2,840.01	2,636.96	3,225.49
	natural gas	7,333.17	7,530.35	7,854.99
Consumption of electrical energy	electrical energy	3,467.69	3,437.79	3,433.68
Consumption of heat energy	steam	4,075.45	3,708.52	3,372.71
Total consumption		17,786.60	17,379.54	17,970.33

¹Amounts and conversion factors:

Steam: obtained using a conversion coefficient of 1 t = 0.833 MWh (source: HEP Toplinarstvo)

Fuel: obtained using a conversion coefficient of 1 t = 0.85 kg, 1 kg = 42.71 MJ, 1 kWh = 3600 kJ (source: Hrvoje Požar Energy Institute)

For natural gas, electricity and steam energy, there are measurement devices that are additionally controlled via the accounts. Records of fuel consumption for company vehicles are kept by the accountants, and for UNP/LPG records are kept via the SAP system. All data are collected and analysed, and are used in the energy management system according to ISO 50001:2018.



Investments in new technology, adjusting and modernising processes that use less water, in addition to constantly monitoring and performing analyses in authorised laboratories resulted in a reduction of water consumption.

Wastewaters

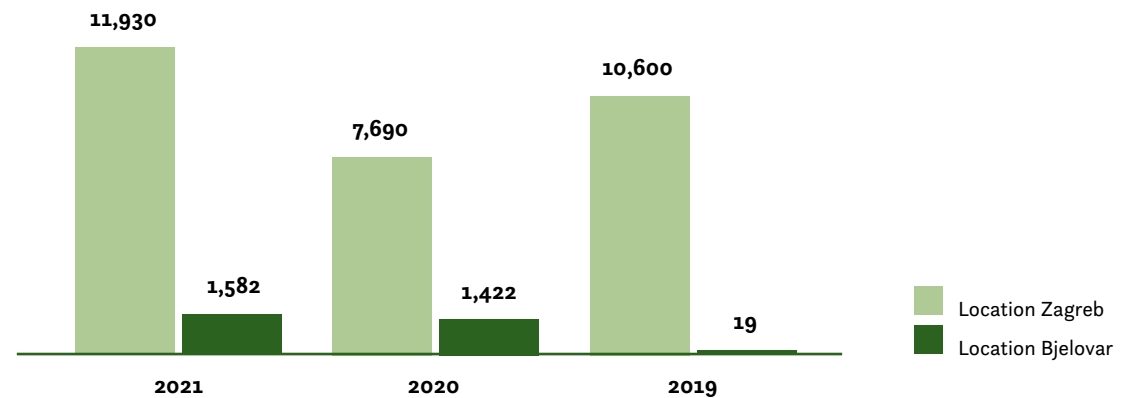
Through its technological processes, Franck has reduced water consumption by constantly monitoring current water consumption. Reduction of water consumption is achieved through investments in new technology, adjustments and modernisation of processes that result in less water usage, as well as constant monitoring and analyses in authorised laboratories.

The water permit specifies the activities and actions that Franck must take in order to manage water use at the company. Accordingly, an external accredited laboratory conducts analyses of sampling and testing of wastewater systems twice a year. Test results from analyses conducted by the external accredited laboratory were within the permitted values.

Also, a grease trap is cleaned at two places (along with the tea production facility and the Franck restaurant). All data records are kept and submitted on the prescribed forms to Hrvatske vode. Waterproof testing of buildings for drainage and wastewater treatment is also carried out.

Water consumption in 2021 increased, especially after the earthquakes in March and December 2020. The water pipes were under pressure and the earthquakes likely caused some minor cracking that increased water consumption and are virtually impossible to detect. A larger flaw occurred with leaking on the valve that was detected and repaired in mid-December 2021.

TOTAL WATER CONSUMPTION IN 2021, 2020 AND 2019 (m³)



Emissions

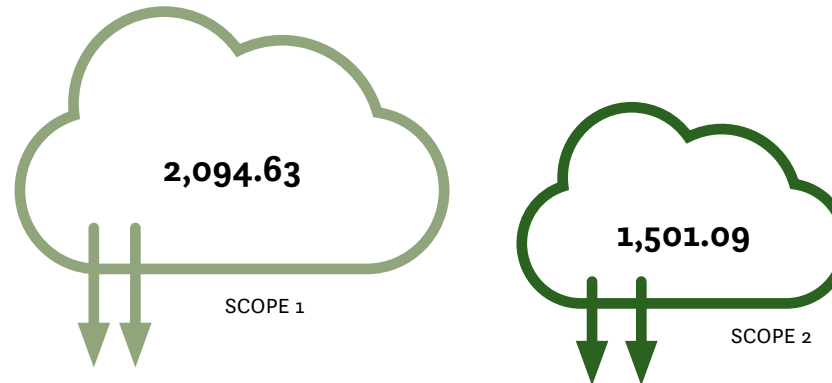
Climate challenges have stimulated Franck to increase its engagement at several levels:

- › work on sustainable models of production and consumption,
- › acting at all levels to combat climate change through the gradual reduction of carbon emissions.

Air emissions from stationary sources are monitored, measured and controlled regularly for all parameters that could negatively impact the environment. Over the last five years, Franck has invested more than HRK 2 million in environmental protection.

In accordance with the legal regulations, air emissions from stationary sources are regularly measured. The purpose of the air emission measurement is to check compliance with the prescribed thresholds. Based on energy consumption data, the calculation for direct (Scope 1) and indirect (Scope 2) GHG emissions was obtained using the GHG Protocol Corporate Standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) in accordance with the IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

TOTAL EMISSIONS IN 2021 (t)



TOTAL DIRECT EMISSIONS

ENERGY SOURCE	2021	2020	2019
	tCO ₂ e	tCO ₂ e	tCO ₂ e
Diesel (l)	745.33	692.04	846.76
Natural gas (TJ)	1,349.30	1,385.58	1,429.27

TOTAL INDIRECT EMISSIONS

ENERGY SOURCE	2021	2020	2019
	tCO ₂ e	tCO ₂ e	tCO ₂ e
Electrical energy + heat energy (kWh)	1,501.09	1,422.12	1,391.77

Responsible waste management

The majority of waste generated at Franck is recycled or serves as a by-product for the production of other products. Waste is separated and sorted at the site of generation (civic amenity sites at all production locations of the Franck Group where waste is generated).

Since 2020, Franck has implemented its Strategy for the Development of Packaging Materials. It aims to reduce the amount of packaging, but also to gradually transfer all packaging to recyclable materials wherever possible, which will result in savings of material and amount of emissions. Franck's goal in the next five-year period of waste management is to achieve efficiency so that a very small percentage is sent to landfills for disposal.

The Environmental Protection Service is responsible for monitoring legislation on waste management and packaging waste, but also for implementing activities and processes. All activities carried out at Vodovodna 20 are in accordance with the applicable legal regulations of the Republic of Croatia in the field of waste management. So far, no non-compliances with legal regulations have been detected at Franck and, accordingly, there have been no cases of fines or sanctions for noncompliance with environmental laws and/or regulations. Franck Zagreb, a production facility located at Vodovodna 20, is responsible for the part of business that includes waste collection

by categories, all in accordance with the applicable Waste Management Act. Franck has entered into contracts with authorised collectors for the disposal of all types of hazardous and non-hazardous waste. All non-hazardous waste (mostly paper/cardboard, plastic, multi-layer packaging) is sorted within the production facility and the area where labelled bins for its disposal are located.

At the end of the working day, depending on the place where the waste has been produced, the maintenance worker of the factory ground area collects all non-hazardous waste from the production facility and takes it to the factory landfill, located at the production site. As far as hazardous waste is concerned, there is a marked and separate hazardous waste storage facility in which all types of hazardous waste are located. A authorised collection company removes and disposes of all hazardous waste.



PACKAGING

Packaging includes anything that has a protective, transport use and function in relation to the product, and must be disposed of or discarded before or during the consumption of the product (content).

With the products that Franck puts on the market, a certain amount of packaging is also placed on the market. Through the SAP business system, Franck monitors the quantity of products sold on the territory of the Republic of Croatia, and the quantities of packaging waste are reported to the Environmental Protection Fund on a quarterly basis. Franck has launched a project to optimise packaging materials, as well as the development of a plastic management strategy that will be used to reduce the use of packaging materials wherever possible.

The control and quality of packaging materials used in product packaging are of great importance for Franck in order to ensure a high product quality, smooth production, etc. Every packaging material has a specification defining all physical and chemical parameters which are crucial for Franck's business. Packaging materials which are used must be functional in order to provide the maximum protection of products throughout their lifetime and thus preserve their top quality.

DEVELOPMENT STRATEGY FOR PACKAGING MATERIALS

With its Strategy model, Franck wants to support sustainable growth for the planet and all participants of the production process: from key suppliers in the coffee supply chain and packaging, to the end customer.

The Development Strategy for packaging materials is shaped with the aim of minimising waste, consumption and CO₂ emissions. It was created with the aim of increasing more environmentally friendly packaging, reducing packaging waste, reducing the carbon foot-print and creating an ecologically acceptable product line.

The Development Strategy is subject to change in line with a number of factors, such as the long period required to create samples of recyclable materials, the inaccessibility of commercialised recyclable solutions for coffees and instant-mixes, high costs of adapting existing machinery for new materials, and the longer time needed to confirm recyclable packaging due to monitoring stability over the complete product life cycle.

Production is being increasingly focused on using environmentally acceptable packaging. By thinning stretch foil, cans, duplex and triplex foils, etc, the result is the generation of less packaging waste. Franck has also introduced 100% pure cellulose filter paper for tea bags, meaning that the filter paper is completely plastic free and 100% recyclable.

TOTAL MATERIALS DELIVERED THROUGH PRODUCTS (DOWNSTREAM)

CATEGORY	2021	2020	2019
	quantity (t)		
Paper / Cardboard	913.47	872.82	1,412.34
Metal / Iron	17.66	23.37	31.07
Metal / Aluminium	0.6	0.59	0.57
Multi-layer	362.54	347.91	369.5
Textiles	4.14	4.16	4.69
Plastic (other polymers)	44.01	44.92	45.89
Total	1,342.42	1,293.77	1,864.06
Total product placed on Croatian market	8,102.92	7,660.54	7,880.10

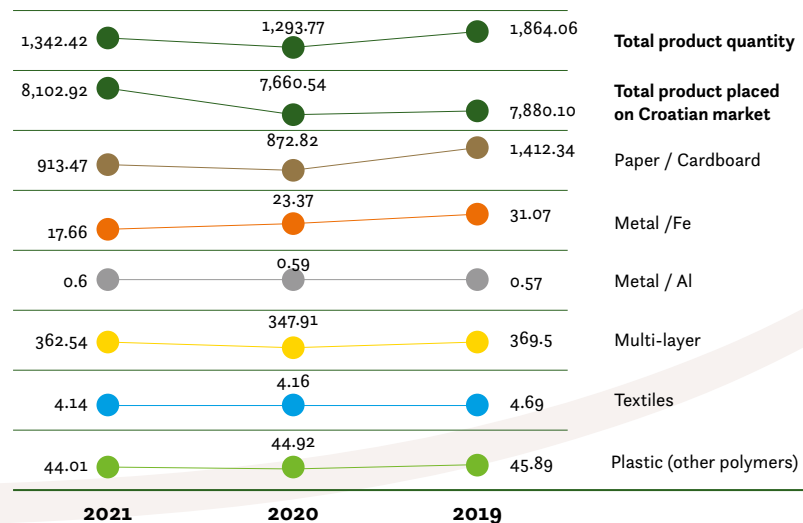
In 2021, the packaging optimisation achieved 21% less metal waste accumulation in comparison to 2020, by thinning out the 3 kg espresso tins, and 49% less stretch foil by introducing new foil with better stretch properties, 90% less heat-shrink foils by replacing the existing packaging with cardboard packaging, and 38% less duplex and triplex foils at Franck.

In line with the packaging strategy, further thinning of packaging materials and reducing existing packaging size will achieve 12% less duplex and triplex foils in food and instant mixes production and another 4% in the coffee production; which will result in 56.6 tonnes or 13% less duplex and triplex foils in total at Franck at the annual level. The amount of packaging waste is directly related to the amount of products placed on the Croatian market. By optimizing the

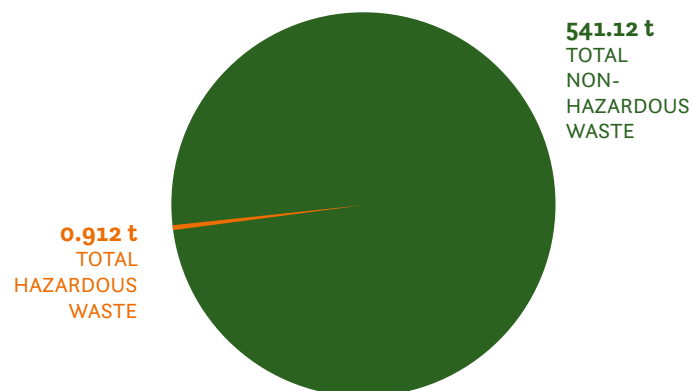
packaging, Franck managed to achieve reductions in the amount of packaging waste, which is best seen through the amount of metal and plastic, where reductions compared to 2019 and 2020 are evident. Having in mind the growth in the amount of products placed on the market in 2021, compared to 2020 and 2019, the total quantity of packaging waste has grown, however at the lower rate compared to the growth rate of the products placed on the market.

Environmental protection in Franck is seen as a multi-disciplinary activity that covers all aspects of protection that are necessary for the operations in the best interest of employees and the environment. In realisation of environmental protection activities, active engagement of all employees, regardless of the function or technological process they are part of, is sought for.

QUANTITY OF PACKAGING MATERIAL DELIVERED THROUGH PRODUCTS PLACED ON MARKET (t)



WASTE SORTED AND SUBMITTED TO AUTHORISED COLLECTOR IN 2021



HAZARDOUS WASTE	2021	2020	2019	Waste disposal method*
	quantity (t)			
Paints and varnishes	/	/	0.007	d
Packaging containing hazardous waste	0.26	0.144	0.137	d
Chemicals – laboratory	/	0.456	0.009	d
Motor oil	/	0.454	0.237	r
Oil filters	0.049	0.069	0.026	d
Fluorescent tubes	0.02	0.045	0.06	d
Electronic equipment + toners	0.583	2.63	3.473	r
Total	0.912	3.798	3.949	

NON-HAZARDOUS WASTE	2021	2020	2019	Waste disposal method*
	quantity (t)			
Materials that cannot be used	223.17	193.91	214.17	r
Sludge and filter cakes	0.07	/	0.128	d
Paper and cardboard	128.42	117.14	125.72	r
Plastic	15.48	16.74	13.42	r
Multi-layer packaging	140.34	126.69	176.32	r
Textile	24.2	20.74	40.245	r
Tyres	/	/	0.029	r
Metals	4.36	3.01	4.98	r
Edible oils and fats	2.2	2.7	2.8	r
Bulky waste	2.88	6.24	4.42	r
Total	541.12	487.17	582.232	

*Note: d – disposal, r – recovery

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