



**SUSTAINABILITY REPORT**  
**2022 / 2023**

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FRANCK GROUP

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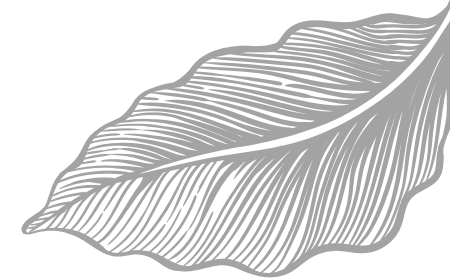
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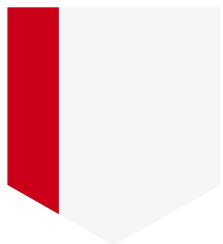
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# MESSAGE FROM THE DIRECTOR



**IVAN ARTUKOVIĆ**

director

It is my great pleasure to present Franck's third sustainability report. The years 2022 and 2023 were a time of examination, adaptation and new initiatives. As always, we remained committed to advancing our in-depth approach to corporate responsibility and sustainability. In 2022 and 2023, we faced numerous challenges that further stressed the need for a proactive approach to sustainability. Climate changes, which affect the cultivation of coffee and other raw materials, have become a challenge to our business and the environment. Rising temperatures, changes in rainfall patterns and frequently extreme weather conditions have put pressure on supply chains and increased raw material costs. We are aware that these changes affect not only us, but also you, our stakeholders, who feel the impact of these global changes every day.

Our message is clear – we want to provide you with products that are not only of high quality but also produced in a way that reduces our environmental footprint. We are developing strategies and initiatives to help us achieve our ambition of making our coffee a zero-carbon product, recognising the importance of reducing greenhouse gas emissions and protecting ecosystems and biodiversity at all stages of production and throughout the entire value chain. This is not just a technical change but a reflection of our deep commitment to environmental protection and a sustainable future for all of us.

It is especially important for us to understand our customers' expectations. It is evident that customers are increasingly looking for products that comply with the highest sustainability standards, knowing that they, too, feel the impact of climate change in their own lives. That is why we are focused on transparency, and we are diligently preparing for the implementation of the Corporate Sustainability Reporting Directive, including full alignment with the European Sustainability Reporting Standards. This report gives a detailed overview of our activities, measures, and goals. We also show specific results of our activities in the field of energy efficiency, recyclable packaging, and waste management.

Our dedication does not stop at environmental protection. By choosing high-quality suppliers, we strive to promote human rights throughout the value chain, from the plantation to your table. We attach importance to fairer working conditions and ensuring that every person involved in the production of Franck products is respected and valued.

I want to thank our excellent team, whose dedication and innovation allow us to cope with challenges, and all our partners and customers for their trust and support. Your loyalty motivates us to continuously focus on improvement and sustainability, and each of our products is the result of this joint effort.

As we reflect on all we have achieved together over Franck's 130-year tradition, we boldly and enthusiastically look towards the future. Our commitment to sustainability, as stated in our mission: "Every day we sustainably create the ultimate coffee and tea experience", will be our guide in all future steps we undertake. Community and responsibility are an important ingredient in every Franck cup!



# ABOUT THE REPORT

In this Sustainability Report, we describe the economic, environmental, and social impact of our business activities over the two-year period covering 2022 and 2023 (1 January 2022 to 31 December 2023) and present our current sustainability activities.

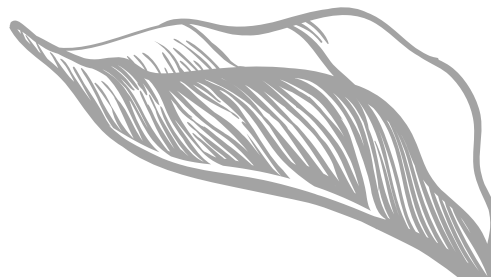
The aim of the report is to provide a transparent view of how the Franck Group currently contributes to sustainability and how it plans to do so in the future, taking into account new regulatory requirements and sustainability reporting standards.

The Sustainability Report covers the Franck Group in all metrics where it was possible for the past two years. The Franck Group comprises the parent company Franck d.d., Elle GI d.o.o. Koper, Franck Sarajevo d.o.o., Franck Snogoo d.o.o., Hug & Punch d.o.o., Franck Makedonija d.o.o.e.l, Franck Slovakia s.r.o., Johann Franck d.o.o., Zagreb, and Franck Ljubljana d.o.o., Ljubljana.

During the preparation of this Sustainability Report, Franck started the adaptation process for the transition to the new European sustainability reporting standards. The new standards require data consolidation following the same principles applied in preparing financial statements. Therefore, Franck will additionally upgrade its system and policies in the coming period. The report includes essential information needed to understand Franck's business and the impacts of its activities related to sustainability. The content is shaped by a materiality assessment, with each individual material topic addressed in its corresponding chapter.

This report is preceded by the Sustainability Report 2020 and 2021. Should you have any questions, please contact us at [info@franck.hr](mailto:info@franck.hr).

The report has not undergone external verification; however, audit verification with limited assurance is anticipated to become a requirement in future reporting periods.



# ABOUT FRANCK

## General Information

NAME OF THE ORGANISATION: **Franck d.d.**

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

### **Franck d.d.'s core business: Coffee production, tea production, food production**

Main activities: production of food and beverages, purchase and sale of goods, commercial intermediation on the domestic and foreign markets, production of pulp, paper and paper products, and real estate business.

The main activity of the subsidiaries Franck d.o.o. Sarajevo, Elle GI d.o.o. Koper, Franck Snogoo d.o.o. Zagreb and Hug & Punch d.o.o. Matulji is the processing and sale of coffee and tea. The main activities of other subsidiaries are sales and distribution.

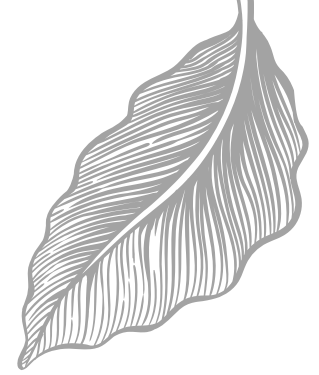
On 31 December 2023, the group had 641 employees, whereas on 31 December 2022, it had 659 employees.



A cup of coffee with latte art on a white saucer sits on a rustic wooden table. In the background, a calm blue lake stretches towards a range of misty, green mountains under a clear sky. The scene is peaceful and scenic.

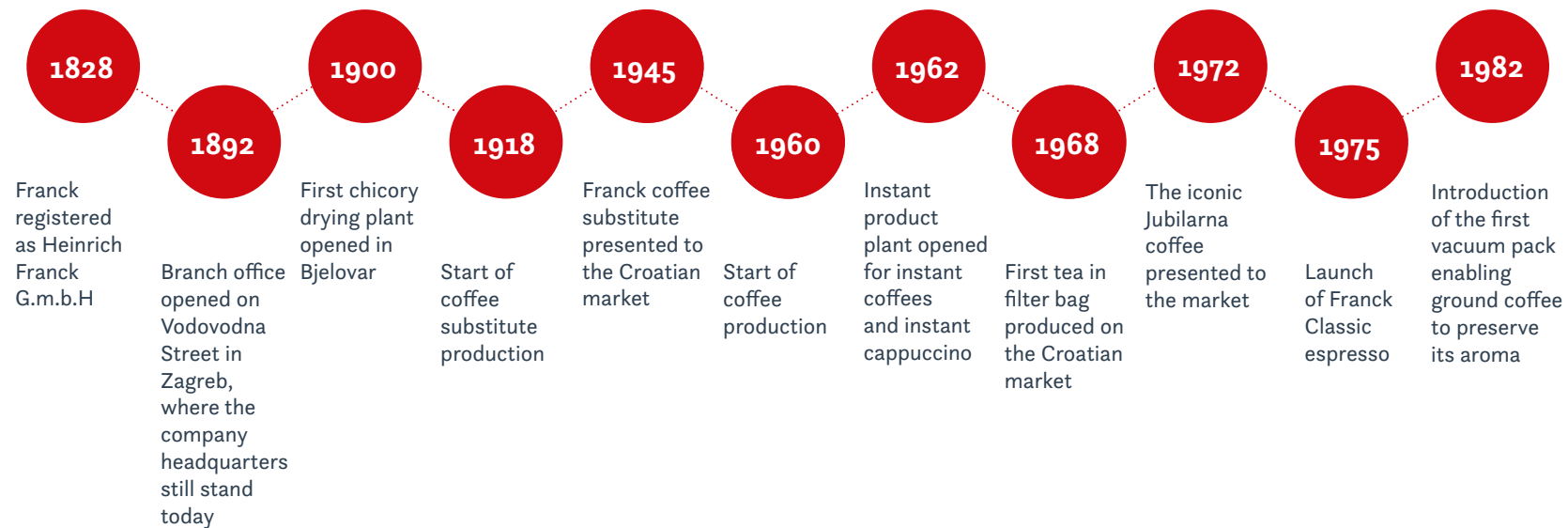
**“Every day we  
sustainably  
create a  
premium  
coffee and tea  
experience.”**



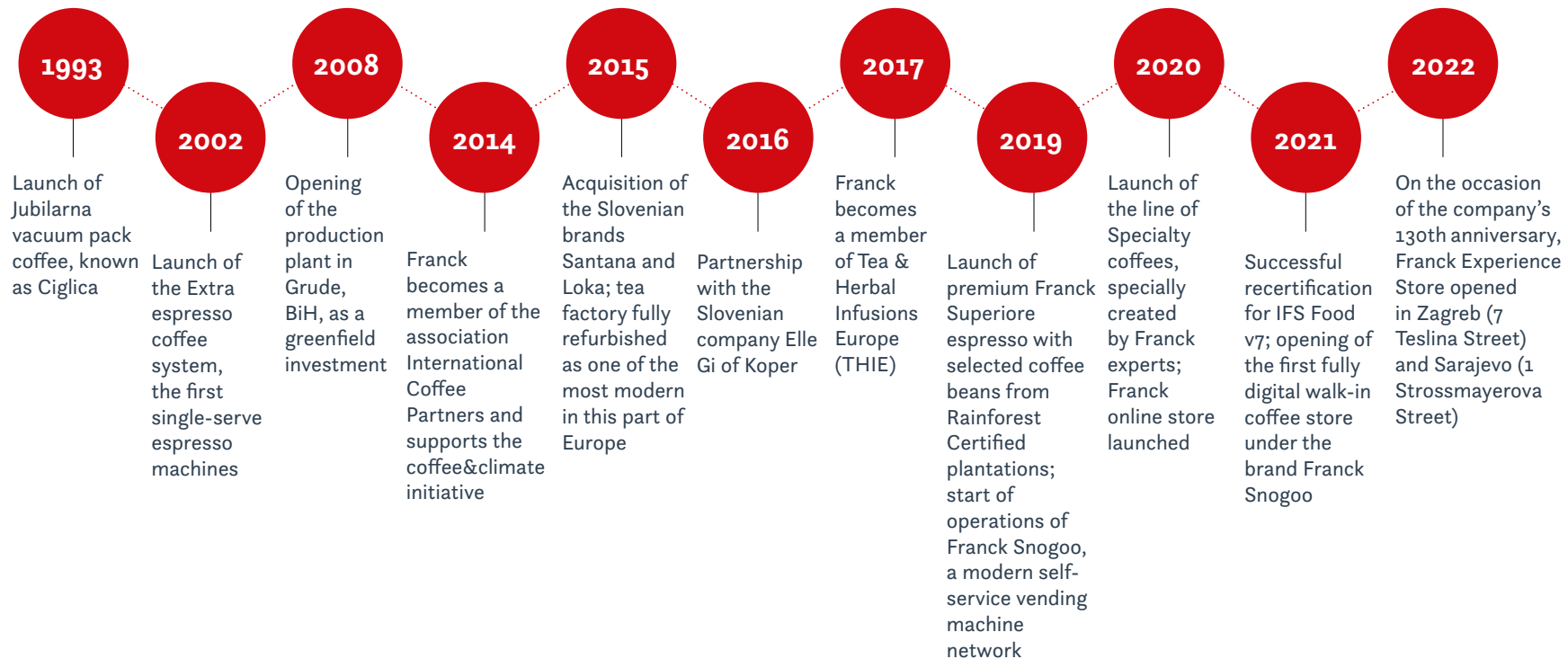


## Franck through history

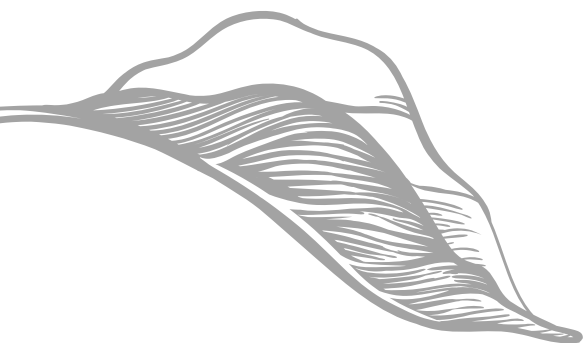
Franck's more than 130-year-old tradition began in 1827, when the young and ambitious German entrepreneur Johann H. Franck successfully processed the medicinal chicory plant and made a chicory drink for the first time. The Zagreb factory was opened in 1892 on the outskirts of the city at the time, on Vodovodna Street, where it still stands today. The initial activities were based on Johann Franck's idea of creating a hot beverage from the chicory plant. At the same time, chicory was planted in the fields of Moslavina, and a collection point with a drying facility for this noble plant was opened in Bjelovar in 1900. From that moment until today, the company has been a symbol of vision and entrepreneurial spirit as it expands into regional markets and continuously invests in production, research, development, and innovation.







## Franck Group today



### Key success metrics (ooo EUR)

	2023.	2022.
Total number of employees	641	659
Number of new products	13	15
Quantity of products or services provided (tonnes)	13.447	13.742
Total revenue from sales (in EUR ooo)	117.812	107.457

### Direct economic value generated and distributed (ooo EUR)

#### Direct economic value generated – Income (income from the sale of goods, property, pallets, paper, income from rent, logistics services and interest)

#### Economic value distributed

Operating costs (material costs, insurance costs, group costs, payment transaction costs, rental costs, work clothes costs, employee training)

Employee costs (wages)

Payments to capital providers (interest costs)

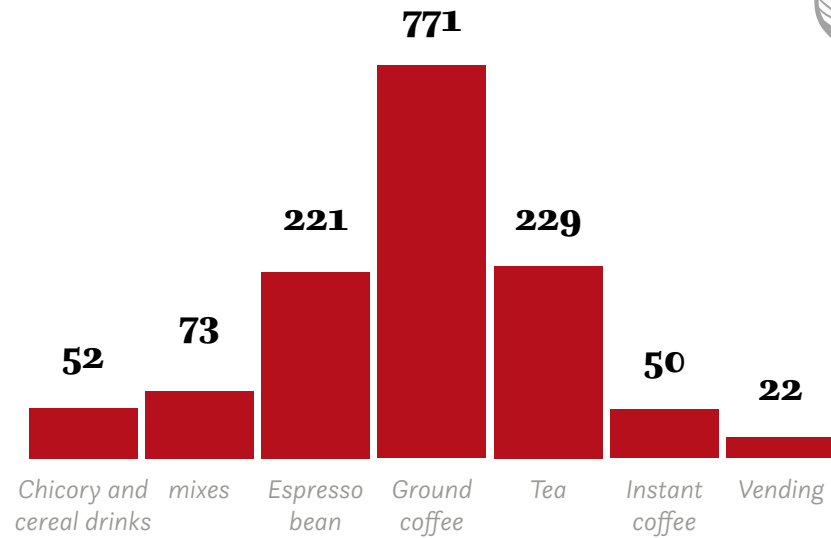
Payments to the state budget (tax and surtax on income, pension, health)

Community investments (donations of goods and money)

#### Retained economic value

	2023.	2022.
Direct economic value generated – Income (income from the sale of goods, property, pallets, paper, income from rent, logistics services and interest)	118.311	107.963
Economic value distributed	95.282	95.891
Operating costs (material costs, insurance costs, group costs, payment transaction costs, rental costs, work clothes costs, employee training)	79.822	80.308
Employee costs (wages)	9.890	9.319
Payments to capital providers (interest costs)	546	711
Payments to the state budget (tax and surtax on income, pension, health)	4.999	5.523
Community investments (donations of goods and money)	25	30
Retained economic value	23.029	12.072

## Consumption of Franck products per cup (million)



**1,42 billion**  
**cups of Franck drinks sold annually**

# OUR BRANDS AND PRODUCTS

Today, Franck Group is the market leader in coffee and tea with successful brands such as Jubilarna coffee, Classic, Bonus, Superiore, Stretto and 125 YEARS EDITION Espresso, Franck Cappuccino and Franck teas with a wide range of over 40 types of different flavours of top quality. In addition to the main product categories, Franck's portfolio includes chicory and cereal drinks, spices, side dishes and baking ingredients.

## Production categories

The coffee and tea market is experiencing rapid changes and a significant transformation across all segments, with the following trends being especially prominent: Growing popularity of single-serve espresso (capsules, pods), as customers increasingly seek coffee quality at home that rivals that which they get from a coffee shop.

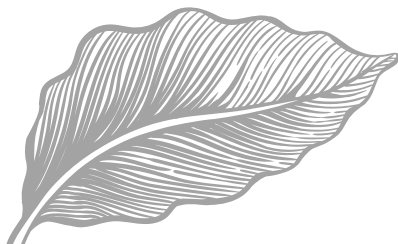
Our response to this trend includes an expanded range, from **Franck Nota capsules** compatible with **Dolce Gusto®** machines to Franck capsules compatible with **Nespresso®** machines and our **Franck Easy Serve** Espresso system with filter pods of freshly ground coffee.



In addition, customers have changed their way of thinking by paying increasingly more attention to what they consume and looking for products with added value. An increase in interest in specialty coffees and teas has been recorded, further affirming the trend of increasing customer awareness and appreciation of quality. Today, customers are better informed and increasingly cite sustainability as a key criterion when making a purchase decision, expecting companies to clearly define their positions in this regard. Franck Superiore espresso is a response to this trend.



***Superiore espresso is a blend of selected coffee beans exclusively from Rainforest Alliance™ certified plantations which meet the strictest standards of ecological, social, and economic sustainability.***







Aligned with the goals of this organisation, Franck joined the global “Follow The Frog” campaign, open to brands partnering with the Rainforest Alliance, to support biodiversity conservation and sustainable development. Franck participated by sharing an educational video on social media and organising a prize contest for customers. The “Follow the Frog” campaign aims to connect people from around the world to “build a better tomorrow through our daily actions today.” This includes the promotion of sustainable and urban agriculture, recycling, community forest management, and other practices, as well as the selection and purchase of goods produced by partner companies of the Rainforest Alliance.

Franck’s sustainability strategy is closely related to our business purpose, with a focus on investing in and giving back to the community. In addition, the high quality of the product plays a pivotal role when choosing coffee. This interest in premium coffee is complemented by the double-digit growth of single-serve espresso. We have recognised this trend in our offerings, introducing innovative products for Easy Serve espresso, along with capsules tailored for compatibility with different machines.

## Franck production categories

### Coffees

- ESPRESSO RANGE
- GROUND COFFEES
- CAPSULES
- INSTANT MIXES
- READY TO DRINK
- INSTANT COFFEES
- INSTANT CAPPUCINO RANGE

### Teas

- SUPERIORE TEAS
- HERBAL TEAS
- FUNCTIONAL TEAS
- BLACK AND GREEN TEAS
- FRUIT TEAS (INFUSIONS)

### Food

- SPICES
- BAKING INGREDIENTS
- SIDE DISHES

### Chicory and cereal drinks

- INSTANTS
- GROUND

## New products in 2022 and 2023

Our company is strategically focused on the further development and sustainable growth of business in the hot drinks category. By consistently investing in production excellence, implementing advanced technological solutions, and developing innovative concepts and products, Franck is at the forefront of introducing new trends.

*The focus is clear – strengthening our leadership position through innovation, maintaining high product quality standards, and systematically developing our product range and brands. This approach will create the prerequisites for further advancement in the region and the internationalisation of our business.*

In the reporting period, we developed and launched a total of 28 new products. All products are developed based on our customers' preferences, which we regularly monitor. The range is expanded to include new products, of which we highlight the following:



**Franck Stretto Nespresso®**  
The Stretto espresso captivates with its bold intensity, enriched by a natural dark chocolate aroma and delicate notes of blackcurrant and red grapefruit, making for a delightful experience from the very first sip.  
**Flavour intensity: 8**



The magic of espresso with Franck Nespresso® compatible capsules Franck Superiore Nespresso® with Rainforest Alliance certification. The intense aroma of Franck Superiore espresso is created for the most discerning palates and premium coffee lovers. Natural floral notes with a chocolate base bring an irresistible fullness of flavour.  
**Flavour intensity: 7**



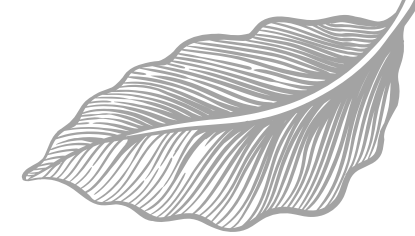
**Franck 125 years Nespresso®**  
A special edition of espresso that in just one capsule offers a perfect balance of almond and natural fruit notes of orange, mango and papaya. With a long-lasting creamy foam at the top of the cup, it delivers a distinct and enduring flavour experience. **Flavour intensity: 7**



**Franck Classic Nespresso®**  
An ideal choice for coffee lovers, this blend boasts a medium strength and a silky texture. It will win you over with its natural notes of caramel imbued with the aroma of hazelnuts and subtle fruity notes.  
**Flavour intensity: 5**



Espresso beans for home use  
- Classic espresso beans – 500 g bag  
- Superiore espresso beans – 500 g bag  
- 1892 Edition espresso beans – 500 g bag  
- Stretto espresso beans – 500 g bag



Franck plant-based cappuccino, with its premium taste based on oats, is lactose-free and enriched with natural flavors, making it perfect for those who know how to enjoy life. With a selection of three different flavors that pair wonderfully with coffee, Franck aimed to offer its customers the chance to savor classic flavors (vanilla, with natural vanilla aroma, or chocolate, with added cocoa) as well as a unique pink cappuccino colored by beetroot powder. These beverages can be prepared either hot or cold and come in 100% recyclable packaging.



**Franck Specialty teas**  
This line includes six “real” teas, two of which are tea blends with fruit and spices that will delight even the most discerning tea enthusiasts – Oolong, Mao Feng, Jasmine and 1001 Nights Green teas, Black Chai and Darjeeling.



**Franck Beauty tea – functional tea**  
Enriched with biotin and zinc, Beauty tea helps you maintain healthy hair, skin, and nails. The carefully selected ingredients in Beauty tea, including white tea, carrot, and rose flowers, enhance its beneficial effects while also contributing to a delicate and harmonious flavour profile.



**Franck Ethiopia Specialty coffee**  
This romantic and refined coffee will take you on a journey from the land of coffee where the story of coffee began, over flower meadows where it will like a butterfly fly over sweet chocolate and caramel with notes of fragrant apricot, lavender, jasmine with spicy notes of bergamot and thyme.

***Customers recognise and appreciate the dynamics of innovation in the instant cappuccino category, where we are also seeing growth. We launched a plant-based line with three new flavours, in 100% recyclable packaging. This initiative supports our strategy for the development of sustainable packaging across all Franck products.***

Considering the strong demand for takeaway coffee, Franck opened the first digitised Franck Snogoo store in 2021. It is a modern walk-in store where customers can buy a takeaway cup of premium Franck coffee, along with a selection of other hot and cold drinks, sandwiches, cakes, freshly squeezed juices, and various snacks, available 24/7. The Franck Snogoo store offers more than 36 different coffee drinks under the well-known Franck brands. It also includes machines equipped with a cold unit, offering refreshing iced coffee, cappuccino drinks, and juices. The first fully digitised Franck Snogoo store in Croatia also has several digital innovations, such as Digital Signage, a large central touchscreen, and a navigation and content display system, providing relevant information about the space. Self-service Franck Snogoo machines are available in more than 2000 locations throughout Croatia with further network expansion planned and support all forms of payment, including contactless and in-app payment. Customers can download the Snogoo app for free and join the Franck Loyalty Club, allowing them to collect reward points, which can later be redeemed for complimentary products at the store.

### **Franck Experience Store in Zagreb and Sarajevo – an exclusive destination to experience premium coffee**

Franck opened the Franck Experience Store in 2022 in Zagreb and Sarajevo. It is a modern space where visitors can enjoy a wide selection of the highest quality coffees, teas, and coffee substitutes under the Franck brand.

The Franck Experience Store on Teslina Street 7 was opened to celebrate the 130th anniversary of the founding of Franck. The space delights with its functional design, personalised service, and an extensive selection of coffee, tea and premium quality coffee substitutes. The store's programme includes tastings, tasting workshops, and beverage preparation to further promote coffee and tea culture and educational experiences. It offers a wide selection of well-known espresso blends such as Superiore, Stretto, 125 Years Espresso, single-origin ground coffees, and a line of specialty coffees prepared according to customer orders. The collection also includes a range of home coffee-making machines compatible with capsules, as well as other accessories such as cups, thermos flasks, teapots and other equipment for different ways of preparing hot beverages. The range includes a variety of teas in both filter bags and loose-leaf formats, a premium Superiore tea line, and classic coffee substitutes like Divka, Kneipp, and the Bianka line of instant coffee alternatives.

The Franck Experience Store also brings a new feature that makes it unique in Croatia and, at the same time, elevates the level of service quality. The four Azomico silos are an exclusive addition to Franck's space on Teslina Street, ensuring the freshness of coffee beans and allowing for on-site grinding tailored to the preferred brewing method. The silos themselves are filled with nitrogen, which prevents spoilage and preserves the rich flavours of the coffee beans. We place great emphasis on creating a unique customer experience and enhancing the Franck brand by aligning with innovative market trends. This focus is further highlighted through the use of high-quality technology for both storing and preparing coffee. The Franck Experience Store in Sarajevo is located at 1 Strossmayerova Street. In addition to the store, it also includes a hospitality section and a dedicated area for training baristas and hospitality staff from across Bosnia and Herzegovina.



# VALUE CHAIN

The coffee value chain includes a number of steps, from growing raw coffee to its final consumption. Each of these stages contributes to the creation of added value and final product quality.

## UPSTREAM (VALUE SUPPLY CHAIN)

# 01

### COFFEE CULTIVATION AND RAW COFFEE PROCESSING:

The value chain starts at plantations in the coffee belt area: Latin America, Africa and Asia, where coffee is grown. Here, the coffee variety, climatic conditions, soil and cultivation methods play key roles. The quality of the raw material is crucial for the final product.

The coffee is harvested by hand, often selectively, to ensure only ripe beans are picked. If the environment allows it, harvesting can also be done using machines. Harvesting is one of the key moments that affect the taste and quality of roasted beans. Usually, there is one harvest per year, although, in some areas, two harvests per year are possible, depending on climatic conditions.

**KEY STAKEHOLDERS IN THE VALUE CHAIN:** Farmers, often smallholders, grow coffee on plantations within the coffee belt area. They sell their products to local traders, local retailers, exporters, or through cooperatives and associations. Franck secures its supply of raw coffee through contracts with established coffee traders.

# 02

### RAW COFFEE PROCESSING:

After harvesting, the coffee beans enter a processing stage in which they are separated from the pulp and prepared for drying. There are different methods, from wet processing, where the beans are separated from the pulp using water, to dry processing, where the beans are dried together with the fruit, after which the pulp is separated. This stage affects the coffee flavour profile.

**KEY STAKEHOLDERS IN THE VALUE CHAIN:** Workers in coffee processing plants are responsible for separating the beans from the pulp and drying them.



## 03

**EXPORT AND TRANSPORT:**

Packaging and export: Picked and dried coffee beans are packed and prepared for export to countries where they are roasted. During transport, it is important to preserve coffee quality, for example, by protecting it from moisture and temperature fluctuations. Before buying raw coffee, Franck's development experts evaluate the sample by analysing its physical and chemical properties. The sample is then roasted and tasted, i.e. cupped. Master cuppers take part in the cupping, using their many years of cupping experience to assess the distinctive aroma characteristics released from the coffee beans during the roasting process. The raw material is ordered if the sample meets the set criteria and standards. Once the sample is approved, the shipment is tracked through each stage: during storage, prior to loading onto trucks at the port, and before finally being received into Franck's raw coffee silos. Given Franck's fully automated production system, these rigorous pre-controls are necessary to ensure the consistent and unaltered quality of coffee throughout the journey. Efficient transport and distribution are crucial to preserving the freshness of the beans until they arrive at the coffee plant. Raw materials are distributed mainly by sea, usually in containers. Coffee is transported from various European ports to Franck by trucks.

KEY STAKEHOLDERS IN THE VALUE CHAIN: Exporters, logistics companies and wholesalers.

## OWN OPERATIONS

## 04

**COFFEE ROASTING THAT TAKES PLACE IN FRANCK:**

When the coffee shipment arrives, and before production begins, the quality of the delivered raw coffee is checked to ensure it matches the previously approved sample. If all quality parameters are met, the shipment is approved for acceptance.

The roasting process is the most important step that defines the coffee flavour and aroma. Manufacturers use specific techniques to achieve the desired roasting profile. Roast levels can vary from lighter to darker, depending on market preferences and the way the coffee is brewed. Blending and grinding.

Finished product packaging: After roasting, the coffee beans go through a resting period. It is then packed to retain freshness and is prepared for distribution.

## DOWNSTREAM VALUE CHAIN

05

### **DISTRIBUTION TO CUSTOMERS AND END USERS:**

Retail: The roasted coffee is distributed to retail stores, including specialty stores, supermarkets and Franck's online store.

Hospitality sector: Part of the roasted coffee is sold to cafes, restaurants and other hospitality outlets.

KEY STAKEHOLDERS: Retailers, caterers (HoReCa)

06

### **FINAL CONSUMPTION:**

Coffee preparation: The coffee reaches the end consumer, who prepares it at home or in a restaurant. The final experience is influenced by the brewing method (espresso, filter, French press, etc.).

Feedback and customer care: The last step in the value chain involves collecting feedback from customers, which can help further improve products and business processes.

KEY STAKEHOLDERS IN THE VALUE CHAIN: End customers, hospitality outlets and cafes.

# MARKETS WHERE FRANCK OPERATES

Franck Group members are the parent company Franck d.d. Zagreb, and the following subsidiaries:

Company name	Country	Share on 31 December 2023	Share on 31 December 2022
Franck d.o.o., Sarajevo	Bosnia and Herzegovina	100,00 %	100,00 %
Franck Ljubljana d.o.o., Ljubljana	Slovenia	-	100,00 %
Elle Gi d.o.o. Koper	Slovenia	55,00 %	55,00 %
Franck Slovakia s.r.o., Bratislava	Slovakia	100,00 %	100,00 %
Franck Makedonija d.o.o.e.l, Skopje	Macedonia	100,00 %	100,00 %
Franck Snogoo d.o.o., Zagreb	Croatia	100,00 %	85,00 %
Hug & Punch d.o.o., Matulji	Croatia	80,00 %	80,00 %
Johann Franck d.o.o., Zagreb	Croatia	100,00 %	100,00 %

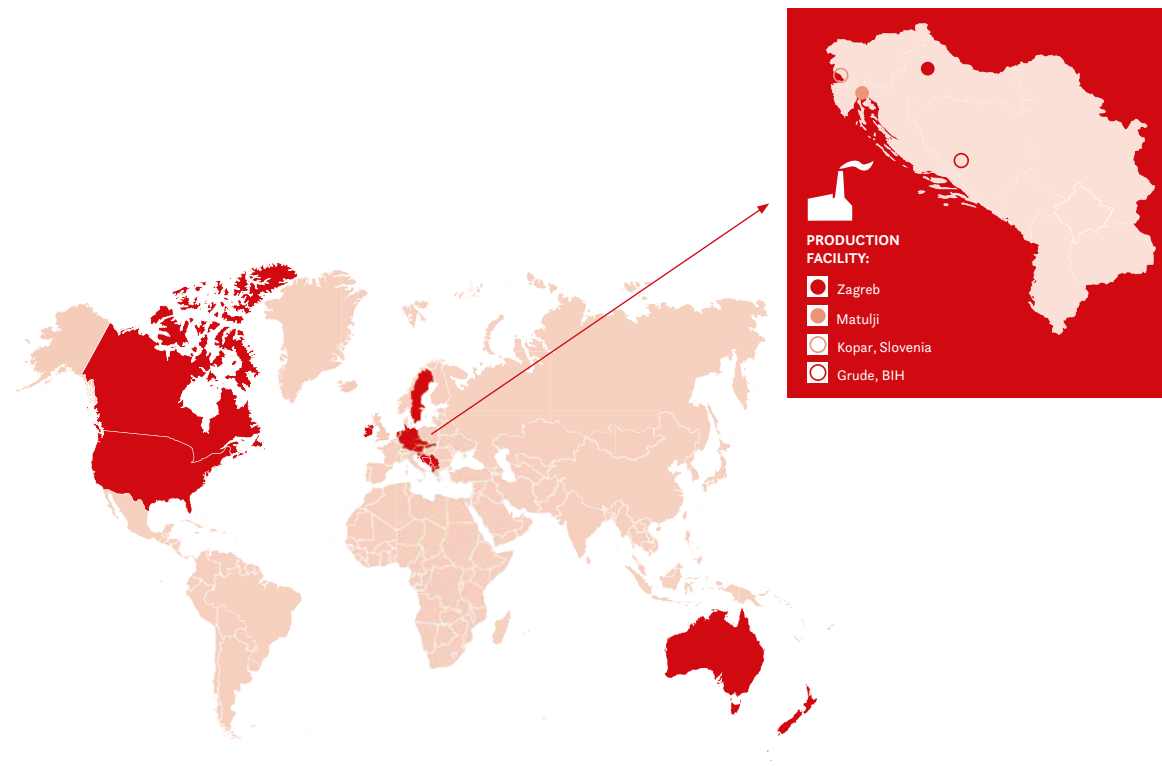
Franck's products are exported to Serbia, Montenegro, Kosovo, Albania, Germany, Austria, Netherlands, Romania, Ireland, Sweden, Czech Republic, Canada, USA, Australia, New Zealand and Qatar. Franck is not prohibited from operating in any market.





Production facilities are located in Zagreb, Matulji, Grude in BiH, and Koper in Slovenia.

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



In addition to enhancing business efficiency and strengthening its position across all sales channels, Franck places particular focus on delivering outstanding service and dependable support and logistics for its partners in the HoReCa sector. Franck's sales organisation for the HoReCa channel exemplifies excellence with a well-coordinated, highly responsive team known for swiftly meeting partner needs. In order to continuously improve services, Franck opened a regional service centre in Zagreb in 2016, fully equipped to provide high-level professional support to all partners. In addition to servicing professional catering appliances, the centre also runs educational programmes for service technicians, which further raises the level of excellence in the HoReCa channel. In doing so, the company develops its business in collaboration with its customers, fostering long-term loyalty and strengthening partnerships.

#### *Changes in business locations, including opening and closing facilities and expansions*

In the reporting period, there were no changes in the place of business. All production activities take place at the company's headquarters.

# MANAGEMENT AND CORPORATE STRUCTURE

Franck d.d. is structured as a joint-stock company and operates with all governing bodies required by the Companies Act. The bodies of the Company are the Assembly, the Supervisory Board and the Management Board.

The highest governing body is the Management Board, which consists of one member – the director. The Management Board is supervised by the Supervisory Board, which consists of three members. The 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 assembly once a year. The Company is managed by the Management Board headed by the director and the management team who make business decisions in the departments they are responsible for – finance, production, research, development, procurement, quality control, sales, marketing, human resources – which are the backbone of the company's activities.

## COMPANY MANAGEMENT:

**IVAN ARTUKOVIĆ**  
director

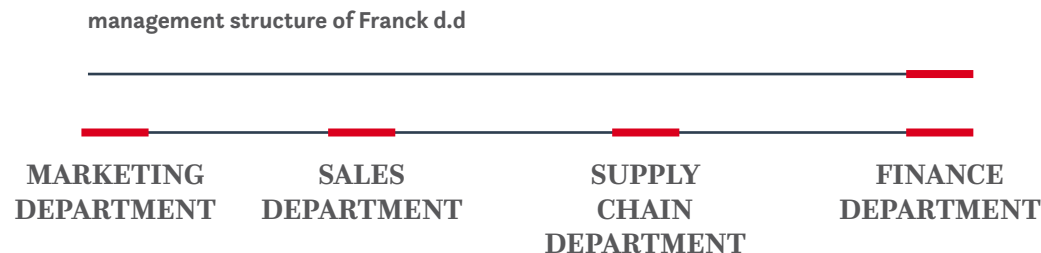
## SUPERVISORY BOARD MEMBERS:

**DUBRAVKO ARTUKOVIĆ**  
**TATJANA RUKAVINA**  
**VICE MANDARIĆ**

## Involvement of management, administrative, and supervisory bodies in sustainability management

All environmental, social, and economic matters fall under the oversight of the Management Board, while the Corporate Communications Department – supported by a broader team of experts from multiple disciplines – coordinates and executes the company's sustainability initiatives. At the moment, sustainability issues, such as climate issues, are not included in the remuneration of members of management, administrative, and supervisory bodies. Franck's director works as a volunteer on the Board of Directors of the International Coffee Partners association, a non-profit organisation that brings together seven leading European coffee producers and traders and is engaged in the global coffee&climate initiative with the aim of empowering and supporting small coffee growers in applying sustainable practices and dealing with climate change.

### MANAGEMENT BOARD



Management Board office, Human Resources, Legal Department, Research, Development and Quality Control, Quality Management Systems

## Investments and activities of the Board and management in 2022 and 2023

### Over the past two years, the Franck Group has made notable investments:

A comprehensive, two-year modernisation project worth approximately 1 million euros has been completed, upgrading all equipment involved in coffee production, from bean reception through to final packaging, and introducing state-of-the-art SCADA technology. It is part of the complete automation and leveraging of advanced digital technologies in our production processes, aligning with Industry 4.0 principles and significantly enhancing our operational efficiency.

*In addition to notable investments that improve Franck's operations, the company's management is developing a strategic plan known as the **Franck Way Forward** outlining its objectives and roadmap up to 2030.*

The project of upgrading and modernising the system for preparing and blending semi-finished products at the TECHNOSILOS instant mix plant. The project, worth around 350 thousand euros, includes all segments of the technological process of preparing instant mixes, Franck Cappuccino.

This optimises production processes, reduces the consumption of raw materials for system cleaning, ensures food safety standards, and maintains the reliability and production safety of the system. The project was completed in May 2024.

Completion of the second phase of investments in new technical and technological solutions for tea production. This investment, part of a three-year plan worth 3.7 million euros, significantly improves our production capacity and allows us to maintain high quality standards. This has led to increased productivity and production efficiency and a reduction in working hours (we reduced the need for night shifts, resulting in a reduction of the total number of working hours by about 6600 per year).

The continued strengthening of direct access and sales includes the use of artificial intelligence to drive business development. We implement the above through a variety of projects, such as our online store and Franck Loyalty Club, which we continually enhance using CRM tools and marketing automation.

This makes Franck one of the first FMCG brands in the region, and even on a global scale, to integrate direct-to-customer communication in its marketing strategy. With the successful launch of this project, we remain true to our legacy of innovation.

***The advantages of investing in enhanced tea production capacity also include environmental sustainability – we replaced older equipment that was costly to maintain and less efficient. All new tea packaging is now fully recyclable, which has significantly reduced our environmental footprint.***

# FRANCK'S STRATEGIC PARTNERSHIPS

Franck is a member of national and international associations dedicated to sustainable development, sharing its experiences and knowledge in order to improve sustainability within its industry.

## National associations:

**Croatian Employers' Association (HUP)** – In 2019, Franck participated in the establishment of the Coordination of Coffee Producers, Processors and Distributors and actively participates in the Coordination of Food and Beverage at HUP, as well as in the Food Industry and Agriculture Association. The Coordination Team consisting of Franck d.d., Atlantic Grupa d.d., Nestlé Adriatic d.o.o., Arabesca d.o.o., Anamaria Company d.o.o. and Coca-Cola HBC Croatia will continue to focus their activities on promoting coffee as the region's beverage of choice and distributing a high-quality, flavourful and affordable product to enhance consumer satisfaction. At the end of 2023, Mr Ivan Artuković, director of Franck d.d., was unanimously elected president of the Coordination for a term of two years.



**HUP**

Hrvatska udruga poslodavaca

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



## International associations:

**International Coffee Partners (ICP)** is a non-profit association that brings together seven leading coffee producers and traders in Europe: Löfbergs (Sweden), Neumann Kaffe Gruppe (Germany), Tchibo (Germany), Delta (Portugal), Lavazza (Italy), Joh. Johansson Kaffe (Norway) and Franck (Croatia). Founded in 2001, the goal was to make small coffee farmers competitive by relying on sustainable practices. Through membership in ICP, Franck actively participates in the empowerment and support of small coffee growers. ICP's vision goes beyond the implementation of individual development projects; ICP wants to contribute to the sustainable transformation of the coffee sector as a whole. Innovative regional programmes in Central America, Uganda, Tanzania, Indonesia, and Brazil have resulted in significant benefits for farmer families as well as the entire supply chain. With the help of the Hanns R. Neumann Stiftung, an implementing partner, ICP's projects are implemented on a global scale.



INTERNATIONAL  
**Coffee Partners**



### coffee&climate initiative

Areas suitable for growing coffee are extremely sensitive to climatic oscillations. Due to increasingly strong climate changes, the areas suitable for cultivation are being reduced, in some years, by 2 to 3%. The biggest problems are rising temperatures, heavy rains and winds, and the prolongation of the dry season, which results in various crop diseases, erosion, poor soil quality, and ultimately, a reduced yield and poorer quality of coffee beans. To help small coffee farmers, leading stakeholders from the private, development and research sectors founded 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 the aforementioned International Coffee Partners.

**Tea and Herbal Infusions Europe (THIE)** is a professional association representing producers and traders of tea (*Camellia sinensis*), herbal infusions, and their extracts at the European level.

### Product quality and safety assurance certificates:

**IFS Food certificate** - IFS develops globally recognised product quality and safety standards and development programmes with the expertise of retailers, manufacturers, certification bodies and other experts. By having this certificate, we ensure the trust of our customers through transparency and compliance with international standards.

**Rainforest Alliance Certificate** - Franck holds the Rainforest Alliance certificate for its premium Franck Superiore espresso and Indian, Green and English Breakfast teas. The product that carries the Rainforest Alliance certificate is our premium Superiore espresso. This certification assures that all coffee beans in the Superiore espresso blend are sourced from certified plantations.

**FSC certificate** - FSC is a non-profit organisation founded with the aim of promoting responsible forest management worldwide. The FSC certificate is an internationally recognised standard that confirms that wood, as well as products made from it, come from forests that are managed in an ecologically responsible, socially beneficial, and economically sustainable manner. The FSC symbol is known around the world as a symbol of responsible forestry, which guarantees that the product bearing the FSC label complies with a standard that supports sustainable forest management. We now transport all finished products using FSC-certified natural boxes (undied), which makes them completely recyclable.

**coffee & climate**



### Croatian Quality

The “Croatian Quality” label indicates above-average product quality and Croatian origin. Products that carry the label are Jubilarna coffee, Jubilarna decaffeinated, Gloria and the espresso range, Instant polenta, Instant semolina, Green tea, Indian tea and English Breakfast tea.



### Halal certificate

Franck has held its halal certificate since 21 April 2016, proving that its products comply with the halal standard HRN BAS 1049:2012. The certificate applies to the following product categories: coffee, instant mixes, teas, hospitality sugars, hot mix, and instant coffee. The company management recognised the halal quality requirements 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 compliance with national and international legal regulations, as well as compliance with the basic reference standards previously incorporated into regular business operations. The implementation of the BAS 1049 standard has enabled greater transparency in business operations in line with halal market requirements, thereby further broadening our customer base.



### Kosher certificate

Franck also holds a kosher coffee certificate. With the introduction of the kosher certificate, Franck has positioned itself in the regional market among manufacturers that offer safe and high-quality products with a reliable guarantee.



### Energy management system certificate ISO 50001

Franck manages energy according to the ISO 50001:2018 Energy Management System standard, which requires companies to create and implement their energy policy, set goals, and create action plans to achieve the set goals.



### Environmental management system certificate ISO 14001

With the implementation of the environmental management system, the existing management system was upgraded to ensure the effective reduction of adverse environmental impacts, both within production and in all other business processes within the company. The process started in 2021 and was completed in 2022



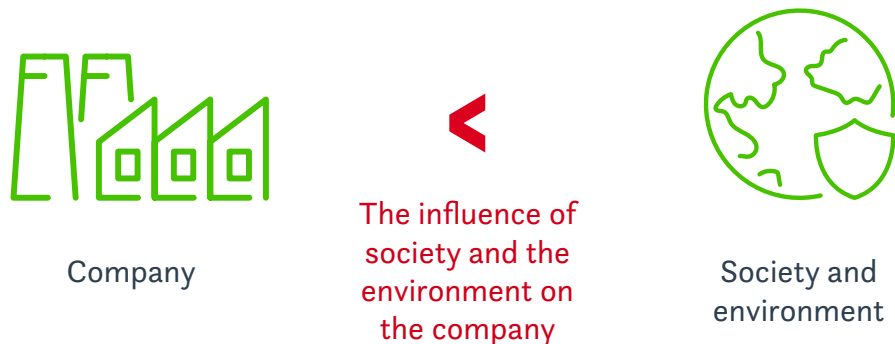
# ASSESSMENT OF THE MATERIALITY OF TOPICS

We carried out our first double materiality assessment, which helped us gather knowledge and information to further improve our methodology for future reporting. This process aligns with all the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard (ESRS), both of which will be mandatory for the Franck Group starting in the 2025 business year, with the report to be published in 2026. We have applied the Implementation Guidelines for conducting the double materiality assessment procedure published by the EFRAG (European Financial Reporting Advisory Group) working group, combining them with our own interpretation of the disclosure requirements and application requirements under the ESRS.

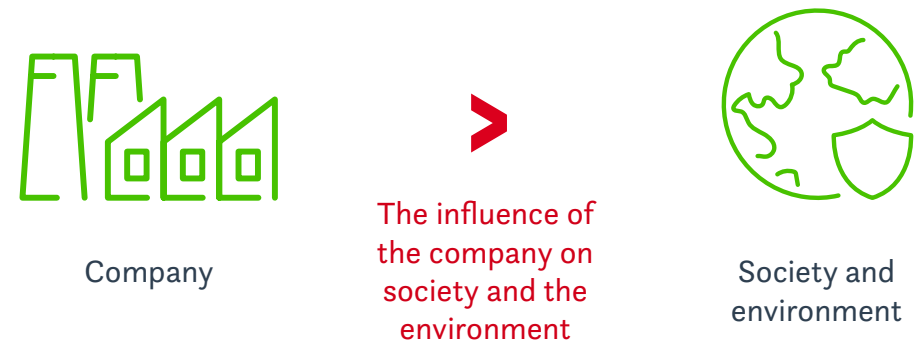
We started the process by assessing the materiality of the impact (from the inside out) on the environment and society, taking into account the way in which, in previous periods, we have identified and assessed the sustainability-related impacts arising from our own operations and value chain. Following that, we conducted a preliminary assessment of financial materiality (from outside in); that is, we assessed the risks and opportunities to which we, as a company, including our value chain, are exposed.

## Double materiality

Financial materiality



Performance materiality



## Methodology of the double materiality assessment procedure

Step	➤ Identifying the context and Franck's environment	➤ Identifying the key stakeholders	➤ Identifying potential and actual impacts, risks, and opportunities	➤ Assessment of impact materiality and financial materiality
Step description	<p>Data collection on the value chain, business relationships and all stakeholders from the upstream and downstream part of the value chain</p> <p>Data collection on geographic locations and the condition of the environment and ecosystems in those locations</p>	<p>Identification of relevant stakeholders and categorisation into two groups: affected stakeholders and beneficiaries of sustainability statements</p>	<p>Creating a list of potential and actual, negative, and positive impacts on people or the environment in the short, medium, or long term. It includes impacts related to operations and higher and lower levels of the company's value chain, among others, through its products, services, and business relationships. Business relationships include those in the higher and lower levels of the company's value chain and are not limited to direct contractual relationships.</p> <p>Creating a list of financial risks and opportunities, i.e. cases when the sustainability factor creates or can create risks or opportunities that significantly affect or could reasonably be expected to significantly affect the company's development, financial position, financial results, cash flows, and its access to financing or capital cost in the short, medium and long term. Risks and opportunities may arise from past or future events. These risks and opportunities are not limited to factors within the company's control but include information about material risks and opportunities attributable to business relationships outside the scope of consolidation applied in the preparation of financial statements. At the same time, dependence on natural, human and social resources can be a source of financial risks or opportunities.</p> <p>When identifying impacts, risks and opportunities, i.e. double materiality assessment, the following time intervals are applied:</p> <ul style="list-style-type: none"> <li>• short-term period: the period that the company has applied as a reporting period in its financial statements,</li> <li>• medium-term period: up to five years from the end of the short-term reporting period and</li> <li>• long-term period: longer than five years.</li> </ul>	<p>Identification of criteria for evaluating negative impacts (scale, scope, irremediability, probability), positive impacts (scale, scope, probability) and risks and opportunities (financial scale, probability), in addition to determining the materiality threshold.</p> <p>Assessment of the materiality of previously identified impacts, risks, and opportunities based on established evaluation criteria and materiality threshold.</p>
Output	➤ Value chain visualisation	➤ Conducting a survey of key stakeholders' opinions on the materiality of ESG impacts	➤ List of identified actual and potential impacts, risks, and opportunities mapped according to ESRS 1 AR. 16 list of topics, sub-topics and sub-sub-topics and consideration of topics specific to the company	➤ Confirmed list of material topics by selected key stakeholders from Franck (managers and employees)

## Methodology – Evaluation of the materiality of impacts

The assessment of materiality of impacts is based on **severity** (scale, scope and irremediability) and **probability**. The severity is based on assessments of **scale, scope and irremediability**.

For the assessment, we used scales and grading criteria ranging from 1 to 5, as shown below. Severity was assessed with a preliminary assessment of scale, scope and irremediability in the case of negative impacts or scale and scope in the case of positive impacts. The criteria used are of a qualitative nature.

## Methodology – financial materiality

The assessment of financial materiality is based on the **potential scale of financial consequences and probability**. As in the assessment of impacts, we used scales and evaluation criteria in the range 1–5, as shown below. The evaluation criteria used are of a qualitative nature.

## Methodology – Final materiality assessment

All identified impacts, risks, and opportunities were assessed on a gross level without netting positive and negative impacts. A sustainability factor, or topic, was considered material if at least one of the impacts, risks or opportunities was rated above the materiality threshold, which was set at 12.5, with the range of the overall materiality rating ranging from 1 to 25. Non-material sustainability topics were those where no impact, risk or opportunity was identified and/or all impacts, risks, and opportunities were rated below the materiality threshold. Finalisation of impact, risk and opportunity assessments was carried out by Franck's key internal stakeholders, managers and employees. In doing so, the opinion of external stakeholders and the materiality of sustainability topics were also taken into account, which is described below.





## Involvement of stakeholders in materiality assessment

For the purposes of the double materiality assessment procedure, we have identified key stakeholders, which are defined as persons who can influence the company or people whom the company can influence. Below are the groups identified by Franck as key stakeholders whose opinion is taken into account in the double materiality assessment. Stakeholders had the opportunity to express their opinions on the materiality of the impacts through an online questionnaire. A total of 58 stakeholders participated in the survey.

### Franck's key stakeholders involved in determining material topics

Users of sustainability report	Affected stakeholders
Media	Employees
Financial institutions	Customers and end users
Non-governmental organisations	Local community and indigenous peoples
Scientific institutions	Suppliers and sub-suppliers
Government agencies	Business partners
Regulatory and supervisory bodies	



The list of ESG topics and subtopics (ESRS 1 AR. 16) under the new European Sustainability Reporting Standards (ESRS) was used as the framework for identifying ESG topics in relation to which impacts, risks, and opportunities were identified. The purpose of such an approach is to gradually prepare the Franck Group to meet the requirements prescribed by ESRS published under the legally binding framework, the EU Corporate Sustainability Reporting Directive (CSRD).

## Franck's regular cooperation with key stakeholders

In addition to communication related to the assessment of double materiality, Franck continuously communicates with its key stakeholders. Collaboration with key stakeholders is important to understand the necessary efforts that Franck needs to make in order to provide continuous and sustainable value in line with its strategic direction. Franck's primary stakeholders are the numerous customers who buy Franck's products every day, but equally important are stakeholders and employees, suppliers, business partners, banks, non-governmental organisations, the academic community, member associations, the media, etc. It is the dialogue with stakeholders that influences or could influence operations that allows for transparency, which is the basis and inspiration for improving operations and business processes aimed at sustainable development.

With the aim of determining the material impacts as part of the double materiality assessment procedure, an online survey of the opinions of key stakeholders was conducted, in which the stakeholders had the opportunity to evaluate the importance of Franck's impacts on society and the environment. Franck plans to carry out activities of regular cooperation and dialogue with key stakeholders in future reporting periods, and plans to include their opinions on ESG topics in the process of developing the Sustainability Strategy.

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 food safety and halal and kosher quality is carried out by Franck employees in their areas of work, with the consent of the HACCP team coordinator.

In order to ensure a sufficient source of important information, external communication channels were established with the following groups:

- suppliers, sellers and subcontractors
- customers
- state bodies
- important organisations and other interested parties

(professional organisations, clubs, chambers of commerce, associations...).

Key stakeholder categories:

- |  |  |
|--|--|
| • Employees                            | • Regulatory bodies                      |
| • B2B customers                        | • Business and professional associations |
| • Business partners and distributors   | and sectoral cooperation                 |
| • Owners and shareholders              | • Local communities                      |
| • Customers                            | • Coffee growers                         |
| • Suppliers                            | • Media                                  |
| • Investors and financial institutions | • Public                                 |

Methods for maintaining a regular dialogue:

**INFORMATION** Franck informs stakeholders about operations and business activities by using a variety of official communication channels to ensure transparency. These include: the official website [Franck.eu](https://franck.eu) which is available in six languages, [Franck webshop](#), social media platforms: [Facebook](#), [YouTube](#), [LinkedIn](#), [Instagram](#) i [TikTok](#), a digital customer newsletter, press releases, reports submitted to FINA and the Sustainability Report, and internal communication tools such as Franck daily news for employees, Intranet, and bulletin boards.

**CONSULTATIONS AND DIALOGUE** Regular consultations and exchange of information take place mainly through meetings, working groups, interviews, emails, customer visits, fairs, questionnaires, etc.

**PARTNER COOPERATION** Partnership cooperation is achieved through active membership and support.

# MATERIAL IMPACTS, RISKS, AND OPPORTUNITIES

## Environmental factors

Topic: Climate change

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Adaptation to climate change	<ul style="list-style-type: none"> <li>Increased business costs due to climate change</li> <li>Actual physical risks due to climate change, such as floods, storms, and heat waves, can damage infrastructure and endanger the safety of workers.</li> <li>Increased expectations from regulators, affected communities, and users of reports in relation to climate risk assessment and monitoring, causing costs for the business to rise.</li> </ul>	RISK:	Own operations
Adaptation to climate change	<ul style="list-style-type: none"> <li>Possible financial losses due to the impact of climate change on yields when growing raw materials</li> <li>Temperature stress, continuous temperature rise, prolongation of dry seasons, frost, heavy rains, and the resulting soil erosion adversely affect the yield of raw materials (coffee and tea) and drastically affect the quantity, availability and quality of raw materials.</li> </ul>	RISK:	Upstream value chain

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Mitigation of climate change	<ul style="list-style-type: none"> <li>GHG emissions in own operations and value chain</li> <li>Franck is a manufacturing company whose operations generate Scope 1 (fossil fuels for energy production, vehicles) and Scope 2 GHG emissions, the most prominent being Scope 3 emissions from the value chain, which includes procurement from traders, transport of raw materials from distant countries (e.g. procurement of coffee and tea) and unsustainable agricultural practices in the cultivation of raw materials, including deforestation.</li> </ul>	Negative impact, actual	Upstream value chain Own operations Downstream value chain
Mitigation of climate change	<ul style="list-style-type: none"> <li>Initiatives and traceable products grown using sustainable agricultural practices with lower GHG emissions, including responsible management of forests that act as natural carbon sinks.</li> <li>(e.g. Rainforest Alliance certified products – Franck Superiore espresso).</li> </ul>	Positive impact, actual	Upstream value chain Own operations
Mitigation of climate change	<ul style="list-style-type: none"> <li>Transition risk due to pressure from regulators and the market, which expects a reduction in GHG emissions in business and a transition to a climate-neutral economy (failure to meet expectations can result in reputational risk, etc.).</li> </ul>	RISK:	Upstream value chain Own operations Downstream value chain
Energy	<ul style="list-style-type: none"> <li>Increased costs of transition to energy-efficient operations</li> <li>Transition risk due to the pressure of the regulator and the market expecting a switch to renewable energy sources (increased costs of transition to renewable energy sources, increased costs of capital investments, possible costs of an unsuccessful transition).</li> </ul>	RISK:	Own operations
Energy	<ul style="list-style-type: none"> <li>Dependence on certain energy sources, which can cause costs in the event of a supply interruption (increase in the price of electricity).</li> </ul>	RISK:	Upstream value chain Own operations Downstream value chain

## Topic: Pollution

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Air pollution	<ul style="list-style-type: none"> <li>Air pollutant emissions caused by agricultural activities in the value chain and the operation of production facilities.</li> </ul>	Negative impact, actual	Upward value chain, own operations
Water pollution	<ul style="list-style-type: none"> <li>The process of growing and processing coffee beans in the value chain can have significant emissions to water; this impact is stronger due to the fact that coffee growing areas are often areas with a lack of water and poor quality of water bodies.</li> </ul>	Negative impact, actual	Upstream value chain
Soil pollution	<ul style="list-style-type: none"> <li>Excessive use of pesticides during the cultivation of raw materials causes emissions of pollutants into the soil and leads to the loss of soil biodiversity and soil quality.</li> </ul>	Negative impact, actual	Upstream value chain

## Topic: Water

Water withdrawal	<ul style="list-style-type: none"> <li>Dependence on water as a resource</li> <li>The lack of potable and clean water in the raw material growing areas leads to the impossibility of irrigation and failed crops, and also to the relocation of the coffee growing workforce from excessively dry areas, leading to a shortage of coffee growing workers.</li> </ul>	RISK:	Upstream value chain
Water discharge	<ul style="list-style-type: none"> <li>Water is necessary and is used in large quantities in the process of growing and preparing coffee, thereby affecting the quality of water bodies that are polluted by wastewater.</li> </ul>	Negative impact, actual	Upstream value chain

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Direct drivers of biodiversity loss Impacts on species status	<ul style="list-style-type: none"> <li>Deforestation leads to the depletion of carbon sinks and the degradation and fragmentation of natural habitats due to the conversion of land into agricultural land for the cultivation of raw materials.</li> </ul>	Negative impact, actual	Upstream value chain
Impacts on the extent and condition of ecosystems	<ul style="list-style-type: none"> <li>Agricultural practices that are not aligned with the principles of sustainability, such as excessive use of agrochemicals (pesticides, fungicides, herbicides) and poor soil management, lead to soil degradation and desertification.</li> </ul>	Negative impact, actual	Upstream value chain
Direct drivers of biodiversity loss	<ul style="list-style-type: none"> <li>Transitional risk associated with the EU Deforestation Regulation (EUDR), which mandates that all coffee imported into the European Union must not be associated with deforestation (deforestation), which must be accompanied by compliance with due diligence and traceability requirements.</li> </ul>	RISK:	Upstream value chain
Impacts of ecosystem services and dependence on these services	<ul style="list-style-type: none"> <li>Dependence on ecosystem services and biodiversity, without which the cultivation of quality raw materials is impossible, with a risk of ecosystem collapse.</li> </ul>	RISK:	Upstream value chain
Direct drivers of biodiversity loss	<ul style="list-style-type: none"> <li>Procurement of raw materials from certified plantations that take care of sustainable cultivation and marketing of certified products (e.g. Franck Superiore espresso Rainforest Alliance certificate).</li> </ul>	Positive impact, actual	Upstream value chain



## Social factors

Topic: Our workforce

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Working conditions – Job security	<ul style="list-style-type: none"> <li>Secure employment options are provided, including the possibility of redeployment to another position if an employee becomes unable to perform their current role.</li> </ul>	Positive impact, actual	Own operations
Working conditions – Working hours	<ul style="list-style-type: none"> <li>Overtime is exceptional, announced to workers and paid additionally.</li> </ul>	Positive impact, actual	Own operations
Working conditions – Adequate wages	<ul style="list-style-type: none"> <li>All employees receive wages that exceed the legally mandated minimum. Salaries are determined by assessing job complexity, relevant responsibilities, organisational role, and an objective evaluation of market rates in comparable companies.</li> </ul>	Positive impact, actual	Own operations
Working conditions – Social dialogue	<ul style="list-style-type: none"> <li>Maintaining a social dialogue with workers and workers' representatives (e.g. research and opinion polls, publication of policies through an internal portal, organisation of events where the management communicates with employees, involvement of workers in risk assessment of occupational hazards, monthly meetings with the workers' council).</li> </ul>	Positive impact, actual	Own operations
Working conditions – Freedom of association, existence of workers' councils, workers' rights to information, consultation and participation	<ul style="list-style-type: none"> <li>Allowing workers complete freedom to establish and join a union, Franck negotiates in good faith and ensures adequate time for workers' representatives to perform their duties and ensures non-discrimination between union members and workers' representatives.</li> </ul>	Positive impact, actual	Own operations

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Working conditions – Work-life balance	<ul style="list-style-type: none"> <li>Shift work can have an impact on a worker's work-life balance.</li> </ul>	Negative impact, actual	Own operations
Working conditions – Work-life balance	<ul style="list-style-type: none"> <li>Flexible working hours, avoiding the practice of overtime, maternity and parental leave, a gift for the birth of a child, and a day off for employed parents of children entering the first grade.</li> </ul>	Positive impact, actual	Own operations
Working conditions – Health and safety	<ul style="list-style-type: none"> <li>Implementation of a comprehensive occupational health and safety program, including regular health assessments and educational sessions focused on physical and mental well-being; support is also provided for employees on extended sick leave exceeding 90 days.</li> </ul>	Positive impact, actual	Own operations
Equal treatment and opportunities for all – Gender equality and equal pay for work of equal value	<ul style="list-style-type: none"> <li>Equal pay for work of equal value, safeguarding of equality based on gender, age or any other characteristic.</li> </ul>	Positive impact, actual	Own operations
Equal treatment and opportunities for all – Training and skills development	<ul style="list-style-type: none"> <li>Clear communication of expectations regarding the knowledge, skills, values, and attitudes required for each position, defined according to the job description, role, and anticipated performance; implementation of a structured training plan.</li> </ul>	Positive impact, actual	Own operations
Equal treatment and opportunities for all – Employment and inclusion of persons with disabilities	<ul style="list-style-type: none"> <li>Active participation and promotion of employment and inclusion of persons with disabilities in work.</li> </ul>	Positive impact, actual	Own operations

## Topic: Our workforce

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Equal treatment and opportunities for all – actions against harassment in the workplace	<ul style="list-style-type: none"> <li>Zero-tolerance policy in place, with clear instructions and guidelines for reporting violent behaviour and harassment. A designated individual is appointed to safeguard employee dignity, and a responsible party is assigned to implement corrective actions in cases of unacceptable behaviour.</li> </ul>	Positive impact, actual	Own operations
Equal treatment and opportunities for all – Diversity	<ul style="list-style-type: none"> <li>Employment opportunities are offered to everyone based solely on their education, knowledge, skills, competencies, and experiences, without regard to sex, gender, religion, skin colour, or country of origin.</li> </ul>	Positive impact, actual	Own operations

## Topic: Workers in the value chain

Working conditions, Equal treatment and opportunities for all, Other rights arising from employment	<ul style="list-style-type: none"> <li>The majority of coffee and tea cultivation takes place through small farmers in distant and less developed countries, who rely on seasonal workers, which is why it is challenging to determine the level of implemented human and labour rights. Franck primarily relies on information from traders with whom it cooperates and who are direct suppliers of raw materials.</li> <li>The causes of child labour and work in unsafe conditions often depend on the characteristics of the community within which farming takes place.</li> <li>*In terms of a possible negative impact on human rights, the severity of the impact takes precedence over the probability.</li> </ul>	Negative impact, potential	Upstream value chain
Working conditions, Equal treatment and opportunities for all, Other rights arising from employment	<ul style="list-style-type: none"> <li>Inicijative i sljedivi proizvodi koji su uzgojeni na certificiranim plantažama na kojima se vodi računa o pravima radnika i ljudskim pravima (npr. Rainforest Alliance certificirani proizvodi - Franckov Superiore espresso).</li> </ul>	Positive impact, actual	Upstream value chain

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Working conditions, Equal treatment and opportunities for all, Other rights arising from employment	<ul style="list-style-type: none"> <li>Improving supplier practices, including establishing traceability for all raw materials and selecting suppliers that offer certified raw materials that are not associated with negative impacts on the quality of life of plantation workers, can contribute to a company's reputation and to customer retention and attraction.</li> </ul>	Opportunity	Upstream value chain
Rights of indigenous communities	<ul style="list-style-type: none"> <li>Possible violation of the right to voluntary, prior and informed consent, for example, in the case of land conversion, depletion of water sources used by the local community, various types of pollution, etc.</li> </ul>	Negative impact, potential	Upstream value chain
Rights of indigenous communities	<ul style="list-style-type: none"> <li>Participation in the implementation of initiatives in local communities where coffee is grown (ICP membership and coffee&amp;climate) that improve the quality of life and the rights of the communities.</li> </ul>	Positive impact, actual	Upstream value chain

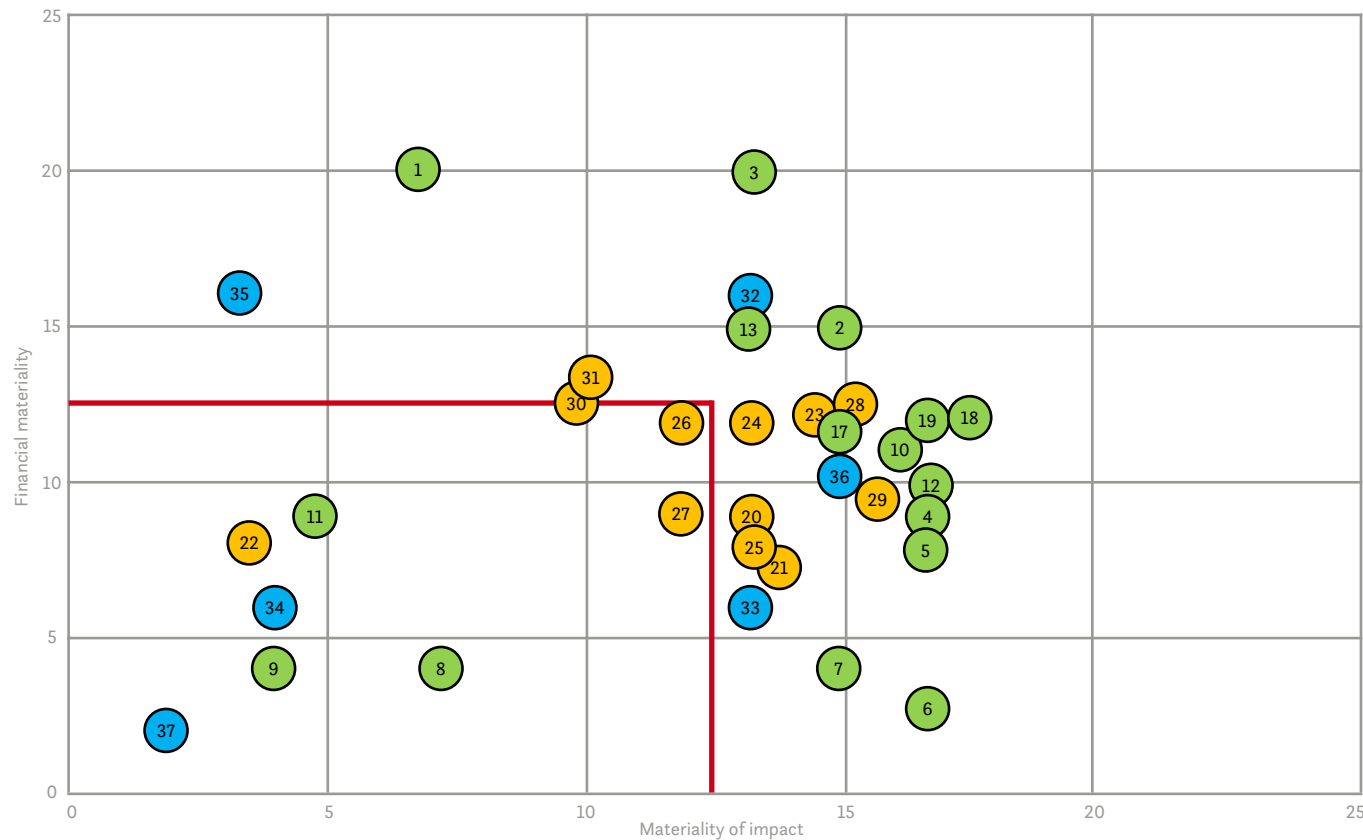
Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Information-related impacts	<ul style="list-style-type: none"> <li>Protection of customer privacy, with open channels constantly available to customers for dialogue and for every inquiry/complaint/commendation, which is answered within the legal deadline.</li> </ul>	Positive impact, actual	Own operations
Personal safety	<ul style="list-style-type: none"> <li>High standards in terms of ensuring the health and quality of raw materials and final products, confirmed by standards and certificates, enable positive impacts on the quality of life and the preservation of customers' health.</li> </ul>	Positive impact, actual	Own operations
Personal safety	<ul style="list-style-type: none"> <li>A robust system of product quality and safety assurance is crucial for maintaining a successful business; every additional investment and system improvement is an opportunity for added financial gains and earnings.</li> </ul>	Opportunity	Own operations
Personal safety	<ul style="list-style-type: none"> <li>Prompt resolution of complaints and compensation to customers.</li> </ul>	Positive impact, actual	Own operations
Personal safety	<ul style="list-style-type: none"> <li>An online store was established to facilitate a safer and more convenient direct-to-customer distribution of products, even in challenging situations such as pandemics or civil unrest.</li> </ul>	Opportunity	Own operations
Social inclusion	<ul style="list-style-type: none"> <li>Responsible marketing practices, with a focus on communication about the product's functional benefits and health claims.</li> </ul>	Positive impact, actual	Own operations

Subtopic	Description of the identified impact, risk, or opportunity	Impact (actual or potential) / Risk / Opportunity	Place in the value chain to which impacts, risks, or opportunities relate
Social inclusion	<ul style="list-style-type: none"> <li>As a result of climate change, prices of raw materials become unstable and increase, which can drive up the price of the final product, leading to potential cost spillover to customers. This may particularly impact loyal customers with lower purchasing power who may be priced out of the market.</li> </ul>	RISK:	Own operations
Social inclusion	<ul style="list-style-type: none"> <li>The company's investment in responsible marketing practices that will effectively communicate the company's positive ESG impact can offer a distinct competitive edge by improving the company's reputation, boosting customer retention, and attracting customers who show an increasing preference for environmentally and socially responsible products.</li> </ul>	Opportunity	Own operations
Corporate culture	<ul style="list-style-type: none"> <li>An insufficiently clearly defined corporate culture and the absence of clear corporate goals can lead to unused potential and company profitability.</li> </ul>	RISK:	Own operations
Whistleblower protection	<ul style="list-style-type: none"> <li>We have adopted procedures and actions as part of the rulebook on internal reporting of irregularities, including a confidential person.</li> </ul>	Positive impact, actual	Own operations
Political engagement and lobbying	<ul style="list-style-type: none"> <li>Clear positioning of the company and adoption of rules related to the company's conduct in lobbying activities.</li> </ul>	Opportunity	Own operations
Supplier relationship management	<ul style="list-style-type: none"> <li>Equal payment policy regardless of the size of the supplier; suppliers from the domestic market are preferred when it comes to raw materials and products that are available in the Croatian market.</li> </ul>	Positive impact, actual	Own operations



## List of material topics and subtopics for reporting

The materiality matrix shows the environmental, economic and social topics that form the basis for the preparation of this Sustainability Report. The matrix was created in accordance with the methodology previously described in the Methodology - Final Materiality Assessment section.



List of non-material topics	
Substances of concern and substances of very high concern	8
Microplastics	9
Marine resources	11
Other rights arising from employment in our workforce	22
Economic, social and cultural rights of communities	26
Civil and political rights of communities	27
Animal welfare	34
Corruption and bribery	37

List of material topics	
Adaptation to climate change	1
Mitigation of climate change	2
Energy	3
Air pollution	4
Water pollution	5
Soil pollution	6
Pollution of living organisms and food resources	7
Water	10
Direct drivers of biodiversity loss	12
Impacts on the status of species, on the extent and condition of ecosystems and ecosystem services, and the dependence on these services	13
Resources inflows, including resource exploitation	17
Resource drains associated with products and services	18
Waste	19
Working conditions of our workforce	20
Equal treatment and opportunities for all among our workforce	21
Working conditions of workers in the value chain	23
Equal treatment and opportunities for all workers in the value chain	24
Other rights arising from employment in the value chain	25
Rights of indigenous peoples	28
Impacts related to information for customers and/or end users	29
Personal safety of customers and/or end users	30
Social inclusion of customers and/or end users	31
Corporate culture	32
Whistleblower protection	33
Political engagement and lobbying	35
Supplier relationship management	36

# THE PATH TOWARDS A SUSTAINABLE DEVELOPMENT STRATEGY

In the periods preceding this reporting period, the United Nations Sustainable Development Goals until 2030 (abbreviated: UN SDG), which Franck influences, were established. The goals were established and prioritised based on materiality and material topic assessment. Given that the materiality assessment was updated for the purposes of this report and that the assessment is based on the principle of double materiality, the relationship between the newly established material topics and the UN SDG goals is presented below.

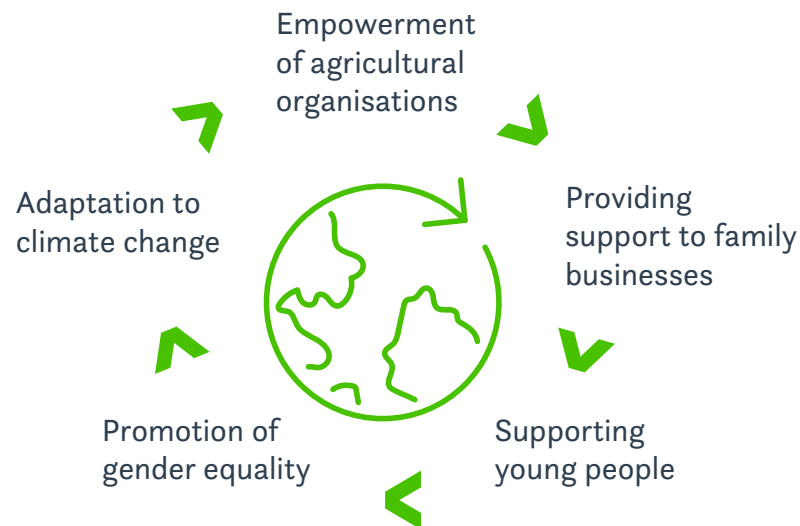


Franck is aware of the importance of a sustainability strategy that includes various sustainability factors and requires constant investment, quality measurement and result monitoring, bearing in mind that different stakeholders are equally interested in ESG principles. In addition to strengthening brand value and customer loyalty (especially among those willing to pay a premium for environmentally friendly products), the company benefits from increased operational efficiency and cost savings, as sustainable practices lower energy, water, and resource consumption. Investor and financial institution trust grows in sustainable companies that thoroughly integrate these principles, enhancing the company's competitive advantage, supporting effective risk management, and boosting the company's adaptability to a dynamic market landscape.

# FRANCK – THE DRIVER OF CHANGE

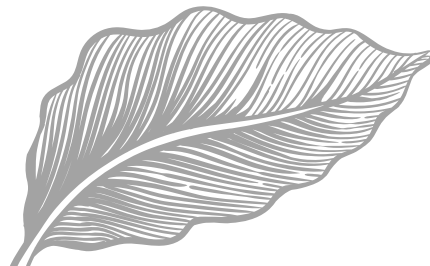
Franck operates within International Coffee Partners (ICP), which comprises seven leading family businesses that produce coffee in Europe. The purpose of the ICP is to contribute to the establishment of a fair and sustainable coffee sector in all countries where coffee is produced. We plan to achieve our goal through education on sustainable practices in order to improve the working and living conditions of small coffee farmers, thereby making them competitive.

Small coffee farmers face many challenges. They have difficulties in accessing the market and negotiating on an equal footing and are sensitive to price volatility. In addition, their productivity levels are low due to a lack of knowledge, pests, crop diseases and the impact of climate change. On top of that, gender inequalities also constrain small farmers.



Since the challenges they face cover different areas, our approach must be comprehensive. ICP's approach integrates the promotion of improved and diversified farm-level production systems, the application of sustainable agricultural practices, the development of strong agricultural organisations, the promotion of gender equality, and the involvement of youth in decision-making. The tools and practices developed by ICP aim to increase the resilience of coffee growers to climate change and its impact on agricultural conditions. Field projects are implemented by the Hanns R. Neumann Stiftung, a key partner in planning, programming, partnership development, reporting, and other project activities.

ICP operates on three continents in six countries: Honduras, Brazil, Uganda, Ethiopia, Tanzania and Indonesia.



The members of International Coffee Partners, together with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), founded the coffee&climate initiative, which focuses on:

- joint decision-making on climate change adaptation strategies at the level of households
- food security and income diversification
- young people with business and social perspective
- establishment of micro-enterprises related to climate action
- training on the safe use and handling of agrochemicals

Since 2010, the coffee&climate initiative has directly supported small farmers and their families and communities to respond to climate change and improve their resilience effectively. Its aim is to support coffee farming communities in becoming climate-resilient and restoring and protecting landscapes.

The coffee&climate initiative implements projects in several phases. In the third phase, which lasted from 2020 to 2023, the focus was on promoting climate-resilient livelihoods and minimising carbon emissions while increasing the carbon storage potential of coffee farms and coffee landscapes. In the next, fourth phase, which will last from 2024 to 2028, the focus will be on the evaluation of coffee-based agroforestry production systems and the promotion of territorial climate approaches. Our results:

## ENVIRONMENT

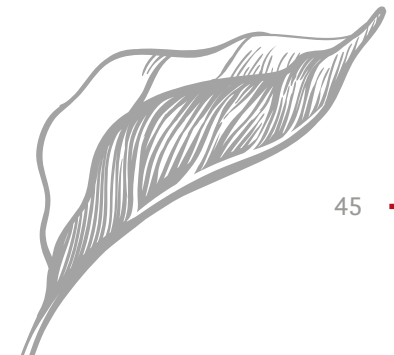
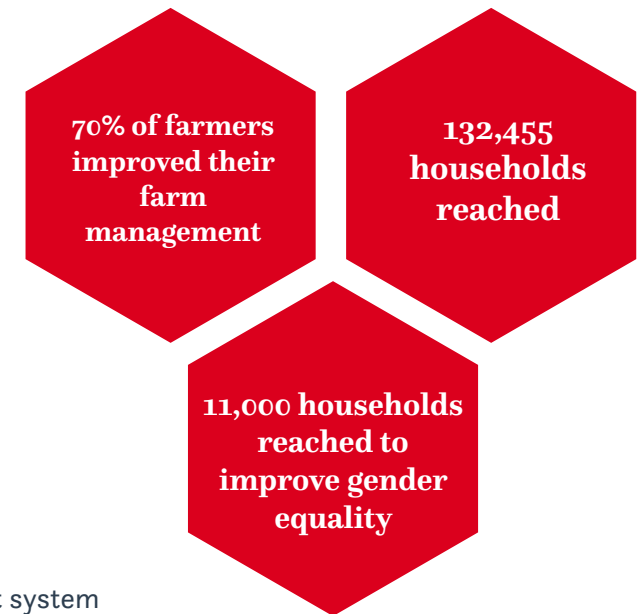
### ENERGY MANAGEMENT SYSTEM CERTIFICATE (ISO 50001)

Since 25 February 2016, Franck has also held an energy efficiency certificate. The ISO 50001 energy management system certificate requires companies to develop and implement an energy policy, along with goals and action plans. A new version of the ISO 50001:2018 standard has been published, which brings minor changes in requirements compared to the previous one, under which Franck was audited during the recertification audit on March 25, 2022.

### ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM CERTIFICATE (ISO 14001)

With the implementation of the environmental management system, the existing management system was upgraded to ensure the effective reduction of adverse environmental impacts, both within production and all other business processes within the company. The process started in 2021 and was completed in 2022

## coffee & climate



# CLIMATE CHANGE

## Mitigation and adaptation to climate change

### IMPACTS, RISKS, AND OPPORTUNITIES

#### Climate risks

As part of the double materiality assessment, we assessed the risks associated with climate change, dividing the risks into physical risks and transition risks. Physical risks of climate change refer to risks caused by events (acute), such as adverse weather conditions, or long-term changes (chronic), such as an increase in temperature and changes in land and soil productivity. On the other hand, transition risks arise from the transition to a low-carbon economy resistant to climate change and are reflected in political, legal, technological, market, and reputational risks.

#### Examples of risks associated with climate change mitigation and adaptation

RISK CATEGORY	DESCRIPTION OF RISK
PHYSICAL RISK	Weather problems (floods, storms, heat waves)
TRANSITION RISK	Ensuring the resilience of assets and infrastructure to climate change
TRANSITION RISK	Pressure from investors and regulators
PHYSICAL RISK	Increased raw material procurement costs caused by weather conditions (temperature stress, drought, etc.)
TRANSITION RISK	Reputational or legal risk caused by non-disclosure or incorrect disclosure of data on the reduction of GHG emissions

Franck has identified risks that represent the biggest challenge to its operations and plans to adopt actions to mitigate these risks in the coming period. These risks are presented in more detail in the following chapters.

## PHYSICAL AND TRANSITION RISKS IN OWN OPERATIONS

The double materiality assessment process established that the most important buildings of Franck Group's production facilities, including business premises, are located in Croatia and Europe (Slovakia, Slovenia, North Macedonia, Bosnia and Herzegovina).

**According to the latest IPCC report on the assessment of exposure and vulnerability to physical climate risks of 2022, the biggest physical climate risks in Europe are:**

**01**

Mortality and disease in humans and changes in ecosystems due to heat

**02**

Heat and drought stress on crops

**03**

Water shortage

**04**

Flooding and sea level rise

Considering our business locations, based on past experience, we have identified existing and potential risks that may appear in the short term due to climate change. Of the physical risks that we have identified, floods and storms stand out, which are becoming more and more common and can cause direct material damage to our property and affect the health and safety of our workers, leading to longer or shorter business interruptions. Furthermore, heat waves of increasing frequency and intensity make it difficult to cool machinery, thus increasing cooling costs and energy consumption.

In addition, based on past experience, we have identified that climate change also generates transition risks, which relate to significant financial resources that will potentially need to be invested in capital investments in infrastructure resistant to climate change, as well as to increased costs due to regulatory obligations and investor expectations. In addition, there are the expectations of financial institutions, i.e. increased costs of financing and insurance of assets in case of exposure to high climate risks and non-implementation of protective actions to mitigate these risks. We are also aware of the reputational transition climate risks, such as the possibility of frequent delivery delays to customers due to non-adapted logistics system to physical climate risks, such as floods, impact on vehicles, garages, and warehouses. The transition risk of market changes can also be significant for the Franck Group as reputational risk, such as delivery delays due to logistics and storage spaces not adapted to climate change, could lead to a loss of customers.





## PHYSICAL AND TRANSITION RISKS IN THE VALUE CHAIN

As part of the double materiality assessment procedure, both physical and transition risks in the value chain were identified based on previous experience and the exchange of information with suppliers and business partners.

Temperature stress, continuous rise in temperature, prolongation of dry seasons, frost, heavy rains, and the resulting soil erosion in growing countries adversely affect the yields of raw materials (coffee and tea) and drastically affect the quantity, availability and quality of raw materials.

**Geographical locations suitable for coffee growing (coffee belt) are extremely affected by physical climate risks (continuous rise in temperatures, heavy rains and winds and prolongation of the dry season), and the consequences are reflected in erosion and poor soil quality, which leads to a reduced yield and worse coffee bean quality.**

Unfavourable conditions caused by climate change continue to follow a trend that is very unfavourable for the crops. The result is a material reduction in the availability of raw coffee on the global market, which ultimately encourages a further drastic increase in the prices of this basic raw material. According to analysts, this significant cost impact of the increase in stock exchange prices by more than 1.5 times per annum reached its highest level in the past ten years.

When it comes to Franck's other product categories, such strong climate risks have not been identified; however, it is necessary to anticipate and monitor them in the medium and long term, considering that climate risks and their consequences are on the rise.

### Preparing for the assessment of vulnerability and exposure to climate change

In the coming period, the Franck Group will carry out an assessment of vulnerability and exposure to climate change, taking into account relevant data sources such as the Climate Change Assessment Report: Impacts, Adaptation and Vulnerability published periodically by the Intergovernmental Panel on Climate Change (IPCC), the United Nations body for the assessment of scientific data on climate change. After analysing the vulnerability and exposure of the Franck Group and important stakeholders in the value chain, the actions to be implemented will be identified, as well as the goals to be achieved and funds to be provided for adapting to climate change. Based on this, the existing business strategy and business model will be harmonised.

## Metrics of greenhouse gas emissions (GHG)

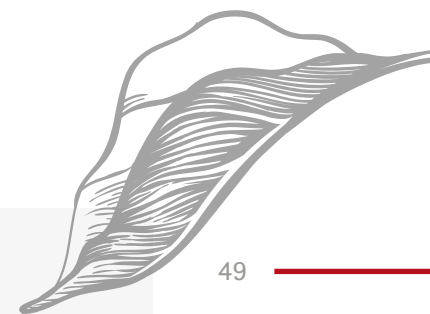
Franck is a manufacturing company whose operations generate **direct Scope 1 emissions**, which includes emissions from stationary sources, i.e. fossil fuels for energy production for production processes, heating and cooling of production facilities and business premises, and emissions from mobile sources, i.e. use of industrial and company vehicles. In addition, Franck's business also causes **indirect Scope 2 emissions**, which refer to emissions caused by the production of electricity that Franck uses for its business. Furthermore, the total greenhouse gas emissions of Franck's operations also include **indirect Scope 3 emissions**, which include emissions generated in the company's value chain.

### Scope 1 and 2 greenhouse gas emissions

**Scope 1**, i.e. direct greenhouse gas emissions, result from activities under Franck's direct operational control (e.g. in the case of renting warehouses, company vehicles that are not owned by the Franck Group). Emission sources are non-stationary and stationary. The calculation of Scope 1 emissions for 2022 and 2023 included direct emissions from non-stationary sources (passenger vehicles, delivery trucks, and machinery) in Franck d.d. and direct emissions from stationary sources (machinery that uses fossil fuels, i.e. diesel in the case of Franck; production and business processes in which natural gas is used as fuel; air conditioning and refrigeration devices, fire protection systems and extinguishing appliances and heat pumps which contain controlled substances or emit greenhouse gases or rely on them in order to restore, recover or destroy) in Franck d.d. and direct emissions from the industrial processes of roasting chicory, barley and dry malt in Franck d.d., Franck Sarajevo d.o.o. – and Elle GI d.o.o.

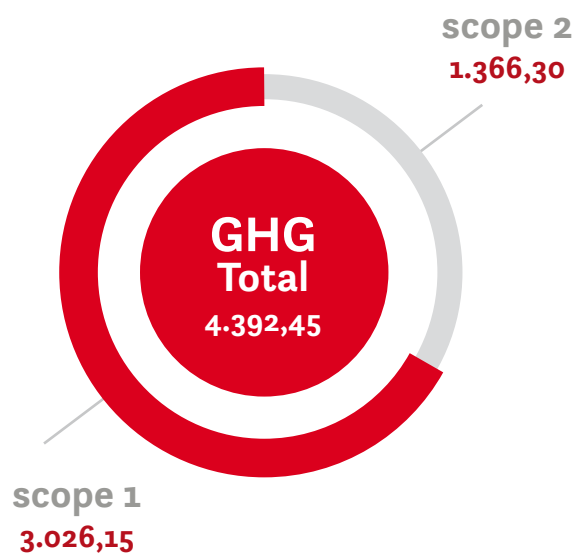
**Scope 2** refers to indirect greenhouse gas emissions from electricity and industrial steam purchased from suppliers in the market.

The 2022 and 2023 goals of reducing greenhouse gases have not been established; it will be done based on the analysis of the initial situation in the Franck Group, which we plan to publish in the 2025 report in 2026.

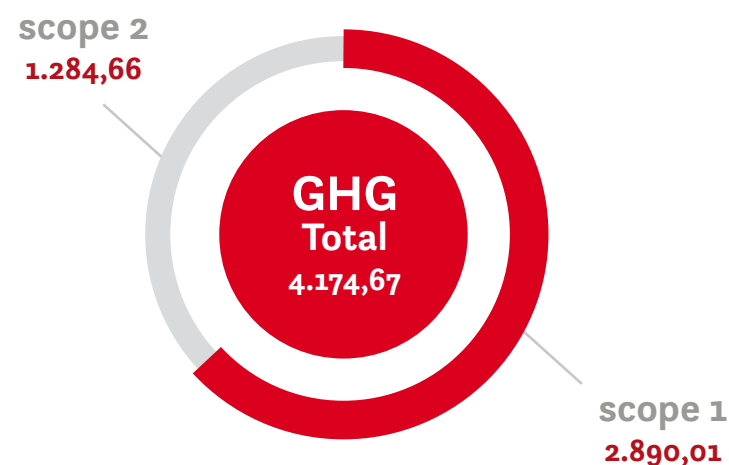


## Comparative presentation of Scope 1 and Scope 2 greenhouse gas emissions for 2022 and 2023

Scope 1 and Scope 2 GHG emissions in 2022  
Expressed in CO<sub>2</sub> (e)/t



Scope 1 and Scope 2 GHG emissions in 2023  
Expressed in CO<sub>2</sub> (e)/t



When observing the data on Scope 1 and Scope 2 greenhouse gas emissions shown in the graph above, the following information about the calculation methodology should be taken into account:

CO<sub>2</sub>, CH<sub>4</sub>, NO<sub>2</sub> are included in the calculation of Scope 1 greenhouse gas emissions, and GWP for CH<sub>4</sub> and NO<sub>2</sub> from the 5th IPCC report was used to convert greenhouse gas emissions to CO<sub>2</sub> equivalent. The calculation of the carbon footprint based on the data provided by Franck Group companies was made according to the GHG protocol methodology.

The calculation of Scope 1 also included the amount of added working substances in air conditioning devices and cooling devices, as these are devices that contain more than 3 kilograms of controlled working substances. However, such additions are not included in the Scope 1 emissions calculation.

Franck d.d. data on the intensity of emissions obtained from suppliers (market approach) and sectoral approach by country published by the European Environment Agency (EEA) was used to calculate Scope 2.

This report will not publish a comparison of GHG emissions in 2019, 2020 and 2021 and GHG emissions in 2022 and 2023 because the calculation of GHG emissions in 2019 to 2021 did not include subsidiaries, and the calculation in 2022 and 2023 included Franck d.d., Franck Sarajevo d.o.o., Elle GI d.o.o.

More detailed data with notes can be found in Table 1 in the Annex to this report. Franck Group's Scope 1 carbon footprint in 2022 and 2023 in Table 2 Franck Group's Scope 2 carbon footprint in 2022 and 2023 in Table 3 Franck Group's scope 1 and 2 carbon footprint in 2022 and 2023.

### Intensity of Scope 1 and Scope 2 greenhouse gas emissions t/mil. euro income in 2022 and 2023

	Income	Unit	Intensity of Scope 1 and Scope 2 greenhouse gas emissions	Unit
Franck Group's revenue in 2022	114,07	mil. EUR	38,51	tCO <sub>2</sub> (e)/mil. EUR
Franck Group's revenue in 2023	121,21	mil. EUR	34,44	tCO <sub>2</sub> (e)/mil. EUR

When observing the data presented in the table above, it is necessary to take into account that Scope 3 was not used in the calculation of the intensity of the greenhouse gas emissions metric. Franck d.d., Franck Sarajevo d.o.o., and Elle GI d.o.o. are included in the calculation.

### Intensity of Scope 1 and Scope 2 greenhouse gas emissions t/t of manufactured products in 2022 and 2023

	Produced quantity	Unit	Intensity of greenhouse gas emissions	Unit
Total production in Franck Group in 2022	12.751	t of manufactured products	0,34	tCO <sub>2</sub> (e)/t of manufactured products
Total production in Franck Group in 2023	12.204	t of manufactured products	0,34	tCO <sub>2</sub> (e)/t of manufactured products

When observing the data presented in the table above, it is necessary to take into account that Scope 3 was not used in the calculation of the intensity of the greenhouse gas emissions metric. Franck d.d., Franck Sarajevo d.o.o., and Elle GI d.o.o. are included in the calculation.

## Scope 3 greenhouse gas emissions

Scope 3 includes the widest spectrum of emissions, i.e. emissions from the entire value chain. Scope 3 emissions are generated by activities from assets not owned or directly controlled by the reporting organisation but are indirectly influenced through its value chain. The organisation's value chain includes both upstream and downstream activities.

Franck Group companies based in Croatia and on the territory of Europe (Slovakia, Slovenia, North Macedonia, Bosnia and Herzegovina) are engaged in the production of food and beverages, which is why they purchase raw materials such as coffee, tea, spices, cereals, chicory, sugar, wheat, and corn from suppliers. Procurement of raw materials generates a significant carbon footprint, i.e. Scope 3 greenhouse gas emissions, which includes emissions from growing, processing and transporting these raw materials. The transport of finished products to retail stores and hospitality facilities is also a source of Scope 3 emissions. In addition, Scope 3 includes emissions from the production and transport of packaging as well as its disposal. It is also important to note the emissions associated with the final consumption of our products when customers consume energy during the preparation of coffee and tea. Finally, waste management from production and distribution, including packaging disposal, represents an additional source of Scope 3 emissions.

The level of Scope 3 greenhouse gas emissions is also affected by the selection of coffee growers, the expansion of plantations and the resulting clearing of forests or meadows (changes in land use), transporters, i.e. the type of vehicles and the type of fuel they use, suppliers of energy and energy products, growers and suppliers of chicory, sugar, wheat, and cornmeal, producers and suppliers of coffee machines, manufacturers and distributors of packaging, etc.

In 2022 and 2023, the Franck Group did not collect data on greenhouse gas emissions in the value chain, i.e. scope 3. Therefore, Scope 3 was not included in the calculation of the Greenhouse Gas Emissions Intensity metric that was presented previously.





## Transition plan for mitigating climate change

The company's transition plan for mitigating climate change is fully integrated into its broader strategy, setting clear, (measurable targets aimed at minimising material impacts, managing risks and leveraging opportunities associated with climate change), and employing actions and resources for the transition to an economy with lower carbon emissions. The purpose of the transition plan is to reduce greenhouse gas emissions in order to achieve the goal of limiting global warming to 1.5 °C in accordance with the Paris Agreement and climate neutrality.

Although the Franck Group does not have a transition plan, as part of its sustainability strategy, it also recognises the importance of adopting actions and goals to mitigate climate change. When adopting the plan, we will be guided by the relevant regulations and the frameworks proposed within them. A special challenge will be setting targets for reducing the carbon footprint in Scope 3, considering that most of the raw materials originate from countries outside the European Union, which do not have ambitious decarbonisation targets, as is the case with EU members. However, it is expected that other companies in the industry headquartered in EU member states will ask their suppliers for data on their carbon footprint, which should stimulate changes among the producers and farmers themselves.

## Energy management and energy efficiency

The goals of mitigating climate change and reducing energy consumption are interrelated and interdependent. Reducing energy and resource consumption directly lowers greenhouse gas emissions, effectively shrinking the company's carbon footprint.

Total energy consumption in the Franck Group refers to the consumption of industrial steam and electricity, as well as energy consumption for the industrial process of roasting coffee, chicory, barley and malt, energy consumption for the running of offices, systems and auxiliary services, and fuel consumption (diesel) for fleet and machinery.

## Energy-related impacts, risks, and opportunities

Although we use energy produced from non-renewable sources in our business, we manage energy in accordance with the ISO 50001:2018 and ISO 14001:2015 standards; the targets related to the reduction of electricity consumption per unit of product, the reduction of average gas consumption for roasting coffee per unit of product, reducing the average consumption of heat energy for heating, reducing the average fuel consumption for passenger and delivery vehicles, along with other goals, are presented in the rest of this report.

Relying heavily on specific energy sources can lead to increased costs if there are supply disruptions, especially given the rising energy prices we are currently observing. The rise in energy prices, including electricity, fuel and gas, represents a material risk for the company's operations. Although the subsidies of the Government of the Republic of Croatia have temporarily reduced the cost of electricity, they are not permanent, and the instability of the energy market continues to put pressure on operating costs and further increases the challenges in cost management. Due to the increase in energy prices, total energy costs increased by 4.43% in 2023 compared to 2022.

There is also a transition risk due to the pressure of the regulator and the market expecting a switch to renewable energy sources (increased costs of transition to renewable energy sources, increased costs of capital investments, possible costs of an unsuccessful transition).

## Energy management policies at Franck

Franck manages energy according to the ISO 50001:2018 Energy Management System standard, which requires companies to create and implement their energy policy, set goals, and create action plans to achieve the set goals. At Franck, we conduct an annual review to assess our goal achievements and establish new targets for the coming year, in line with the standard. We also hold the ISO 14001 environmental management system certificate, under which we have also adopted goals related to saving energy and reducing the negative impact on the environment resulting from non-renewable sources.

FRANCK D.D. IS CERTIFIED IN ACCORDANCE WITH ISO 50001 ENERGY MANAGEMENT SYSTEM AND ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM STANDARDS UNDER WHICH IT ACHIEVES AND FULFILLS GOALS RELATED TO REDUCING ENERGY CONSUMPTION FROM NON-RENEWABLE SOURCES AND INCREASING ENERGY EFFICIENCY.

Our Energy Efficiency Policy emphasises how important energy efficiency is to us and is available to all employees and business partners. Through training on energy housekeeping, we additionally make our employees aware of the sustainable use of resources in offices, primarily electricity and water. Training courses held in 2022 and 2023.

## Actions and objectives related to energy efficiency

In 2023, Franck worked to achieve energy optimisation of organisational and production processes and heating and cooling systems in buildings. We invested in production efficiency with a new machine for packaging tea, coffee and coffee substitutes. We also invested in infrastructure improvements by renovating old thermal energy installations. The following investments with an impact on energy were realised: a new IMA C24E tea packaging machine, a new ICA CSV40N coffee packaging machine, a new ICA CSV40N coffee substitute packaging machine, and investments in thermal energy infrastructure – eliminating energy losses and increasing efficiency.

We achieved the following goals of the energy efficiency management system that were set in accordance with the ISO 50001:2018 standard for 2023.

General goals of the energy management system according to ISO 50001 – achieved in 2023	<ul style="list-style-type: none"> <li>• Reduction of average electricity consumption per product unit by 1% in 2023 compared to 2022</li> <li>• Reduction of average gas consumption per product unit by 1% in 2023 compared to 2022</li> <li>• Reduction of average heat energy consumption per degree day of heating by 1% in 2023 compared to 2022</li> <li>• Reduction of average water consumption per product unit by 12% in 2023 compared to 2022</li> <li>• Maintaining average fuel consumption for passenger vehicles below 5.2 l/100 km and for delivery vehicles below 7.3 l/100km</li> <li>• Maintaining the average consumption of technical gases (LPG) under 1.9 kg/operating hour of forklift</li> </ul>
Individual goals of the energy management system according to ISO 50001 – achieved in 2023	<p><b>ELECTRICITY</b></p> <ul style="list-style-type: none"> <li>• Optimum purchase of new production equipment for the purpose of energy efficiency – tea packaging line IMA C24E</li> <li>• Overhaul of HIVAC 2 coffee packaging machine to increase productivity/efficiency</li> <li>• Repeated training on energy house rules via the intranet (primarily electricity and water)</li> <li>• Programming the automatic shutdown of vacuum pumps on older C23 machines</li> </ul> <p><b>GAS</b></p> <ul style="list-style-type: none"> <li>• Optimisation of production planning, taking into account the energy aspect</li> <li>• Regular burner maintenance</li> </ul> <p><b>STEAM</b></p> <ul style="list-style-type: none"> <li>• Timely replacement of faulty valves, separators, condensate and filters</li> <li>• Training of energy plant maintenance workers – optimising the automatic regulation of the heating system</li> <li>• Repair of the steam leak in front of the semolina plant</li> </ul> <p><b>WATER</b></p> <ul style="list-style-type: none"> <li>• Continuation of regular visits to all toilets by fire alarm employees, in order to detect leaks in the flush system in a timely manner</li> <li>• Continuation of regular tours and inspections of all water shafts by fire alarm employees, enabling timely detection of leaking valves and flanges</li> </ul> <p><b>TECHNICAL GASES</b></p> <ul style="list-style-type: none"> <li>• Monitoring the consumption of liquefied gas in the LPG bottle</li> <li>• Regular maintenance of gas forklifts</li> </ul>

## Energy efficiency goals for 2024

Consumption of almost all energy products depends on the number of working days and production volumes, which are difficult to predict. However, assuming energy consumption and production remain consistent with monthly averages over the past two years, with minor efficiency improvements and energy-saving targets achieved, we can expect:

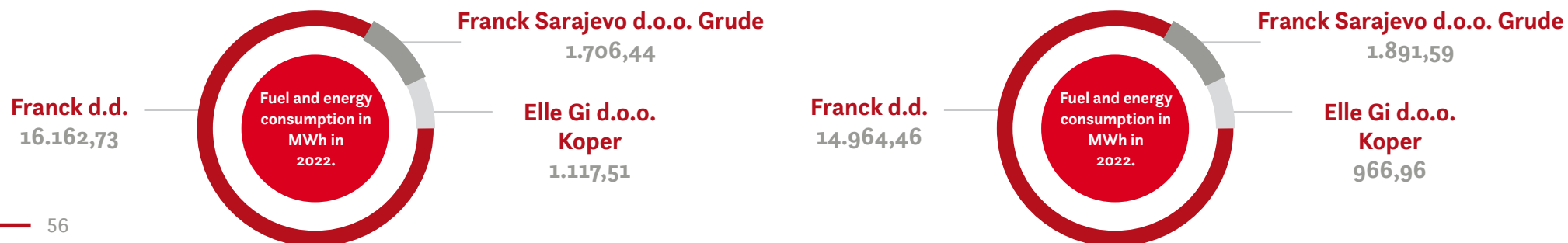
1. Reduction of average electricity consumption per product unit by 4% in 2024 compared to 2023
2. Reduction of average gas consumption per product unit by 1% in 2024 compared to 2023
3. Reduction of average heat energy consumption per degree day of heating by 5% in 2024 compared to 2023
4. Reduction of average water consumption per product unit by 3% in 2024 compared to 2023
5. Maintaining average fuel consumption for passenger vehicles below 5.2 l/100 km and for delivery vehicles below 7.3 l/100km
6. Maintaining the average consumption of technical gases (LPG) under 1.9 kg/operating hour of forklift

## Metrics of energy consumption and energy efficiency

Franck Group companies (Franck d.d., Franck Sarajevo d.o.o., Elle GI d.o.o.) in 2022 and 2023 consumed electricity, thermal energy, liquefied petroleum gas and natural gas to start their own production processes; electrical and thermal energy were also used for other own operations processes in companies. Energy consumption also includes fuel for passenger vehicles and delivery trucks and technical gas for gas forklifts.

The 2022 and 2023 data on fuel and energy consumption and the breakdown of energy sources for Franck Group companies, including the percentages of individual types of energy in total energy consumption for Franck d.d. is shown below:

### Fuel and energy consumption by Franck Group company for 2022 and 2023 and comparison of total consumption in 2022 and 2023



## Total fuel and energy consumption in MWh in 2022 and 2023 in selected Franck Group companies



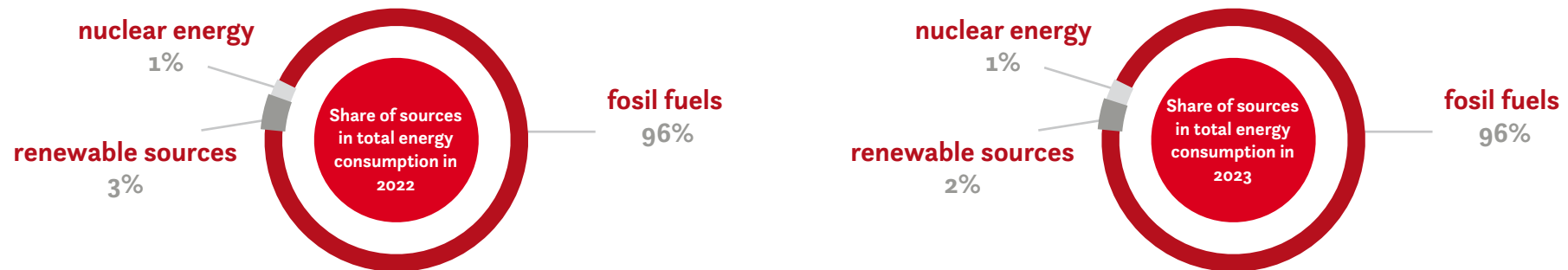
*Amounts and sources of conversion factors: (Sources of factors for fuels and working controlled substances:*

*- Intergovernmental Panel on Climate Change. 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2, Energy. WMO, UNEP. Hayama, Japan, 2006*

*Factors for purchased electricity and thermal energy were obtained from suppliers HEP-Elektra and HEP-Toplinarstvo)*

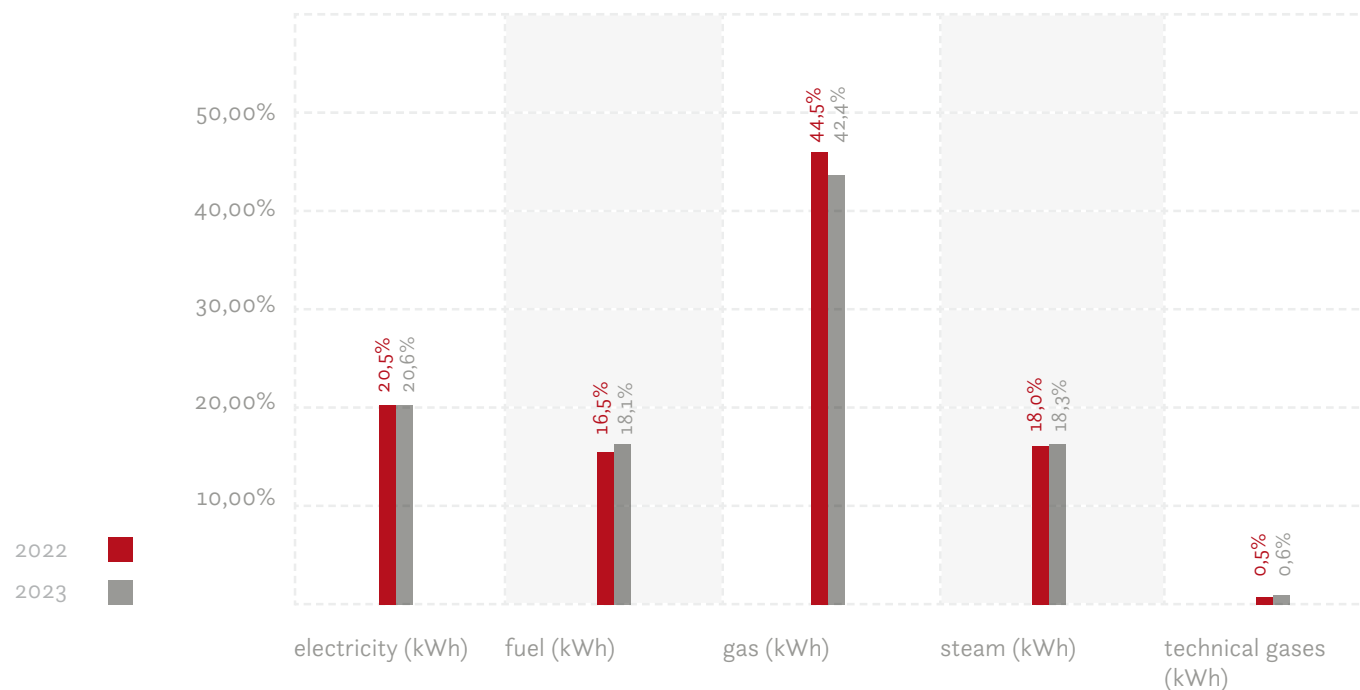
*The data shown in the above graphs refer to Franck d.d., Franck Sarajevo d.o.o., and Elle GI d.o.o. We used the same methodology for calculating energy consumption in 2022 and 2023 and used MWh (megawatt hour) as the unit of measurement. More detailed data with notes can be found in Table 4 in the Annex to this report. Fuel and energy consumption in 2022 and 2023 in Franck Group companies.*

## Consumed energy by source in 2022 and 2023



*The data shown in the graphs above refer to Franck d.d., Franck Sarajevo d.o.o., and Elle GI d.o.o. Nuclear energy was included in the mix of energy purchased from suppliers.*

### Share of individual types of energy sources in total energy consumption in 2022/2023. – Franck d.d.



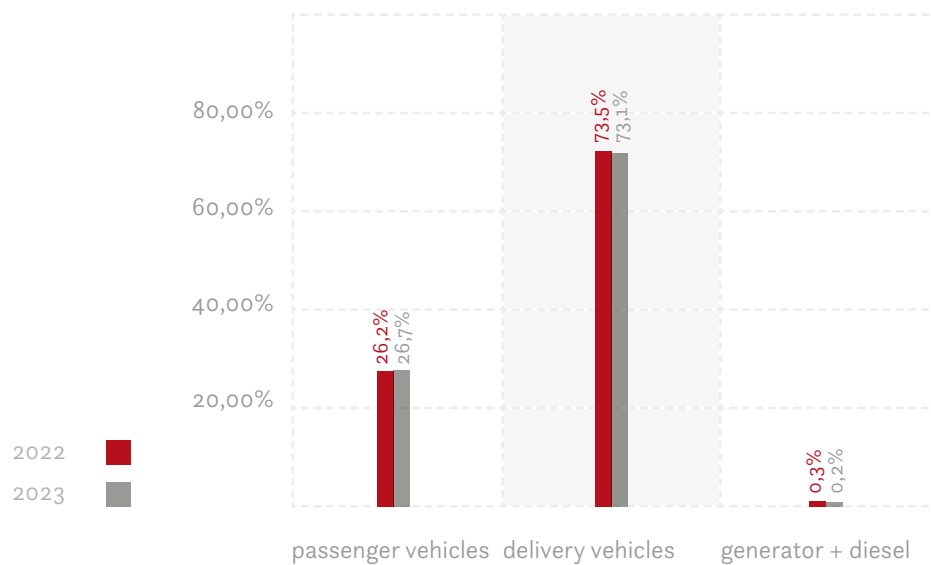
Data shown in the above graph refer to Franck d.d.

### Fuel consumption

Fuel is used in Franck d.d. in Zagreb to the greatest extent for the needs of the fleet and to a very small, negligible extent for the needs of generators and diesel forklifts, as shown in the graph above. Static factors affecting fuel consumption are weather conditions, the driver's skill and experience, type and length of journey, vehicle power, vehicle condition, and type of fuel.

When it comes to fuel consumption, opportunities to improve energy efficiency can be, for example, upgrading the vehicle tracking system using the remote consumption monitoring system, regular vehicle servicing, purchasing more efficient vehicle models, and education on the principles of efficient driving.

### Shares of individual customers in total fuel consumption in 2022 and 2023 – Franck d.d.



Data shown in the above graph refer to Franck d.d.

### Franck Group's energy intensity in 2022 and 2023

	Income	Unit	Energy intensity	Unit
Franck Group's revenue in 2022	114,07	mil. EUR	166,4598,18	MWh/mil. EUR
Franck Group's revenue in 2023	121,21	mil. EUR	147,0575,24	MWh/mil. EUR

Data shown in the above table refer to Franck d.d., Franck Sarajevo d.o.o., and Elle Gi d.o.o.



# POLLUTION

## Impacts, risks, and opportunities

A double materiality assessment found that our own operations emit pollution into the air, water and soil, but more significant is the pollution that is potentially emitted in the value chain, i.e. at suppliers, especially at suppliers of raw materials that carry out agricultural activities. At this stage of the assessment, we have not been able to determine the actual level of pollution caused by our suppliers and sub-suppliers. Pollution in the value chain, in addition to air, soil and water, also includes pollution of living organisms and food resources.

In this sense, air pollution represents all emissions generated into the air (except for greenhouse gas emissions), heat, noise, light, etc., which can adversely affect human health, the environment, property, etc. Water pollution means emissions into water bodies (e.g. the physical, chemical, biological and taste properties of water, as well as the amount of surface water and groundwater), while soil pollution includes inorganic pollutants, persistent organic pollutants, pesticides, nitrogen and phosphorus compounds, etc. Pollution of living organisms and food resources that has been assessed as material in the value chain due to identified potential negative impacts from agricultural activities in the cultivation of raw materials refers to the negative impacts of air, water or soil pollution on living organisms and food resources due to environmental pollution (air, water, soil).

## Policies and actions

**Franck manages its environmental impacts according to ISO 14001:2015.**

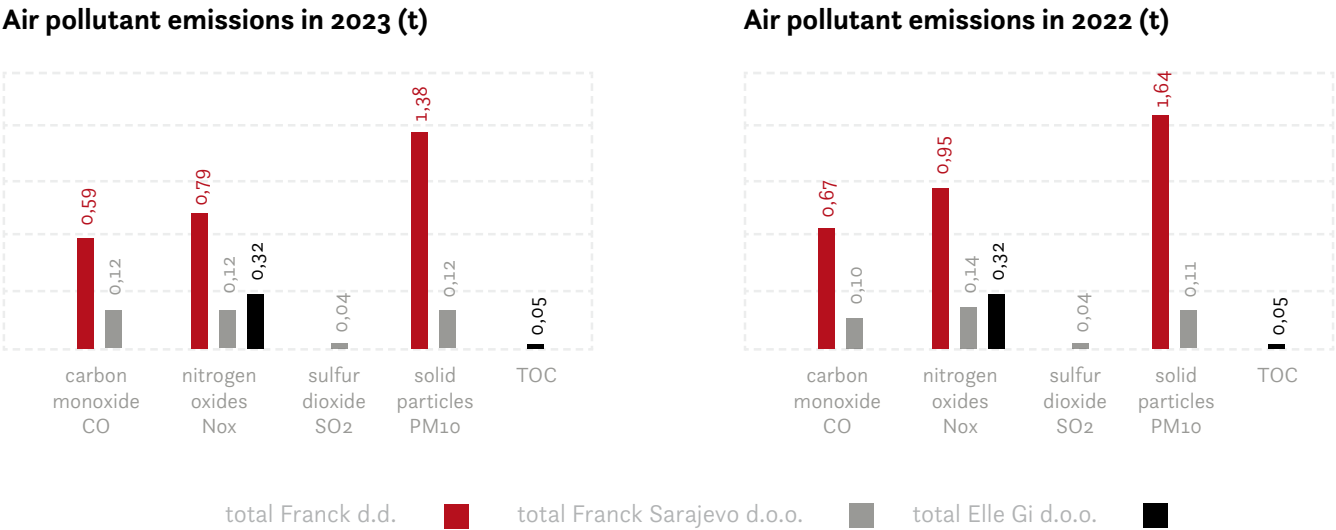
## Metrics

According to Annex II to Regulation (EC) No. 166/2006 Franck d.d. reports the following pollutants released to air, water and soil, in addition to greenhouse gas emissions that are reported in accordance with ESRS E1 Climate Change: air: particulate matter (PM<sub>10</sub>), nitrogen oxides expressed as nitrogen dioxide (NO<sub>2</sub>) and carbon monoxide (CO); water: dichromate chemical oxygen demand (as O<sub>2</sub>) (COD), biochemical oxygen demand after five days (BOD<sub>5</sub>); detergents, anionic; detergents, nonionic; total hydrocarbons (substances that Franck d.d. reports to the Register of Environmental Pollution - REP). Of pollutants into the air, Elle Gl d.o.o. monitors the following parameters: TOC (total organic carbon), nitrogen monoxide (NO), nitrogen dioxide (N<sub>2</sub>O) and carbon monoxide (CO). Franck Sarajevo d.o.o. did not submit data on pollutant emissions into the air.

Air pollution metrics

Equipment in Franck d.d. in which gas is used as a fuel in the production process and in processes without fuel combustion are liable for periodic measurements of air pollutants (once every two years). If thresholds are crossed, data on annual amounts of pollutants in the air are submitted to the Register of Environmental Pollution. Air pollutant measurements for Franck d.d. are done by Metroalfa d.o.o. Measurement of air pollutants for Franck Sarajevo d.o.o. is done by Zagrebinspekt.

Breakdown of air pollutant emissions (in tonnes) in the Franck Group in 2022 and 2023



The graphs shown above include data for Franck d.d., Franck Sarajevo d.o.o., Elle GI d.o.o.

Measurements are made periodically: every two years at Franck d.d. and Franck Sarajevo d.o.o. and every three years at Elle Gli d.o.o.

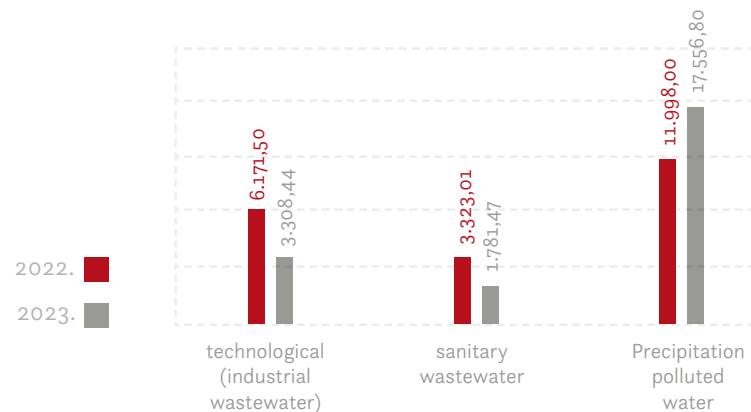
**In both 2022 and 2023, Franck Group companies remained within the established regulatory limits for air pollutant emissions.**

## Water pollution metrics

Franck d.d. has a water discharge permit for wastewater with prescribed limit values of pollutant emissions measured by authorised laboratories. Data on wastewater quantities, types, and measurement results are submitted in the required format to Hrvatske Vode twice annually. Additionally, if the annual wastewater volume surpasses the permitted limit, these data are also reported to the Environmental Pollution Register. Analyses of wastewater for Franck d.d. are performed by an external independent chemical laboratory. Franck Sarajevo is not liable for a water permit for the discharge of wastewater. Franck d.d. and Franck Sarajevo d.o.o. take water from water supply systems and discharge water into the public drainage system. Elle Gi d.o.o. in Slovenia has a water licence to draw a maximum of 156 m<sup>3</sup> of drinking water from the water supply system.

The types of pollutants that are monitored according to the water permit are pH value, water temperature, colour, odour, suspended matter, sediment, biochemical oxygen demand after five days BOD<sub>5</sub>, dichromate chemical oxygen demand (as O<sub>2</sub>) COD-Cr, total hydrocarbons, anionic detergents, and nonionic detergents.

### The amount of wastewater in Franck d.d. (m<sup>3</sup>)



**Either in 2022 or in 2023 Franck d.d. exceed the prescribed limit values of pollutant emissions into water under the water permit.**

Franck Group companies do not perform waste management activities; waste is handed over to authorised waste management companies. In 2022 and 2023, the Franck Group did not monitor pollution impacts on living organisms and food resources, as there are no legal requirements for such monitoring applicable to the company.

# WATER RESOURCES

The amount of water drawn into the company (or plant) in the reporting period and which was not released back into the water environment or to a third party in that period represents **water consumption**; the total amount of water that enters the company from all sources and for any purpose in the reporting period is considered **water withdrawal**; the total amount of waste and other water that leaves the organisation in the reporting period and is discharged into surface water, underground water or to third parties is called **water discharge**.

## Impacts, risks, and opportunities

As part of the double materiality assessment procedure, we found that consumption, withdrawal and discharge of water are material topics. This process established that Franck draws water from the public water network, and most of the water is used for sanitation purposes. The risks of increased water consumption, and thus costs, include possible pipeline ruptures due to weather conditions and earthquakes, which is why we see an opportunity in the renovation of the pipeline infrastructure.

Notable impacts regarding water stem from the value chain; water is necessary and is used in large quantities in the process of growing and preparing the coffee that arrives at Franck as a raw material. This affects the quality and quantity of withdrawn water. The negative impact is greater if coffee cultivation takes place in water-poor and dry areas. According to the atlas on areas at risk of water shortages published by WWF – <https://riskfilter.org/water/explore/map>, Franck Group companies were not in high-risk areas in 2022 and 2023. It is also necessary to analyse the value chain according to this metric (value chain included in double materiality assessment).

Opportunities to improve the management of water resources in one's own operations include actions such as timely detection and repair of any water installation leaks, making workers aware of the importance of timely reporting of any leaks to maintenance services, creating a plan and document for regular inspections of all toilets and water shafts by fire alarm employees, for the timely detection of any leaks and replacement of the outdated water supply network in the factory.

## Policies and actions

We manage water by setting goals and implementing actions in accordance with the ISO 50001:2018 and ISO 14001:2015 standards, as part of which the previous target of reducing the average water consumption per product unit by 12% in 2023 compared to 2022 was met in

Franck d.d. captures water from the water supply system and discharges wastewater into the public drainage system. Drainage from our location in Zagreb is carried out by an internal drainage system, which is connected to the public drainage system of the Zagreb agglomeration via five connections. Industrial and sanitary waste water, as well as potentially polluted rainwater from manipulative and traffic surfaces, enter the internal drainage system. That is why we are constantly modernising our technological processes, which additionally reduces water consumption in production, and thus the amount of wastewater.

According to the PI-V form, the amount of withdrawn water is equal to the amount of discharged wastewater, so the consumption is 0 m<sup>3</sup>. Elle GI d.o.o. has a water withdrawal licence from the water supply system in the amount of 156 m<sup>3</sup> per year, which it discharges into the public drainage system, so water consumption is 0 m<sup>3</sup>. This amount also applies to 2022 and 2023.

Static factors that affect water withdrawal are weather conditions, production technology, awareness of employees, number of work shifts, number of employees, type of product, and condition of plumbing.

## Metrics

**In 2023, water consumption at the Franck d.d. factory in Zagreb was 5,090 cubic metres, marking a 50% reduction compared to the previous year, 2022.**

**The amount of water withdrawn from water supply systems and the amount of water discharged into public drainage systems in Franck d.d. in 2022 and 2023**

2022.  10.264,60      2023.  5.089,91

*The graph shown above includes data for Franck d.d. In both companies, the amount of water supplied and discharged is equal, resulting in net water consumption of 0 m<sup>3</sup> in 2022 and 2023. At Franck d.d., water was not recycled or recovered in 2022 and 2023.*

### Revenue per withdrawn amount of water in Franck Group in 2022 and 2023

	Unit	Amount of water withdrawn	Unit	Amount of withdrawn water/ revenue	Unit	Jedinica
Franck Group's revenue in 2022	114,07	mil. EUR	10.264,60	m <sup>3</sup>	107,14	m <sup>3</sup> /mil. EUR
Franck Group's revenue in 2023	121,21	mil. EUR	5.089,91	m <sup>3</sup>	50,05	m <sup>3</sup> /mil. EUR

# BIODIVERSITY AND ECOSYSTEMS

## Impacts, risks, and opportunities

By conducting a double materiality assessment, we identified biodiversity and ecosystems as our material topics. While Franck d.d. does not have direct interactions with biodiversity and ecosystems in its core operations, the company recognises that activities within its value chain could potentially impact natural habitats. This includes the risk of land conversion for coffee cultivation, deforestation, and disruptions to ecosystem connectivity, all of which may pose a threat to various plant and animal species.

Businesses that procure coffee have a material impact on biodiversity by using ecosystem services, especially in the regions where coffee is grown. Traditional coffee cultivation often involves clearing forests to make way for plantations, leading to the loss of habitat for numerous plant and animal species. Monoculture coffee farming reduces plant and soil diversity, making ecosystems more vulnerable to disease and pests. Also, the use of pesticides and chemical fertilisers can pollute the soil and water resources, negatively affecting the environment and local ecosystems.

Dependence on natural resources is the result of the use of different resources and the impact on biodiversity and ecosystems. Resources such as water, energy, raw materials, and biological resources can impact operating costs and product availability, as well as compliance with environmental regulations.

## Policies and actions to manage impacts on biodiversity and ecosystems in the value chain

On the other hand, sustainable coffee cultivation, such as innovative agricultural methods, can help preserve biodiversity and protect natural resources. That is why Franck has been working for many years within International Coffee Partners and the coffee&climate initiative, with the aim of educating small family farms that grow coffee about sustainable agricultural practices.

For our product Franck Superiore espresso, Indian, Green tea, and English Breakfast tea, we passed the certification and obtained the Rainforest Alliance certificate. This certificate indicates that the raw materials were obtained from certified plantations committed to environmental protection. This allows our customers to buy high-quality, sustainably produced coffee and tea. Such approach reduces the negative impact on the environment and encourage the preservation of habitats and species. Customers also play a key role; by choosing coffee from sustainable sources, they encourage environmentally responsible practices.

## The new regulation of the European Union on deforestation and obligations for Franck

Sustainability in coffee procurement is becoming increasingly important for the preservation of biodiversity and the long-term health of the planet. Therefore, as part of the harmonisation with the new regulation of the European Union on deforestation (EUDR), we plan to establish processes for managing and collecting traceable documentation from coffee traders to have additional opportunities to positively influence the preservation of biodiversity and ecosystems at the locations of the value chain.

The new EU Deforestation Regulation establishes binding rules for economic entities and traders in the European Union that place their products on the EU market or export wood, rubber, cattle, coffee, cocoa, oil palms, and soya beans from the EU with the aim of reducing to the smallest possible extent the EU's contribution to global deforestation and forest degradation and reducing the EU's contribution to greenhouse gas emissions and global biodiversity loss. The Regulation is part of the EU Biodiversity Strategy until 2030, the EU Forest Strategy until 2030 and part of the European Green Plan. In order to ensure that the above-mentioned products and supply chains do not come from areas affected by deforestation, the Regulation stipulates the mandatory implementation of due diligence for business entities and traders who place oil palms, cattle, wood, coffee, cocoa, rubber and soya on the EU market or export them from the EU market. At the same time, businesses are required to maintain traceable documentation for the goods they sell, detailing the origin down to the specific plot of land where they were produced.

## Metrics related to biodiversity and ecosystems

By collecting traceable documentation, we will have the opportunity to collect other information about the impacts in the value chain, and based on this, we will be able to more precisely set goals and plan actions to mitigate negative impacts on biodiversity and ecosystems. By implementing the actions, we will be able to obtain monitoring and publication metrics.





# RESOURCE USE AND CIRCULAR ECONOMY

By applying the principles of the circular economy, it is possible to mitigate the negative impacts of production. This includes:

- Product components that can be reused (packaging);
- Optimisation of water and energy use;
- Encouraging sustainable agriculture.

## Impacts, risks, and opportunities

As a manufacturing company in the food industry, we pay particular attention to the circular economy, especially when it comes to packaging that can be reused.

In our operations and value chain, we face the challenges of procuring materials such as aluminium, the extraction and production of which significantly harm the environment, as aluminium has one of the largest CO<sub>2</sub> footprints. In addition, we face problems in procuring electronic equipment that is not designed with an emphasis on environmental design, servicing, repair and reuse. Suppliers often do not take into account the responsible use of materials and their impact on the environment.

Identified risks include outdated equipment that is not compatible with new recyclable packaging technologies, limited availability of commercial recyclable solutions, and reduced durability of products without aluminium packaging. Also, waste management options are limited, and the process is associated with high costs. Despite all of the above, the company is constantly working with different packaging material suppliers to develop the specifications for recyclable materials adapted to our machines. Furthermore, a plan to replace all the machines on which we have exhausted the possibility of developing recyclable solutions is underway.

On the other hand, opportunities include reducing material consumption, which leads to cost savings, along with the potential to sell by-products like coffee waste briquettes and compost. There is also an opportunity to purchase materials and input products from suppliers who apply the principles of circularity and environmental design and have certified products in accordance with the principles of the circular economy. In addition, environmentally friendly packaging improves the company's reputation and increases its appeal among customers.

## Policies and actions in relation to the use of resources and the circular economy

### Policies and actions – Inflow of resources

The inflow of materials and raw materials in our company includes coffee, chicory, cellulose, semolina, sugar, iron, steel, aluminium and various types of packaging such as plastic, wood, glass and composite materials. We record data on used materials, goods, and substances according to the quantities in units specified in the contracts with our suppliers. We are developing an approach towards suppliers from whom we can potentially request the delivery of data related to critical substances, materials, raw materials, products, and goods that could exhaust resources in the environment and cause interruptions in supply chains for the Franck Group.

### Policies and actions – Resource drains associated with Franck products

We invest great efforts in the use of environmentally friendly packaging and have a **Packaging Material Development Strategy**. This Strategy includes actions such as thinning out stretch film, cans and shrink film, which results in the creation of a smaller amount of packaging waste. For example, tea filter paper made of pure cellulose was introduced, which is 100% recyclable.

Despite the implemented changes, the packaging materials remain fully functional and ensure:

- Optimal operation of production lines
- Maximum protection of the product throughout its lifetime
- Preservation of top product quality.

The strategy's long-term goal, after optimising the packaging, is the introduction of recyclable materials for all packaging of Franck products, which further reduces the impact on the environment and ensures sustainable business practices. Currently, finding fully recyclable solutions for all types of materials and packaging remains challenging worldwide. Packaging manufacturers themselves often lack solutions that meet required quality standards, which include preserving sensory profiles and maintaining the defined shelf life for various raw materials. Another challenge is integrating these recyclable materials into the production process. Many existing machines are not configured to work with these new materials, making it difficult to form the packaging effectively and maintain production line capacity. Franck employs dedicated staff who collaborate closely with packaging suppliers to develop and identify recyclable packaging solutions for our products.

The plan for the future is to continue optimising primary and transport packaging to the limits of technological possibilities, finding recyclable materials adapted to our technological processes, and investing in more modern technological equipment that will ensure the possibility of using recyclable packaging materials.

The highest-level department responsible for implementing the company's Packaging Materials Development Strategy is the Research, Development, and Quality Control Department.

**By replacing shrinkable foil with cardboard packaging in transport packages and replacing plastic spoons with wooden ones in the Coffee-to-go segment, in the last three years, we have reduced the amount of plastic on the market by 58.1 tonnes. We are also continuously working to optimise our use of foils and cans by reducing the grammage and size of our packaging. Over the last three years, these efforts have resulted in a reduction of 14 tonnes in tin packaging waste, and, in the last two and a half years, a decrease of 25.8 tonnes in plastic waste released into the market.**

We now transport all finished products using FSC-certified natural boxes (undied), which makes them completely recyclable. FSC (Forest Stewardship Council) is a non-profit organisation founded with the aim of promoting responsible forest management worldwide. The FSC certificate is an internationally recognised standard that confirms that wood and products made from it come from forests that are managed in an ecologically responsible, socially beneficial and economically sustainable manner. The FSC symbol, known around the world, stands for responsible forestry and guarantees that the product with this label meets the standards of sustainable forest management.

We monitor the amount of packaging that comes with the products to the market using the SAP business system for monitoring the quantities sold in the Republic of Croatia. The amount of waste packaging is reported to the Environmental Protection and Energy Efficiency Fund, which enables transparent and responsible waste management.

All primary packaging is labelled according to legal requirements with material labels, enabling customers to properly sort packaging waste after product use. The packaging used in the production processes complies with national and European rules and regulations. Checks and analyses of the food safety of our packaging are carried out regularly. With all the implemented changes, the packaging materials used are still fully functional with the aim of ensuring the defined operational capacities of our production lines. The products are maximally protected throughout their entire lifespan and maintain their premium quality.

## Policies and actions – Waste management

Franck Group companies manage waste in accordance with the priority order of waste management, adopting an approach that prioritises avoiding the generation of waste wherever possible and applicable. In practice, this means that continuous efforts are made to optimise the process in order to reduce the amount of waste already in the production phase, and materials and objects that still have a useful value are not declared waste, but opportunities are sought for their reuse, recycling or recovery. Operational actions for waste management include the separation of non-hazardous waste, which is collected and taken to a landfill within the location (green/eco islands at all production locations of the Franck Group where waste is generated), while hazardous waste is stored in a designated warehouse and is picked up by an authorised collector. In this way, the Franck Group actively contributes to the circular economy and reduces the negative impact on the environment.

Materials and objects that can be reused are not considered waste, instead, ways are found to reuse them. Waste is collected separately at the place of origin according to the type of waste and corresponding key number. It is then handed over with appropriate documentation to authorised companies that have the necessary permits for waste management or are listed in the relevant waste management registers. The responsibility of the waste producer for further treatment of the given waste ends once it is handed over to authorised companies. In cases where it is necessary, waste is stored in temporary warehouses for up to one year, after which it must be handed over to authorised companies for further management. With this approach, the Franck Group ensures responsible waste treatment.

## Metrics – Resource drain, including waste

Franck d.d. emits non-hazardous waste such as bulky waste, paper and cardboard, resin, fats and oils, metals, iron and steel, plastic, textile packaging, glass packaging, multi-layer composite packaging, wooden packaging, plastic packaging, paper and cardboard packaging, and materials unsuitable for consumption or processing. All non-hazardous waste of 2022 and 2023 is recovered.

Franck d.d. emits hazardous waste such as electrical and electronic equipment, batteries and accumulators, fluorescent tubes, oil filters, packaging containing residues of hazardous substances, non-chlorinated motor, machine and lubricating oils, waste adhesives and sealants, waste printing toners, waste paints and varnishes, and hydrochloric acid. Most of the hazardous waste of 2022 and 2023 is disposed of.

## Amount by type of non-hazardous waste and method of waste disposal in Franck d.d. in 2022 and 2023

Franck d.d. Non-hazardous waste	2023 Quantity (t)	2022 Quantity (t)	Method of waste disposal
Materials unsuitable for consumption or processing	227,4	223,4	o
Paper and cardboard packaging	131,6	115,89	o
Plastic packaging	14,0	12,0	o
Wooden packaging	0,0	0,07	o
Multilayer (composite) packaging	85,1	103,3	o
Glass packaging	0,6	0,0	o
Textile packaging	11,8	13,8	o
Plastics	3,0	1,5	o
Iron and steel	27,9	3,4	o
Mixed metals	0,0	0,7	o
Mixtures of fats and oils from the oil/water separator, which contain only edible oil and fat	3,5	6,7	o
Saturated or spent ion exchange resins	0,0	0,1	o
Paper and cardboard	7,1	5,3	o
Bulky waste	15,9	1,8	o

Legend: d – disposal, r – recovery

### Amount by type of hazardous waste and method of waste disposal in Franck d.d. in 2022 and 2023

Franck d.d. Hazardous waste	2023 Quantity (t)	2022 Quantity (t)	Method of waste disposal
Hydrochloric acid	1,67	3,514	d
Waste paints and varnishes	0,338		d
Waste printer toners	0,136		d
Waste adhesives and sealants	0,178		d
Non-chlorinated motor, machine and lubricating oils, based on minerals	0,450		r
Packaging containing residues of hazardous substances	0,090		d
Oil filters	0,010		d
Fluorescent tubes and other waste containing mercury	0,058		d
Batteries and accumulators	0,007		r
Waste electrical and electronic equipment	4,74		r

### Amount of total non-hazardous and hazardous waste in Franck d.d. in 2022 and 2023



### Amount of total non-hazardous and hazardous waste in Elle GI d.o.o.

Elle Gi d.o.o. Koper	2023.	2022.
TOTAL NON-HAZARDOUS WASTE (t)	7,1	7,1
TOTAL HAZARDOUS WASTE (t)	0,2	0,2

### Amount of total non-hazardous and hazardous waste in Franck Sarajevo d.o.o.

Franck d.o.o. Sarajevo	2023.	2022.
TOTAL NON-HAZARDOUS WASTE (m3)	47,3	70,6
TOTAL HAZARDOUS WASTE (m3)	203	149

# OUR WORKFORCE

Our workforce are employees in the company (employees) and workers who are not employed, who may be individual contractors who perform work for the company (self-employed persons) or persons provided by employment agencies primarily involved in staffing.

Commitment to our workforce is an integral part of our sustainability strategy. We are aware that our employees are our most valuable assets, and their well-being directly affects our operational success.

## Interests, views and rights of persons in our own workforce

Our strategy and business model are directly influenced by our commitment to respecting the interests, perspectives, and rights of our workforce, which includes a strong emphasis on upholding their human rights. The company's own workforce is a key group of affected stakeholders.

All employees actively participate in the work of the company. To consider the views of our own workforce, every two years we conduct a survey that focuses on employee opinions, engagement, and satisfaction. The last survey on employee engagement and satisfaction was conducted in the period from 16 May to 1 June 2022. It was carried out at the level of the Franck Group in cooperation with the partner Moj Posao. The response was extremely high, with 81% of questionnaires completed, which is at the level of the 2020 survey and significantly above the average completion rate for large companies (65%). These results indicate that Franck Group employees are ready to actively participate in the further development and improvement of the company. Based on the obtained results, the overall rating of satisfaction and engagement of the Franck Group was 3.15 out of a maximum of 4 points. The result represents an improvement compared to the research conducted in 2020, when the overall satisfaction rating was 3.08.

The research focused on two key categories: employee loyalty and engagement. Loyalty, i.e. the willingness of employees to recommend their company as a good employer, was 48.98%, which represents a slight increase compared to 47.5% recorded in 2020. On the other hand, employee engagement, which refers to the percentage of those who continuously invest extra effort and work, increased from 15.8% in 2020 to 20.94%. We used feedback to focus on areas where there is room for change, improvement, and progress.

Additionally, employer representatives engage in regular monthly communication with members of the workers' council to ensure ongoing information exchange. The management meets at least once a year with representatives of the workers' council to discuss plans, strategies, and other important issues. Also, quarterly meetings are organised for all employees during which business results and other key information are presented.



## Impacts, risks, and opportunities and how they interact with its strategy and business model

In order to effectively understand our material impacts, risks, and opportunities and how they affect our strategy and business model, we conducted a thorough materiality assessment to identify the most significant environmental, social and governance (ESG) impacts, risks, and opportunities associated with our operations and the value chain where we involved stakeholders, including employees, in the assessment process to gather their opinions and feedback.

In order to reduce negative impacts and take timely actions to resolve material impacts, Franck has an open e-mail address (info@franck.eu) and a toll-free phone number (0800 33 44 33) where you can call and submit an inquiry or complaint. To handle customer complaints, inquiries, and compliments, we work with an external company responsible for managing these interactions under a contracted agreement that specifies obligations and procedures for further management. Franck does not engage in practices associated with child labour, forced labour, or compulsory labour in any countries or regions outside the EU. Our operations are not linked to isolated incidents like industrial accidents or environmental hazards such as oil spills.

For many years, we have been promoting and, with the support of our employees, organising three times a year in our premises a voluntary blood donation campaign in cooperation with the Zagreb Red Cross and the Croatian Institute for Transfusion Medicine. We provide all donors with a free meal and drink and the right to one paid day off.

To effectively detect material risks and opportunities arising from the impacts and dependence on specific groups of individuals within our workforce, we follow the following steps:

Identification of specific groups	Assessment of risks and opportunities	Engagement and feedback mechanisms
Production and maintenance workers are specific groups within the workforce that are affected	Production and maintenance workers face risks such as exposure to hazardous materials or physically demanding tasks that can lead to injury. To reduce the risk of injury, we provide targeted skills and safety training for vulnerable groups.	Conducting regular surveys helps us better understand the specific challenges faced by different groups of employees.

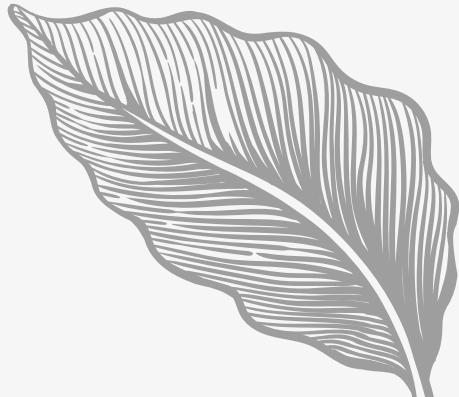
## Policies related to the management of material impacts on own workforce

Franck has policies relating to the identification, assessment, management, and remediation of material impacts on our own workforce, as well as policies covering the material impacts, risks, and opportunities associated with our own workforce.

The company management is responsible for the implementation of policies related to the management of its material impacts on its own workforce. All employees have equal conditions and benefits. Temporary employees have the same benefits as full-time employees, i.e. there is no difference between full-time employees and part-time employees or temporary employees. Franck has equal pay for work of equal value and safeguards equality based on gender, age or any other characteristic. In 2022 and 2023, there were no cases of discrimination. Our Occupational Safety Rulebook sets out basic guidelines and regulations aimed at protecting the health and safety of employees. We also carry out a risk assessment to ensure employee health and safety. The aforementioned risk assessment is made based on the AUVA (Allgemeine Unfallversicherungsanstalt) and Austrian WKO methods. A detailed risk assessment lists all hazards, potential damage, and efforts to mitigate them in the workplace.

At Franck, in accordance with the provisions of the Labour Act, we regularly hold meetings with representatives of the workers' council to resolve workers' requests. A representative of workers involved in occupational health and safety participates in the sessions of the Occupational Health and Safety Committee and informs those present about possible dangerous situations.

We provide employment and increase the quality of life for people with disabilities. At Franck, we have a Programme for the Employment of Persons with Disabilities and have met the quota: 2.1% of the total workforce in 2002 and 1.9% in 2023 were made up of persons with disabilities. When hiring, we cooperate with the Zagreb Rehabilitation Centre (ZRC) in order to support the positive practice of improving the quality of life of people with disabilities through inclusion in the work environment.



## Gender diversity and equality and prevention of discrimination

Our gender equality policy strictly upholds and actively promotes diversity, equality, and inclusion within the workforce. We promote equal opportunities for women and men to work and prohibit direct and indirect discrimination based on gender. The aforementioned policy has proven to be effective in improving workplace culture and employee satisfaction. At Franck, we are committed to building a gender-balanced workforce at all levels, including management.

## General procedures for cooperation with persons from own workforce and workers' representatives

Through ongoing collaboration with our employees and workers' representatives, we ensure transparent communication about decisions and activities aimed at managing both the actual and potential impacts on our workforce. This cooperation includes monthly meetings with representatives of the Workers' Council/union and direct cooperation of the company management with workers' representatives once a month or more often as needed to discuss current issues and challenges related to the workforce. At these meetings, which are attended by the Director of Human Resources and the Director of the Supply Chain, as well as the President and Deputy of the Workers' Council, important topics for the employer and the employees are discussed, including results, plans, and needs of employees. The introduction of new technologies into the supply chain (production), training and engagement of workers, labour protection, work footwear, clothing, additional protective actions, etc. are also discussed, and comments and requests from the Workers' Council are also taken into account. An example is the introduction of video surveillance in plants, in which representatives of the Workers' Council and trade unions also participate in order to pay special attention to video surveillance positions so that it would not impact the work of employees. An example of the perspective of our workforce and workers' representatives influencing specific decisions or initiatives in the reporting period is the introduction of flexible working hours, where workers requested the introduction of work from home and a flexible start and end of working hours.

An annual meeting is also organised with the representatives of the workers and the company management, where the business results, plans, challenges and strategies of the company are discussed in the context of their impact on the employees. We rely on regular communication and cooperation to include employees and their representatives in the decision-making process regarding the management of the impacts on the workforce. This direct collaboration with employees and their representatives is essential for us to understand and address the actual and potential impacts of our business activities on the workforce. Regular dialogue and employee involvement enable us to make informed decisions and implement activities aimed at improving working conditions and employee engagement.

The management team plays a crucial function within the company, holding both the primary role and operational responsibility to ensure that collaboration with its workforce and representatives is effective and that the outcomes are appropriately considered in company decision-making.

We evaluate our own efficiency of cooperation with our workforce by conducting employee engagement and satisfaction surveys within the company (and the Group) every two years, which include questions about the transparency of the employer's communication, how involved the workers are in decision-making, etc. Evaluation and comments of employees give us insight into the quality of communication.

In order to gain insight into the perspectives of people in our own workforce who may be particularly vulnerable to the impacts and/or marginalised (such as women, migrants, and people with disabilities), at the level of all Franck Group employees, every two years we conduct research on employee engagement and satisfaction.

Continuous communication with employees gives us a better insight into their perspectives. Regarding women as a vulnerable group, we ensure that work attire for women in our workforce is not transparent.

## Training and development

Education and training of employees improve the quality of life of employees and increases their opportunities for job retention and advancement. The personal and professional development of our employees is of great importance to us. We also pay special attention to training interns for independent work and assuming responsibility.

### Franck StartUp internship programme

In order to give young people the opportunity to gain valuable work experience, we launched the **StartUp internship programme** at Franck in 2019. The programme lasts two years, is intended for young people who have just finished their studies and gives them the opportunity to assert themselves as new professionals that Franck will be able to rely on in the development of the organisation. The programme aims to prepare key personnel and develop their competencies, knowledge and skills.

Candidates must meet the following conditions to apply for the position:

- Completed undergraduate or graduate studies in the field of economics
- Less than one year of work experience
- Active use of spoken and written English
- Excellent computer skills (Microsoft Office tools)

Participants of the programme are paired with their own mentor, who provides them with advice and support during the internship. During the programme, participants gain a deep understanding of business processes and opportunities within the company. They also receive a market-competitive monthly income. After completing the internship programme, they may be offered a permanent employment contract.

Number of interns:

2023. – 17 interns

2022. – 15 interns

Investing in the development of young people  
(share of millennials in the Franck team):



## Further development

We offer our employees the opportunity to develop and encourage independent learning through the following available education programmes:

- Finance for non-financiers
- Excel – formulas and functions, pivot tables
- From bean to cup
- Quality and food safety management
- Barista skills
- Production tour
- Chicory – functional food
- Processing incoming invoices from receipt to payment
- Generation management





Employee training (hours)  816 / 2023 572 / 2022

## Competency model

In 2021, we launched a project called FrancKompetencije, with the aim of defining a competency model that encompasses the entire company and all its employees. This model is based on the views and suggestions of employees from different departments, with the support and coordination of external consultants. Franck's competency model is designed to align with the company's core values and meet its current needs. It is expected to evolve continually to keep pace with emerging trends and generational shifts. The introduction of the competency model has several goals, one of the most important of which is a clear definition of the expected knowledge, skills, values, and attitudes of employees at Franck in accordance with job descriptions, their roles, and expected work performance. In addition, it is crucial to plan training, employee development, advancement opportunities, and reward systems based on an objective assessment of standards of competency and work performance. One of the goals is to identify competencies specific to individual roles in order to provide additional investment in employee training and development. Also, efforts are being made to better recognise talents and define the direction of career development in accordance with employee expectations and organisation needs. This includes the development of professional, management, organisational and personal competencies, as well as raising the level of self-awareness of all participants in the processes of assessment and self-assessment of competencies. This model enables each employee to present their talents and preferences, ensuring their recognition and inclusion in various projects, which positively affects daily work. On the other hand, by focusing on competencies, we highlight areas that require additional development, engagement, and effort.

## Management of individual work performance

Employees recognise their contribution to the company, which is visible in increased motivation, commitment, and productivity. What is more, they identify with the goals and vision of the organisation. The company systematically invests in the development of key skills and competencies and rewards hard work and contribution to the company. At Franck, we are building a culture of feedback and open communication, which we want to use to encourage employee growth and development.

## Other benefits

As for additional benefits, our employees are entitled to Christmas, Easter, milestone awards, annual performance awards, a gift for a child for Christmas, support for the birth of a child, severance pay for retirement, parking facilities, paid monthly transport, allowance for a hot meal. In addition, all employees whose children are entering the first grade of primary school are entitled to a day off.

## Channels for communication with own workforce

We have established special channels through which our own workforce can express their concerns and needs. These channels are as follows: intranet, satisfaction survey, employee representatives, town hall company meetings.

At Franck, we have set up a “post box” as part of our offices to handle appeals/complaints from our employees, and we have appointed a person to safeguard the dignity of workers (verbally and in writing).

The Rulebook on Internal Procedures for Reporting Irregularities and Appointing a Confidential Contact Person applies to all employees within the company, regardless of their job location. The Rulebook also applies to all persons who perform work for the company, including persons who are not employed in the company, who volunteer, perform duties, perform work based on a work contract, students, persons who apply for employment or participate in any other way in the work of the company. A complaint is submitted to the confidential contact person (HR) who, within 60 days from the submission of the report on irregularities, should examine the report and take all actions in accordance with the Rulebook on Internal Procedures for Reporting Irregularities and Appointing a Confidential Contact Person and the Act on the Protection of Whistleblowers.

Upon employment, our employees have the opportunity to join the Workers’ Council and the union; they all have secured e-mail addresses and access to the internal network in order to receive all relevant information. All employees also have the opportunity to attend quarterly group meetings for all employees where the management presents relevant information. We have also appointed people who are in charge of safeguarding the dignity of workers, who were confirmed by the workers’ representatives. Internal irregularities are governed by the Rulebook on Internal Procedures for Reporting Irregularities, which enables safe and responsible handling in all cases of reported rule violations or unethical behaviour within the company.

## Key characteristics of employees in own workforce

Data on the structure of employees was collected internally from the Human Resources Department via the SAP software system on the last day of the calendar year based on employee master data.



### Overview of the total number of employees (Franck d.d.) broken down by gender and age group

	2023.	2022.
Total	471	479
Women	198 (42 %)	196 (41 %)
Men	273 (58 %)	283 (59 %)
Persons under 30	75 (16 %)	59 (12 %)
Persons aged 30 to 50	264 (56 %)	301 (63 %)
Persons over 50	132 (28 %)	119 (25 %)

### Overview of the total number of employees (Franck Sarajevo d.o.o. – subsidiary) broken down by gender and age group

	2023.	2022.
Total number of employees	94	94
Women	11 (12 %)	11 (12 %)
Men	83 (88 %)	83 (88 %)
Persons under 30	12 (13 %)	10 (11 %)
Persons aged 30 to 50	68 (72 %)	68 (72 %)
Persons over 50	14 (15 %)	16 (17 %)

Franck Macedonia, Franck Slovakia, and Elle GI had fewer than 50 employees in 2022 and 2023.

### Overview of the total number of permanent and temporary employees broken down by gender in Franck d.d.

	2023.	2022.
Total number of employees	471	479
Permanent employees	421	435
Women	183	177
Men	238	257
Share of permanent employees in the total number of employees	89,4 %	90,8 %
Temporary employees	50	45
Women	15	19
Men	35	26
Share of temporary employees in the total number of employees	10,6 %	9,4 %

### Total number of employees by type of contract (full-time and part-time), by gender in Franck d.d.

	2023.	2022.
Total number of employees	471	479
Full-time	467	476
Women	197	195
Men	270	281
Part-time	4	3
Women	1	1
Men	2	2

There were no agency workers in 2022 and 2023.

## Recruitment of new employees and employee turnover

Looking forward, we aim to establish a strong reputation as a secure employer with lower turnover rates than the industry average, enhancing our reputation and attracting new talent while retaining current employees. This contributes to the productivity and profitability of the company and reduces the costs of frequent employee changes.

Compared to previous years, in 2022 and 2023, we recorded a significant change in the number of new employees. As a result of these developments, employee turnover was also significant.

### New employees

Overview of the total number of new employees broken down by gender as a share in the total number of employees at Franck d.d.

	2023.	2022.
Total	90	70
Women	35	33
Men	55	37
Share in the total number of employees (Rate of arrivals)	19,1 %	14,6 %

### Employee turnover

Overview of the total employee turnover broken down by gender as a share in the total number of employees at Franck d.d.

	2023.	2022.
Total	90	70
Women	35	33
Men	55	37
Share in the total number of employees (turnover rate)	19,1 %	14,6 %

To calculate the turnover rate of our own employees, we used the following calculation:

As the turnover rate numerator, Franck d.d. takes the total number of departures in **2022** (74), and as the denominator it takes the total number of employees as of 31 December 2022 (479), and we can break down the fluctuation rate according to the following criteria:

- Voluntary turnover rate = 47.3
- Fluctuation rate due to resignation = 29.73
- Employee death turnover rate = 1.35
- Fluctuation rate due to retirement = 21.62

As the turnover rate numerator, Franck d.d. takes the total number of departures in **2023** (88), and as the denominator it takes the total number of employees as of 31 December 2023 (471), and we can break down the fluctuation rate according to the following criteria:

- Voluntary turnover rate = 73.86
- Fluctuation rate due to resignation = 15.91
- Fluctuation rate due to retirement = 10.23

## Gender and age distribution at the highest management level

Overview of gender and age distribution in numbers and percentages at the top management level:

	2023.	2022.
Number of employees in management positions	37	38
Share of employees in management positions in the total number of employees	8%	8%
Women	15	13
Men	22	25
Persons under 30	0	0
Persons aged 30 to 50	22	25
Persons over 50	15	13



## Our workforce with disabilities

Data on persons with disabilities was collected on the basis of personally delivered Decisions on the status of disabled persons of individual persons with disabilities.

	Women		Men		Total	
	Number	%	Number	%	Number	% share in the total workforce
2023.	4	40	5	60	9	1,9 %
2022.	5	50	5	50	10	2,1 %

## Health and Safety Management System

Work-related injuries are a serious problem that can affect employee health, productivity, and overall business results. At Franck, employee health and safety are priorities. We actively reduce the risk of injuries at work through various preventive actions.

There have been no deaths from work-related injuries and ill-health within the company.

At Franck, we strive to adapt our management methods to allow our employees to have a good work-life balance.

Employee health and workplace safety are key business priorities for us. All workers are involved in creating a hazard assessment at work, and every employee has the right and obligation to report all possible dangerous situations to their line manager. We organise health assessments once a year and education on health issues (e.g. dealing with stress) and provide support for sick leave exceeding 90 days.

Our Occupational Safety Rulebook sets out basic guidelines and regulations aimed at protecting the health and safety of employees. We also carry out a risk assessment to ensure employee health and safety. The aforementioned risk assessment is made based on the AUVA (Allgemeine Unfallversicherungsanstalt) and Austrian WKO methods. A detailed risk assessment lists all hazards, potential damage, and efforts to mitigate them in the workplace

In order to inform employees about their rights, including whistleblower protection and ways to report complaints, the following decisions were adopted:

- Decision on the appointment of a confidential contact person – to receive and resolve irregularities in accordance with the Act on the Protection of Whistleblowers;
- Rulebook on Internal Procedures for Reporting Irregularities and Appointing a Confidential Contact Person;
- Decision to Appoint a Dignity Protection Commissioner, designating a person responsible for safeguarding workers' dignity and empowered to receive and address complaints concerning workplace dignity protection;
- Decision on the appointment of the commissioner for the protection of personal data – who shall, apart from the Company, supervise whether the personal data of employees is collected, processed, used, and delivered to third parties in accordance with the law.

The number of recorded work-related accidents (injuries) **6** 2023 **17** 2022

## Social protection

We ensure that all our employees are covered by a comprehensive social protection system, which provides financial security in case of loss of income due to important life events, such as retirement, parental leave, injuries or other unforeseen situations. This protection system provides our employees with security and support through different stages of life, guaranteeing them stability and protection of their rights.

## Maternity and parental leave

At Franck, we recognise the importance of family and support our employees in their most important moments in life; our goal is to ensure that our employees have all the necessary resources and support during this period. All our employees have the right to use maternity and/or parental leave. During the use of leave, our employees are entitled to compensation in the amount of 100% of the gross salary for the first 6 months, while the remaining 6 months are paid by the state.

Overview of employees who have the right to maternity leave, who used maternity leave, who returned to work after maternity leave and who remained 12 months after returning to work after the end of maternity leave, broken down by gender.



	2023.	2022.
Right to maternity leave	27	23
Women	16 (59 %)	17 (74 %)
Men	11 (41 %)	6 (26 %)
Share in the total number of employees	5,7 %	4,8 %
Maternity leave used by	27	23
Women	16	17
Men	11	6
Share in the total number of employees	5,7 %	4,8 %
Return to work	9	10
Women	4	4
Men	5	6
Retained	7	10
Women	3	4
Men	4	6
Rate of return	2 %	2 %
Retention rate	1 %	2 %

# WORKERS' ROLE IN THE VALUE CHAIN

Workers in the value chain are all employees in higher and lower levels of the value chain on which the company has or can have a material impact. This includes all workers outside our workforce, such as individual contractors and employees from recruitment companies. The value chain encompasses the activities, resources, and relationships that Franck uses and relies on to develop our own products, from initial design to delivery, consumption, and end-of-life. This chain includes participants at different levels, such as suppliers, sub-suppliers, distributors, and customers.

Our Superiore espresso is made from carefully selected coffee beans from Rainforest Alliance-certified plantations committed to looking after their workers, providing them with fair wages, health insurance and education for their children. Through participation in the coffee&climate initiative, we gained experience in the application of good practices, which we can integrate into our supply chain. Also, we plan to establish a system of traceability and monitoring of the origin of raw materials through the application of the Deforestation Regulation.

Workers in quality control departments play the most important role in maintaining standards. They conduct tests and ensure that all products meet legal and internal quality standards. Logistics and distribution workers ensure the timely delivery of products to customers. Their coordination and organisational abilities are essential to efficient inventory management and streamlined distribution processes. Marketing and sales employees help develop strategies that increase brand recognition and drive sales. Their interaction with customers helps them understand market needs and preferences.

At Franck, we emphasise the importance of our employees through various training and development programmes in which we strive to create a positive work environment that encourages innovation and teamwork. We encourage workers to participate in process improvement and decision-making, which further strengthens their engagement and motivation. The workers at Franck are key members of the value chain, and their knowledge, skills, and commitment directly affect the company's success.

# SOCIALLY AFFECTED COMMUNITIES

Affected communities are a key group of affected stakeholders.

At Franck, the affected community means the local population since our production facilities are located in a populated area in the centre of the city, which is why we, as a company and production facility, are in direct contact with the affected community.

Risks associated with our own operations are possible rebellions and protests of the local community in relation to the ownership of land that the company uses or plans to use in the future, which would disrupt business and planned projects and lead to increased costs. It is also possible to receive complaints from the local community regarding their personal safety in relation to the company's emissions.

In terms of the value chain, increased costs can result from the transition towards implementing due diligence procedures when contracting product suppliers to ensure that there are no negative material impacts on affected communities in raw material production areas.

Business opportunities arising from the impacts and dependence on affected communities include an increase in food donations, an increase in monetary donations and sponsorship of the affected (local community) programmes, and investment in social programmes that will contribute to the reduction of censorship and freedom of assembly. Enhancing supplier practices within the value chain and selecting those who provide certified raw materials guaranteed to have no negative material impacts on community quality of life in cultivation areas can yield long-term savings for the company. In the short term, this approach boosts the company's reputation and opens up access to more favourable financing options.

The European Union's Deforestation Regulation (EUDR) has a significant impact on affected communities, particularly in regions that depend on commodities linked to deforestation. To address the complexity of the regulation, compliance will require the engagement of local stakeholders in the implementation process and resources. The challenges faced by the affected communities are economic challenges (proof that products do not originate from deforestation), social implications (socio-economic problems) and the need for support and education (lack of knowledge about EUDR requirements).



## Impacts, risks, and opportunities

In terms of positive material impacts, we participate in various donations and sponsorships. Our commitment to social responsibility encourages us to support initiatives that have a positive impact on society and the environment. Through our sponsorships and donations, we aim to empower local communities, promote sustainable practices, and improve the quality of life for those in need.

We are committed to working with organisations and projects that align with our values, whether through supporting education, community service, environmental protection, or health and welfare initiatives. By investing in these causes, we not only contribute to the well-being of our communities but also inspire others to join us in making a difference.

In 2022, we organised a community drive with the aim of helping endangered bee colonies. A year later, in 2023, we conducted a volunteer campaign during which we cleaned up part of the parking lot and the walkway along the Green Highway and the area around the Glavica mountain lodge. During this campaign, we also visited the Veternica cave, which has been protected as a geomorphological monument of nature since 1979.

To mark the Day of Voluntary Blood Donors on 25 October 2023, a ceremony honouring long-time blood donors was held at the Old Town Hall. On this occasion, director Ivan Artuković received a gold medal of gratitude from the City Red Cross Society in recognition of 70 years of donating blood.

In 2022, the Jubilarna brand continued to build on its communication platform, now enhanced with a socially responsible campaign. As part of the “Small rituals make big dreams come true” campaign, we donated 50 lipas from the sale of the popular Brick, i.e. the vacuum packaging of 250 grams of Jubilarna coffee, to the “Step into Life” charity campaign. The collected funds were donated to the scholarship fund supporting college education for young people without adequate parental care.

## Cooperation with affected communities and their representatives

We are committed to consistent and strategic investments in the community where we conduct our business. An example is the award-winning Beestro project, in which we took advantage of our leading market position in the tea category with the aim of raising public awareness of the importance of bees for life as we know it on Earth and the preservation of natural resources. In cooperation with the representatives of the local community and our customers, whom we addressed directly, we achieved impressive results, which ultimately had a positive impact on the company’s reputation and the value of the Franck tea brand. We further supported this position of the company and the brand by switching to recyclable tea bag packaging and adopting a new plant-based cappuccino project that also comes in 100% recyclable packaging.

We launched a comprehensive training programme for hospitality staff through the Franck Barista Academy. The barista academy has been operating for more than twenty years. The goal is to familiarise employees with all aspects of coffee – from cultivation on the plantation to the brewing of the beverage in a cup. The programme is aimed at improving the skills and techniques of preparing the perfect espresso and other coffee and tea-based beverages. The Academy is located at 20 Vodovodna Street in Zagreb.

## 2023

- 400 training sessions
- 2600 educated people

## 2022

- 370 training sessions
- 2200 educated people

The Academy runs a special programme called “Franck Barista Coffee Inspiration” intended for students and teachers of secondary tourism and hospitality schools and regional competence centres. The programme includes various education modules for professional baristas, providing young talents with a solid foundation for further training and career development. Its value was recognised and supported by the Ministry of Science and Education.

We organise a regional barista competition with the aim of raising awareness among waiters about the importance of preparing a high-quality espresso-based drink.

With this competition, we encourage the development of skilled workers while rewarding the best waiters. We were the first to present this type of competition to the professional community and the public, which motivated the rest of the market to launch similar projects.

## Actions to address material impacts on affected communities

Actions to address material impacts on affected communities, manage risks, and pursue opportunities, as well as the effectiveness of these actions, are reflected in our membership in International Coffee Partners (ICP).



As many as 12.4 million small coffee-farming families worldwide face a number of challenges:

- Low availability of expertise and support
- Limited agricultural knowledge
- Relatively low productivity levels
- Facing challenges as individuals without organisational support
- Limited market availability
- Price volatility
- Impacts of climate change and environmental degradation

ICP's working principles are as follows:

- Long-term partnership
- Monitoring, evaluation, and learning
- Cooperation
- Equal conditions for all
- Respect for the independence of agricultural families

ICP's vision goes beyond the implementation of individual development projects: ICP wants to contribute to the sustainable transformation of the coffee sector as a whole. Innovative regional programmes in Central America (Honduras), Brazil, Uganda, Tanzania, Ethiopia, and Indonesia have resulted in significant benefits for farmer families as well as the entire supply chain.

- Since 2001, ICP has implemented 23 projects in 13 countries
- As of December 2023, a total of 118,582 smallholder families have directly benefited from ICP interventions
- ICP's work affected 60,984 hectares of coffee worldwide in 2022
- More details on the impact of ICP projects and results can be found in the 2022 ICP Annual Report.

## coffee&climate initiative

ICP founded the coffee&climate (c&c) initiative and is one of its driving forces. The c&c initiative addresses the impact of climate change on smallholder families and coffee production in all ICP regions:

- Training on practical tools and knowledge to increase the resilience of coffee livelihoods to climate change is given
- c&c activities support smallholder families to improve their overall living situation.

# CUSTOMERS AND END USERS

This chapter aims to outline the material impacts on customers and end users within the company's operations and value chain. This includes aspects such as products, business relationships, and associated material risks and opportunities.

Inflation has led to a decrease in overall consumer spending, with customers increasingly basing their purchasing choices on brands that prioritise sustainable development. At Franck, we strive to adapt to these changes with transparency, trust, and real commitment to sustainable practices. We systematically monitor the needs and expectations of customers. Based on this information, we continuously develop and expand our range and offering. Thanks to such a vision, Franck consistently earns customer trust and maintains its reputation as a leader in product innovation and top-tier quality.

In 2020, we launched an online store for the Croatian and Bosnia and Herzegovina markets. The online store has fostered a closer relationship with our customers, allowing them to conveniently provide feedback through reviews. Additionally, it simplifies data collection on customer preferences and browsing patterns. The mere ability to browse, compare, and buy products brings convenience and improved availability. We also developed the Snogoo mobile app, which is linked with the Franck Snogoo self-service vending machine. The app and the self-service machine are connected via Bluetooth. The device supports all forms of payment, including contactless payment (card) and in-app payment. The application also has a loyalty programme for all customers.

## Impacts, risks, and opportunities

The market demands and consumers, specifically their preferences and needs, drive the development of new products and categories. We are guided by research data and consumer habits, and when necessary, we consult with relevant and competent institutions. Additionally, from the very start of the project, the focus has been on securing raw materials and packaging, and thus finished products of the highest quality. Emphasis is also placed on ensuring continuous quality in every subsequent production of a new product. During product development, it is essential to meet the legal requirements of all countries where we market our products. Product development is a constant balance between consumer preferences, needs, legal frameworks, and the premium quality of our products.

Actual and potential effects are assessed during the development of new products, evaluating the possible impacts on the quality and safety of the product, considering the entire production process—from supplier selection, procurement of raw materials and packaging materials, to the assessment of potential impacts throughout the entire production process and product storage. Before introducing a new product, in accordance with prescribed procedures, the HACCP team is convened, which includes representatives from different sectors. They assess the possible impacts on product quality and safety up until the point of market launch. The quality and safety of the product must be ensured until its expiration date.

Franck pays special attention to informing customers about its products. The packaging, as well as digital and media content, includes all necessary information about: **product ingredients, storage conditions, method of preparation, shelf life, material labels**

This information helps customers properly handle the product and properly dispose of the packaging waste generated after product consumption.

At Franck, we make sure that only products that meet food safety and quality standards are marketed and that no products are launched that could put the customer at risk. In the case of any deviations, there are statutory customer information actions.

We have conducted a risk analysis for each product from the day of production until the expiration date. We also have an IFS system implemented and steps to prevent food adulteration. During the product launch, a campaign focuses on highlighting the benefits for customers while also ensuring they receive all essential information about the product.

Consumers have access to several communication channels through which they can submit inquiries, complaints, compliments, or suggestions. Through all channels, consumers are informed about the steps taken to protect their privacy. All employees and external collaborators (Margon) are governed by regulations aimed at customer protection, ensuring that Franck positively impacts the quality of life of its customers while safeguarding their personal data and privacy. Additional security comes from a limited number of users who have access to data, including an appointed commissioner for the protection of personal data. There are no recorded incidents of violation of employee privacy or of current customers.

Customer data can also be accessed through the online store and social media platforms, all of which incorporate robust security actions to protect against privacy breaches. Additionally, all collected data is erased after the prescribed period. Customers have an opportunity to submit complaints via e-mail, telephone, and social media platforms. A system is in place to ensure timely responses to customer inquiries, following a standardised procedure for processing and addressing their concerns within legal timeframes. Complaint processing and responses are regularly controlled, and there is a system of regular analysis and reporting in place. Furthermore, all complaints received through Margon have an additional response control.

At Franck, we have established a procedure that outlines the process for withdrawing products from the market and/or Franck d.d. locations in cases of identified product non-conformity that may pose a negative impact on the end customer. This procedure is designed to prevent unintentional or uncontrolled use or delivery, ensuring compliance with relevant legislation and standards.

The procedure is directly related to the non-conformity management procedure and the complaints management procedure. Also, if the need arises, the procedure applies to emergency situations described in the Management System Manual.

The product recall team is trained according to the established procedure. The procedure is applied to all situations when there is doubt about the safety of final products in the warehouse that have not been distributed to the point of sale (product withdrawal) and when they have been distributed to the point of sale (recall). Also, according to this procedure, withdrawal testing is performed at least once a year, and efficiency is monitored.

The purpose of product recall is to:

- stop the distribution and sale of non-compliant products as soon as possible;
- inform the regulator, customers who have a non-compliant product and, if necessary, the public;
- effectively and efficiently remove an unsafe product from the market.

Our initiatives aimed at achieving positive impacts include clearly stating the product's ingredients and materials used for packaging, as well as ensuring our advertising practices comply with legal regulations in all the countries where we sell our products.



## Management of material risks, impacts, and opportunities

The Food Quality and Safety Policy highlights the need for ongoing education regarding the significance of food quality and safety. It prioritises customer satisfaction and aims to understand both the current and future requirements of customers and business partners. Ensuring the highest standards of quality, product safety, and customer health relies on a comprehensive approach that includes systematic risk assessments, measurement systems, regular inspections, sampling, research, and established procedures. Our commitment to the highest standards of health protection and product safety is evidenced by a variety of certifications and labels that we have obtained. The strictest hygiene standards for production areas and surfaces are rigorously enforced. We are dedicated to ensuring the safety and health of our products throughout the entire food supply chain. Quality and health assurance are governed by stringent regulations, with all products being consistently monitored by the State Inspectorate to ensure compliance with all health regulatory standards. We are committed to a sustainable food system that ensures food safety and nutrition for all while also protecting the economic, social, and ecological resources needed to secure safe, high-quality food access for future generations. The policy also applies to our employees, our customers, and the value chain in order to prevent, mitigate, and remediate actual and potential risks, and to take advantage of opportunities.

Our focus is on meeting customers' unique needs, alongside all requirements concerning product quality, health, and safety, following HACCP principles and international quality standards, and aligned with current legal regulations in Croatia and the EU. All special requests of our private brand customers are recorded, and additional product testing is carried out accordingly. Also, if there is a request for the implementation of new quality and food safety standards, such a request is taken into account and planned for the current implementation period. Furthermore, an annual customer satisfaction survey is carried out in both retail and HoReCa channels, and all remarks and suggestions are considered at the management level before making a decision on further steps. All customers have the opportunity to give their suggestions, feedback and praise through social media platforms and other communication channels.

In our value chain, in the selection process, new suppliers are required to complete a questionnaire regarding food quality and safety, giving us a comprehensive view of their business processes and their ability to meet our specified standards. Further, based on risk assessments, a supplier audit plan is drawn up, and all new and existing suppliers are audited accordingly. The audit report is forwarded to the supplier, and in case of recorded non-conformity during the audit, corrective actions are monitored.

Responsible personnel conduct an annual evaluation of suppliers based on specific criteria. This assessment includes separate evaluations for suppliers of raw materials, service providers, and suppliers of outsourced products. The assigned score leads to a decision whether to continue cooperation with the supplier. Each supplier is obliged to submit documentation related to its product quality and safety, valid certificates, and a food fraud statement



on an annual basis. We also believe that a strong food safety culture that is deeply rooted in the corporate structure is an essential and indispensable part of the commitment to safe and high-quality food and products. We firmly believe that understanding the principles of food safety culture is crucial for ongoing improvement and for preventing any deviations in processes that may impact product safety, quality, or compliance with legal standards. The maturity of food safety culture is assessed on an annual basis, with targets for continuous improvement assigned based on the assessment results. Franck's corporate culture actively promotes sustainable development principles, a commitment to environmental responsibility, energy efficiency, respect for human rights, and inclusivity that supports different lifestyle choices and diversity.

Senior executives in the organisation have developed, implemented, and maintain a policy that includes:

- food safety, product quality, product legality, and authenticity
- focus on the customer and meeting their needs
- food safety culture
- maturity assessment
- supplier tracking
- sustainability

The policy was presented to all employees, with specific targets assigned to relevant departments.

Food safety culture objectives include communication of food safety policies and responsibilities, training, employee feedback on food safety issues, and performance measurement. The highest level within the organisation holds the responsibility for overseeing the implementation of the quality and food safety policy, ensuring that all associated goals and objectives are met.

Our priority is the marketing of high-quality and safe products, which we prove through implementing standards and certification in accordance with market trends and customer requirements based on positive independent audits. All checks carried out in 2023 resulted in Franck's recertification. We hold a (high-level) IFS Food certificate of the quality and food safety management system. Product health and safety are ensured by high standards of hygiene in all areas and strict procedures related to food handling. Employees are regularly educated. Maintaining high standards is confirmed by the HACCP certificate, ISO 14001 certificate, ISO 50001 certificate, and Rainforest Alliance certificate. Our HACCP certificate confirms that we control critical points in the process of food production and distribution in order to prevent possible risks to human health. We also identify and analyse risks in the entire production process and implement control measures to minimise risks. We have appointed HACCP teams that implement, monitor, and regularly update all necessary changes. As a food business entity, Franck operates under continuous oversight from the State Inspectorate includes compliance with HACCP principles, where regular inspections and reports have consistently shown full compliance, indicating that products and production processes meet all necessary safety and quality standards at every level.

Our approach to collaborating with customers on human rights impacts centres on full adherence to legal regulations and standards for product health, labelling, and marketing practices.

## Cooperation with customers

At Franck, we are committed to engaging closely with our customers, addressing both the actual and potential material impacts – positive or negative – that may affect them now or in the future, by incorporating customer perspectives into our decision-making processes.

Franck has established standards and responsibilities for monitoring legal regulations and employee training, along with a secured partnership with an external provider to assist in countries where language barriers may exist. Company members are members in working groups and associations of expert advisory bodies in charge of the adoption of legal documents, regulations, and decisions. Our new product development is guided by research data and, where necessary, we consult with the competent and authoritative institutions. Top management in the company is operationally responsible for facilitating cooperation with customers, end users, and their representatives regarding the actual and potential impacts that may affect them.

Market trends and customer habits are researched, competition is monitored and a product development plan is made based on the received inputs. In some situations, after the concept has been developed, recipe and design research is carried out by external customer testing. Once the data is obtained, it is used to improve the product concept. Each product placed on the market is monitored over a defined period, assessing distribution, volumes, realised profit, and market acceptance based on the obtained data.

Valicon's research on the corporate reputation of companies in Croatia for the year 2023 confirms that Franck's positive reputation is one of the key factors of the company's competitiveness. The research, which was conducted at the end of last year on a nationally representative sample of 1,000 respondents over the age of 16, included a total of 60 companies from Finance, Trade, Technology companies, Corporations (e.g. HEP, INA, Adris), Food Production and Beverage Production.

Customers are more inclined to buy products and/or services from companies with a strong reputation. This study aimed to assess Croatian citizens' perceptions and evaluations of companies' reputations. Out of the top 30 companies with the best reputation, Franck ranked prominently at 7th place. In the reputation index research for the top 30 companies, Franck achieved a high standing, ranking 6th in the emotional component category and 8th in the rational component category, placing it among the top 10 in both aspects. The research revealed a strong brand awareness for Franck, reaching approximately 90%. This high level of recognition aligns with the expectations for companies that maintain direct customer interaction and whose products are well integrated into everyday life.

According to the reputation index of companies in the Beverage Production sector, we took a high second place, and we are particularly distinguished by the "Product Quality" criterion, which the citizens emphasised in their spontaneous answers.

Almost 60% of surveyed citizens recognised Franck unprompted for its positive reputation, primarily citing the quality of its products and the company's longstanding tradition as reasons. Additionally, many respondents highlighted the reliability associated with Franck products, along with a general sense of trust in the company.

We are also in the top 3 by "Product quality", "Price-quality ratio", "Reliability" and "Flexibility" (in adapting to customer needs). We are equally positioned in terms of "Management" (perception of the company organisation and the success of management with a clear vision for the future), "Business" (success on export markets and stability in business, profitability and prospects for good growth), and we are equally well positioned in terms of "Innovativeness", "Ahead of the competition" and "Rapidly introduces new technologies", as well as "Allows employees to grow and develop" and "Attracts high-quality experts".

In relation to our activities in the areas of sustainability and responsibility towards the local community, we are also ranked in the top 3 in terms of "Takes care of the environment" and "Contributions to the well-being of the community". We took equal positions in terms of "Operates openly and transparently", "Respects customers/clients", "Independent of politics" and "Builds long-term relationships".

It is important to highlight that these excellent research results and Franck's highly positive public image stem from our ongoing commitment to building strong, respectful, long-term relationships with our customers, consumers, co-workers, business partners, and the communities we serve.

## Channels for communication with customers

In order for customers to directly express their concerns or needs to the company, we have developed specific channels.

In 2022, customers could submit complaints via e-mail, telephone and/or social media platforms. A system is in place to ensure timely responses to customer inquiries, following a standardised procedure for processing and addressing their concerns within legal timeframes. Complaint processing and responses are regularly controlled, and there is a system of regular analysis and reporting in place. Furthermore, all complaints received through Margon have an additional response control.

In 2023, Franck implemented a new procedure to handle client and end-customer complaints comprehensively. This procedure defines each step of the complaint management process, from initial receipt and forwarding to the appropriate responsible persons to detailed processing and thorough analysis. This procedure improves customer communication by streamlining interactions, making it easier for customers to provide feedback and for the company to address concerns promptly. It focuses on continuous improvement through the analysis of root causes behind complaints or objections. Receipt of complaints/objections and feedback from customers takes place through trade representatives, social media, and the company's website. Also, the existing channels for collecting inquiries and responding to users have been centralised through an external agency. When the answer is not clear, the question is referred to the responsible person in Franck according to the defined list and, after receiving the answer, it is forwarded to the customer. Analyses and reports on the type, duration and number of queries are collected at the end of each month.

Complaints are answered in writing via e-mail, no later than 10 days after receiving the complaint.

By managing complaints, we aim to ensure that the underlying causes do not recur through continuous improvement, supported by an monthly analysis. This documented procedure is applied in the same way at all Franck d.d. locations.

We conduct a monthly analysis and report on the types and numbers of inquiries received, closely monitoring the questions posed. Based on this, corrective measures are taken to improve the process where necessary. The service provider handling complaints, inquiries, and compliments is evaluated annually to ensure the quality of service meets our standards.

## Responsible marketing practices

For us at Franck, it is crucial to maintain high product quality, invest in the further development of brands, and maintain strong communication with customers. Despite the dramatic increase in the prices of raw coffee, we have not given up on premium quality, which is a strategic determinant of our business and the basis of the trust of generations of customers. Additionally, we actively shape and innovate within the market by tracking trends and introducing new concepts, clearly communicating these advancements through our brand activities. Sustaining customer interest, enthusiasm, and loyalty remains one of our highest priorities.

To celebrate 130 years in business, we launched the Franck Experience Store at 7 Teslina Street in Zagreb, designed to foster a closer connection with our customers. We replicated this concept in Sarajevo's city centre at 1 Strossmayerova Street, merging a hospitality space, a retail outlet, and the Barista Academy, which provides specialised training for our HORECA sector staff. In our Franck Experience Stores, our goal is to engage directly with customers to deepen the culture of enjoying premium coffee, tea, and other hot beverages by offering innovative preparation methods and unique tasting experiences. To celebrate the anniversary, a national prize game was organised in Croatia, with which we rewarded our loyal customers and thanked them for always being with us. We organized a special lunch prepared by top chefs from the association JRE Croatia - Franck for the employees directed by the prestigious association of young restaurateurs JRE-CROATIA.

We complemented the growing interest in high-quality single-origin coffees with a personalised approach, such as the edition of specialty coffees chosen by our master cuppers, the new Franck Specialty 130. We also offered customers an authentic tea experience with a line of Franck Specialty teas comprising six new products.

At the Communications Days festival, a premier event for the marketing communications industry, our marketing projects received multiple awards. This recognition underscores the impact and strategic direction of our brand development initiatives.

We were recognised for excellence in marketing communication in the highly competitive Beverage category for the Jubilarna Coffee and Franck Creme projects. Additionally, our Franck Cappuccino and Franck Beestro projects in the tea category received accolades. These projects not only won locally but also achieved further regional and international awards, celebrating their effectiveness in marketing, communication, and contributions to socially responsible business practices. Further confirmation of the creativity and effectiveness of our marketing communication came with the prestigious award for advertiser of the year, better known as the Marketing Oscar.

Following the success of Franck Beestro in Croatia, we expanded the project into Bosnia and Herzegovina, which involved collaborating with relevant local partners and engaging with the community. In development terms, we have introduced a new addition to our functional tea line, Franck Beauty, which is enriched with biotin and zinc to support the health of hair, skin, and nails.

Following the trend of strong growth of single-serve espresso at home, in addition to the already existing answer in the form of our Easy Serve Espresso and Dolce Gusto compatible capsules under the Franck Nota brand, we also introduced Nespresso compatible capsules of our trusted brands Superiore, Stretto, 125 Years Edition and Classic.

Among the key marketing initiatives in 2023, we emphasise the successful implementation of marketing automation tools through the Salesforce Marketing Cloud platform, executed as part of the Franck Loyalty Club. This makes us one of the first FMCG (Fast-Moving Consumer Goods) brands in the region to integrate direct-to-customer communication. We also introduced the product line “@home espresso bean” as a response to customers’ changing habits who increasingly consume espresso coffee in the comfort of their own homes.

In line with our status as a market leader, innovator, and trendsetter in the cappuccino category, we have introduced a new range of plant-based cappuccinos featuring three oat-based flavours, a lactose-free option, and enhanced with natural flavours.

## Managing customer-related impacts, risks, and opportunities

We offer a comprehensive overview of the actions and initiatives we implement to prevent, mitigate, and remediate negative material impacts on our customers while also striving to achieve positive outcomes for them. We also strive to provide an understanding of how we address material risks while capitalising on opportunities related to our customers.

To effectively manage our material impacts, risks, and opportunities related to customers, we conduct comprehensive risk analyses, such as those outlined by IFS Food standards. Additionally, we have established protocols for sending products, raw materials, and packaging materials for external health testing, and we cooperate with accredited laboratories and relevant institutions.

To prevent any negative material impacts on customers from potential product issues, we have established a crisis management team responsible for handling product withdrawals. Based on the team’s decision, product withdrawal is initiated. The decision to withdraw the product is made based on the analysis of the danger of the observed non-conformity on the end customer and the joint position of the team, and the final decision on the withdrawal is made by the Management.

If a product withdrawal is mandated by legislative bodies, the process is strictly managed in compliance with the relevant legal regulations for food businesses. These regulations outline the specific responsibilities and actions required.

A food business entity is required to:

- Notify the regulator
- Collect all necessary product information
- Establish the level of risk and, accordingly, the type of response, either a recall or withdrawal from the market
- Notify all customers to whom the product is distributed, including export markets
- Take non-compliant products off the market and remove them from sale
- Dispose of the returned product
- Monitor the effectiveness of withdrawals or recalls
- Make records available
- Report on withdrawal or recall, including actions taken to prevent recurrence of the problem.

The entity is also responsible for analysing the success of the product withdrawal process after the procedure is completed. At least once a year, it is responsible for checking the success of the process by simulation on a random sample, which is one of the input data for the evaluation by the Management Board. Each year, the withdrawal simulation must focus on a different product group or production process. In the event that the inspection finds that the process is outside the critical limits, i.e. it does not comply with the prescribed procedure, it is necessary to initiate corrective action / identify the cause of non-compliance with the procedure in order to avoid repetition. The product withdrawal simulation is carried out irrespective of whether Franck d.d. and/or state supervisory bodies initiated a product withdrawal from the market during the year.



# BUSINESS CONDUCT

## Impacts, risks, and opportunities

During the identification of impacts, risks, and opportunities in the double materiality assessment process, we found that corporate culture, whistleblower protection, supplier relationship management, and political engagement and lobbying are material topics for our business.

A **corporate culture** focused on ethics and transparency encourages trust among employees and partners and brings better results. A robust corporate culture framework, which has been implemented in the entire company business, opens up opportunities regarding the company's market positioning in relation to the workforce, on the one hand, and, on the other, in relation to business partners and sources of financing.

**Supplier relationships** require responsible sourcing, with an emphasis on sustainability and ethical standards, which reduces reputational risks.

**Whistleblower protection** is key to providing mechanisms for reporting unethical behaviour, thereby reducing the risks of illegal activity and protecting the interests of employees and businesses. Opportunities include enhancing reputation through transparent practices, which can increase customer and investor confidence and enable long-term growth and sustainability.

The company's **political engagement** can generate numerous risks as well as opportunities. The main risk is the possible accusations of conflict of interest or the perception of unethical lobbying, which can damage reputation. Transparency in lobbying is essential to avoid suspicions of inappropriate influence on political processes. On the other hand, opportunities lie in strengthening the position of the industry through cooperation with governments and institutions to promote sustainable policies and initiatives, which can lead to long-term benefits for business, industry, and the wider community.

## Actions and policies in relation to business conduct

Management bodies are involved in the implementation of activities, actions and/or supervision of actions and activities related to business conduct. The Management Board is regularly informed about measures and activities related to business conduct.



## Corporate culture

Corporate culture articulates goals rooted in shared values and beliefs. At Franck, these principles are embodied in the “Franck Compass.” Our corporate culture is aptly named a “compass” because it embodies direction and guidance, much like a physical compass. It represents a steadying influence that helps us navigate challenges and remain aligned with our values.



This cultural compass serves as a reliable tool to keep us focused on our principles and allows us to make the right decisions, ensuring we stay on course even in difficult times. At Franck, our corporate culture is anchored by four core values: Professionalism – We uphold a consistent respect for business ethics, supporting and respecting one another in every aspect of our work; Responsibility – We are committed to exploring and implementing new, environmentally responsible solutions to improve sustainability; Openness – We foster a culture that rewards and encourages the sharing of knowledge among colleagues; Passion for Growth – We strive for continuous improvement in our products, services, knowledge, and our own competencies.

We make sure all new employees are introduced to our corporate culture as part of their onboarding process. Additionally, any new policies or updates are communicated to all employees through our intranet.

We further develop and evaluate our corporate culture through surveys on employee satisfaction and attitudes. Depending on the outcome of the surveys, the corporate culture is adjusted. More information about the survey of employee satisfaction and attitudes can be found in the chapter Our workforce.

## Whistleblower protection

The company has implemented a Rulebook on Internal Procedures for Reporting Irregularities. The decisions made under this rulebook include appointing a confidential person to oversee reports, a commissioner dedicated to safeguarding workers' dignity, a commissioner responsible for personal data protection, and an organisational-level data protection officer.

## Supplier relationship management

We have a personalised approach to our suppliers. We negotiate individually with each supplier to ensure the most favourable conditions for both parties. This means that we do not have standardised payment terms but adjust them depending on the supplier.

We adhere to legal payment deadlines as outlined in our internal procedures. Despite the absence of standardised payment terms, we have not faced any court proceedings related to late or outstanding payments during the reporting period or prior.

We implement an equal payment policy regardless of the size of the supplier, and suppliers from the domestic market are preferred when it comes to raw materials and products that are available in the Croatian market. Most suppliers recognise us as a desirable business partner.

## Prevention of corruption and bribery

We believe in ethically responsible business and strictly comply with all applicable laws in all countries where we operate. By signing a statement on the prohibition of corruption or a contract with this clause, Franck guarantees to all business partners who request such a signature that it does not support or encourage corruption in its business. Next year, we plan to go one step further by adopting an anti-corruption policy that will be in line with the United Nations Convention against Corruption. The policy will include a whistleblower protection mechanism, the establishment of internal reporting channels, as well as the appointment and training of staff who will receive reports.

## Political engagement and lobbying

During the reporting period, we did not donate funds to any political party.

# ANNEX TO THE REPORT

Data sources for graphically displayed data (charts) in the environmental chapters

Table 1 Franck Group's Scope 1 carbon footprint in 2022 and 2023

Scope 1 – direct emissions – t	CO <sub>2</sub> / t	CH <sub>4</sub> /t	N <sub>2</sub> O/t	CO <sub>2</sub> (e)/t
Process emissions – 2022	1.789,99	0,02	0,00	1.790,59
Stationary sources – 2022	16,29	0,00	0,00	16,29
Non-stationary sources – 2022	1.201,57	0,06	0,06	1.219,27
Diffuse emissions – 2022	0,00	0,00	0,00	0,00
Total – Scope 1 – Franck Group – 2022 – t	3.007,85	0,08	0,06	3.026,15
Process emissions – 2023	1.609,47	0,02	0,00	1.610,07
Stationary sources – 2023	29,86	0,00	0,00	29,86
Non-stationary sources – 2023	1.232,38	0,06	0,06	1.250,08
Diffuse emissions – 2023	0,00	0,00	0,00	0,00
Total – Scope 1 – Franck Group – 2023 – t	2.871,71	0,08	0,06	2.890,01

Table 2 Franck Group's scope 2 and 2022 carbon footprint in 2023 and 2023

Scope 2 – indirect emissions – t	CO <sub>2</sub> / t	CH <sub>4</sub> /t	N <sub>2</sub> O/t	CO <sub>2</sub> (e)/t
Emissions from purchased electricity on the market – 2022	494,55	0,00	0,00	494,55
Emissions from purchased industrial steam on the market – 2022	871,75	0,00	0,00	871,75
Total Scope 2 indirect emissions 2022 – t	1.366,30	0,00	0,00	1.366,30
Emissions from purchased electricity on the market – 2023	452,92	0,00	0,00	452,92
Emissions from purchased industrial steam on the market – 2023	831,75	0,00	0,00	831,75
Total Scope 2 indirect emissions 2023 – t	1.284,66	0,00	0,00	1.284,66

Table 3 Franck Group's scope 1 and 2 carbon footprint in 2022 and 2023

Scope 1 indirect emissions and Scope 2 indirect emissions – t	CO <sub>2</sub> / t	CH <sub>4</sub> /t	N <sub>2</sub> O/t	CO <sub>2</sub> (e)/t
Total – Franck Group carbon footprint – 2022 – t	4.374,15	0,08	0,06	4.392,45
Total – Franck Group carbon footprint – 2023 – t	4.156,37	0,08	0,06	4.174,67

Table 4 Fuel and energy consumption in 2022 and 2023 in Franck Group companies

Company	Place of consumption	Type of fuel and energy	Fuel and energy consumption		Fuel and energy consumption/ MWh		Fossil fuels/ MWh	Renewable sources/ MWh	Nuclear energy/MWh	Fossil fuels/ MWh	Renewable sources/ MWh	Nuclear energy/MWh
Franck d.d.	Fuel consumption for own production and business processes (stationary sources)	Natural gas/m <sup>3</sup>	700.786,00	614.465,00	6.773,84	5.939,46	6.773,84	0,00	0,00	5.939,46	0,00	0,00
	Fuel consumption – Passenger vehicles	Eurodiesel/l	72.212,00	74.920,00	724,50	751,67	724,50	0,00	0,00	751,67	0,00	0,00
	Fuel consumption – Delivery vehicles	Eurodiesel/l	202.413,00	205.356,00	2.030,81	2.060,34	2.030,81	0,00	0,00	2.060,34	0,00	0,00
	Fuel consumption – Forklifts	Eurodiesel/l	380,00	360,00	3,81	3,61	3,81	0,00	0,00	3,61	0,00	0,00
	Fuel consumption – Forklifts	Propane/kg	6.970,00	7.080,00	82,76	84,06	82,76	0,00	0,00	84,06	0,00	0,00
	Consumption of electricity purchased from the supplier – Petrol/HEP-Opkrba	Electricity/kWh	3.488.235,00	3.237.303,00	3.488,24	3.237,30	2.807,33	436,38	244,53	2.681,46	366,79	189,06
	Consumption of industrial steam purchased from the supplier – HEP-Toplinarstvo	Industrial steam/t	3.672,00	3.467,00	3.058,78	2.888,01	3.058,78	0,00	0,00	2.888,01	0,00	0,00
Total Franck d.d.					16.162,73	14.964,46	15.481,83	436,38	244,53	14.408,61	366,79	189,06

Table 4 Fuel and energy consumption in 2022 and 2023 in Franck Group companies

Company	Place of consumption	Type of fuel and energy	Fuel and energy consumption		Fuel and energy consumption/ MWh		Fossil fuels/ MWh	Renewable sources/ MWh	Nuclear energy/MWh	Fossil fuels/ MWh	Renewable sources/ MWh	Nuclear energy/MWh
Elle Gi d.o.o. Koper	Fuel consumption for vehicles (as submitted)	Eurodiesel/l	80.878,00	68.671,00	811,45	688,98	811,45	0,00	0,00	688,98	0,00	0,00
	Liquefied petroleum gas – (as submitted – supplier Istrabenzin)	LPG/m3	5.179,00	4.666,00	242,84	218,79	242,84	0,00	0,00	218,79	0,00	0,00
	Natural gas consumption – coffee roasting		n/a									
	Consumption of electricity purchased from suppliers – E3, ENERGETIKA, EKOLOGIJA, EKONOMIJA D.O.O.	Electricity/kWh	63.214,00	59.198,00	63,21	59,20	63,21	0,00	0,00	59,20	0,00	0,00
Total Elle Gi d.o.o. Koper					1.117,51	966,96	1.117,51	0,00	0,00	966,96	0,00	0,00
Franck d.o.o. Sarajevo	Fuel consumption for own production processes (stationary sources)	Propane/butane/l	105.758,00	119.261,00	707,87	798,25	707,87	0,00	0,00	798,25	0,00	0,00
	Fuel consumption – Passenger vehicles	Eurodiesel/l	6.631,00	11.387,00	66,53	114,25	66,53	0,00	0,00	114,25	0,00	0,00
	Fuel consumption – Delivery vehicles	Eurodiesel/l	84.153,00	89.796,00	844,31	900,92	844,31	0,00	0,00	900,92	0,00	0,00

Company	Place of consumption	Type of fuel and energy	Fuel and energy consumption		Fuel and energy consumption/MWh		Fossil fuels/MWh	Renewable sources/MWh	Nuclear energy/MWh	Fossil fuels/MWh	Renewable sources/MWh	Nuclear energy/MWh
Franck d.o.o. Sarajevo	Consumption of electricity purchased from the supplier – JP “EP HZ MB” Mostar	Electricity/kWh	87.726,00	78.171,00	87,73	78,17	0,00	87,73	0,00	0,00	78,17	0,00
					1.706,44	1.891,59	1.618,71	87,73	0,00	1.813,42	78,17	0,00
Total Franck Grupa					18.986,68	17.823,01	18.218,05	524,10	244,53	17.189,00	444,96	189,06
Share in fuel and energy consumption							95,95	2,76	1,29	96,44	2,50	1,04

**Note:**

Franck d.d.

From January to June 2022 Franck d.d. bought energy from Petrol. Petrol, as a supplier, was expected to provide the “Report on the Structure of Electricity” alongside the bill. From June to December, the supplier was HEP-Opkrba. Franck d.d. did not purchase electricity from the guarantee of origin system. Instead, Franck used the general energy mix defined for tariff models that lack a guaranteed structure.

For the year 2022 on p. 16. <https://www.hep.hr/opkrba/UserDocsImages/Dokumenti%202023/Izjesce%20o%20strukturi%20elektricne%20energije%20za%202022%20HEP%20Opkrba%20d.o.o..pdf>

For the year 2023 on p. 21. <https://www.hep.hr/opkrba/UserDocsImages/dokumenti/izvjestaji/Izje%C5%A1%C4%87e%20o%20strukturi%20elektri%C4%8Dne%20energije%20za%202023%20godinu%20HEP%20Opkrba%20d.o.o..pdf>

Petrol did not publish the electricity structure in tariff models without a guaranteed structure, but was required to deliver it to the customer. To ensure a precise energy usage breakdown for 2022, Franck should aggregate the total energy purchased from Petrol and apply the corresponding energy mix. Additionally, energy supplied by HEP-Opkrba should also be tallied, with the appropriate energy mix applied. Since there is no data on the structure of electricity in tariff models without a guaranteed structure, the whole of 2022 is calculated as if Franck d.d. had bought energy from HEP-Opkrba. In 2023, the supplier was only HEP-Opkrba, so the data is correct. Fossil fuels include coal, lignite, liquid fossil fuels, natural gas and other unspecified sources of fossil fuels. Data submitted with the difference in total gas consumption and gas that was used for production processes and entered in the PI-Z forms of the Environmental Pollution Register ROO. Gas is still used for cooking in the restaurant, and in 2022 and 2023, we had a heating stove in the car repair shop and a continuous flow water heater in the raw materials and packaging warehouse, so this probably explains the difference.

#### Elle Gi d.o.o. Koper

Supplier for Elle GI d.o.o. Koper in 2022 and 2023 was E3, ENERGETIKA, EKOLOGIJA, EKONOMIJA D.O.O. There is no information on whether the purchased energy is from renewable sources with a guarantee of origin, i.e. E3 Zeleni – <https://www.e3.si/dom/elektrika/e3-zeleni>. Additionally missing is the “Electricity Structure Report” that suppliers are expected to provide to customers, so it was assumed that all electricity was from fossil fuels. For an accurate calculation, it is necessary to submit the previously mentioned data.

Reports on measurement of emissions – Načrt meritev emisijskih snovi v zrak št. LOM 20220633-N and Annex 2: Poročilo o meritvah št. 20220633-M prepared by Zavod za varstvo pri delu, Center za fizikalne meritve, Laboratorij za okoljske meritve, natural gas is mentioned as fuel. There is no data on natural gas consumption in the reports, and Elle GI d.o.o. Koper submitted a table with data on the consumption of LPG (liquefied petroleum gas) for the years 2022 and 2023, which was obtained from ISTRABENZ PLINI d.o.o. It is necessary to submit data on natural gas consumption for 2022 and 2023.

#### Franck d.o.o. Sarajevo

Supplier for Franck Sarajevo d.o.o. is JP “EP HZ MB” Mostar. All electricity produced and sold is from renewable sources (HE, RHE and VE) – <https://www.ephzba.ba/o-nama/profil-drustva/>

Data submitted in litres – propane/butane converted into m<sup>3</sup>

105,758.00 l = 105.76 m<sup>3</sup>

199,261.00 l = 119.26 m<sup>3</sup>

Data on the density of propane-butane (other names LPG, autogas) was taken from STL INA d.d. – range 513.8–593.2 kg/m<sup>3</sup>

<https://www.ina.hr/app/uploads/2023/04/Ukapljeni-naftni-plin-Propan-butan-smjesa-smjesa-obogacena-propanom-autoplin.pdf>

A density of 513.8 kg/m<sup>3</sup> was taken into account



Table 5 Franck Group's air pollutant emissions

Wastewater types	2022.	2023.
	Amounts of wastewater/m3	
Technological (industrial wastewater)	6.171,50	3.308,44
Sanitary wastewater	3.323,01	1.781,47
Precipitation polluted water	11.998,00	17.556,80

Table 6 The amount of water drawn (purchased water) from water supply systems and the amount of water discharged into public drainage systems in Franck Group in 2022 and 2023

Company	Supplied water	Unit	Discharged water	Unit	Consumption = Supplied-Discharged	Unit
Franck d.d. – 2022	10.264,60	m3	10.264,60	m3	0,00	m3
Elle Gi d.o.o. – 2022	156,00	m3	156,00	m3	0,00	m3
Franck d.o.o. Sarajevo – 2022		m3	0,00	m3	0,00	m3
Franck d.d. – 2023	5.089,91	m3	5.089,91	m3	0,00	m3
Elle Gi d.o.o. – 2023	156,00	m3	156,00	m3	0,00	m3
Franck d.o.o. Sarajevo – 2023		m3	0,00	m3	0,00	m3
Total Franck Grupa – 2022	10.420,60		10.420,60		0,00	
Total Franck Grupa – 2023	5.245,91		5.245,91		0,00	

Table 7 Total air pollutant emissions (except CO2) of the Franck Group

	Franck Group's total emissions (t)	
	2023.	2022.
Carbon monoxide – CO	0,71	0,78
Nitrogen oxides – NOx	1,22	1,41
Sulfur dioxide – SO2	0,04	0,04
Solid particles – PM10	1,50	1,75
TOC	0,05	0,05

Table 8 Amount of total non-hazardous and hazardous waste in Franck d.d. in 2022 and 2023

Franck d.d.	2023.	2022.
TOTAL NON-HAZARDOUS WASTE (t)	527,9	488
TOTAL HAZARDOUS WASTE (t)	7,7	3,5

