SUSTAINABILITY REPORT FRANCK GROUP

2024.
2025.













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A MESSAGE FROM THE CEO

IVAN ARTUKOVIĆ
CEO

It is with great pleasure that I present Franck's fourth Sustainability Report, covering 2024 and 2025. This period was marked by significant change, uncertainty and pressures that once again demonstrated how important resilience, adaptability and responsible management are to the long-term stability of our business.
Geopolitical disruptions continued to affect the availability of raw materials, transport routes and the security of global supply chains. At the same time, the coffee market was exposed to exceptional volatility, including sharp fluctuations in green-coffee prices, climate challenges in countries of origin and rising costs across almost every part of the value chain. For Franck—a company whose business has been connected with coffee and tea for more than 130 years—these developments are not merely market indicators; they directly affect our decisions, investments and ability to provide consumers with high-quality, accessible products.
In this environment, we do not see sustainability as a standalone topic, but as an integral part of business-risk management, product development and long-term competitiveness. New European regulatory requirements have accelerated the need for greater transparency, better-quality data, clearer responsibilities and a stronger understanding of impacts throughout the value chain. During 2024 and 2025, we continued to develop the processes and systems required for more effective management of environmental, social and governance matters, and for gradual alignment with increasingly demanding European standards for reporting and responsible business conduct.

We are aware of the need to establish structured ESG segments across all stages of our operations in order to achieve market best practices. This report is therefore not only an account of results achieved, but also an important tool for improving processes, identifying opportunities, setting measurable targets and directing future investments. A dynamic labour market and employee turnover received particular attention during the reporting period.
We continued investing in employee development, working conditions, training and the strengthening of organisational culture, aware that trust and belonging cannot be built through a single activity but through consistent, long-term action. The knowledge, experience and engagement of our people remain the most important prerequisite for Franck's quality, innovation and resilience.

Our goal is to gradually introduce more reliable, energy-efficient and technologically advanced solutions that optimise processes and reduce energy consumption, emissions and other environmental impacts. Despite all market pressures, we have not abandoned development and innovation. Continuous launches of new products remained an important driver of our growth and a way of responding to consumer needs. The long-recognised quality of our products remains an unquestionable priority.

At the same time, we want our innovations to focus on optimising production processes, developing more recyclable packaging and reducing the environmental impact of our products throughout their life cycle. Much work still lies ahead throughout the value chain—from equipment modernisation and emission reductions to developing more sustainable packaging and strengthening relations with employees. However, we believe that during 2024 and 2025 we laid stronger foundations for a more systematic approach to sustainability and for clearer links between our business decisions and long-term impacts on people, the environment and society.

I thank all our employees for their commitment and perseverance, especially during periods when changes and challenges followed one another rapidly. I also thank our suppliers, customers, business partners and consumers for their trust, cooperation and expectations that encourage us to improve.

As we build the next chapter of Franck's long tradition, our mission—"Every day, we create a premium coffee and tea experience in a sustainable way"—remains the foundation of our work. We believe that long-term value is created through responsible decisions, quality products, an open approach to challenges and the shared contribution of everyone involved in creating every cup of Franck.



OUR MISSION TO 2030

The Franck Way Forward 2030 strategy is founded on fulfilling our Mission through sustainable business. It is driven by motivated employees who live our values. We have clearly defined market strategies for all key country clusters, as well as priority projects and growth sources. Our "house of brands" gives every part of the portfolio a clear role, while our Supply Chain focus areas ensure the availability of goods and raw materials and the delivery of capital investments. By 2030, Franck Group will be digitalised and will use AI in most of its business operations.

VALUES WE SUPPORT

1. ***Professionalism***
   At all times, we respect the business code of conduct in the environment in which we operate.
2. ***Passion for Growth***
   Consistently high engagement and work by everyone in the organisation, not only to achieve but to exceed set targets.
3. ***Responsibility***
   We follow and seek to implement global initiatives for preserving the natural environment.
4. ***Openness***
   Every day, we encourage and reward the sharing of knowledge among colleagues.



" Every day, we create a premium coffee and tea experience in a sustainable way."

Franck Group — regional strength and specialised centres of expertise

Franck Group comprises the parent company Franck d.d. Zagreb, whose headquarters and production still stand at the historic location in Vodovodna Street 20, Zagreb, and its affiliated companies: Franck Ltd. Sarajevo, which combines production, sales and distribution in Bosnia and Herzegovina; Elle-GI Ltd. Koper, specialising in coffee production for the Slovenian HoReCa market through the Bar 2000 brand; Hug & Punch Ltd. in Matulji, focused on *specialty-coffee* production, coffee-preparation culture and professional barista training in cooperation with the *Specialty Coffee Association*; and Franck Makedonija Ltd.e.l., Skopje.

COMPANY NAME	COUNTRY	OWNERSHIP INTEREST 31 DEC 2024	OWNERSHIP INTEREST 31 DEC 2025
FRANCK LTD SARAJEVO	Bosnia and Herze-govina	100,00%	**100,00%**
ELLE GI LTD KOPER	Slovenia	77,50%	**77,50%**
FRANCK MAKEDONIJA LTD.E.L, SKOPJE	North Macedonia	100,00%	**100,00%**
HUG & PUNCH LTD. MATULJI	Croatia	80,00%	**80,00%**

Since opening its Zagreb factory in 1892, Franck has continuously developed its knowledge, products and brands, relying on quality, innovation and an understanding of consumer needs. Today, the Group operates in regional markets, linking strong local brands with its own production, distribution to numerous European and global markets, and an extensive presence in retail and HoReCa channels.

Our production locations are:

- Zagreb, Croatia
- Koper, Slovenia
- Grude, Bosnia and Herzegovina
- Matulji, Croatia.

Distribution in Croatia is organised through a network of warehouses and distribution centres in Zagreb, Split, Zadar, Rijeka and Osijek; in Bosnia and Herzegovina, in Sarajevo, Banja Luka and Tuzla; and in Slovenia, warehouses are located in Koper, Izola, Ljubljana, Ajdovščina and Lesce.

Special attention is paid to service quality, reliable logistics and rapid support for HoReCa partners, including servicing professional hospitality equipment and training service technicians through the regional service centre in Zagreb. This approach enables Franck to develop its business with customers and partners over the long term.



Franck is successfully developing its self-service vending machines channel through the Franck Snogoo brand, which connects modern vending machines at more than 2,000 locations with an offering of coffee, tea and other hot and cold beverages. Users can connect to the machine, order and pay through a mobile app, further digitising the vending channel and adapting it to a fast, simple and personalised consumption experience.



From chicory to the modern world of coffee



1892. A branch was opened in Vodovodna Street, Zagreb, where the company headquarters remain today

1900. The first chicory-drying facility was opened in Bjelovar

1918. Production of Kneipp coffee substitute began

1960. Coffee production launched

1962. Instant product facility opened (instant coffee and instant cappuccino)

1968. First production of tea bags for the Croatian market

1972. Iconic Jubilarna coffee, Minas, and Prima introduced

1975. Franck Classic espresso launched

1993. Jubilarna vacuum-packed coffee (the “brick” pack) introduced

2002. First single-serve espresso machines introduced

2008. Production facility in Grude opened



2009. Gloria factory and brand acquired

2014. Franck became a member of *International Coffee Partners* and the *coffee & climate* initiative

2015. Slovenian brands Santana and Loka acquired; tea production facility fully renovated, becoming one of the most modern in this part of Europe

2016. Partnership established with the Slovenian company ELLE-GI (Koper)

2017. Franck became a member of *Tea & Herbal Infusions Europe* (THIE)

2018. New Jubilarna coffee flavors introduced

2019. Premium Franck Superiore espresso launched, featuring selected beans from Rainforest Alliance Certified farms; Franck Snogoo—a network of self-service vending machines launched

2020. Specialty coffee line launched, featuring a curated selection by Franck experts Franck webshop launched

2021. The first fully digitized walk-in coffee store opened under the Franck Snogoo brand

2022. The Franck Experience Store opened on the occasion of the 130th anniversary of Franck

2024. The Barista Academy in Zagreb opened

2025. The remodeled Franck Experience Store in Sarajevo; recertification audit according to the IFS Food v8 standard; automated tea line with two SCARA robotic arms

More than 20 years of barista expertise and excellence

Franck's Barista Academy in Zagreb has operated for more than two decades. Its premises were modernised to enable higher-quality practical training for hospitality staff. The programme introduces participants to the entire coffee journey, from plantation cultivation to the correct preparation of espresso and other coffee-based beverages. The special Franck Barista Coffee Inspiration programme is intended for students and teachers of hospitality and tourism schools and regional competence centres. Its value has also been recognised by the Ministry of Science and Education. The Academy further contributes to the development of the profession by organising a regional barista competition, encouraging skills development and raising awareness of the importance of correct preparation of quality espresso. In 2024, 441 training sessions were held for 2,085 participants, alongside participation in 20 events and cooperation with 8 schools. Educational activities were complemented by 1,093 beverage interventions and adjustments. In 2025, activity increased further to 469 training sessions covering 1,930 participants. The Academy took part in 18 events, cooperated with 11 schools and carried out 1,230 beverage interventions and adjustments.





Innovation for new moments of enjoyment

During the reporting period, we offered the market 15 new products, developed by monitoring consumer needs and preferences. Through these products, we further strengthen Franck's leadership position and create foundations for sustainable growth and further expansion in regional and international hot- and cold-beverage markets.

Nota Cortado

A new product in Franck's capsule range: a 16-capsule pack compatible with Dolce Gusto machines, combining intense espresso with rich, creamy milk.



Franck Crema stick

Franck Crema Stick with sugar and milk, and Franck Crema Stick with sugar, are practical new products that allow consumers to prepare ground coffee with their preferred additions quickly by simply adding hot water.



Franck Beestro

A tea designed for year-round enjoyment, prepared as either a refreshing cold drink or a comforting hot beverage. It is available in chamomile and raspberry, and rosemary and lemon flavours, with 100% recyclable packaging and tea bags free of plastic and microplastics.



Franck Cappuccino: Bajadera, Griotte and Fontana

Franck and Kraš developed three new Franck Cappuccino flavours—Bajadera, Griotte and Fontana—combining recognisable flavours of favourite pralines with a rich cappuccino experience, further strengthening the brand's innovation and category leadership.



Green Tea: Mint, Blueberry and Forest Fruit

Franck expanded its green-tea range with three new products—Mint, Blueberry and Forest Fruit—offering varied, refreshing and fruity flavours tailored to different consumption occasions.



Moka

With the new Moka ground coffee, developed specifically for preparation in a moka pot, Franck further strengthens its premium segment. It offers a silky texture, full flavour and rich crema for coffee lovers who enjoy a home-brewing ritual.



Franck Cappuccino Pistachio

For lovers of creamy cappuccino, this product offers a rich pistachio flavour which, together with perfect foam, turns every cup into a small moment of enjoyment.



Instant Ice coffee

We were the first on the Croatian market to introduce instant iced coffee, developed as a practical and refreshing response to the growing cold-beverage trend and the needs of younger consumers.



100% Arabica Organic Espresso

Franck 100% Arabica Organic Espresso is a certified blend of organically grown coffee from Peru, the Democratic Republic of Congo, Colombia, Mexico and Ethiopia. It is produced in accordance with high environmental standards that support the preservation of soil, biodiversity and natural cultivation processes.



VALUE WE CREATE AND SHARE

Key performance financial indicators of Franck Group in 2024 and 2025

FRANCK GROUP	2024 (EUR ‘000)	2025 (EUR ‘000)
Total operating revenue	133.256	155.739
Operating costs (material costs, insurance, Group costs, payment-transaction costs, rent and logistics costs)	92.958	108.802
Employee costs (gross salaries, benefits, employee training and workwear costs)	17.327	19.338
Interest expense	720	641
Tax charges (income tax and surtax, pension, health and corporate-income tax)	6.828	6.902
Sales revenue	130.355	152.773
Sales volume (tonnes)	14.276	13.999
Profit from ordinary activities (EBIT)	6.100	6.455
Balance sheet (total assets/liabilities)	127.803	134.446

Stable financial performance is the basis for Franck Group’s long-term development, preservation of jobs and continuous investment in product quality, production processes and relations with business partners. By paying taxes and other public charges, the Group contributes to financing public systems and services in the countries where it operates, while applying current regulations and a responsible approach to tax obligations.



ESRS 2 GENERAL DISCLOSURES

p. 15. About the Sustainability Report
p. 16. Governance structure
p. 18. Business model and value chain
p. 24. Double materiality assessment



About the Sustainability Report

Franck Group's fourth Sustainability Report covers the period from 1 January 2024 to 31 December 2025. The Report has been prepared on a consolidated basis and includes data from four operating companies of the Group: Franck d.d. Zagreb, Franck Ltd. Sarajevo, Hug & Punch Ltd. Matulji and Elle-GI Ltd. Koper. The reporting boundary was defined to provide a more complete and comparable presentation of the Group's most important impacts on the environment, employees, consumers and other stakeholders.

The purpose of the Report is to transparently present how Franck Group manages sustainability matters throughout the value chain and the results achieved during the reporting period.

In recent years, the European Union has introduced new regulatory requirements aimed at strengthening and harmonising sustainability reporting, primarily through the Corporate Sustainability Reporting Directive (CSRD). Taking into account the further development of the European regulatory framework and the changes proposed under the Omnibus initiative, CSRD reporting is currently not mandatory for Franck Group. Nevertheless, in preparing this Report, the Group used the structure and requirements of the CSRD and the European Sustainability Reporting Standards (ESRS) as guidance. This approach contributes to more transparent and structured reporting and timely preparation for possible future regulatory obligations.

By further strengthening organisational capacities for the more systematic initiation and coordination of sustainability matters and for better application of the European Sustainability Reporting Standards, an important step has been taken towards a clearer allocation of responsibilities, more consistent data collection and the gradual integration of sustainability into governance and business decision-making processes.

As part of the preparation of the Report, the double materiality assessment was updated, simultaneously considering the Group's impacts on people and the environment and the financial risks and opportunities that sustainability matters may present for the Group's business. The assessment included detailed identification and evaluation of individual impacts, risks and opportunities, engagement of relevant internal and external stakeholders, and ranking against predefined criteria. The assessment results served as the basis for selecting material sustainability topics and the information presented in the individual chapters of this Report.

The Report reflects the continued development of Franck's sustainability approach towards more systematic measurement, management and communication of impacts, and provides a basis for further improvement of internal policies, processes, controls and data quality.

The approaches and indicators presented in the Report focus on the identified material impacts, risks and opportunities. Where a topic is not equally relevant to all Group companies, the disclosure focuses on the business areas, companies or geographical locations to which it primarily relates.

Although the Report has not been subject to external assurance, the Group performs additional internal controls, data plausibility checks and improvements to audit trails.

For all enquiries, please contact: info@franck.hr

Governance structure

The Group's parent company, Franck d.d., operates as a joint-stock company with a General Assembly, Supervisory Board and Management Board.

The Management Board consists of one member, the Group Chief Executive Officer (CEO), who manages the Group's operations together with the management team.
The Supervisory Board oversees strategy implementation and achievement of business objectives and consists of three members. The General Assembly consists of the company's shareholders, including legal entities as indirect owners and natural persons as direct owners.

Sustainability matters fall within the responsibility of the Management Board, while at the operational level they are implemented by management, coordinated by the relevant expert functions and, where necessary, external experts.

The governance bodies are regularly informed about material impacts, risks, opportunities and key performance indicators in accordance with the annual activity plan.

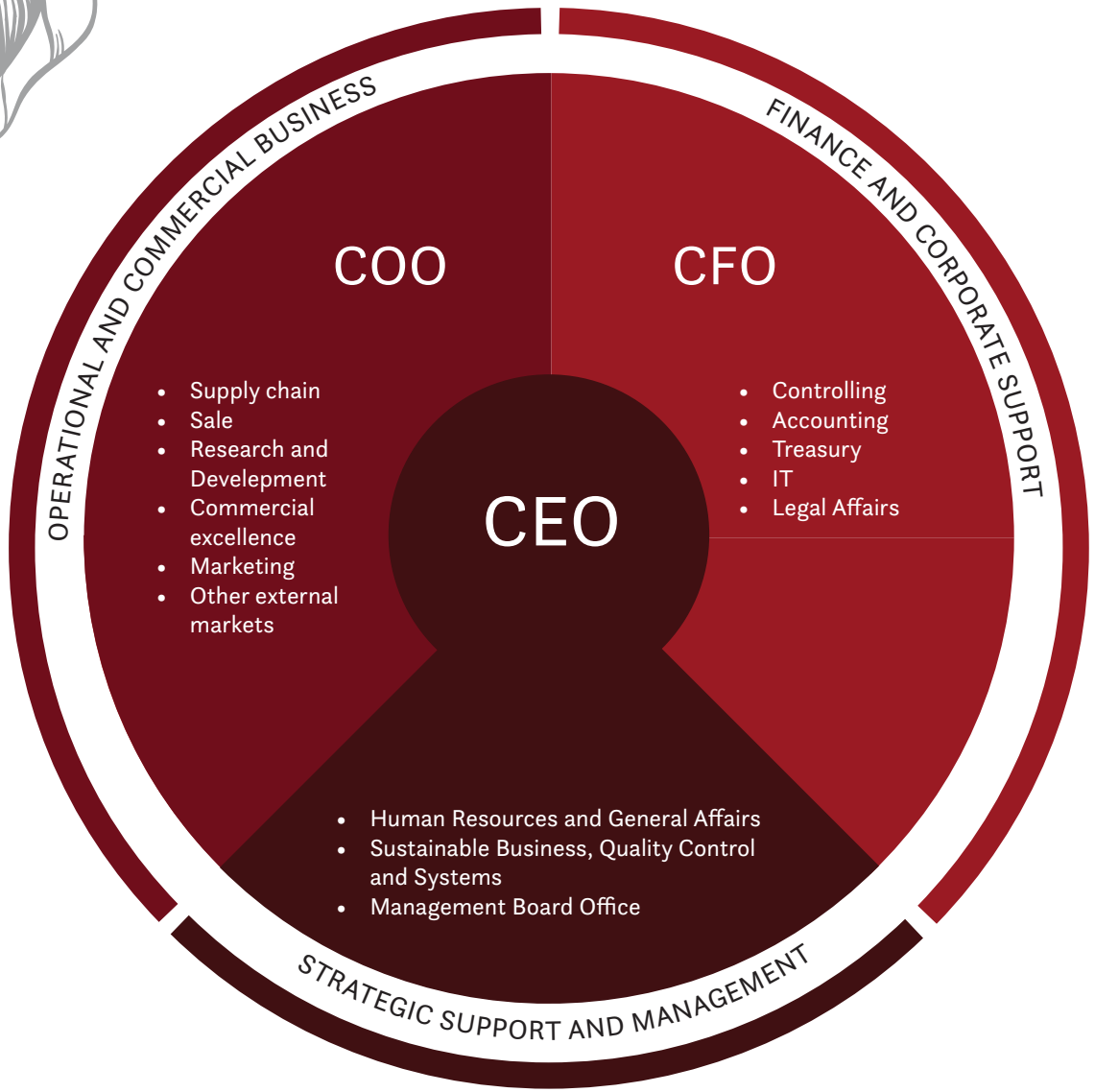
The due diligence process is integrated into the double materiality assessment, through which environmental, social and governance impacts, risks and opportunities throughout the value chain were identified and assessed with the participation of internal and external stakeholders. Due diligence is also conducted in procurement through supplier selection and regular assessment against food-fraud and supply-chain risk-management criteria. The Management Board and Supervisory Board oversee the management of these impacts, risks and opportunities and continuously adapt policies and practices to support the long-term sustainability of the business and value creation for stakeholders.

Sustainability-related indicators, including climate targets, are not currently included in the remuneration system for members of the administrative and supervisory bodies.

Franck Group is managed by the Management Board of Franck d.d., formally consisting of the Chief Executive Officer, who is responsible for overall management.

In operational management, the CEO is supported by the Chief Operating Officer and the Chief Financial Officer, each of whom manages their respective area of responsibility and organisational units.





The Management Board is responsible for overseeing sustainability issues, while the Organizational Unit Management of Sustainable Business, Quality and Systems coordinates the implementation of sustainability activities for the entire Group, monitors key indicators and reports progress to the Management Board

At Franck, we recognise a strong responsibility towards the environment and the people involved in every stage of our value chain, from the cultivation and sourcing of raw materials to production and the enjoyment of every cup.

As a company with more than 130 years of tradition, we seek to further strengthen our contribution to a more sustainable future for the coffee and hot beverages industry and to gradually embed sustainability in our long-term business vision and daily processes.

With the support of the Chief Operating Officer, the Chief Financial Officer and the relevant organisational units, the Management Board ensures that sustainability matters are integrated into corporate strategy, decision-making and risk management.

Business model and value chain

Framework of responsibility

The framework of internal policies and regulations is the foundation for consistent management of sustainability-related impacts, risks and opportunities. Franck's internal acts define principles, responsibilities and standards of conduct in energy efficiency and environmental protection, food quality and safety, equality, inclusion and diversity, employee health and safety, data protection and information security, and responsible business conduct. Their application ensures compliance with regulatory requirements, protection of the rights of employees and other stakeholders, and a reliable basis for achieving long-term business and sustainability objectives.



Contribution to the Sustainable Development Goals





- We reduce energy consumption, emissions and the environmental impacts of our operations.
- We promote equal opportunities, rights and representation of women and men. We build an inclusive working environment free from discrimination.
- We build an inclusive working environment free from discrimination.
- We ensure safe, high-quality and compliant products.
- We protect employee health and safety and prevent occupational injuries.
- We protect personal and business data and strengthen information-system security.

Our value chain

Franck Group's value chain encompasses all stages in the creation of products, from the cultivation of coffee, tea and other raw materials and packaging production, through transport, production and the Group's business activities, to distribution, product consumption and handling of packaging after use.

Our business is based on long-term relations with suppliers, employees, customers, HoReCa partners, retailers, distributors and consumers, with a shared focus on quality, product safety and responsible business conduct.

We recognise that the most significant environmental and social impacts, as well as business risks and opportunities, arise in different parts of the value chain. Through the double materiality assessment, procurement procedures, supplier assessments and stakeholder dialogue, we therefore seek to better understand the conditions under which raw materials and packaging are produced, how they are transported and processed, and the impacts related to product use and the end of the product life cycle.

In our own operations, we pay particular attention to production efficiency, food quality and safety, management of energy, resources and waste, and employee protection.

In the downstream value chain, we cooperate with partners to ensure reliable distribution, availability and appropriate preparation of products, while through packaging development and consumer information we seek to contribute to proper separation, reuse and recycling of materials.

The value chain presented below comprises seven key activities, from the cultivation and sourcing of raw materials to product consumption and handling of packaging after use.





CULTIVATION AND PRIMARY PRODUCTION OF RAW MATERIALS

- Coffee
- Tea
- Coffee substitutes
- Grits
- Sugar
- Cocoa



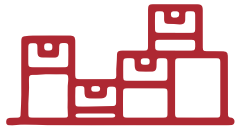
PRODUCTION OF PACKAGING AND OTHER MATERIALS

- Packaging material
- Auxiliary materials
- Equipment required for production
- Equipment required for beverage preparation



PROCUREMENT AND INBOUND LOGISTICS

- Supplier selection and assessment
- Negotiation
- Transport and delivery of raw materials and packaging



PRODUCTION AND BUSINESS OPERATIONS

- Supplier selection and assessment
- Negotiation
- Transport and delivery of raw materials and packaging



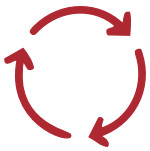
SALES, DISTRIBUTION AND SUPPORT FOR CUSTOMERS AND PARTNERS

- Retail, HoReCa i Vending channels
- Distribution to foreign markets
- Transport to customers
- Equipment servicing
- Partner education



PRODUCT USE AND CONSUMPTION

- Preparation and consumption in homes, the hospitality sector, offices, and public locations



END OF LIFE

- Separation and/or disposal of packaging waste
- Collection, reuse and recycling of packaging
- Waste management

UPSTREAM VALUE CHAIN | **OWN OPERATIONS** | **DOWNSTREAM VALUE CHAIN**

Stakeholder dialogue in creating sustainable value

We consider stakeholders to be individuals and groups directly or indirectly affected by Franck Group's operations, as well as those whose decisions, expectations and actions may affect the Group's business. In a business model that includes sourcing agricultural raw materials and packaging, producing coffee, tea and other beverages, logistics, sales through Retail, HoReCa and Vending channels, and support for business partners, strong stakeholder relations are important for value-chain stability, product safety and quality, and long-term business development.

Franck communicates with stakeholders through regular business and operational meetings, negotiations, surveys, supplier assessments, training, consultations, customer channels, social media, press releases, the Intranet, notice boards and cooperation with professional, regulatory and social organisations.

Stakeholder views were taken into account in identifying and assessing material impacts, risks and opportunities as part of the double materiality assessment. Responsibility for high-quality and transparent stakeholder relations is shared among the Management Board, business-area managers and relevant organisational units, depending on the area of cooperation. Insights gathered through stakeholder dialogue are used in the double materiality assessment, management of impacts, risks and opportunities, and development of Franck Group's policies, targets and actions.



MAIN STAKEHOLDER CATEGORY	STAKEHOLDERS INCLUDED	WHY THEY ARE IMPORTANT TO FRANCK GROUP	HOW FRANCK ENGAGES AND COMMUNICATES WITH THEM
OWNERS, GOVERNANCE BODIES AND FINANCIAL STAKEHOLDERS	Shareholders and the General Assembly, Supervisory Board, Management Board and management, commercial banks, credit institutions, insurance companies, auditors and other professional advisers	They provide strategic direction, oversight, financial stability and business-risk management. Their expectations relate to long-term value, transparent business conduct, regulatory compliance and high-quality management of financial and non-financial performance.	Through meetings of governance bodies, reporting on business results and risks, investment-approval procedures, financial and audit processes, and regular communication with financial and professional partners. Sustainability information is gradually being integrated into management reporting and decision-making.
EMPLOYEES AND THEIR REPRESENTATIVES	Permanent and seasonal employees, management, the Trade Union, Works Council, students and other forms of engaged workforce, and external education and training partners	Employees' knowledge, experience and engagement are essential for production, food quality and safety, product development, sales, logistics and service support. Their interests include safe and decent working conditions, competence development, equal opportunities, social dialogue and work-life balance.	Through direct communication with managers, cooperation with the Trade Union and Works Council, internal notices, surveys, training, performance assessments, development programmes and irregularity-reporting channels. Feedback is used to improve working conditions, organisational processes and human-resources management.
SUPPLIERS AND BUSINESS PARTNERS IN THE SUPPLY CHAIN	Suppliers of coffee, tea, chicory, sugar and other ingredients; packaging manufacturers; suppliers of energy, water, fuels, chemicals and equipment; and providers of logistics, transport, IT, servicing, certification, security, healthcare and other services	The reliability of these partners directly affects production continuity, the availability and traceability of raw materials, product quality and safety, emissions, resource consumption and supply-chain resilience. Suppliers of agricultural raw materials are particularly important because of environmental and social impacts that may arise in countries of origin.	Through contracting and day-to-day operational cooperation, quality and safety specifications, supplier assessment and selection, sustainability questionnaires, verification of certificates and documentation, delivery monitoring and resolution of identified deviations. Dialogue focuses on quality, traceability, compliance, responsible sourcing and risk reduction in the supply chain.
CUSTOMERS, SALES PARTNERS AND PRODUCT USERS	Customers in Retail, HoReCa and Vending channels, distributors, retailers, hotels, restaurants, cafés, lessees and other business users of Franck products, equipment and services	Customers and business users connect Franck products with end consumers and influence product-range development, service standards, packaging solutions and market communication. Their expectations include product safety and quality, reliable delivery, availability, technical support and timely information.	Through commercial meetings, market research, complaint management, customer support, training of hospitality staff, machine servicing, joint promotional activities and continuous logistics support. Information obtained is used to develop new products, improve services and adapt the offer to individual sales channels.
PUBLIC INSTITUTIONS, LOCAL COMMUNITIES AND WIDER SOCIETY	Ministries, regulatory and supervisory bodies, local and regional government units, utility companies, academic institutions, schools, professional associations, civil society, non-governmental organisations, media and recipients of sponsorships and donations	These stakeholders set the regulatory and social framework for operations and convey community expectations related to environmental protection, employment, education, product safety, transparency and contribution to local development. Cooperation with the academic and professional community additionally supports the development of knowledge, innovation and future talent.	Through regulatory reporting and inspections, professional conferences and sector associations, partnerships with schools and universities, educational programmes, donations, sponsorships and local initiatives, and communication with the media and interested public. Cooperation enables monitoring of regulatory changes, knowledge exchange and alignment of social activities with identified community needs.

Double materiality assessment

In preparation for applying the requirements of the Corporate Sustainability Reporting Directive (CSRD), Franck Group conducted a double materiality assessment to identify the most important sustainability matters related to its own operations and value chain. The assessment was performed in 2024 and further updated during 2026 and methodologically aligned with Delegated Regulation (EU) 2023/2772 and EFRAG implementation guidance.

The assessment covered two interconnected perspectives. Impact materiality analysed how Franck Group's activities actually or potentially, positively or negatively impact people and the environment. Financial materiality assessed how sustainability matters may impact the Group's financial position, performance, cash flows, access to financing and future development. The analysis covered own operations and the upstream and downstream value chain over short-, medium- and long-term time horizons, with particular emphasis on the sourcing of agricultural raw materials and packaging, production, distribution and product use.

Internal and external stakeholders that impact or are affected by the Group's operations were involved in the process, including employees, the Management Board, customers, suppliers, business partners and public-law bodies. Their views were collected through surveys and focus groups and used to supplement and validate the internal analysis, calibrate scores and confirm the final results.



Impact materiality (Inside-out)
How the company's activities impact (actually, potentially, positively, negatively) the community and the environment in the short, medium, and long term

Financial materiality (Outside-in)
External factors that impact or could impact the company's future profitability

Main assessment steps

- **Business context and value-chain analysis** - the Group's business model, previous reporting periods and double materiality assessment, sector characteristics and an initial assessment of ESRS topics and subtopics were considered.

- **Identification of impacts, risks and opportunities** - an extensive list of actual and potential positive and negative impacts and related financial risks and opportunities was identified.

- **Stakeholder engagement** - views of internal and external stakeholders were collected to verify the relevance and completeness of identified matters and assess the importance of our impacts, risks and opportunities relating to ESRS topics.

- **Scoring** - impacts were assessed according to scale, scope, irremediable character and likelihood, and risks and opportunities according to likelihood of occurrence and potential financial effect, all on a scale from 1 to 5. Their interconnections were also analysed to determine how sustainability-related impacts may translate into financial risks or opportunities.

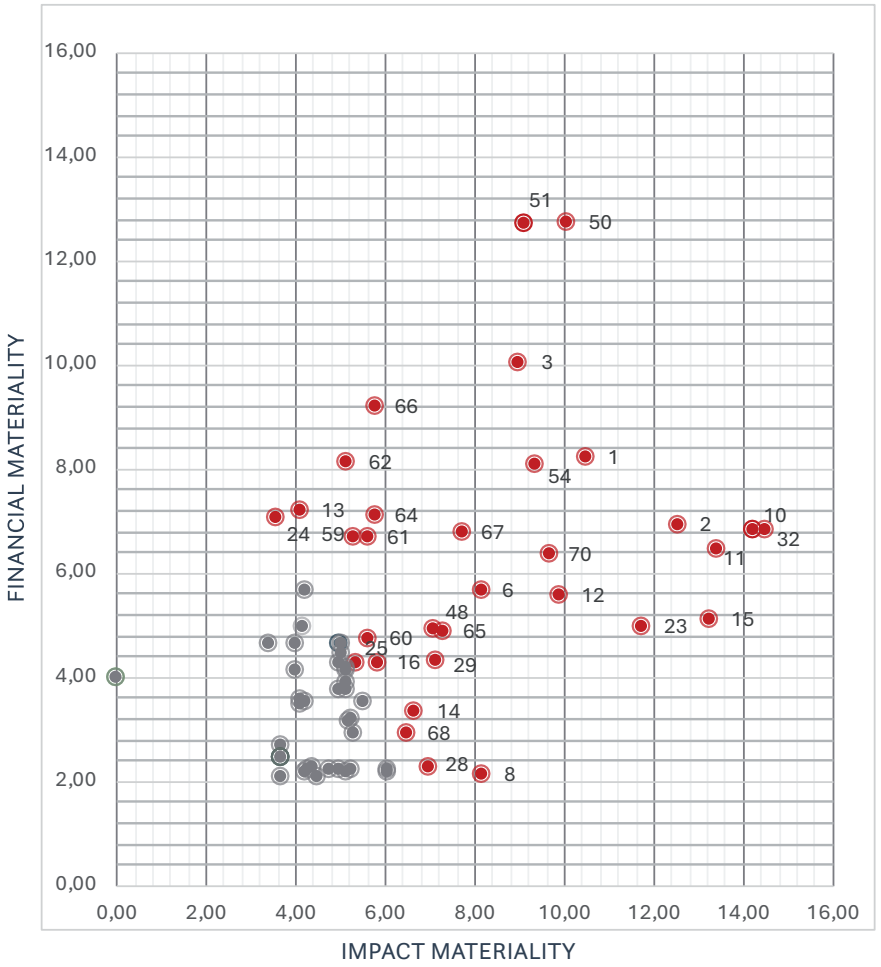
- **Determination of material topics** - impact scores and financial risk and opportunity scores were processed separately for each ESRS topic. Within each topic, average positive and negative scores were calculated, applying adjustment factors reflecting the perspectives of internal and external stakeholders.

The final impact-materiality result was obtained by combining the scores for negative and positive impacts, while the final financial-materiality result was obtained by combining risk and opportunity scores, applying an adjustment factor in favour of the negative impact or financial risk. The overall result for each ESRS topic combines impact materiality and financial materiality, with a final adjustment in favour of impact materiality.



ESRS topic double materiality matrix

Each point represents one ESRS topic. The number next to the point is linked to the topic and subtopic name in the adjacent table.



Topics that continue to be monitored

Material topics - included in further analysis

E	
E1	1 Climate change adaptation
	2 Climate change mitigation
	3 Energy consumption
E4	6 Drivers of biodiversity and ecosystem change
	8 The extent and condition of terrestrial and marine ecosystems
E5	10 Resource inflows
	11 Resource outflows related to products and services
	12 Resource outflows (waste)
S	
S1	13 Secure employment
	14 Working time
	15 Adequate wages
	16 Social protection
	23 Health and safety
	24 Training and skills development
	25 Gender equality
	28 Measures against violence; anti-harassment
	29 Non-discrimination
	32 Privacy
S2	48 Measures against violence; anti-harassment
	50 Child labour
	51 Forced labour
	54 Water and sanitation
S4	59 Privacy
	60 Freedom of expression
	61 Access to information
	62 Health and safety
	64 Non-discrimination
	65 Access to products and services
	66 Responsible marketing practices
G	
G1	67 Anti-corruption and bribery
	68 Protection of whistle-blowers
	70 Management of relations with suppliers, including payment practices especially late payment to small- and medium-sized undertakings (SMEs)

Of the 71 ESRS topics analysed, 32 were identified as material, while the remaining topics continue to be monitored and are not included in detailed topical disclosures. The assessment results form the basis for determining the content of the Sustainability Report, setting priorities and developing sustainability policies, targets and measures.

The assessment will be reviewed periodically to reflect changes in regulatory requirements, the business model, stakeholder expectations and Franck Group's value chain.

A more detailed overview of material impacts, risks and opportunities specific to each topic is presented within each topical standard.

First EcoVadis sustainability assessment

Franck Group participated in the EcoVadis sustainability assessment for the first time in 2025. The assessment evaluates management systems in the areas of environment, labour and human rights, business ethics and sustainable procurement.

The assessment provides an independent benchmark of existing practices and enables identification of areas where policies, implementation documentation and public reporting need to be further strengthened. We will use the results as a starting point for continuous improvement of sustainability management and greater transparency towards customers and business partners.

COMMITTED
ecovadis
Sustainability Rating
OCT 2025

EcoVadis is a globally recognised platform for assessing business sustainability and sustainability management in value chains. The assessment is based on documented indicators relating to policies, implemented measures and achieved results.



ENVIRONMENTAL DISCLOSURES

p. 29. **E1** Climate change

p. 40. **E4** Biodiversity and ecosystems

p. 44. **E5** Resource use and circular economy

E



E1 Climate change

Material impacts, risks and opportunities related to climate change - SBM-3, IRO-1



POSITIVE IMPACT

- Reducing emissions by increasing packaging recyclability
- Diversification of sourcing
- Sourcing raw materials with a lower carbon footprint



NEGATIVE IMPACT

- Consumption of energy and fossil fuels in own operations and in the production and delivery of raw materials and packaging
- Emissions from the cultivation and transport of raw materials
- Emissions from packaging production
- Emissions from production and own business operations
- Emissions from the distribution of finished products
- Reduced yields and quality of agricultural raw materials due to climate change



FINANCIAL RISK

- Increased raw material costs due to climate disruptions
- Increased material costs due to climate regulation
- Rising energy and energy commodity prices



FINANCIAL OPPORTUNITY

- More favourable financing for climate-resilient investments
- Incentives and subsidies for climate projects
- Strengthening reputation through transparent climate reporting
- Own generation of energy from renewable sources
- Investment in energy-efficient technologies and assets
- Earlier risk identification through systematic emissions monitoring

The double materiality assessment showed that Franck's most material climate-related impacts are associated with the upstream value chain, particularly emissions and energy consumption in agricultural production, the transport of raw materials and packaging production, as well as the long-term impact of climate change on the availability, yields and quality of key raw materials.

The impacts of own production, distribution and energy consumption are also important, while diversification of sourcing, directing procurement towards raw materials and suppliers with lower associated emissions, and increasing packaging recyclability have been identified as areas of positive contribution.

The most material physical climate risks were identified in the upstream value chain, primarily due to Franck's dependence on agricultural raw materials from different geographical areas. Climate change may reduce areas suitable for cultivation, yields and raw material quality, and may cause supply disruptions and higher procurement costs. Exposure of own locations to storms, heatwaves and other climate-related hazards is also monitored, particularly in the context of asset protection, employee health and production continuity.

Material transition risks relate to rising energy and material prices due to regulatory requirements associated with greenhouse gas emissions, and to the possible impact of the climate-related expectations of financial institutions and other stakeholders on access to capital. At the same time, access to more favourable financing and incentives, own generation of energy from renewable sources, and investments in energy efficiency and more climate-resilient assets were identified as important opportunities.

The current assessment was conducted by parts of the value chain and types of business locations. During the following year, Franck will conduct a comprehensive analysis of physical climate risks for all Group locations and assets, as well as a detailed assessment of transition risks and opportunities aligned with CSRD requirements. The analysis will include a more detailed consideration of exposure at individual locations, time horizons and relevant climate scenarios, and will serve as a basis for further improving climate risk management.

Material transition risks and opportunities

Name of risk/ opportunity	Type	Description of risk/opportunity	Part of the business exposed	Time horizon
Increased energy costs	Transition risk	Regulatory requirements, taxes and other restrictions related to emissions may increase the prices of electricity, gas and other energy commodities.	Production facilities, buildings, heating and cooling, and vehicle fleet	Medium term
Increased material costs due to climate regulation	Transition risk	Carbon taxes, customs duties and stricter emission-reduction requirements may increase the prices of raw materials, packaging, components and logistics services.	Procurement, production and the upstream value chain	Medium term
Constrained access to capital	Transition risk	Insufficiently rapid emission reductions and adaptation of the business to climate change may adversely affect the expectations of financial institutions and investors.	Financing of investments and own operations	Short term
More favourable financing and incentives	Transition opportunity	Climate projects may provide access to subsidies, ESG loans and other more favourable sources of financing.	Facility modernisation, energy efficiency and more climate-resilient assets	Medium term
Own renewable energy	Transition opportunity	Generating electricity from renewable sources may reduce operating costs, dependence on market energy prices and exposure to regulatory changes.	Franck production and other business locations	Medium term

Material physical risks

Name of risk	Type of physical risk	Risk description	Locations and activities exposed	Time horizon
Reduction in areas suitable for cultivation	Chronic physical risk	Rising temperatures and changes in the amount and distribution of precipitation may reduce areas suitable for growing coffee, tea and other agricultural raw materials.	Countries and regions of raw material origin in the upstream value chain	Long term
Decline in raw material yields and quality	Chronic physical risk	Changed climatic conditions and the spread of diseases and pests may reduce raw material yields and quality and increase the need to adapt recipes and production processes.	Suppliers' agricultural production and Franck's production processes	Long term
Disruptions to raw material supply	Acute and chronic physical risk	Extreme weather events may disrupt the production, availability and transport of raw materials, which may lead to higher procurement prices and supply instability.	Cultivation areas, ports, and sea and road transport routes	Long term
Damage to business locations	Acute physical risk	Storms and other climate-related hazards may damage facilities, warehouses and other assets and lead to remediation costs and business interruptions.	Production, warehousing and other business locations	Short term
Heatwaves and employee safety	Chronic and acute physical risk	Longer periods of high temperatures may worsen working conditions, reduce productivity and increase health and safety risks, particularly at workplaces that have not been adequately adapted.	Production facilities, warehouses, logistics and field work	Long term



E1-1 - Transition plan for climate change mitigation

Franck Group is not excluded from the EU Paris-aligned Benchmarks and recognises the globally established direction towards climate neutrality, including the need to reduce Scope 1, 2 and 3 emissions by 2050. However, during the reporting period, these objectives had not yet been translated into formally adopted Group climate targets or a time-bound transition plan.

Through the planned ESG strategy, the Group will determine priority areas for action and commit to selected common global goals, taking into account material climate-related impacts, risks and opportunities, available technologies, required investments and implementation options. After the strategy is adopted, progress will be monitored through appropriate key performance indicators and regular reviews, and the results will be transparently communicated to stakeholders through the Group sustainability report.

E1-2 - Policies related to climate change mitigation and adaptation

Franck applies the Energy Efficiency and Environmental Management Policy, through which it commits to continually improving energy performance and reducing the environmental impacts of its own operations. The policy covers systematic monitoring of the consumption of all energy sources, defining measures to reduce energy consumption per unit of product, procuring energy-efficient products and services, and design and investment activities that improve energy efficiency.

The policy supports the management of material impacts and risks related to energy consumption, emissions from own operations and potential increases in energy prices, and represents one of the foundations of Franck's approach to climate change mitigation. It applies to own operations covered by the environmental and energy management system, and senior management is responsible for its implementation, with the participation of the relevant organisational units and employees.

The policy currently addresses energy efficiency and general environmental management in greater detail, while climate change adaptation and the use of renewable energy sources are not covered separately. Franck will therefore, in line with the results of the double materiality assessment and the planned detailed analysis of physical and transition climate risks, consider updating and expanding the policy to include greenhouse gas emissions management, renewable energy sources, climate change adaptation, and climate-related impacts, risks and opportunities in the value chain.

E1-3 -Actions related to climate change mitigation and adaptation

Franck d.d. in Croatia manages energy in accordance with ISO 50001, with annual target setting, implementation of measures and verification of results achieved. The environmental management system in accordance with ISO 14001 additionally supports reductions in energy consumption and the negative environmental impacts of operations. In 2024 and 2025, the following activities aimed at improving energy efficiency were implemented at the Zagreb facility:

- Modernisation of tea packaging equipment – New packaging machines were installed and existing equipment was gradually modernised. The new machines increased productivity by approximately 30%, reduced downtime and the need for night work, and reduced annual operating hours by approximately 6,600.
- New tea cartoning and packaging line – The installation of an automated tea cartoning and packaging line increased process capacity, speed and reliability, with less downtime. More efficient and stable equipment operation contributes to reducing energy losses in the production process.
- Modernisation of the instant mixes facility – The system for preparing and mixing instant mixes was refurbished, simplifying the production process and reducing the raw materials required for cleaning, thereby increasing the reliability, safety and energy efficiency of the production process.
- Improvement of the heating and thermal energy system – Optimisation of the heating process and replacement of worn system components resulted in a reduction in thermal energy consumption per heating degree day of 11.19% in 2024 and 3.28% in 2025.
- Reduction in electricity and gas consumption – Minor investments and equipment operating adjustments reduced electricity consumption per unit of product by 2.02% in 2024 and 0.34% in 2025, and gas consumption by 3% in 2024 and 3.28% in 2025.

In 2024 and 2025, the following activities aimed at improving energy efficiency were implemented at the Grude facility:

- Refurbishment of mill rollers – New rollers increased milling capacity and enabled more uniform coffee particle size, allowing the mill to operate for a shorter period for the same quantity of product.
- Procurement of an electric forklift – An electric forklift was introduced for internal transport and goods handling. It operates without direct fossil fuel consumption and without direct emissions at the location.
- Modernisation of the roaster – Roast-process control was automated, enabling more precise control and adjustment of roasting curves. A more stable process with fewer deviations enables more efficient energy use during roasting.
- Servicing and refurbishment of the packaging machine – Servicing and replacement of parts reduced downtime and the quantity of incorrectly packaged products, thereby reducing the energy used for downtime, repeated processing and scrap production.

The implemented activities increased the efficiency and reliability of production processes and contributed to more efficient energy use and reduced production losses, which may indirectly also reduce greenhouse gas emissions. Franck will continue to evaluate the achievement of energy targets annually and define new action plans, while energy indicators will gradually be linked more closely to greenhouse gas emissions monitoring and the Group's future climate targets.

International Organization for Standardization

Franck d.d. is certified to ISO 14001 for its environmental management system and ISO 50001 for its energy management system. By applying these systems, Franck systematically monitors its environmental impacts and energy consumption, sets improvement targets and implements measures aimed at greater energy efficiency and reducing the negative impacts of its operations.



coffee&climate

Franck participates in the coffee&climate through its membership in International Coffee Partners, together with other leading European coffee producers and traders. The initiative, launched in 2010 in cooperation with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), helps smallholder coffee farmers, their families and communities adapt to rising temperatures, longer dry periods, heavy rainfall, soil erosion and the spread of crop diseases. Training and joint projects promote more climate-resilient agricultural practices, improved soil and water management, food security, income diversification, youth inclusion and the development of small businesses linked to climate action. Following a phase focused on reducing emissions and increasing carbon storage capacity on coffee farms, the 2024-2028 period focuses on developing agroforestry systems and broader approaches to strengthening the climate resilience of growing regions. Through its participation, Franck contributes to the longer-term income security of producers, environmental conservation and the resilience of its own coffee supply chain.





E1-5 - Energy consumption

One hundred per cent of Franck Group's total energy consumption takes place in a high climate impact sector and includes electricity and thermal energy, industrial steam, natural gas, LPG and fuels for production processes, business premises, vehicles and machinery. In 2025, it amounted to 19,118.9 MWh, almost the same as in 2024, when it amounted to 19,091.4 MWh, representing an increase of 0.1%. Consumption of petroleum products increased by 5.1%, and purchased electricity and thermal energy by 1.2%, while natural gas consumption decreased by 5.8%. Energy intensity (MWh/ EUR million) decreased from 143.1 to 122.7 MWh per Group net revenue, or by 14.2%. Under the current classification, all consumption in both years was attributed to fossil sources, with no recorded own generation from renewable or non-renewable sources or consumption of energy from renewable sources. The Group therefore continues to implement energy-efficiency measures and consider the use of cleaner energy sources.

Energy consumption and energy mix	Year 2024	Year 2025
(1) Fuel consumption from coal and coal products (MWh)	0,00	0,00
(2) Fuel consumption from crude oil and petroleum products (MWh)	6.330,13	6.651,70
(3) Fuel consumption from natural gas (MWh)	6.381,29	6.012,00
(4) Fuel consumption from other fossil sources (MWh)	0,00	0,00
(5) Consumption of purchased or acquired electricity, heating, steam and cooling from fossil sources (MWh)	6.379,95	6.455,16
(6) Total fossil energy consumption (MWh) (calculated as the sum of rows 1. do 5.)	**19.091,37**	**19.118,85**
Share of fossil energy in total energy consumption (%)	100%	100%
(7) Consumption from nuclear sources (MWh)	0	0
Share of nuclear energy in total energy consumption (%)	**0%**	**0%**
8) Fuel consumption from renewable sources, including biomass (including industrial and municipal waste of biological origin, biogas, hydrogen from renewable sources, etc.) (MWh)	0,00	0,00
(9) Consumption of purchased or acquired electricity, heating, steam and cooling from renewable sources (MWh)	0,00	0,00
(10) Consumption of self-generated renewable energy other than fuels (MWh)	0,00	0,00
(11) Total renewable energy consumption (MWh) (calculated as the sum of rows 8. do 10.)	**0,00**	**0,00**
Share of renewable energy in total energy consumption (%)	**0%**	**0%**
Total energy consumption (MWh) (calculated as the sum of rows 6, 7 and 11)	**19.091,37**	**19.118,85**

[1] *Electricity from the energy mix.*

E1-6 -Total Scope 1, 2 and 3 emissions

During this reporting period, Franck Group calculated Scope 3 emissions for the first time. The inventory was therefore expanded compared with the previous reporting period, in which Scope 1 and 2 emissions were reported.

Scope 3 accounts for the largest share of the Group's total carbon footprint (95%), and the most important sources are associated with the cultivation and procurement of green coffee and tea, the production of packaging and other raw materials, upstream and downstream transport, and the energy consumption of coffee machines sold.

Scope 1 and Scope 2

In 2025, gross Scope 1 emissions decreased by 0.6% compared with 2024, primarily due to lower consumption of fuels and energy commodities in sources controlled by the Group. At the same time, Scope 2 emissions increased by 3.3% under the location-based method and by 3.6% under the market-based method, resulting in total Scope 1 and 2 emissions increasing by 0.7% and 0.8%, respectively.

Scope 3

Scope 3 emissions were calculated for the first time, and the results are considered preliminary and subject to further improvement in methodology and data quality. Most value-chain emissions arise from purchased goods and services, including green coffee, packaging and other raw materials, which account for approximately 70% of Scope 3. A significant share also relates to the energy consumption of coffee machines sold and to emissions generated when preparing our products, with the three largest categories together accounting for approximately 92% of Scope 3 emissions. The results confirm that future efforts to reduce the carbon footprint will focus primarily on procurement, supplier engagement, the energy efficiency of coffee machines and improved collection of primary data. Better-quality data collection will primarily focus on activities with the greatest expected impact, while the scope, relevance of categories and methodology used will be reviewed in each subsequent reporting period.

OUR CARBON FOOTPRINT

Scope 1 emissions comprise direct emissions from sources owned or financially controlled by the Group, including natural gas consumption for heating, fuel used in vehicles and machinery, and refrigerant leakage from air-conditioning equipment.

Scope 2 emissions are indirect emissions associated with the purchase and consumption of electricity and thermal energy in owned or leased facilities and equipment.

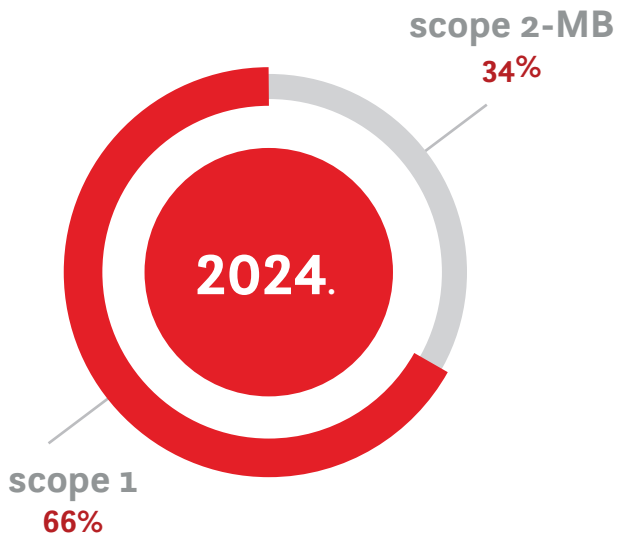
Scope 3 emissions arise in the value chain from sources that the Group does not own or control. They include all other indirect emissions in the value chain, including the cultivation of green coffee and tea, the production of packaging and other raw materials, upstream and downstream transport, and the energy consumption of coffee machines sold.

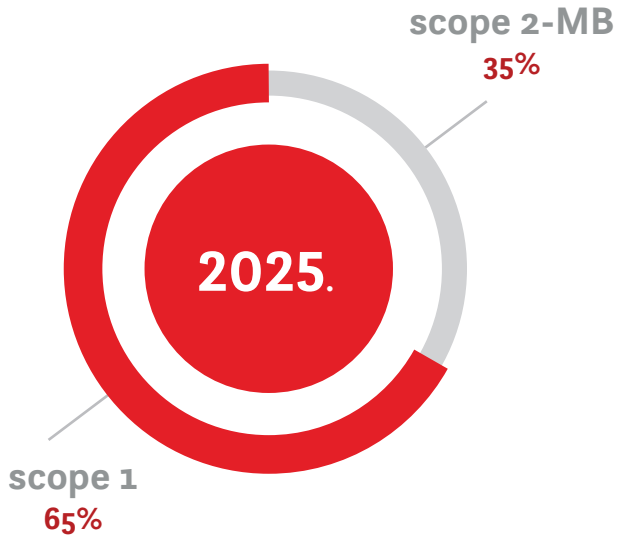
Franck Group Scope 1 and 2 greenhouse gas emissions

	2024.	2025.
	tonnes eqCO2	
Scope 1 greenhouse gas emissions	2.966,55	2.950,03
Mobile sources	927,89	1.484,93
Stationary sources	1.479,96	1.432,57
Fugitive emissions	31,79	32,53
Scope 2 greenhouse gas emissions, location-based approach (LB)	1.444,82	1.492,19
Electricity	818,10	827,49
Thermal energy	626,71	664,70
Scope 2 greenhouse gas emissions, market-based approach (MB)	1.513,80	1.568,31
Electricity	785,15	795,49
Thermal energy	728,65	772,82
Total greenhouse gas emissions (location-based)	4.411,37	4.442,22
Total greenhouse gas emissions (market-based)	4.480,35	4.4518,34

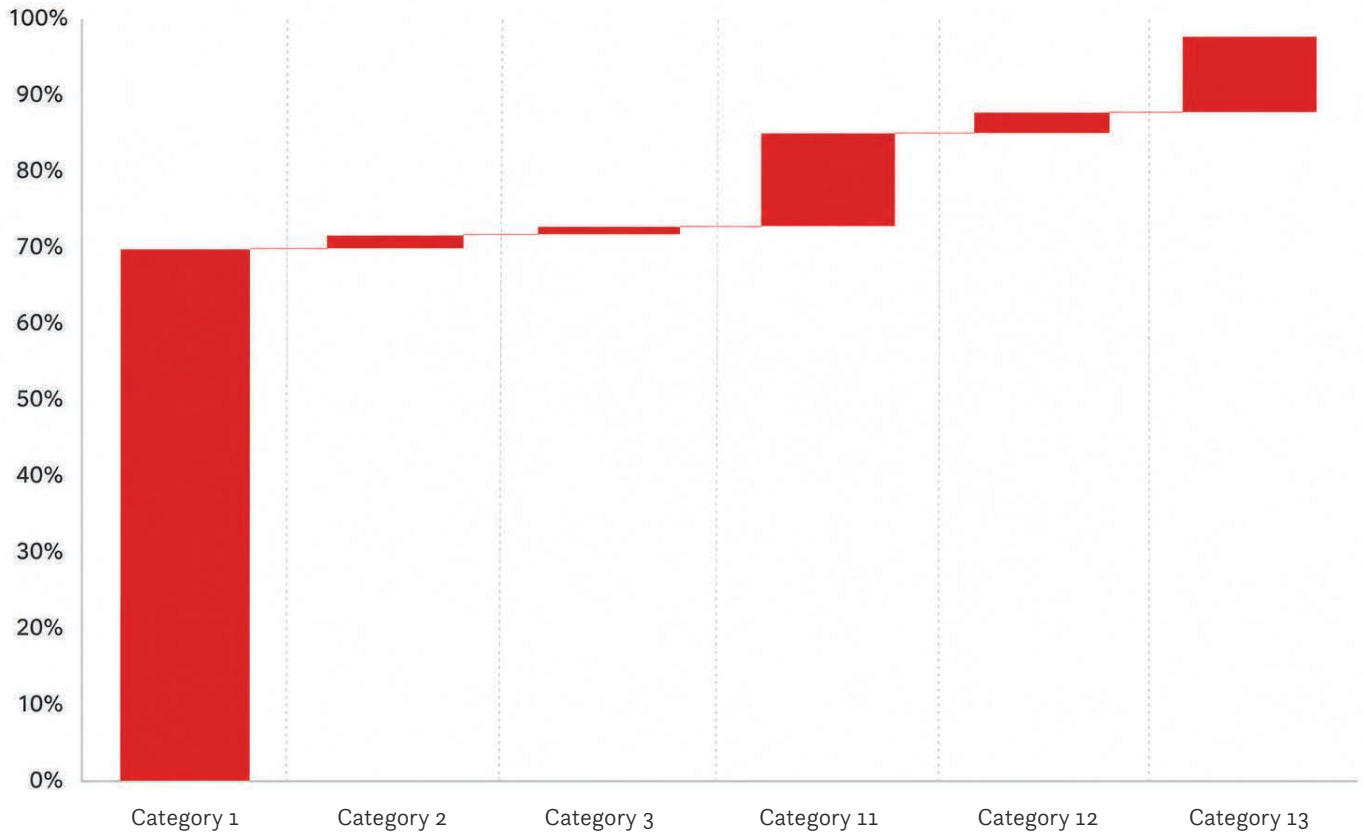
A comprehensive emissions overview is the basis for managing climate risks and progressing towards climate targets

Distribution of emissions by scope





Share of significant Scope 3 categories



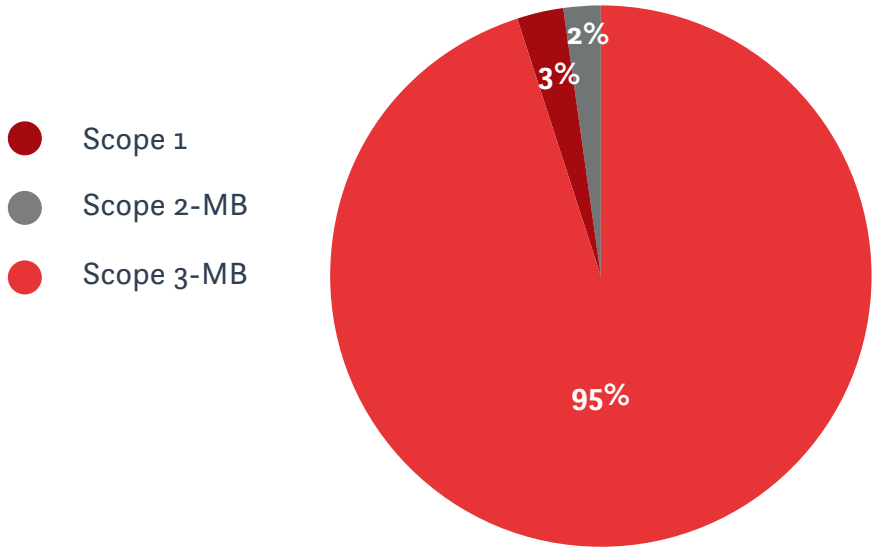
Greenhouse gas emissions were calculated in accordance with the GHG Protocol using the available national emission factor database and the GHG Protocol database, with global warming potential values from IPCC AR6. Process biogenic emissions were identified but are not material and are therefore not reported. Scope 1 emissions are not covered by the EU ETS. Franck Group does not apply an internal carbon price and does not have greenhouse gas removal and storage projects that would reduce emissions. The calculation of Scope 1 and 2 emissions includes Franck Group operating companies: Franck d.d., Franck d.o.o. Sarajevo, Elle-GI, Koper, and Hug&Punch, Matulji. The Scope 3 calculation includes Franck d.d. and Franck d.o.o. Sarajevo, corresponding to their share of more than 95% of total Group revenue. Other Scope 3 categories are not reported because their share is less than 1% of total Scope 3 emissions or they are not applicable to Franck Group's business model.



The greenhouse gas intensity calculation includes Scope 1 and 2 emissions for 2024 and 2025 and total revenue achieved; emissions intensity is therefore presented as emissions per unit of revenue (EUR million). In 2025, Scope 1 and 2 emissions intensity was 28.51 t CO2e per EUR million of net revenue under the location-based method and 29.00 t CO2e under the market-based method, a decrease of 13.8% and 13.6%, respectively, compared with 2024. The reduction in intensity was primarily the result of revenue growth, while absolute Scope 1 and 2 emissions increased slightly.

Emissions intensity	**2024.** t eqCO2/M €	**2025.** t eqCO2/M €
Greenhouse gas emissions intensity (Scope 1 + Scope 2, location-based)/net revenue	33,06	28,51
Greenhouse gas emissions intensity (Scope 1 + Scope 2, market-based)/net revenue	33,58	29,00

Franck Group's share of greenhouse gas emissions by Scopes in 2025



GREEN COFFEE ACCOUNTS FOR 64% OF TOTAL EMISSIONS IN 2025.

E4 Biodiversity and ecosystems

Impacts, risks and opportunities related to biodiversity and ecosystems -IRO-1

POSITIVE IMPACT
- Support for more sustainable and resilient coffee cultivation through *International Coffee Partners* initiatives

NEGATIVE IMPACT
- Deforestation due to the expansion of coffee plantations

FINANCIAL RISK
- Cost of compliance with the EU Deforestation Regulation
- Higher raw material costs and lower agricultural productivity due to the deterioration of ecosystem services

FINANCIAL OPPORTUNITY
- Responsible and certified sourcing

Through the double materiality assessment, Franck identified biodiversity and ecosystems as a material topic, primarily due to potential impacts in the upstream value chain. We are aware that coffee and tea cultivation may be associated with land-use change, deforestation, monoculture production, and the use of pesticides and mineral fertilisers, which may lead to habitat loss and deterioration, soil degradation and water pollution.

E4-1 - Transition plan for biodiversity

Franck Group has not identified material transition, physical or systemic risks related to biodiversity and, at this time, has not identified a need to develop a separate transition plan.

E4-2 - Policies related to biodiversity and ecosystems

Franck's Energy Efficiency and Environmental Management Policy provides a general framework for compliance with environmental regulations, continuous improvement of environmental performance, responsible use of resources, and prevention of pollution and waste generation.

Although the Policy does not specifically focus on biodiversity, its principles are complemented by activities related to more responsible sourcing of coffee and tea, existing raw material traceability systems, and their further improvement through the collection of geolocation data on the plots of land where the raw materials were produced, in accordance with the requirements of Regulation (EU) 2023/1115 (EUDR). Preparations for EUDR implementation and the use of certified raw materials and products further support the management of the most important potential impacts in the upstream value chain.

E4-3 - Actions related to biodiversity and ecosystems

Our own locations are not situated within protected areas, and no endangered plant or animal species are used in our operations. Due to a business model in which strategic raw materials are sourced through established traders and intermediaries, Franck has no direct relations with producers and no immediate ability to influence agricultural practices deep in the supply chain. Nevertheless, we are gradually further improving existing raw

material traceability systems by collecting and linking geolocation data on the plots of land where the raw materials were produced, in accordance with EUDR requirements. At the same time, we verify supplier compliance and, through sector initiatives and targeted sourcing of a limited share of certified raw materials, support more responsible agricultural practices and the prevention of deforestation. Biodiversity conservation is also important for the long-term stability of our business, as degradation of soil, water and ecosystems may affect the availability, quality and price of coffee and tea.

INTERNATIONAL
Coffee Partners

DELTA CAFÉ · Franck · JOH. JOHANNSON KAFFE AS · LAVAZZA GROUP · LÖFBERGS · N · Tchibo



As one of the existing ways of contributing to positive change in the coffee value chain, Franck has participated in the ***International Coffee Partners***, initiative since 2014, a pre-competitive partnership of seven family-owned European coffee companies. Through our membership, we provide financial support for development projects aimed at strengthening the resilience of smallholder coffee farmers and the long-term sustainability of coffee production. The particular value of these activities lies in promoting more sustainable agricultural practices that can contribute to preserving soil fertility, more responsible management of water and the use of fertilisers and plant protection products, greater diversity of production systems, and the resilience of farms and local ecosystems to climate-related and other environmental pressures. More information on the projects is available in the **ICP Annual Report 2025.**

Our products carrying the Rainforest Alliance certification, including Franck Superiore espresso and Indian and Green teas, make a positive contribution to biodiversity conservation in the value chain. The certification confirms that the raw materials originate from certified plantations committed to environmental protection, biodiversity conservation and more responsible production conditions. Certification supports the application of more sustainable agricultural practices through specific day-to-day requirements, such as preserving shade trees and natural vegetation, establishing buffer zones around water sources, and carefully managing and reducing the use of agrochemicals.

In addition, we support biodiversity and ecosystem conservation in our value chain through our new 100% Arabica Organic Espresso product, whose raw material comes from organic farming. This supports practices aimed at reducing the use of synthetic pesticides and fertilisers and at conserving soil, water and biodiversity.

These activities represent Franck's existing contribution to positive impacts in the value chain, but do not replace the need to further develop our own policies, supplier requirements and due diligence procedures. In the coming period, we will particularly strengthen the management of deforestation-related risks, including by formalising supplier expectations, improving compliance checks and increasing raw material traceability.

The Rainforest Alliance certification on Franck Green and Indian teas confirms our commitment to more responsible sourcing of raw materials and to promoting agricultural practices that contribute to biodiversity conservation, water and soil protection, and the reduction of the negative environmental impacts of cultivation.





Franck 100% Arabica Organic Espresso combines the superior taste of organically grown coffee with practices that support biodiversity and soil protection.

In the supply chain, the focus is on responsible supplier selection and increasing transparency and traceability, particularly for coffee, in order to reduce the risk of raw material sourcing adversely affecting existing ecosystems.

As an operator importing green coffee from third countries, Franck is actively preparing for the full operational implementation of EUDR requirements. In cooperation with leading international coffee traders, we are already establishing processes to collect origin and compliance data for each shipment, including geolocation data and documentation required for traceability to the plot of land where the coffee was produced. We are contracting the purchase of EUDR-compliant green coffee and will systematically record shipments in the European Commission information system and retain the related documentation, with clearly defined responsibilities and deputies to ensure process continuity.

At the same time, we are developing due diligence procedures to better understand potential negative impacts in the value chain and determine appropriate mitigation measures.

Proper implementation of the EUDR is one of our main objectives for 2026, and the establishment of a transparent traceability system will enable us to better manage the risks of deforestation and forest degradation and assess our readiness to set specific targets and indicators related to land degradation in the future.

This further strengthens sourcing traceability and reduces the risk that the coffee we place on the market is associated with negative impacts on forests, biodiversity and ecosystems in countries of origin.

E4-5 - Metrics related to biodiversity and ecosystems

As part of the metrics related to biodiversity and ecosystem conservation, we monitor the sourcing of raw materials from certified sources, including Rainforest Alliance and certified organic coffee. Certification confirms the traceability and correct labelling of certified raw materials.

We contribute to the conservation of forest ecosystems by sourcing FSC-certified cardboard and paper packaging. Most of our transport cardboard boxes bear the FSC label, which confirms the more responsible origin of paper and cardboard from certified forests, recycled sources or other controlled sources. Franck will continue to increase the share of FSC-certified materials in its operations.



The FSC label on Franck cardboard boxes and paper packaging components confirms that the material comes from responsibly managed forests and other controlled sources. In this way, Franck supports the protection of forest ecosystems, the responsible use of natural resources and greater transparency regarding the origin of packaging materials.

E5 Resource use and circular economy

Impacts, risks and opportunities related to resource use – IRO-1

The production of coffee products, instant mixes, tea, coffee substitutes and grits involves the use of various natural resources, raw materials and packaging materials, and the generation of by-products and waste at all stages of the value chain, from cultivation and processing of raw materials to production, packaging, distribution, consumption and the end of the product life cycle.



POSITIVE IMPACT

- Sustainable sourcing and packaging
- Resource-efficient modernisation
- Packaging reduction and increased recyclability
- Systematic waste management and recycling



NEGATIVE IMPACT

- Dependence on resource-intensive raw materials
- Waste from own operations, the supply chain and after product consumption



FINANCIAL RISK

- Stricter packaging regulation
- Cost of transitioning to sustainable packaging
- Costs of insufficiently circular operations



FINANCIAL OPPORTUNITY

- Savings through packaging and process optimisation

E5-1 - Policies related to resource use and circular economy

Franck's Energy Efficiency and Environmental Management Policy establishes a commitment to the rational use of energy and other resources and to continuously reducing the environmental impact of business processes. The Group promotes the procurement of energy- and resource-efficient products and services and the design of solutions that contribute to more efficient resource use. The Policy covers waste prevention and reduction, separation and responsible management, thereby supporting circular economy principles. Implementation is ensured through continuous process improvement, employee training, monitoring of legal requirements and cooperation with stakeholders.

E5-2 - Actions related to the circular economy

Reducing material consumption, optimising packaging, increasing its recyclability and preventing waste generation, while preserving product quality, safety and shelf life, are our priorities.

During 2024 and 2025, work continued on reducing the environmental impact of packaging by optimising the quantity of packaging materials and testing recyclable packaging solutions.
By optimising transport packaging for bagged ground coffee, cardboard consumption for the products concerned was reduced by 12.7%.
During the same period, additional solutions were developed and either introduced or planned for introduction in the following period. These include thinner film for one-kilogram coffee bean packaging, reducing packaging by approximately 15%; smaller cappuccino packaging, using approximately 4.4% less packaging; and switching the outer wrapper of vacuum-packed ground coffee to a recyclable polypropylene mono-material. Development activities focus on mono-material films whose composition and structure are suitable for recycling, while implemented measures are aligned with Croatian Waste Management Act and the Ordinance on Packaging and Packaging Wast, as well as EU Packaging and Packaging Waste Regulation (PPWR).

We are gradually integrating sustainability criteria into procurement and supplier selection, taking into account the durability and energy efficiency of products and equipment, material recyclability and the application of recognised environmental and social standards.

Circular economy principles are also applied to coffee machines. Regular servicing, refurbishment and replacement of worn parts extend machine life and reduce the need to replace entire units. Technical field teams and the Barista Academy provide customers with support and training on proper cleaning, filtration and maintenance, thereby reducing wear, downtime, costs and waste generation.

We see the technological limitations of existing equipment, limited availability of suitable recyclable solutions, possible reduction in product shelf life when packaging materials are changed, and further utilisation of by-products as key risks and opportunities.

In 2025, Franck further improved the monitoring of standards and production scrap. This enabled better planning of packaging-material procurement and more efficient production planning. These activities contribute to reducing deviations, more rational material use and reduced waste generation in production processes.

Rules for separate waste collection and management are applied at all operating locations in accordance with local and national regulations. Franck actively seeks opportunities to prevent, reuse, recover and recycle waste from its own operations, while separately collected waste is handed over to authorised contractual partners for further treatment or disposal.

In 2024, we established a “green corner” for separate waste collection and trained employees in proper waste separation and environmental awareness. As part of improvements in hazardous-waste management, we additionally arranged the storage area, and its remediation was completed during 2025 to ensure appropriate storage conditions. In 2025, a new metal container was also purchased for the safe collection and handling of waste coffee briquettes. At the same time, activities were launched to standardise and replace containers by waste type and to procure closed containers for municipal waste and separate containers for paper and cardboard packaging. A procedure was also initiated for the proper disposal of unnecessary CO2 and liquefied petroleum gas cylinders, further improving responsible waste management in line with ISO 14001 principles.

The development of more sustainable packaging solutions is supported by daily cooperation among our product development, procurement, production, quality, maintenance and supply-chain teams. Through joint work, we promote reduced packaging weight and the use of recycled and recyclable materials, while taking into account product functionality, production-process requirements and market expectations. In cooperation with suppliers, our employees develop solutions adapted to existing production equipment, while gradual replacement is planned for equipment that cannot be further adapted. Packaging sustainability is therefore not merely a technical objective, but the result of knowledge, experience and coordinated work by people across different parts of Franck Group.



E5-3 - Targets related to resource use

As part of the 2030 Packaging Strategy, Franck has set a target for the entire product range to be packaged in recyclable packaging by the end of 2030. Progress towards the target is monitored through the share of recyclable packaging in the total quantity of packaging used to manufacture Franck products.

The Strategy involves continuous monitoring of material consumption standards, regulatory requirements, and the potential for implementing new recyclable solutions. For 2026, plans include the introduction of recyclable packaging for coffee substitutes, sugar, and 500-gram packs of whole-bean coffee. For 2027, the introduction of biodegradable cups and recyclable packaging for cappuccino and ground coffee in pouches is planned. Subsequent phases will see a transition to recyclable solutions for vacuum-packed ground coffee and other packaging formats, extending by 2029 to one-kilogram packs of whole-bean coffee and grits.

Targets are pursued by testing new materials, monitoring product stability and shelf life, and adapting packaging solutions to the technical capabilities of production equipment.

Development seeks simultaneously to increase recyclability, reduce packaging weight and preserve product safety, quality and functionality. The Strategy is aligned with the evolving requirements of the Packaging and Packaging Waste Regulation (PPWR), including future design-for-recycling criteria and recycling-performance classes that will apply to packaging placed on the European Union market.



Optimizing the packaging for Cappuccinos will result in a reduction in packaging of ~4.4%



Thinner film for espresso beans will result in a total packaging reduction of 15%.

We see the greatest challenge in transitioning from composite films to recyclable solutions without an aluminium layer. We are working intensively with suppliers and conducting tests to meet PPWR requirements by 2030 while preserving product safety, quality and shelf life



E5-4 - Resource inflows

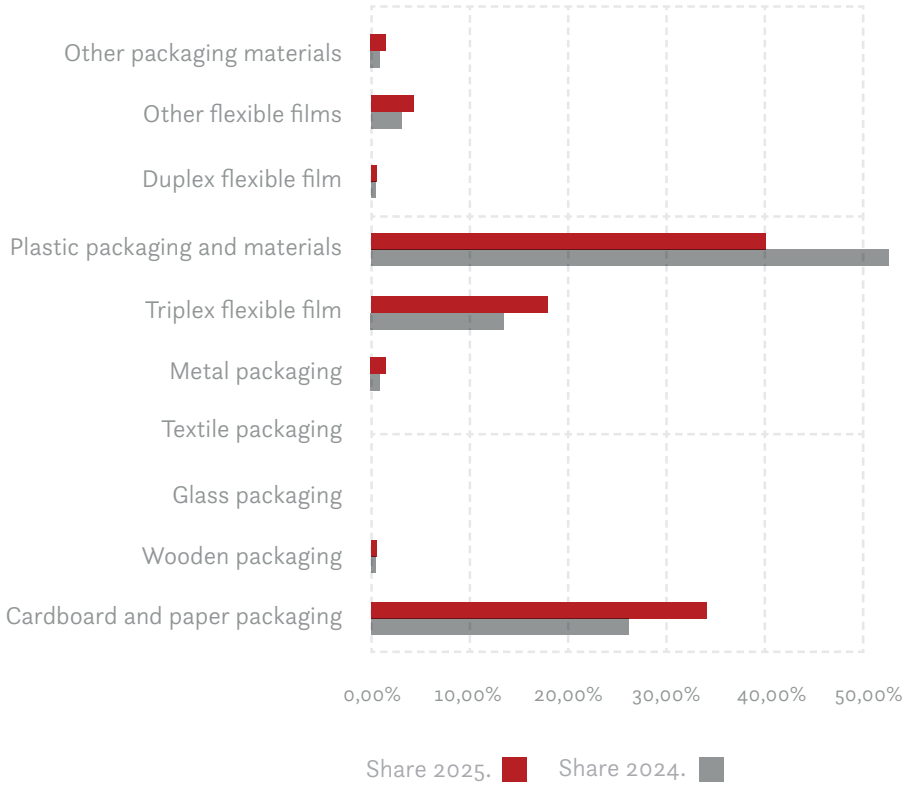
The main material inputs in Franck Group's operations comprise raw materials and packaging materials. Data on their use are recorded according to quantities specified in supplier contracts. The Group has developed a more systematic approach to collecting supplier data on recycled components in order to identify possible availability constraints in a timely manner. Coffee is the largest and strategically most important raw material by tonnage. For information on sustainability certifications used by Franck Group, see E4 Biodiversity and ecosystems.

Total weight of raw materials and materials used

	2024.	2025.
Total weight of technical and biological materials used (tonnes)	18.000,18	16.645,72
Total weight of biological materials, including biofuels used for non-energy purposes, from sustainable sources (tonnes)	15.430,42	14.907,19
Percentage of biological materials (%)	86%	90%
Estimated weight of recycled components used (tonnes)	1.036,98	973,15
Percentage of estimated recycled components used (%)	5,42%	5,50%

The total quantity of Franck Group packaging material decreased by 25% in 2025 compared with 2024. Franck will continue monitoring data on the quantity and structure of purchased packaging together with recyclability indicators, recycled-content shares and opportunities to replace complex multilayer materials, in order to assess progress towards more efficient and circular resource use.

Shares of packaging materials purchased in 2024 and 2025



E5-5 - Resource outflows

Franck Group's resource outflows comprise pre-packaged food products placed on markets and waste generated in production processes, including packaging that becomes waste at the end of its life in the downstream value chain and is addressed in ESRS E1 Climate change when calculating Scope 3 emissions.

Franck Group is focused on increasing circular packaging management, with the long-term objective of reusing discarded packaging as a raw material for new packaging. As the products are intended for consumption, repair and reuse of the products themselves are not applicable, while safety, quality and appropriate shelf life are key criteria in their development and placing on the market.

Recyclability remains one of the main criteria in packaging development.

The key indicator monitored for resource outflows is the share of recyclable packaging in Franck's product range. The indicator is calculated as the ratio of recyclable packaging to the total quantity of packaging used for products during the reporting year. Packaging recyclability is assessed using CEFLEX technical criteria and supplier data on material composition. Mono-materials are generally considered recyclable, whereas composite films combining aluminium and plastic are not considered recyclable because of limited options for separating the film layers and further processing them in existing recycling systems. In 2024 and 2025, approximately 75% of the packaging materials used for our products were recyclable.



100% recyclable packaging for Franck teas

Waste management

Franck Group companies manage waste in accordance with the waste hierarchy, giving priority to waste prevention, reuse, recycling and other recovery operations before final disposal. At the point of generation, waste is collected separately by type and waste code at designated green and eco-islands, while hazardous waste is temporarily stored in labelled and appropriately arranged areas. Separately collected waste is transferred, together with the prescribed documentation, to authorised collectors and treatment operators for further recovery or disposal. At the Zagreb locations, waste management is carried out within the certified ISO 14001 environmental management system, with continuous process improvement and implementation of business-unit action plans.

All packaging for the Group's branded products contains clear instructions for proper waste separation and disposal, making it easier for consumers to handle waste responsibly after product use.

In 2025, a total of 742.96 tonnes of waste was recorded at Group level, approximately 2% less than the 758.52 tonnes recorded in 2024. Around 70% of waste is generated at Franck d.d., 25% at Franck d.o.o. Sarajevo, around 5% at Elle-GI, Koper, while the quantities generated at Hug&Punch, Matulji are negligible. Of the total waste generated in 2024 and 2025, 99% was non-hazardous waste. The largest individual waste streams in 2025 were briquettes, including coffee husks and similar materials, and paper and cardboard packaging.

By integrating circular economy principles into our operations, we aim to use resources more efficiently, reduce waste and increase the use of recyclable and recycled materials.

Total waste generated by Franck Group

	Quantity in 2024 (t)	Quantity in 2025 (t)	Comparison 2025/2024
Total waste generated	758,52	742,96	-2%
Total hazardous waste generated	10,15	2,61	-74%
Total radioactive waste generated	0	0	0

Waste directed to disposal and waste diverted from disposal

	2024.		2025.	
	HAZARDOUS	NEHAZARDOUS	HAZARDOUS	NEHAZARDOUS
	Amounts (tonnes)		Amounts (tonnes)	
Waste diverted from disposal	6,82	398,64	0,14	393,48
Waste directed to disposal	3,33	349,73	2,48	346,87
Total waste generated	10,15	748,37	2,61	740,35
Amount of non-recycled waste	353,06		349,34	
Percentage of non-recycled waste	46,55%		47,02%	

The amount of waste directed to disposal or diverted from disposal by treatment type was estimated on the basis of the waste code and the recovery or disposal operation commonly used for that code, as the Group does not have complete service-provider data on the final treatment method for transferred waste.



SOCIAL DISCLOSURES

p. 51. **S1** Own workforce
p. 61. **S2** Workers in the value chain
p. 63. **S4** Consumers and end-users



S1 Own workforce

Impacts, risks and opportunities related to own workforce – SBM3

At Franck, we believe that our employees are the foundation of our success and one of the key factors in the long-term sustainability of our business. For more than a century, we have built our business on the knowledge, dedication and responsibility of our people, whose work, experience and innovation contribute every day to product quality, customer satisfaction and value creation for society.

POSITIVE IMPACT

- Secure employment
- Fair and competitive pay and recognition of responsibility, performance and length of service
- Social benefits and preventive healthcare
- Support for parents and flexible working arrangements
- Regular social dialogue and worker representation
- Prevention of occupational injuries
- Skills development and advancement opportunities
- Inclusive recruitment practices
- Protection of employee privacy and personal data

NEGATIVE IMPACT

- Elevated employee turnover
- Gender imbalance in certain departments

Franck continuously assesses potential and actual impacts, risks and opportunities related to its own workforce. The Group operates in accordance with applicable national legislative and regulatory requirements and applies policies and procedures that promote the protection of human rights, decent working conditions and responsible human resources management.

FINANCIAL RISK

- Occupational injuries
- Employee retention challenges and labour shortages
- Incomplete coverage of performance management and performance reviews

FINANCIAL OPPORTUNITY

- Investment in training and skills development increases employee competencies and engagement
- Reducing healthrisks through prevention programmes
- Strengthening Franck's recognition as an employer of choice
- Strengthening an inclusive culture

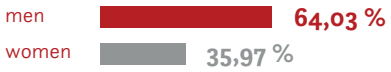
S1-1 - Policies related to own workforce

Franck Group fosters a working environment in which gender equality, diversity, inclusion and equal opportunities for all employees are respected. Through its Gender Equality Policy, Franck supports equal opportunities for women and men in all areas of business and prohibits direct and indirect discrimination based on sex. The Inclusion, Diversity and Equality Regulation further defines principles, objectives and measures for promoting an inclusive working environment, equal access to development and education, and the prohibition of discrimination, harassment and exclusion. Through training, monitoring of recruitment and advancement indicators, workplace accessibility and support for the employment of vulnerable groups, Franck seeks to strengthen an inclusive organisational culture.

Occupational health and safety are implemented in accordance with the Occupational Health and Safety Act and internal Occupational Health and Safety Regulations. Numerous activities are carried out to eliminate hazards to employee health and life.

Implementation of these policies and regulations is monitored through the internal reporting system, while oversight responsibility rests with the Management Board.

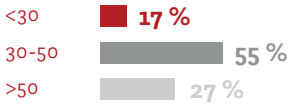
Gender representation in the total workforce



Total number of employees

	2024.	2025.
Total	645	670

Age distribution 2025.



Top-management diversity



S1-2 - Engagement with own workforce and workers' representatives

Franck recognises the importance of regular dialogue and employee involvement in matters affecting working conditions, well-being and job satisfaction. To ensure timely understanding of employee needs and expectations and to take their perspectives into account in decision-making, we use several channels for engagement and communication with our own workforce.

Dialogue with the Works Council

Upon employment, our employees may join the Works Council and Trade Union and are provided with email addresses and access to the internal network to receive all relevant information. Regular meetings with Works Council representatives are the key engagement mechanism and are held at least monthly, with participation by employer representatives and relevant functions. The meetings discuss business results, work organisation, occupational health and safety, training, working conditions and other matters important to employees. Comments, proposals and requests from worker representatives are considered when decisions that may affect the workforce are made. This dialogue has contributed, among other things, to improved flexibility of working time and other initiatives aimed at improving the employee experience. The Management Board meets Works Council representatives at least annually to discuss plans, strategies and other important matters.

The employee voice as a driver of development

Franck gains additional insight into employee experiences, views and needs through the Vox Populi employee satisfaction and engagement survey, conducted every two years at Group level. In the 2024 survey, 71% of employees participated. Overall employee satisfaction increased to 3.185 out of 4, compared with 3.152 in 2022. The highest ratings were achieved in dedication to work, challenging work tasks and working conditions. At the same time, employees identified the greatest room for improvement in personal growth and development, work organisation and involvement in decision-making. Compared with the previous survey, progress was recorded in corporate communications, work organisation, involvement in decision-making, working conditions and support from managers.

The share of engaged employees continued to increase, reaching 22.96% (15.80% in 2020.; 20.94% in 2022. and 22,96% in 2024.), while the share of unmotivated employees decreased to 3.06% (7.77% u 2020.; 6.01% u 2022. i 3.06% u 2024.).

As many as 89.8% of employees consider Franck a trendsetter in coffee and tea consumption culture, an increase from 82% in 2022, while 88.5% recognise Franck as a modern and innovative brand. Employee health care was also assessed positively, with 86% of respondents considering that the company actively contributes to their well-being. The survey results confirm a high level of trust in managers, a strong organisational culture and continued strengthening of employee engagement, with clearly defined areas for further improvement.

*Franck Group conducts the **Vox Populi** employee satisfaction survey every two years to monitor the organisational climate and identify opportunities for further development.*

Employee engagement

2024.	2022.	2020.
22,96%	20,94%	15,80%

Employee satisfaction survey

2024.	2022.
3.185/4.000	3.152/4.000

Group meetings for all employees

To ensure business transparency and open communication with all employees, Franck organises quarterly meetings of the Management Board and directors with all employees, known as town hall meetings. These meetings present business results, strategic plans, key projects and current initiatives and provide an opportunity for questions and direct exchange of views between employees and management. This approach helps strengthen trust, transparency and employee involvement in the Group's development.

S1-3 - Processes to remediate negative impacts and channels for own workers to raise concerns

We pay close attention to protecting employee rights and provide accessible mechanisms for submitting complaints and obtaining legal protection in cases involving infringements of the rights of all employees and engaged workers, regardless of workplace location.

The Regulation on Internal Reporting of Irregularities and Appointment of a Confidential Person introduced all options for reporting irregularities and protecting reporting persons in accordance with applicable legislation. A person was also appointed as Commissioner for the Protection of Workers' Dignity and is authorised to receive and resolve complaints related to protecting employee dignity.

Formalised processes forreceiving and resolving employee complaints provide protection and access to remedies, while the confidential person for reporting irregularities, supported by Human Resources, directors and employee representatives, ensures timely investigation of reports and implementation of corrective measures. System effectiveness is monitored continuously through records of reports and internal evaluations.

The confidential person for internal reporting is responsible for receiving, recording and investigating reports and initiating corrective and preventive measures within prescribed deadlines. Employees have several channels available for raising concerns and reporting irregularities, with protection against retaliation guaranteed under legaland internal acts. In 2024 and 2025, no reports of irregularities or cases of discrimination, including harassment, were received.

We will continue investing in raising employee awareness of available reporting channels and remediation procedures through training, internal communications and other activities promoting a fair and inclusive working environment.

S1-4 - Actions to build a working environment that supports employee growth, well-being and success

Performance management and employee development

In 2024, Franck Group introduced a Performance Management System to link the company's strategic objectives more clearly with employee goals, responsibilities and development plans. The system includes company and individual goal setting, progress monitoring, 360-degree feedback, results evaluation, development plans and links to calibration and rewards. When defining objectives and key performance indicators, the aim is to balance business priorities, individual contribution and the organisation's long-term development. Discussions between employees and managers define measurable, time-bound objectives and individual development plans, promoting transparency, accountability and continuous competency development. The system also contributes to employee motivation, better management of business activities and a focus on Franck Group's sustainable success.



The Performance Management System enables better alignment of day-to-day work with business priorities and identifies opportunities for knowledge, skills and career development. This strengthens transparency, motivation and collaboration as foundations of a working environment supporting employee growth, well-being and success.

Training and skills development

In 2025, we launched the internal Franck Learn & Grow Academy to support the professional growth of every employee and enable rapid, practical application of learning in business activities.



The programme covers a broad range of learning content, from foundational and specialist knowledge to workshops on personal effectiveness, leadership competency development and employee health and well-being. Learning is provided through interactive and online training. In the first year of the Learn & Grow Academy, 45 training sessions were held, with 630 participants and 27 topics ranging from professional and specialist knowledge to personal development, leadership and well-being.

- 45 educations (25 internal and 20 external)
- 630 participants
- 27 different topics, ranging from professional and specialist knowledge to personal development, leadership and well-being programmes.

Mandatory training for all employees covers cybersecurity and data protection.
Through the StartUp internship programme, Franck provides recent graduates with an opportunity to gain work experience and develop the competencies, knowledge and skills needed for future professional roles in the organisation. Participants receive mentoring, exposure to business processes, competitive compensation and the possibility of continuing to work at Franck after completing the internship.

There were seven interns in 2024 and four interns in 2025.

Work-life balance

Franck Group recognises the importance of work-life balance and seeks to provide working conditions that support employees' professional and personal needs. Flexible working hours and a hybrid work model of up to three days per month are available for applicable positions and functions.
We pay particular attention to supporting parents. All employees whose children are starting the first year of primary school are entitled to a day off to be with the child at the beginning of this important stage of life.



The Franck Learn & Grow Academy connects the development of knowledge, skills and a culture of collaboration in employees' daily work. Through training, exchange of experience and teamwork, employees develop competencies that contribute to personal growth, team effectiveness and Franck Group's success. Our people, their expertise and mutual cooperation underpin the quality of our products, the strength of our brands and the organisation's sustainable development.

Employees are entitled to family leave and related benefits in accordance with applicable regulations. The company also provides material and social benefits, including Christmas and Easter allowances, annual leave allowance, long-service awards, annual performance bonuses, Christmas gifts for children, childbirth support, retirement severance pay, secured parking, paid monthly transport and a meal allowance.

Through these measures, Franck provides employees with additional security and support at different stages of life, with the aim of preserving well-being, stability and a high-quality working environment.

Employee health and safety

Employee health and occupational safety are key priorities for Franck Group. The basic health and safety guidelines and rules are defined in the Occupational Health and Safety Regulation, and risk assessments are prepared using recognised AUVA and WKO methods, covering hazards, potential harm and workplace mitigation measures. Employees must comply with safe-working rules, care for their own health and safety and that of other employees, and report any potentially hazardous situation to their immediate manager.

Particular attention is paid to production and maintenance workers exposed to greater safety risks, with targeted training, preventive measures and activities to reduce occupational injuries. During the reporting period, Franck Group recorded no fatalities due to work-related injuries or ill health.

In addition to occupational safety measures, Franck continuously invests in prevention and employee health. All employees receive an annual health examination and support is available in cases of sick leave longer than 90 days. Human resources indicators, including sick leave and complaints, are monitored regularly to identify employee needs in a timely manner and improve working conditions. A standardised onboarding programme helps new employees adjust to the working environment, while learning-needs analyses and development programmessupport safe, efficient and sustainable work for existing employees.

Franck promotes a healthy and active lifestyle through various employee well-being programmes. Since March 2025, a lower basic membership fee for the MultiSport card has been subsidised for all employees who use or choose to use it, encouraging access to sports facilities across Croatia.

Educational and preventive activities on healthy lifestyles, health monitoring, stress management and balanced nutrition were organised for World Health Day, World Mental Health Day and World Food Day. Fresh fruit is provided every Monday and a joint hike to Sljeme was organised to promote recreation, time in nature, socialising and team spirit.

Franck has also promoted voluntary blood donation for many years. In cooperation with the Zagreb City Red Cross and the Croatian Institute of Transfusion Medicine, internal blood donation drives are held at company premises three times a year. All donors receive a free meal and drink and one paid day off. In this way, Franck further promotes solidarity, humanity and employee contribution to the wider community.



Through volunteering activities of the Franck Volunteer Club and the Franck Beestro project, Franck contributes to local biodiversity conservation by raising awareness of the importance of pollinators and by making and installing bee hotels and butterfly houses.

Diversity and inclusion

Franck Group promotes a working environment that respects diversity, inclusion and equal opportunities for all employees. Particular attention is paid to employing persons with disabilities and creating conditions that support their inclusion in the working environment and quality of life. Under the Programme for Employment of Persons with Disabilities at Franck d.d., persons with disabilities represented 2.3% of the workforce in 2024 and 2.64% in 2025. Where necessary, Franck cooperates with the Zagreb Rehabilitation Centre when employing persons with disabilities, further supporting positive practices for inclusion in the world of work.

Franck Group continues to improve diversity and inclusion in line with relevant European guidance, regulatory expectations and internal policies, with a commitment to equal opportunities in all markets. A key indicator is the share of women in management positions, which was 45% in 2024 and 52% in 2025. These indicators confirm the Group's continued focus on balanced representation of women and men in governance structures and strengthening an inclusive organisational culture.

METRICS

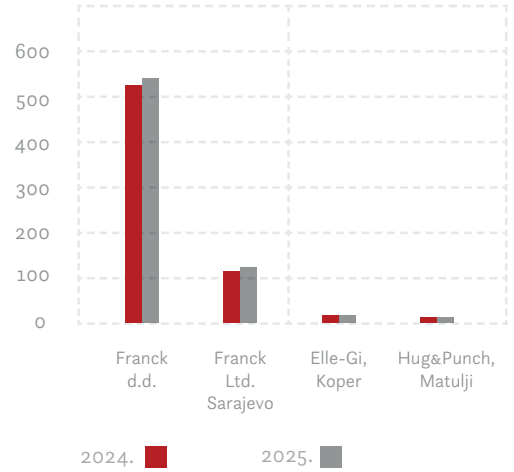
***S1-6, S1-7** - Characteristics of Franck Group employees - number of employees by gender and country of operation as at 31 December*

	2024.	2025.	2024.	2025.
Gender	Number of employees		Number of non-employee workers (self-employed persons)*	
Men	422	429	14	14
Women	223	241	0	0
Other*	0	0	0	0
TOTAL	645	670	14	14

** Gender as stated by the employees themselves.*
*** External sales representatives at the associate Elle-GI*

	2024.	2025.
Country	% of employees by country	
Croatia	81,55	80,15
Slovenia	3,26	3,13
Bosnia and Herzegovina	15,19	16,72

Number of employees by Franck Group companies



The ratio of male to female Franck Group employees in 2024 and 2025 was 65:35.

Franck Group conducts the key own business operations covered by this Report in Croatia, Slovenia and Bosnia and Herzegovina.

The largest number of Franck Group employees is located in Croatia.

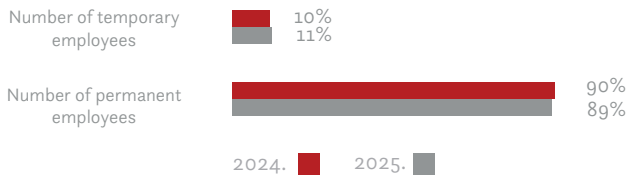
S1-6 *- Employee turnover rate*

Year	Number of employees who left the undertaking	Average number of employees	Employee turnover rate
2024.	94	624	15,06%
2025.	91	675	13,48%

** The employee turnover rate is calculated by dividing the number of employees who leave voluntarily or due to dismissal or retirement by the average number of Franck Group employees.*

Franck Group records lower turnover and continues to strengthen its role as a secure employer

S1-6 *- Employment characteristics by contract type and gender*



Franck Group has no employees with non-guaranteed working hours.

The ratio of permanently employed men to women in Franck Group in 2024 and 2025 was 63:37.

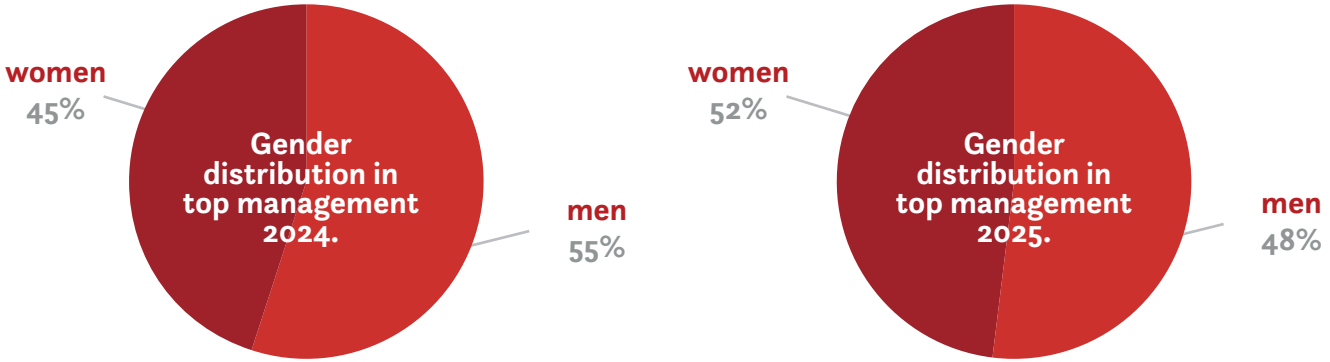
S1-8 *- Collective bargaining and social dialogue*

	Collective Bargaining Coverage				Social dialogue	
Coverage rate	Employees – EEA (for countries with > 50 employees included in the ten largest countries)		Employees – non-EEA*		Workplace representation (EEA only)(for the EEA countries with > 50 employees included in the ten largest countries)	
	2024.	2025.	2024.	2025.	2024.	2025.
Croatia	0%	0%			100%	100%
Slovenia						
Bosnia and Herzegovina			0%	0%		

** The European Economic Area comprises EU Member States and the three EFTA states: Iceland, Liechtenstein and Norway.*

Franck Group has no collective agreements in force. The percentage of Franck Group employees represented by workers' representatives was 80.62% in 2024 and 79.10% in 2025.

S1-9 *- Diversity metrics*



Franck Group top management includes all director-level roles during the reporting period.

S1-9 *- Employee characteristics by age*

Distribution of employee age groups

	2024.		2025.	
AGE	**Number**	**%**	**Number**	**%**
<30	98	15%	115	17%
30-50	369	57%	371	55%
>50	178	28%	184	27%
TOTAL	645	100%	670	100%

S1-10 *- Adequate wages*

Franck Group takes a responsible approach to remuneration management and ensures that employee pay complies with applicable legal requirements in the markets where it operates. The assessment of wage adequacy considers basic pay, guaranteed allowances and relevant national standards to provide employees with financial security and fair valuation of work. The reward system is further developed by monitoring market developments, internal criteria and business needs, with the aim of ensuring that pay reflects employee responsibility, knowledge, experience and contribution. This approach supports motivation, workforce stability and Franck Group's long-term sustainable business.

S1-13 *- Training and skills development metrics*

Performance and career development reviews

Country	2024.	2025.
	% of employees who participated in formalised performance and career development reviews	**% of employees who participated in formalised performance and career development reviews**
Croatia	39,73	39,66
Slovenia	0,00	0,00
BiH	0,00	24,11
TOTAL	32,40	35,82

The data currently cover officially documented performance and career development reviews and do not yet include other forms of review. Franck Group is committed to improving formal monitoring in the coming years so that the indicators better reflect the actual situation.

Average training hours per employee

Country	2024.	2025.
	Average number of hours*	**Average number of hours***
Croatia	0,65	1,28
Slovenia	0,00	0,00
BiH	0,00	0,05
TOTAL	0,53	1,03

** Calculated by dividing the total number of recorded training hours in Franck Group by the number of employees.*

The data currently cover only officially documented internal training. Franck Group is committed to improving formal monitoring in the coming years so that indicators better reflect the actual situation and include the various learning activities undertaken by employees internally and externally.



S1-11, S1-14 - *Occupational health and safety metrics*

FRANCK GROUP	2024.	2025.
Coverage of the entire own workforce by the health and safety management system*	100%	100%
Number of fatalities resulting from work-related injuries and work-related ill health - own workforce	0	0
Number of recordable work-related injuries**	10	8
Rate of work-related injuries** (number of work-related accidents per 1,000,000 hours worked)	11,4	9,86
Number of cases of recordable work-related ill health	0	0
Number of days lost due to work-related injuries, work-related ill health and fatalities - own workforce**	523	632

** Based on legal requirements and/or recognized standards or guidelines*
***Data refers only to Franck d.d.*

S1-15 - *Work-life balance*

Percentage of employees who used their entitlement to family-related leave during the reporting period

Year	Maternity leave	Paternity leave	Parental leave	Carers' leave
2024.	1,37%	1,69%	2,18%	0,97%
2025.	2,99%	2,11%	3,16%	0,63%

** Calculated as a weighted average based on the number of employees as at 31 December in individual Franck Group companies.*

S1-17 - Incidents, complaints and severe human rights issues

In 2024 and 2025, Franck Group companies recorded no severe cases of violations of internationally recognised human rights related to their own workforce that also constituted a breach of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises.

In 2024 and 2025, Franck was also not aware of any complaints submitted to OECD National Contact Points for Multinational Enterprises concerning working conditions, equal treatment and opportunities for all or other labour rights, nor any fines, sanctions or compensation related to reported incidents.



S2 Workers in the value chain

Impacts, risks and opportunities related to workers in the value chain – SBM-3

POSITIVE IMPACT
- Investment in a responsible supply chain
- Long-term partnerships with suppliers

NEGATIVE IMPACT
- Unintentional engagement with suppliers associated with non-compliance with labour and human rights

FINANCIAL RISK
- Stricter due diligence requirements

FINANCIAL OPPORTUNITY
- Responsible and certified sourcing

S2-2, S2-3 - Approach to engagement with workers in the value chain and channels for raising concerns

Franck recognises and understands that the most significant potential risks for workers in the value chain are associated with the upstream value chain, particularly the production of green coffee and tea in countries of origin. As coffee is one of Franck's key business categories, the company's long-term sustainability is linked to the well-being of people in the value chain who participate in its cultivation and production. Green coffee accounts for the largest share of our procurement, which takes place through commodity exchange channels and established traders. During the reporting period, Franck had no direct contact with plantation workers, smallholder producers or workers involved in the cultivation, harvesting and primary processing of raw materials. Opportunities for direct engagement with workers in the coffee and tea supply value chain, including collecting their views, needs and grievances, are therefore limited. Franck currently has no formalised Supplier Code of Conduct or its own grievance mechanism specifically intended for workers in the value chain, which represents an area for further development of the due diligence and human rights management system. During 2024 and 2025, based on the information available, Franck received no reports and identified no indications of human rights violations in the supply chain.

S2-4 - Commitment to a responsible supply chain

In the area of certified raw materials, Franck uses smaller quantities of *Rainforest Alliance certified* coffee and tea in production, thereby partially supporting standards related to environmental, social and economic sustainability. These activities represent Franck's existing contribution to positive impacts in the value chain, but do not replace the need to further develop our own policies, supplier requirements, due diligence procedures and grievance channels for workers in the value chain. In the coming period, Franck will particularly strengthen the management of risks related to child and forced labour, especially by formalising expectations towards suppliers and increasing raw material traceability.

As one of the existing ways of contributing to positive change in the coffee value chain, Franck has participated in International Coffee Partners (ICP) since 2014.

INTERNATIONAL
Coffee Partners

DELTA Franck JOH. JOHANNSON KAFFE AS LAVAZZA GROUP LÖFBERGS Tchibo

Our membership enables us to provide financial support for development projects that strengthen theresilience of smallholder coffee farmers, improve the living conditions of their families and communities, and support the sustainability of theglobal coffee market. Activities focus on sustainable agricultural practices, more stable incomes, food security, cooperative development, and the inclusion of women and young people.



On 11 June 2024, Franck hosted an International Coffee Partners meeting in Split, where representatives of leading European and regional companies discussed improving the living and working conditions of smallholder coffee farmers, the impact of EU regulation and further strengthening sustainability in the coffee value chain.

Franck and its key strategic sustainability activities were presented by directors **Ivan Artuković** and **Marko Njavro.**

Franck Superiore Espresso, made from carefully selected coffee beans, comes from Rainforest Alliance Certified™ plantations and farms that meet strict sustainable agriculture standards protecting the rights and well-being of workers, their families and communities.



S4 Consumers and end-users

Franck Group recognises consumers of its products as a key stakeholder group and seeks to ensure that its operations make a positive contribution to their safety, health and satisfaction.

Through high product-quality and safety standards, transparent information and responsible marketing practices, we build and maintain consumer trust and foster long-term relations based on responsibility and integrity. By recognising consumers' diverse needs and expectations, we continuously develop and improve our product portfolio, contributing to sustainable consumption and long-term value creation for customers and society.

Impacts, risks and opportunities related to consumers of our products – SBM-3



POSITIVE IMPACT

- Transparent product information
- Product health and safety
- Broad availability across product categories, sales channels and price segments
- Safe product use through clear consumer information



FINANCIAL RISK

- Regulatory risk related to responsible consumer information



FINANCIAL OPPORTUNITY

- Building long-term consumer trust
- Enhancing the nutritional profile of products
- Open dialogue with consumers to improve the customer experience

S4-1 - Policies related to consumers

The policies implemented relate to consumer health and safety and the protection of consumers' personal data.

Food Quality and Safety Policy
The Food Quality and Safety Policy confirms our commitment to producing safe, wholesome and high-quality products, meeting customer and consumer requirements, applying HACCP principles and international quality standards, and complying with the applicable regulations of the Republic of Croatia and the European Union.

Food safety at Franck is based on a strong safety culture, full product traceability, continuous process improvement and responsible engagement by all employees. Through this approach, we seek to strengthen consumer trust and ensure the long-term availability of safe, high-quality products.

Data Protection and Information Security Policy
Through the Data Protection and Information Security Policy, we manage information, information systems and personal data responsibly and securely, including consumer data in digital channels, the webshop, prize competitions, loyalty programmes, customer enquiries and marketing communications.

The Policy contributes to managing privacy, personal-data protection and information-security impacts and risks through technical and organisational measures, incident-management procedures and compliance with applicable regulations.

S4-4 - Consumer health and safety

Franck Group is committed to protecting consumer health and safety by applying high food-quality and safety standards at all stages of the product life cycle, from the selection of raw materials and suppliers to production, distribution and consumption. When new products are developed, supplier, raw-material and finished-product risk assessments are conducted, while the HACCP team ensures health and safety controls before products are placed on the market and throughout their shelf life.

All products are subject to risk analyses and testing plans confirming their quality, safety and compliance with prescribed requirements. The food-safety system is additionally supported by certified management systems, including the IFS Food standard and HACCP system, food-fraud and adulteration-prevention programmes and regular employee training.

Franck also performs supplier assessments and audits and requires documentation and certificates confirming the quality and safety of supplied raw materials and products. Three supplier audits were conducted in 2024 and four in 2025. System effectiveness is monitored through key indicators, including consumer complaints and non-compliance cases such as product withdrawals.

We recognise that the diverse needs and expectations of our customers and consumers underpin our adaptability, innovation and long-term market resilience.

Transparent consumer information is an important part of responsible business conduct. Packaging and other communication channels provide consumers with clear information on product composition, allergens, storage conditions, preparation, shelf life and consumption recommendations, enabling safe and informed product use.

Through continuous improvement of the food-safety system, monitoring of legal requirements and development of a food-safety culture, Franck places only high-quality and wholesome products on the market that meet consumer expectations and prescribed standards.

Franck Group applies an established product withdrawal system that ensures rapid and effective removal of products from the market where there is suspected non-compliance that could affect consumer health or safety. The procedure is managed by a trained crisis-response team, with the final decision made by the Management Board based on the risk assessment and established facts. Where necessary, competent authorities, customers and other relevant parties are informed promptly and prescribed corrective measures are implemented. System effectiveness is tested through analysis of each case and regular product-withdrawal simulations conducted at least annually.

In 2024 and 2025, there were no withdrawals of Franck products from the market.

Labels and certificates we use for quality processes and our products

S4-2, S4-3 - Engagement with consumers

Franck Group continuously incorporates the consumer perspective into product development and business decision-making to ensure that its products meet consumer needs, expectations and habits. In developing new products and engaging with customers, market trends, consumer preferences and competitor activities are analysed regularly, while decisions are also based on external market research, product testing and, at certain development stages, consumer research on recipes and design.

Franck maintains open and structured dialogue with consumers through various communication channels, including the Contact Centre, the info@franck.eu and info@franck.ba email addresses, the toll-free number 0800 33 44 33, website contact forms, social media, CRM and newsletter communications. Through these channels, consumers can submit questions, suggestions, compliments and complaints, report product issues or machine breakdowns, and directly express their needs and expectations.

All contacts received are recorded and categorised by request type, enabling systematic trend monitoring, analysis of recurring topics and identification of areas for improving products, services and the customer experience. Enquiries and complaints are processed according to standardised procedures and referred to the responsible departments, while consumer enquiries and

objections are answered within statutory deadlines. Corrective measures are taken where necessary, and where consumers are dissatisfied with the outcome, statutory out-of-court dispute-resolution procedures are available before court proceedings are initiated.

In 2025, the total number of consumer contacts increased from 1742 in 2024 to 2228, an increase of 27.9%, with email remaining the most commonly used communication channel. At the same time, the number of consumer complaints recorded in 2024 decreased by 27.5% in 2025, indicating a positive trend in product-quality management, customer experience and feedback handling.

Available Contact Centre operating indicators for the fourth quarter of 2025 indicate a high level of support availability, with no missed calls recorded. Consumer enquiries and feedback are continuously analysed and monitored monthly and used to improve products, services and internal processes. Consumer-relations performance is monitored through satisfaction-survey results, analysis of consumer contacts and trends in market indicators such as product and brand market shares.

The CRM system, Franck Club and newsletter communications are used to build long-term, relevant relations with consumers, while respecting personal-data protection rules, managing consent and providing an easy opt-out option.

The relevance of newsletter communications is also confirmed by the decrease in the average unsubscribe rate from 0.15% in 2024 to 0.12% in 2025. Through this approach, Franck Group strengthens transparency, access to information, consumer trust and responsible management of user feedback.

Protecting consumer privacy and personal data is an integral part of Franck Group's responsible relations with users. Access to personal data is restricted to authorised persons, appropriate technical and organisational security measures have been established, and a Data Protection Officer has been appointed as the contact point for matters relating to personal-data processing. Through this approach, Franck seeks to build long-term consumer trust, strengthen product quality and maintain responsible relations with all user groups. In 2024 and 2025, no reported consumer privacy breaches or consumer personal-data breaches were recorded.

Health claims

Franck Immune and Detox functional teas contribute to consumer health. Immune contains vitamin C and zinc, which support the normal function of the immune system. Detox is enriched with biotin and selenium and contains plant ingredients such as nettle, ginger and dandelion, while selenium contributes to the protection of cells from oxidative stress.



Franck Bianka 100% Chicory and Bianka Classic are cereal- and chicory-based beverages that contain no coffee, are high in fibre and suitable for vegans, offering consumers a high-quality hot-beverage alternative as part of a varied and balanced diet.



GOVERNANCE DISCLOSURES

p. 67. **G1** Business Conduct

G



G1 Business conduct

Impacts, risks and opportunities related to business conduct – IRO-1

POSITIVE IMPACT
- Strengthening the system for reporting all forms of irregularities and protecting whistle-blowers
- Supply-chain stability through long-term partnerships

NEGATIVE IMPACT
- Limited integration of sustainability throughout the value chain

FINANCIAL RISK
- Supply-chain disruptions caused by insufficient supplier management

FINANCIAL OPPORTUNITY
- Stronger market confidence through ethical business conduct
- A culture of openness and accountability

G1-1 - Corporate culture

The core values guiding our day-to-day operations are mutual respect, integrity and fair business practices, while governance and conduct systems, procedures and documents regulating business conduct and corporate culture form the foundation of our operations.

The Regulation on Internal Reporting of Irregularities and Appointment of a Confidential Person enables the reporting of internal and external irregularities. The established irregularity-reporting system contributes to transparency, accountability and the timely detection of breaches of internal rules, legal requirements and other forms of unethical conduct.

All employees are encouraged to raise concerns through their line managers, the confidential person, the Human Resources department or anonymous reporting channels. All reports are taken seriously and handled confidentially and without fear of retaliation and, where necessary, may lead to corrective or disciplinary action. Implementation responsibility lies with our human resources and legal functions. To support awareness, our policies are available on the Intranet and are complemented by regular communication and training initiatives.

We continuously develop and improve our corporate culture through regular surveys of employee opinions, attitudes and satisfaction. By analysing survey results, we identify areas for improvement and, based on feedback, adapt activities and initiatives that strengthen organisational culture and employee engagement. More information on employee survey results is provided in ESRS S1 *Own workforce*.

GOV-1 - Role of the management and supervisory bodies

The Management Board is responsible for establishing and implementing the business-conduct framework, including the prevention of conflicts of interest, bribery and corruption, compliance with regulations, and the protection of confidential information and data. The Supervisory Board oversees operations and monitors the effective application of mechanisms and controls that safeguard business integrity.

Through membership in national and international associations, Franck actively contributes to knowledge exchange, the promotion of sustainable practices and the development of the food industry, including participation in the Croatian Employers' Association, the Croatian Chamber of Economy and professional organisations related to coffee and tea.

HUP Hrvatska udruga poslodavaca

HGK

INTERNATIONAL Coffee Partners

TEA & HERBAL INFUSIONS EUROPE

G1-2, G1-6 - Supplier relations

We base supplier relations management on long-term partnerships, transparent cooperation and an individual approach that enables the alignment of both parties' interests. Given that green coffee accounts for more than 80% of procurement, in a market characterised in recent years by significant price volatility due to climate change, geopolitical circumstances and energy-price movements, we pay particular attention to supply-chain stability and resilience. Supplier payments are made regularly in accordance with invoice due dates and daily payment plans, with payment terms of 60 days most commonly agreed, including for green-coffee suppliers with whom we generate the highest turnover. We expect all suppliers to comply with laws and regulations and apply high standards of environmental protection, health and safety, and to respect internationally recognised human rights, including the prohibition of forced and child labour and the principles of equal treatment and non-discrimination.

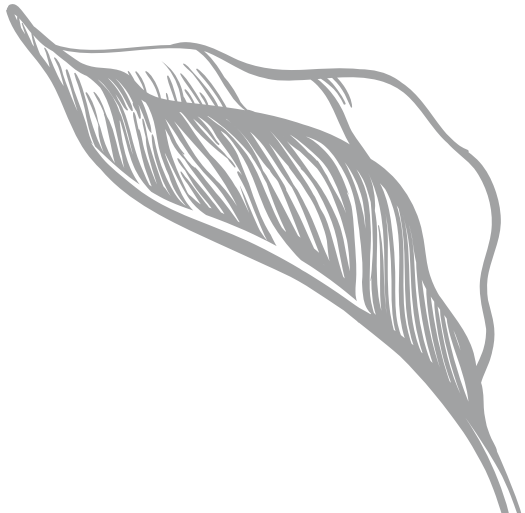
To ensure a high level of supply-chain quality and reliability, we conduct regular annual assessments of key and high-risk suppliers. These assessments cover the timeliness of agreed deliveries, the quality of delivered raw materials, market price movements and the quality of cooperation and communication. Based on the assessment results, appropriate improvement measures are undertaken, including supplier-development activities, corrective measures or, where necessary, the identification of alternative suppliers. Most of our suppliers recognise Franck as a reliable and preferred business partner.

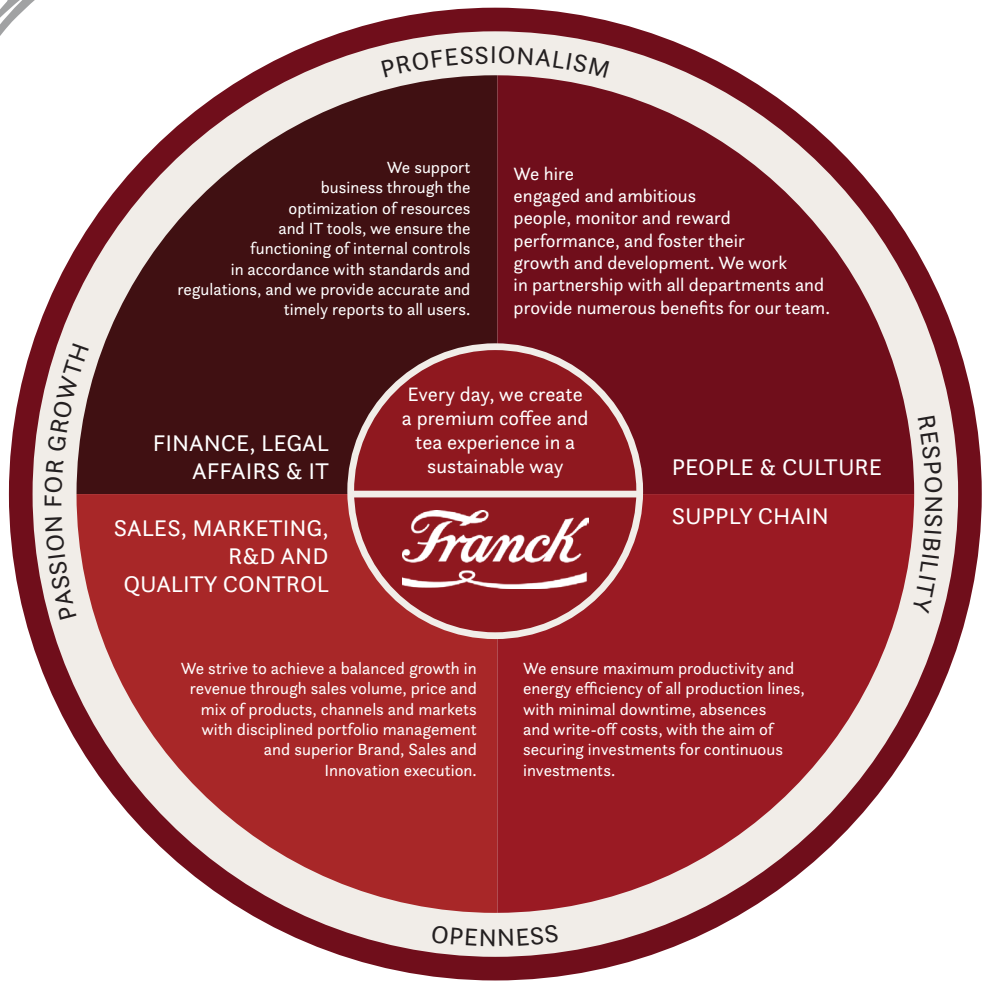
Franck Group complies with national and EU provisions on payment terms, while Group companies independently define payment policies that are communicated to suppliers during negotiations on business cooperation. Obligations are settled within statutory and contractual deadlines under continuous Management Board oversight.

As a rule, we settle most obligations within the commonly agreed standard payment term of 60 days, without differentiating suppliers by size or geographical location. The average number of days for supplier payments at Group level was 62.5 days in 2024 and decreased to 47.5 days in 2025. This calculation includes all suppliers for all legal entitieswithin the consolidation scope. There are no ongoing legal proceedings related to late payments, confirming our status as a reliable and preferred business partner.

G1-3, G1-4 - Prevention and detection of corruption and bribery

Franck Group's operations are based on the principles of integrity, transparency and zero tolerance for corruption and bribery. The irregularity-reporting system enables the safe reporting of suspected unethical or unlawful conduct, thereby helping to strengthen a culture of accountability and compliance. During the reporting period, no cases of corruption, bribery or fraud were recorded, and no fines or legal measures associated with breaches of the relevant regulations were imposed.





Franck's corporate culture is based on the values of professionalism, accountability, openness and passion for growth, brought together in the Franck Compass, a framework that guides employees in making responsible decisions and conducting day-to-day business. Through these values, we promote ethical conduct, mutual respect and cooperation, knowledge sharing, the application of sustainable solutions, and the continuous development of products, services and competencies.



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Franck