



m san
GRUPA

2023
SUSTAINABILITY REPORT

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CONTENT

4	Introduction by the President of the Management Board
6	Introduction by the Chairman of the Supervisory Board
8	About us
14	APPROACH TO SUSTAINABILITY, MANAGEMENT, ETHICAL BUSINESS AND MATERIALITY
15	Management
30	Approach to Sustainability
31	Materiality and stakeholders
38	MANAGEMENT, ETHICS AND COMPLIANCE
43	Code of Ethics
45	Anti- Corruption business policy
46	Managing corruption risk
54	Tax management
56	BUSINESS ACTIVITIES, SUPPLY CHAIN AND CUSTOMERS
57	Business model
63	Quality management of production lines
67	Product information type and labelling
68	Supply chain management
70	Privacy and personal data protection policy
71	Development and innovation
75	Privacy and data security
79	Economic impact and sustainability
82	EMPLOYEES
93	Workplace values, training and development
100	Diversity, equality and inclusion
105	Remuneration setting, equality policy in wage setting and compensation ratios
118	Occupational health and safety
122	ENVIRONMENTAL IMPACT OF OPERATIONS
124	Energy
128	Waste management
135	Climate impact
136	COMMUNITY
138	INFORMATION ON THE REPORT
140	GRI INDEX
150	LIST OF ABBREVIATIONS

INTRODUCTION BY THE PRESIDENT OF THE MANAGEMENT BOARD

Dear readers,

I am very pleased to present you with the third report on the sustainability of M SAN Grupa, for the reporting year 2023.

In the report, we tried to present all our impacts on society, the environment and the community, which are primarily manifested through our business activities.

In the past year, 2023, M SAN Grupa successfully navigated a dynamic economic environment, demonstrating exceptional resilience and adaptability. Despite constant market changes and external influences, our Group maintained a high level of stability and agility.

Relying on activities aimed at strengthening organisational structures, process optimisation and continuous development of competencies, we achieved a record revenue of EUR 472.8 million, which represents a 9.2% growth compared to the previous year.

In 2023, we started with a significant step forward in terms of creating concrete steps regarding our sustainability strategy. In doing so, we have adequately

and in a timely manner started to prepare for the new regulatory requirements imposed by the CSRD Directive. As part of a project, a detailed assessment and definition of material topics have been conducted, and based on the results, the foundations have been laid for the adoption of a concrete sustainability strategy that will be officially adopted in 2024.

Each SUSTAINABILITY REPORT so far has served as a starting point and a guide for areas that need to or may be improved. It is precisely the adoption of the strategy and the definition of key performance indicators that we will adopt for the next 3-year period that will be a commitment to all our stakeholders in our dedication to sustainable business and our desire to improve our impacts on the environment, society and the community.

We are aware that only through joint efforts, each within their sphere of influence, can we make the changes we all want to see and ensure a better future for our children.

Irena Langer Breznik
President of the Management Board



Irena Langer - Breznik
President of the Management Board

INTRODUCTION BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear readers,

the year behind us was marked by an extremely dynamic economic environment, with a record revenue of EUR 472.8 million. This result was achieved through the efforts of all the employees of M SAN Grupa, which I hereby thank on behalf of the Supervisory Board and to whom I express my full support for their further efforts in preserving and strengthening M SAN Grupa as a responsible and successful company.

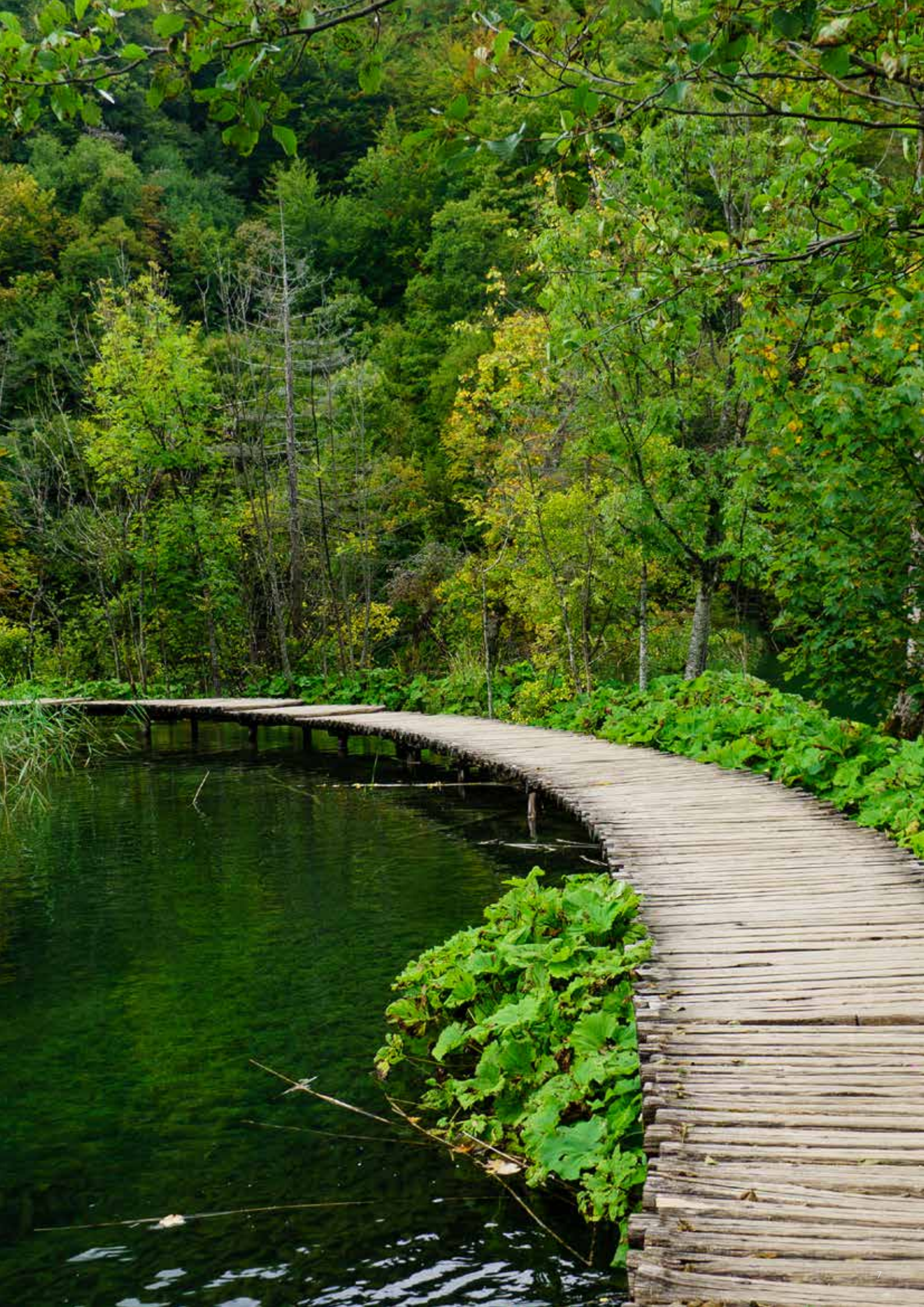
In the period ahead, it is important to maintain the focus on seizing opportunities for further growth and expansion. Through continuous changes, planned organisational activities, a clear focus on strengthening our own brands, innovation and active participation in the market, we have confidence in the ability of M SAN Grupa to face with challenges and create value for all relevant stakeholders.

The 2023 Sustainability Report shall present in a consistent and transparent manner all key areas of the Group's environmental, social and governance impacts, positive influences, measures achieved to minimise potential and actual negative impact and future plans in order to maximise the opportunities

of successful material topic management and the potential to offset potential risks.

Aware of the importance of sustainability for the business of each company, I am glad that an additional step forward has been made in forming a basis for a comprehensive sustainability strategy that will shape the business and approach to business viewed from the prism of sustainable and socially responsible business operations.

Željko Menalo
Chairman of the Supervisory Board



GRI 2-1

ABOUT US

M SAN Grupa d.o.o. is a limited liability company for computer manufacture, trade and import-export, headquartered in Rugvica, Dugoselska ulica 5, represented by the President of the Management Board, Ms Irena Langer-Breznik, company registration no. (MBS): 080157581. The company was registered with the Commercial Court in Zagreb in 1995 under the name M SAN d. o. o., and it was given its current name in 1997.

After 4 years of continuous growth and expansion, in 1999, the Company takes the leading position on the list of the largest IT companies on the Croatian market, that it has since held.

Since 2007, M SAN Grupa has continued to grow and expand in the region with the desire to strengthen its position of the best distributor in the regional IT&CE market. Its area of business today includes the European Union and countries in the region but also more distant markets.

Its regional distribution model provides suppliers and partners reliability and financial stability, as well as a reduction in costs they generate by using one ordering centre and one delivery point.

GRI 2-2

Along with M SAN Grupa d. o. o., the following subsidiaries also operate in Croatia:

- M SAN Logistika d.o.o.
- MR Servis d.o.o.
- M SAN Eko d.o.o.
- Centar kompetencije za zelenu energiju d.o.o.
- Data Link d.o.o. (akvizirano u 7/2023)

In the region, the following subsidiaries are also active:

Slovenia

- Alterna Distribucija d.o.o.

Bosnia and Herzegovina

- KIM TEC
- KIM TEC Servis d.o.o.
- KIM TEC Eko d.o.o.

Serbia


- KIM TEC
- KIM TEC Servis d.o.o.

Montenegro

- KIM TEC CG d.o.o.

Macedonia

- Pakom Kompani d.o.o.e.l.
- Korvus MK



The primary business activity of the Company is the distribution of computer hardware, software and consumer electronics, the distribution of top-quality components and equipment necessary for the production of solar power plants and related systems, the production of IT equipment and consumer electronics of proprietary brands, which includes TVs, air conditioners, lighting fixtures (LED lamps), large appliances, desktop computers and electrical mobility products (electric scooters and electric bicycles), which are also distributed through its distribution network.

GRI 2-6

In its portfolio, M SAN Grupa (hereinafter: Group, Company or M SAN Grupa) also includes logistics that primarily includes the storage, handling and transport of goods (**M SAN LOGISTIKA d.o.o.**), services for the provision of servicing and repair of goods within the warranty period and beyond the warranty period (**MR Servis d.o.o., KIM TEC-SERVIS d.o.o. Vitez, KIM TEC SERVIS d.o.o. Beograd**) and the collection and disposal of electrical and electronic waste (**M SAN EKO d.o.o., KIM TEC EKO d.o.o. Vitez**). The Group has one branch: M SAN Grupa d. o. o. - Branch Office Buzin, Buzinski prilaz 10, Buzin.

It implements the strategy of strengthening its portfolio with all major world-renowned brands of IT equipment and consumer electronics. Special emphasis is placed on the production and development of proprietary brands, where production takes place in the People's Republic of China, the Republic of Türkiye, the Republic of Croatia and the Republic of Serbia. Most of the manufacture takes place in third-party plants, while the assembly of

personal computers, TV sets and electric bicycles as well as the production of LED lighting takes place in the facilities of the Group, in the Republic of Croatia and the Republic of Serbia. In parallel, the expansion of the Group's business in the region is carried out by the establishment of companies and logistics centres alongside the development of its own logistics as well as services and service support. Its own regional logistics network is one of the Group's key competitive advantages. Since its entry into the market until today, it has gained the trust of customers, partners and suppliers, the number of which is constantly increasing. From its very beginning until today, the Group has been one of the best distributors in the regional IT&CE market. It attributes its position as a market leader to the commitment of its own employees, suppliers, customers and stakeholders, by believing that achieving common goals leads to success, enables further expansion and improvement of its own business.

Today M SAN Grupa is one of the most important IT groups in this part of Europe, with more than:



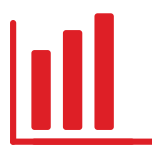
7.400+

PARTNERS



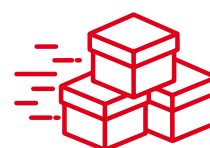
920

EMPLOYEES



472.8 mn

IN REVENUE



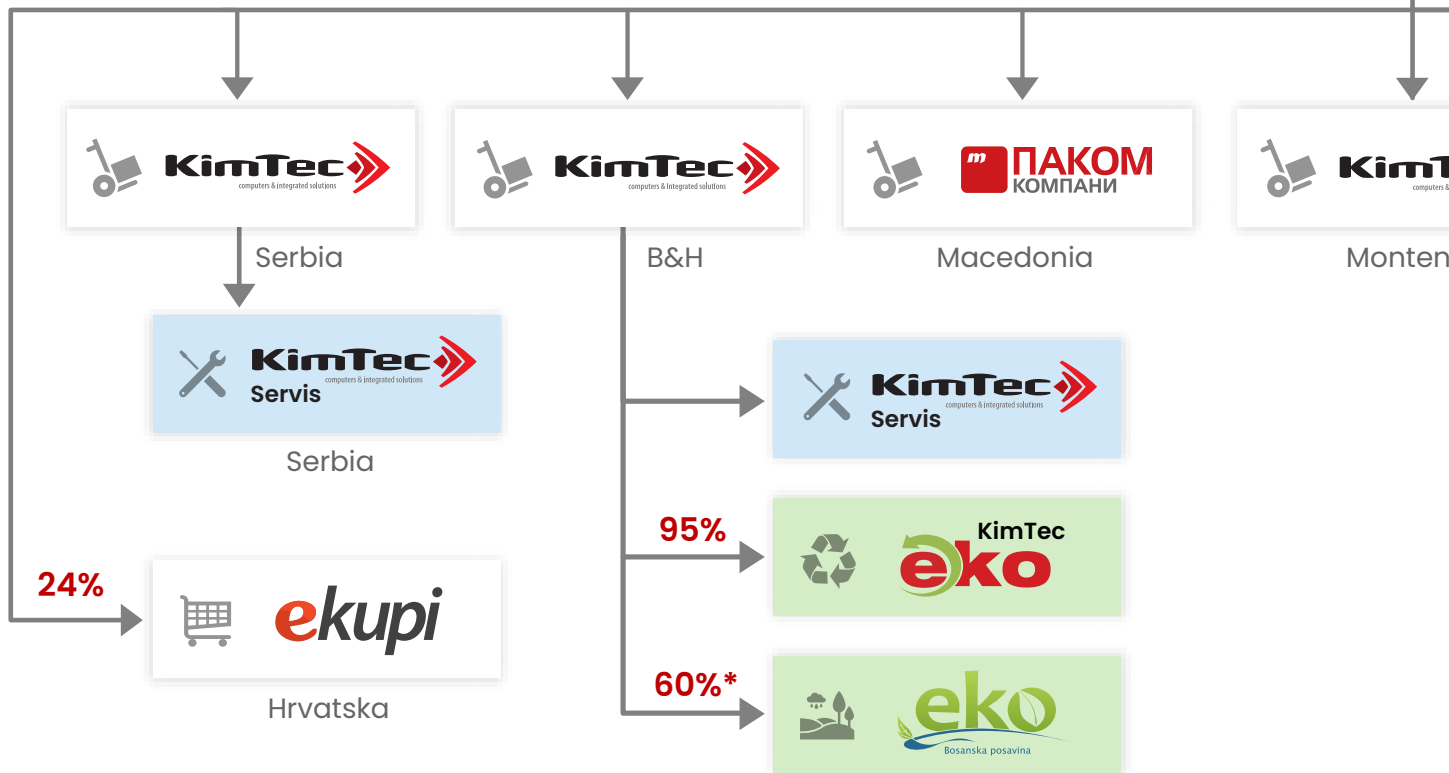
200.000

PRODUCTS
DELIVERED PER MONTH



GRI 2-2

OVERVIEW OF THE SUBSIDIARIES OF M SAN GRUPA ON 31 DEC 2023



Legend



IT & CE distribution



Ecommerce



Servicing



Electronics



Agriculture



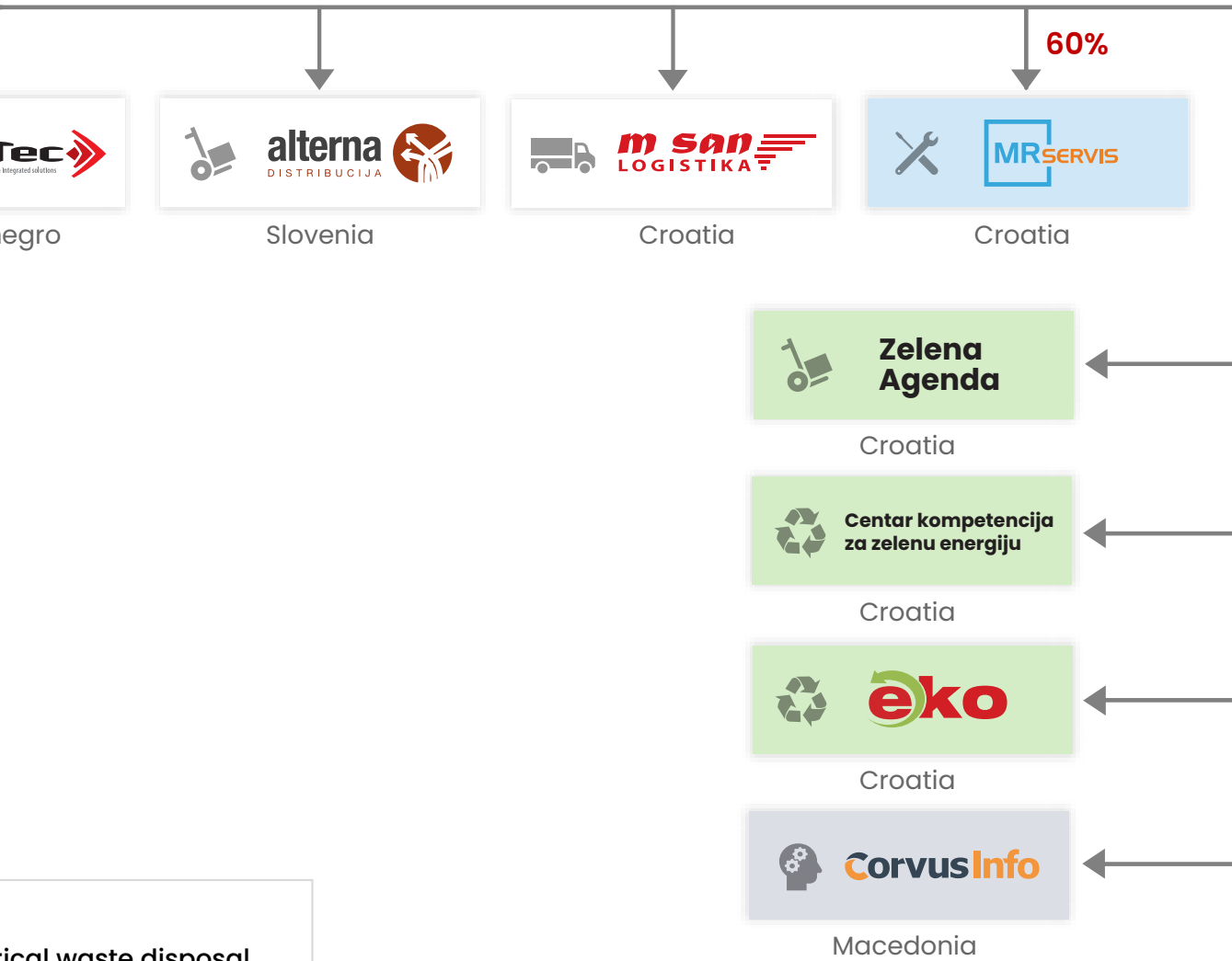
ICT



Real estate



Logistics



ical waste disposal

APPROACH TO
SUSTAINABILITY,
MANAGEMENT,
ETHICAL BUSINESS
AND
MATERIALITY



MANAGEMENT

GRI 2-9; GRI 2-10; GRI 2-11; GRI 2-13; GRI 2-15; GRI 2-16; GRI 2-18

Management within M SAN Grupa is based on the transparency and efficiency of corporate governance based on best international practices, ensuring the success and sustainability of the Group's activities.

At an extraordinary session of the Assembly of M SAN Grupa d. d., held on 28 Apr 2021, the conversion of the company from a joint stock company to a limited liability company was decided.

Instead of the Company's statute, the basic document that regulates the work of the Company are the Articles of Association.

The management bodies of the Company are the Management Board, the Supervisory Board and the Assembly of the Company.

M SAN Grupa is a limited liability company whose sole owner is Mr Stipo Matić, who does not own any shares and thus does not implement any purchase programme for any shares.

The structure of the corporate governance of M SAN Grupa is based on a dual system, consisting of the Supervisory Board and the Management Board, which, together with the General Assembly, in accordance with the Articles of Association and the Companies Act, comprise the three fundamental governing bodies. The Supervisory Board has set up an Audit Committee, which, in carrying out its tasks, assesses the quality of the internal control and risk management system with a view to ensuring that the main risks to which the company is exposed (including compliance risks) are adequately identified.

The Articles of Association of the company prescribe and regulate the powers of the Management Board, the Supervisory Board and the Assembly.

The Supervisory Board and the Management Board ensure that the established strategy, resources, risk management system, internal control system and stakeholder relationships support the long-term success and sustainable development of the Group as a whole. Moreover, these elements ensure that the strategy also takes into account the potential impact on the environment and the community and that the policies, culture and values of M SAN Grupa promote ethical

behaviour, respect for human rights and lead to an enabling and pleasant working environment. The role of the Management Board in business management is governed by the Companies Act, the Articles of Association and internal regulations. The Management Board performs its function with the attention befitting a proper and conscientious businessman, taking into account primarily the best interests of the Group. In making decisions, the Management Board shall not be guided by personal interests or take advantage of business opportunities for personal ends, and it shall immediately inform the Supervisory Board of any conflict of interest. The Assembly of the Company is its highest-ranking body, and is comprised by the sole member of the Company, the sole founder. The sole member of the Company makes decisions as authorised by law and by the Articles of Association. The Assembly decides on matters falling within its exclusive competence pursuant to the applicable Companies Act. The Assembly shall be authorised, if it assesses that there is a need to do so, to send to the Management Board mandatory instructions regarding the management of the Company's affairs, and the Management Board shall be obligated to conduct them in accordance with the written mandatory instructions of the Assembly. The Assembly shall be convened by the Management Board of the Company in the cases prescribed by the Companies Act and whenever the interests of the Company so require, but it may also be convened by the Supervisory Board and the sole member of the Company. The Assembly can make decisions if the sole member of the Company is present.

The procedure for the appointment, i.e. the election and dismissal of the members of the Management Board and the Supervisory Board are laid down in the Companies Act and the Articles of Association. The Articles of Association prescribe the duties, responsibilities and powers of the members of the Management Board and the Supervisory Board. The Management Board shall meet at least once per week and the Supervisory Board shall meet at least once per quarter and, if necessary or at the request of any member of the Supervisory Board, more frequently.

MANAGEMENT BOARD

The Management Board of the Company consists of one to ten members of the Management Board. It consists of the President and members of the Board.

The Management Board conducts the activities of the Company the attention befitting a proper and conscientious businessman, in accordance with positive regulations, the Articles of Association, the decisions of the sole member of the Company and the mandatory instructions of the Assembly and Supervisory Board.

The Management Board members manage certain activities of the Company together, and certain tasks independently, according to various types of affairs (area of competence of the Management Board member).

The President and the members of the Management Board are appointed and dismissed by the Supervisory Board and it also takes decisions regarding their employment.

All members of the Management Board are appointed for a term of office of 4 (four) years and may be reappointed.

The Management Board, within the limits of its powers and responsibilities, and in accordance with positive regulations, the Articles of Association and other acts of the Company, performs the following tasks:

- represents the Company and coordinates its work as a whole;
- makes business decisions and supervises and controls their implementation;
- plans and adopts the Company's business strategy;
- adopts plans and budgets as part of the implementation of the established business strategy;
- plans, prepares and supervises the Company's current business operations;
- prepares monthly and other financial reports for the Supervisory Board and the Assembly of the Company;
- adopts general acts, policies, regulations and procedures within the framework of its authority;
- reports to the Supervisory Board and the Assembly of the Company on the Company's business operations; and
- performs all other activities that are under the responsibility of the Management Board pursuant to the Companies Act.

The Management Board is responsible for the strategic management and long-term success of the companies of which the Company has majority ownership as well as for establishing and expanding business cooperation within these companies, taking into account timely and effective exchange of information between individual companies.

The members of the Management Board are accountable to the Company in accordance with positive regulations. A member of the Management Board is not authorised without the approval of the Supervisory Board to perform any tasks which are the subject of the Company's business for their own account or another person's account, nor be a member of the Management Board or the Supervisory Board of another company, nor be a member of

a company who is personally responsible for the obligations of that company.

The Management Board may, if necessary, establish occasional or permanent management bodies (committees, working groups, commissions, etc.) to prepare and implement proposals for decisions or decisions it adopts within its mandate. The scope, composition and tasks of the management bodies are determined in more detail by a decision of the Management Board by which they are established. Management bodies are required to report regularly to the Management Board and the Supervisory Board. The Management Board shall report to the Supervisory Board in a timely and comprehensive manner on all facts and circumstances that may affect the business operation, financial position and assets of the Company or a company in its ownership.



MANAGEMENT BOARD ON 31 DEC 2023

Irena Langer-Breznik, President of the Management Board since 1 Jan 2023,
Žarko Kruljac, Vice-President of the Management Board since 1 Oct 2022,
Slaven Stipančić, Member of the Management Board,
Goran Kotlarević, Member of the Management Board,
Alen Panić, Member of the Management Board since 1 Oct 2022
and Vladimir Brkljača, Member of the Management Board since 1 Oct 2022.

Ms Irena Langer-Breznik, President of the Management Board



Ms Langer-Breznik has been working within M SAN Group for 18 years in a number of management positions. In addition to improving operational processes, she continuously worked on structural improvements of business processes with a focus on: regional procurement, operations on foreign markets of members of the group, development of e-commerce between business entities as well as inventory management and digital transformation. Since 2011, Ms Langer-Breznik has led the e-commerce development and business operations of the company eKupi, and has held the position of President of the Management Board of M SAN Group since 1 Jan 2023.

Mr Žarko Kruljac, PhD, Vice-President of the Management Board



Mr Kruljac dedicated his first 17 years at M SAN Group to the development of sales and the distribution reach of the Group. Managing commercial operations in Croatia and the region, he focused his activities on three key aspects: on the continuous development

and strengthening of the customer partner network, on raising the competence in sales and on adapting sales processes to market changes. He received a PhD in Economics in 2020. Since 2009, Mr Kruljac has been a member of the Management Board of the Company, and since 1 Oct 2022, he has held the position of Vice-President of the Management Board.

Mr Slaven Stipančić, Member of the Management Board



Mr Stipančić focused, during his 20 years at M SAN Group, on improving the procurement process and expanding its distribution portfolio. As the director for consumer electronics, he works on contracting and developing distribution cooperation

with the world's leading CE-A brands, in Croatia and the region. In parallel, he works to optimise linking the sales processes of international CE-A brands with the procurement processes of the Company. Since 2009, Mr Stipančić has been a member of the Management Board of the Company.

Mr Goran Kotlarević, Member of the Management Board



The strengthening of sales operations and the expansion of our distribution reach in all the countries of the region are the main focus of Mr Kotlarević's activities. In his 18 years of work at M SAN Group, in the positions of Sales Manager, Sales Director and Business

Development Director, Mr Kotlarević has directly influenced the development of the strong market presence of the company as well as its renown today. Since March 2021, Mr Kotlarević has been a member of the Management Board of the Company.

Mr Alen Panić, Member of the Management Board



During almost 19 years of work at M SAN Group, Mr Alen Panić has performed a number of functions related to the improvement and development of the high-tech and projects division, including the role of CEO of so-called value-added distribution.

Today, the division consists of a series of departments in charge of the operations of infrastructure, software, cloud and project solutions, across all countries of the region, distributing products from the world's largest technology principals, and represents a regional leader in this segment of business, with hundreds of successfully delivered very complex ICT projects, continuous growth and expansion of business. Since October 2022, he has been a member of the Management Board of the Company.

Mr Vladimir Brkljača, Member of the Management Board



Mr Vladimir Brkljača has carved out his career at M SAN Group, where, for the past 20 years, he has dedicated himself to the development of the VIVAX brand. He has held different positions while forging ahead on this path: Product Manager, Head of

Development and Procurement for VIVAX and Head of Profit Centre for VIVAX, while, for the past 5 years, he has held the position of Executive Director of VIVAX Division, with key responsibilities for development, procurement, sales and improvement of the VIVAX brand. He led the project of relocation and the construction of the VIVAX LED TV production plant in Croatia and also, in its initial phase, the development of the MS Energy brand. His main contribution was made to the overall development and strengthening of the operations of the VIVAX division in all countries of the region, the significant breakthrough onto EU markets and the implementation of the VIVAX brand strategy. Since October 2022, he has been a member of the Management Board of the Company.



m San Grupa

m San Grupa

m San Grupa

SUPERVISORY BOARD

The Supervisory Board consists of 5 (five) members.

The Assembly adopts a Decision on the Rules of Procedure of the Supervisory Board, determining the functioning of the Supervisory Board of the Company.

A member of the Supervisory Board may be a person who meets the requirements laid down in the Companies Act, and at the same time a person whose knowledge and experience guarantee a good performance of the function of a member of the Supervisory Board.

A person whose personal or business interests may be contrary to the interests of the Company or its members may not be elected as a member of the Supervisory Board.

Members of the Supervisory Board shall be elected by the Assembly on the basis of a proposal of the members of the Company.

Members shall be elected, i.e. appointed for a maximum of 4 years and may be re-elected, i.e. re-appointed.

The Supervisory Board of the Company adopts a Decision on the Responsibilities of the Members of the Management Board in the Management of the Company's Affairs, and it elaborates, within the defined areas of business management, the individual areas of competence for which a member of the Management Board is responsible, i.e. in which area which member of the Management Board is authorised to independently undertake the activities managing the affairs of the Company, which areas are within the joint competence of the Management Board and which areas of operations are contractually entrusted to another affiliated company.

The Supervisory Board may request the Management Board at any time to inform it of issues related to the Company's operations that can reasonably be expected to affect them, taking into account the other provisions of the Companies Act governing this matter.

Matters requiring the prior written consent of the Supervisory Board are defined in the Articles of Association.

SUPERVISORY BOARD ON 31 DEC 2023:

Željko Menalo, Chairman of the Supervisory Board

Miroslav Huzjak, Deputy Chairman of the Supervisory Board

Stipo Matić, Member of the Supervisory Board,

Marko Rašić, Member of the Supervisory Board,

Snježana Matić, Member of the Supervisory Board.

Željko Menalo, Chairman of the Supervisory Board

Željko Menalo spent most of his career in the financial industry within Erste&Steiermarkische Group in Croatia, where he performed various management tasks. He joined M SAN Grupa in 2019, at M SAN Ulaganja d. o. o., and since 2022, he has been employed at Ured za podršku d. o. o. as an advisor. By the decision of the Assembly of the Company from September 2022, Željko Menalo was appointed to the position of Chairman of the Supervisory Board with his term beginning on 1 Jan 2023.

Miroslav Huzjak, Deputy Chairman of the Supervisory Board

Miroslav Huzjak has held leading roles at M SAN Grupa for the past 23 years, leading teams of professionals who have positioned the company as the most important ICT and CE distributor in the region. At the Company, he worked in various positions and was in commercial management positions, which, in addition to the responsibility for the organisation of commercial operations and their success as well as positioning M SAN as a market leader, included numerous other responsibilities. Mr Huzjak was responsible for conducting key negotiations for the conclusion of distribution agreements with the largest globally significant principals, thanks to which M SAN became an authorised distributor of numerous world-renowned brands, both in the Republic of Croatia and regionally. Mr Huzjak has been the Deputy Chairman of the Supervisory Board of M SAN Grupa since 1 Jan 2023.

Stipo Matić, Member of the Supervisory Board

Stipo Matić founded M SAN in 1995 and is its sole founder and member. In the period up to 2009, Stipo Matić held the position of Director of M SAN Grupa, and then assumed the position of Chairman of the Supervisory Board. Additionally, Stipo Matić is the Director of M SAN Logistika d. o. o. and M SAN EKO d. o. o., a member of the Management Board of eKupi d. o. o. as well as the Chairman of the Supervisory Board of KING ICT d. o. o. The portfolio of companies he has ownership of today includes KING ICT d. o. o., eKupi d. o. o., Ured za podršku d. o. o., CORVUS PAY d. o. o., Agro Invest Grupa d. o. o. and others. Since 1 Jan 2023, Mr Matić has acted as a member of the Supervisory Board of M SAN Grupa.

Marko Rašić, Member of the Supervisory Board

Marko Rašić began his career at M SAN in 2003 as an intern in Finance and by 2011, he progressed to the position of Head of Finance. During the Group's acquisition period in agriculture, he actively participated in the acquisition processes and subsequent financial restructuring of the acquired agricultural companies. In parallel with the duties of Head of Finance, since 2016, he has been the Chairman of the Supervisory Board of PP Orahovica d. o. o. and the Chairman of the Supervisory Board of PPK Valpovo d. o. o., while since 2014, he has been a member of the Supervisory Board of KING ICT d. o. o. He was appointed Director of Ured za podršku d. o. o. in 2017. Since 1 Jan 2023, Mr Rašić has acted as a member of the Supervisory Board of M SAN Grupa.

Snježana Matić, Member of the Supervisory Board

Snježana Matić has been involved in the business operations of M SAN since the very founding of the company. At the beginning, she worked in sales and then in procurement, with a special focus on building long-term sustainable business relationships with suppliers. In response to the growth of M SAN's business activities, she took over the coordination of activities in accounting and finance, and in 2004, she devoted herself to the development of operations in systemic integration. She has been a member of the Supervisory Board of M SAN since 2004. until 7th of April 2024.

The Supervisory Board has set up the following committee: **the Audit Committee.**

The Committee shall support the Supervisory Board in carrying out its tasks and carrying out other activities, in accordance with applicable laws and other provisions. The Audit Committee is the advisory committee to the Supervisory Board without executive powers, i.e. it acts as a specialised subcommittee of the Supervisory Board and its powers derive from the powers of the Supervisory Board.

It is independent in its work, impartial and independent from the operational business and management of the Company.

The Audit Committee consists of at least three members, the total number of members must always be odd and at least one member must have competence in the field of auditing and/or accounting.

The Chair and the members of the Audit Committee shall be appointed by the Supervisory Board. Members of the Management Board or Executive Directors (i.e. executive management) of the Company may not be appointed to the Audit Committee.

The members of the Committee as a whole must have competence relevant to the sector in which the Company operates and must be independent from the Company.

The responsibility of the Audit Committee is to supervise the financial reporting and conduct the legally mandated audit, which includes the following:

- informing the Supervisory Board of the results of the legally mandated audit, clarifying how it contributed to the integrity of financial reporting and what the role of the Audit Committee was in this process; and
- monitoring the financial reporting process and making recommendations or suggestions to ensure its integrity.

The Audit Committee supervises and monitors the effectiveness of the Company's internal control system and the risk management system without compromising its independence.

The Committee shall meet at least 4 times a year or once a quarter during the reporting and audit cycle and, if necessary, at other times.

AUDIT COMMITTEE ON 31.12.2023.:

Branislav Vrtačnik, president of the audit committee

Kristina Alebić, member of the audit committee

Branka Gerić, member of the audit committee



GENERAL ASSEMBLY

The Assembly of the Company is its highest-ranking body, and is comprised by the sole member of the Company, the sole founder. The sole member of the Company makes decisions in the Assembly as authorised by law and by the Articles of Association.

The Assembly decides on matters stipulated by the Articles of Association and those falling within its exclusive competence pursuant to the applicable Companies Act.

The Assembly of the Company adopts the Decision on the Basic Organisation Structure of the Company which determines the organisation structure of the Company

at the level of the basic organisational units, which is the basis for the adoption of regulations and/or procedures and/or other acts adopted by the bodies of the Company.

The Assembly shall be convened by the Management Board of the Company in the cases prescribed by the Companies Act and whenever the interests of the Company so require, but it may also be convened by the Supervisory Board and the sole member of the Company.

The Assembly is convened once a year and can make decisions if the sole member of the Company is present.

POWERS OF ESG SUPERVISORY AND MANAGEMENT BODIES

GRI 2-14

The Management Board is the highest decision-making body on environmental, social and governance (ESG) strategies, policies and commitments. Each member and each segment of the Board must have the key objectives set (KPIs). In addition, the Management Board is obligated to adopt a sustainability strategy and integrate sustainability initiatives into its business operations. The Management Board is legally responsible for preparing the Sustainability Report and is responsible for signing it and submitting it to the Supervisory Board. The Supervisory Board is required to review the Sustainability Report. In 2023, the Management Board actively participated in the development of the ESG strategy by assessing the material topics to be reported as part of sustainability reporting for 2024.

The Management Board and the Supervisory Board shall develop their expertise in the field of sustainability and understand how ESG relates to the material risks, opportunities and impacts of the sustainability of the company.

The performance of corporate management is monitored in such a way that all the requirements of the Articles of Association of the Company are met and through the supervision of internal control functions, on the basis of which necessary management improvements are made. The issue of compliance with legal regulations is managed by each relevant department within its scope, and it is planned to establish a separate compliance function that would primarily deal with compliance with regulations and adequate approach to the principles of corporate management.

The business operations of the Group are organised in four divisions:

- ITCE — distribution of IT equipment and consumer electronics;
 - Enterprise — value-added distribution for custom hardware-software solutions;
 - Vivax — manufacture and distribution of a proprietary brand, of over 250 items in all categories (television sets, air conditioners, mobile phones, large appliances and small household appliances); and
 - Green — electric mobility products, LED lighting and solar panels.
-

Executive directors of the Company are also responsible for the divisions in regional subsidiaries, which also comprise four sales channels with the motto 'One company in several different markets'.





SUSTAINABILITY



APPROACH TO SUSTAINABILITY

The approach of M SAN Grupa to business sustainability is in line with the Company's corporate goals. The concept of sustainability is understood as continuous progress in business operations that contributes to positive results in environmental, sociological and management indicators, while not causing harm to the environment and society. One of the leading goals is to create added value for customers, suppliers and the society in which the Group operates. The aim is to create value by ensuring a sustainable business model that makes the Group a valued member of society, promoting personal well-being, respect and care for the environment. To create added value in the business environment, people — employees, the employees of our suppliers, partners, clients and customers are placed at the heart of our business. The group, as a multicultural environment, pays special attention to building a uniform corporate culture in which diversity is respected and cooperation encouraged. Through ethical business practices, employees are provided with safety and a high quality of the work environment. There is awareness of the fact that prospective career development within

the Company brings in high-quality individuals, so investing in the development and progress of employees is of great importance. An open business culture that encourages employees to present new ideas, exchange opinions or even complaints is the basis for employee development and satisfaction, which are crucial in providing high-quality services to clients and customers. As part of a wider community, M SAN Grupa is aware of the importance of its own influence on improving general social conditions, promoting real values and ultimately investing its own income in improving the community. In addition to a wide range of donation projects, sponsorship activities are also important, primarily when it comes to the promotion of IT literacy and education of children and young people through competitions at Knowledge Olympics. In addition to investing in children and young people who make up the future of the community, activities include providing assistance to vulnerable social groups. Taking into account the Group's leading values, strategic sponsorship is focused on children, young people and those who are socially disadvantaged. A comprehensive strategy for corporate social responsibility and sponsorship as well as donations is also being prepared.

GENERAL APPROACH TO SUSTAINABILITY

Furthermore, we consciously contribute to environmental protection through M SAN EKO d. o. o., also a company within the Group whose primary task is waste management (hazardous and non-hazardous) as well as electrical and electronic waste management. M SAN EKO d. o. o. has permits for waste management activities (for hazardous and non-hazardous waste), issued by the competent Ministry and County (Zagreb County). The primary vision of M SAN EKO was focused on sustainable development, environmental protection principles and the concept of circular economy. At the time of its establishment in 2009, partners were presented the concept of collecting a special category of waste (EE waste)

through a reverse logistics model that contributes to the reduction of CO2 emissions and thus contributes to a holistic approach to environmental protection. Its implementation greatly contributed to larger quantities of separately collected waste at the level of the Republic of Croatia, as well as to raising awareness of the importance of separately collecting waste in partners / partner network, and through them, the awareness of end users was also impacted. Within the workspace, a system for separately collecting waste has been established, which affects the reduction of the amount of waste at landfills, and thus directly the awareness of the importance of corporate social responsibility in the environmental protection context.

MATERIALITY AND STAKEHOLDERS

G 3-1

ASSESSMENT OF THE SUSTAINABILITY CONTEXT OF M SAN GRUPA

The assessment of the material impacts of M SAN Grupa for the years 2022 and 2023 was carried out with the aim of identifying the economic, environmental and social impacts relevant to M SAN Grupa's operations in the context of sustainability.

The assessment was carried out during the first quarter of 2023, based on the guidelines of the Global Reporting Initiative (GRI) standards in four phases:

1. assessment of the sustainability context of M SAN Grupa;
2. identification of actual and potential impacts;
3. impact materiality assessment; and
4. prioritising impacts for reporting.

During the first phase, an initial review of M SAN Grupa's activities and business relationships was carried out, of the sustainability context in which these activities take place and of the internal and external stakeholder groups of M SAN Grupa, which laid the basis for further identification of actual and potential impacts.

The activities, business relationships, stakeholders and

the sustainability context of all members of the Group and its affiliates were taken into account, with the participation of representatives of these companies, as well as relevant departments and organisational units. The activities carried out in this phase include a review and analysis of:

- the business model, organisation structure and activities of the Group;
- mission, vision and values of the Group;
- portfolios, business partners and sales channels of the Group;
- employee structure of the Group;
- the Group's value chain with a focus on the supply chain;
- geographical context of the Group's business activities;
- economic, environmental and social impacts and challenges related to the manufacturing sector and the consumer electronics distribution sector;
- voluntary memberships and initiatives that the Group has joined;
- regulatory and legislative environment related to sustainability matters relevant to M SAN Grupa in the short, medium and long term; and
- stakeholders and stakeholder groups whose interests are or may be affected by the Group's activities.

IDENTIFICATION OF ACTUAL AND POTENTIAL IMPACTS

The existing impacts that have already occurred and/or are occurring, as well as the potential impacts that may occur in the future, have been taken into account in order to identify the actual and potential impacts of M SAN Grupa on the economy, environment and society through all its activities and business relationships.

Taken into account were also potential as well as negative impacts, in the short, medium and long term, those that are targeted and those that are not as well

as those that can be reversed and those that cannot.

Another assessment was also made in this phase, which included an overview of the relevant risks for M SAN Grupa and the consumer electronics distribution sector, an assessment of the contribution to the UN Sustainable Development Goals, an identification of opportunities to create added value through ESG initiatives and recommendations for further activities in the environmental, social and governance aspects.

GRI 2-29

STAKEHOLDERS

Aware of the importance of stakeholders for business, the Group invests in dialogue with its stakeholders and involves them in their own development processes. Stakeholders influence the Group's operations, transactions and decisions on a daily basis and play an important role in shaping its value chain. Communicating with stakeholders is effective and efficient and tries to respond to stakeholders' interests, suggestions or concerns as promptly as possible. There is a constant investment in good communication to improve relations with key stakeholders for the purpose of sustainable growth.

STAKEHOLDERS	KEY TOPICS OF INTEREST	COMMUNICATION CHANNELS
Employees	Working conditions, stability and performance of business, safety at work, benefits, career development	Intranet, internal decisions, periodic interviews with superiors, surveys, newsletters
Sales partners	Product information (sales conditions, availability and delivery times, quality, safety), handling of discarded EE equipment	B2B web shop platform, e-mail, telephone, mobile apps, surveys, consulting
Repair services users	Product information for products in repair (fault reports, order status, service deadlines), the possibility to dispose of a device that cannot be repaired	Servicing call centre, WebRMA application, form on the repair service website, e-mail
Logistics partners	Organisation of collection and delivery of products from suppliers to distribution centres and then to customers (with accompanying forwarding processes) and reverse logistics processes	Specialised applications of individual logistics partners, internal WMS, e-mail, telephone, face-to-face meetings and communication applications
Suppliers	Key performance indicators (sales indicators, stock, success of promotions), financial indicators	Commercial reports, communication through specialised information systems of suppliers
Repair service principals	Key performance indicators of warranty repair services (speed, costs), customer satisfaction, solving technical problems	Specialised applications of individual repair service principals, reports, e-mail, telephone, face-to-face meetings and communication applications, specialist repair service training
Ministries and state agencies	Compliance with regulations Active participation in the public announcement of amendments to laws and by-laws Tax treatment	E-consultations, prescribed reports, entry into the eONTO database (Register on Waste Generation and Flow), EPR (Environmental Pollution Register) and quantity declarations to the Environmental Protection and Energy Efficiency Fund, inspections, participation in working groups regarding the proposed amendments to laws and by-laws
Creditors	Financial indicators, business stability, risk management and transparency	Financial reports
Media	Events such as bond issuance or takeover of companies, presentation of new products	Website, press releases (newspapers, portals), social media

The key/priority stakeholders identified were:

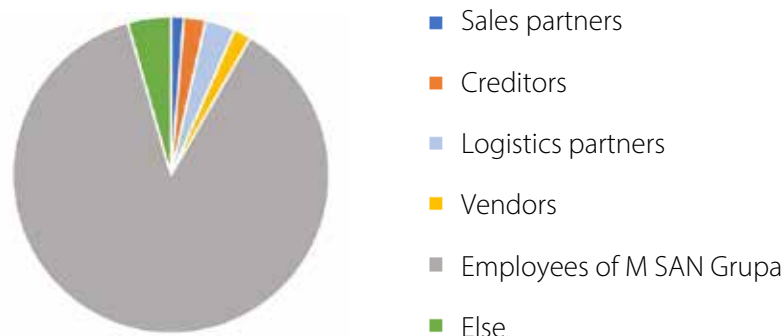


After determining the priority stakeholder groups, with the aim of identifying positive and negative impacts, an initial assessment of the Group’s business activities and relationships was carried out in which actual or potential negative and positive impacts occur, on the basis of which an online survey was made and distributed to representatives of priority stakeholder groups.

IMPACT MATERIALITY ASSESSMENT

The third phase included an impact materiality assessment, which, due to the organisational structure and geographical spread of M SAN Grupa’s business activities and stakeholders, was conducted through an online survey. The survey was conducted in the period between 19 and 27 March 2023, and was taken by 227 stakeholders, divided into the following structure:

Stakeholder Structure

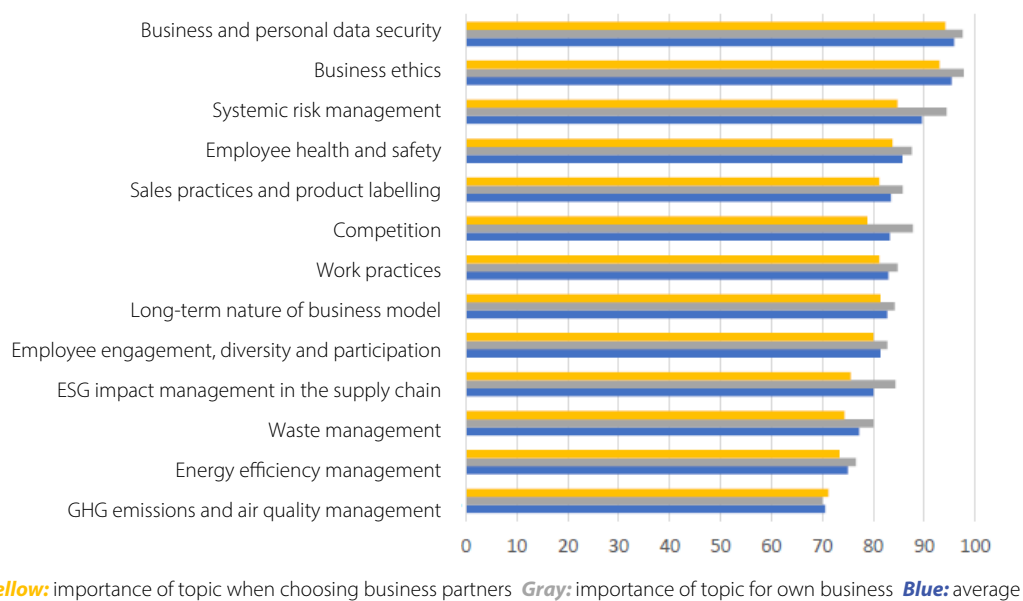


Stakeholders evaluated 13 topics that have the most significant impact on their assessments and decisions, both in terms of their own business and for the selection of business partners. The topics offered were selected by representatives of M SAN Grupa. The material impact assessment itself did not differ significantly between internal and external stakeholders, according to the following results:

Assessment of internal stakeholders:



Assessment of external stakeholders:



Selecting Impacts for Reporting

GRI 3-2

The final phase of the assessment of material impacts consisted of determining the material impacts that need to be reported. The materiality of an impact was assessed in relation to other identified impacts, and as a limit of materiality, a value of 75 points was determined, both in terms of topics that have the most significant impact on the assessments and decisions of internal and external stakeholders. The material impact matrix of M SAN Grupa for 2022/2023 includes the following topics:



GRI 3-3

Opinions on the importance of individual material topics are almost not at all different between the assessments of internal and external stakeholders, which leads to the conclusion that these are similar insights into the business, own priorities and values against which the importance is assessed, and similar types of concerns regarding actual or potential negative/positive impacts.

In accordance with the identified significant material impacts, defined were the topics that will be primarily reported in this report and that will, upon approval of the sustainability strategy by the Management Board, define key performance indicators that will be presented in detail in the 2024 report in the following manner:

- it will describe the actual and potential negative and positive impacts on the economy, the environment and people;
- report on involvement in negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships mentioned;
- describe the policies or obligations related to the material topic;
- describe the actions taken to manage the topic and related impacts, including: a) measures to prevent or mitigate potential adverse impacts; b) measures to address actual adverse impacts, including measures for their anticipation or cooperation in their resolution; c) measures to manage actual and potential positive impacts;
- report the following information on the monitoring of the effectiveness of the actions taken:
 - processes used to monitor the effectiveness of actions;
 - objectives and indicators used to assess progress;
 - effectiveness of actions, including progress towards objectives and indicators;
 - lessons learned and how they are embedded in the operational policies and procedures of the organisation; and
 - describe how stakeholders are informed about the measures taken and their effectiveness.

The material topics defined in this report are categorised in five main categories: ***governance, ethics and compliance; business activities, supply chain and customers; employees; the impact of business on the environment and the community.***



MANAGEMENT ETHICS AND COMPLIANCE

MISSION

M SAN Grupa provides maximum support to its partners by optimising processes in the distribution chain to help them create a competitive advantage in the market. The mission of M SAN Grupa is to be a logistically innovative, green and 'smart' company at the service of its partners, respecting and complying with all regulations and guidelines, internal rules, procedures, policies, decisions and other requirements based on the Company's corporate culture and values, and respecting and complying with all aspects of socially responsible and sustainable business.

'Smart logistics' is not what the Company is, it is not even a destination it can reach, but the path that it has chosen to follow while guided by and acting in accordance with the highest ethical and moral standards in all areas of activity. The modern way of doing business and the pace of life, regardless of all the technology and continuous development, does not ensure perfection, infallibility or a market advantage. The only thing that is certain are the increasingly faster changes, the changes that are becoming more and more difficult to track, predict and anticipate. In this world, the Company is changing — its omissions and mistakes are acknowledged and learned from.

VISION

Being a leader in distribution in all markets of the region according to the standards of modern business has a broader meaning for M SAN Grupa. Being a leader in the markets in which it operates does not mean exclusively to realise the highest market share, which is in itself significant and requires knowledge, continuous and dedicated work of management and employees, as well as large investments in constant growth and development of business and increasing market share, but also means being the first in setting trends in business as well as being the first in the quality of established relationships and business cooperation that it has and develops with its business partners and in the quality and range of services it provides. M SAN Grupa strives to be a leader in established values and corporate culture that it nurtures within the organisation, to be a leader in relations with employees and investments in their constant development and education, to be a leader in the software or applications it uses in its work and business rules and procedures as well as everything that makes a foundation for business and supports it and without which the position of a market leader would be difficult to achieve.

In realising its vision, it behaves in accordance with the highest ethical and moral standards in all areas of activity, nurtures an open and sincere culture based on friendly relationships, mutual cooperation, trust and respect, while respecting the difference and uniqueness of each individual, while mutual assistance and support are part of corporate culture. Within the framework of its open-door policy, the management provides maximum support to all employees by showing an open interest in all the topics that employees want to consult on or discuss.

CORE VALUES FOCUS ON THE FOLLOWING ASPECTS.

Trust and respect

Trust and respect among and for employees and partners are the basis of any good business relationship. The integrity and personality of each individual is respected and the diversity of opinions, cultures and customs is also respected. Direct communication is promoted. For the realisation of the Company's vision, every product, service and market are equally important, as is the awareness that employees and partners can rely on the Company, which is determined to nurture and foster a relationship of mutual trust and respect.

Responsibility

Within the Company, everyone performs the obligations assumed and completes their work until the end, not expecting for someone else to do it, noticing and solving those problems that they believe need to be solved. Everyone is responsible for themselves and their work but also for the success and well-being of the Company as a whole — by giving their maximum contribution to the work and finding the best feasible solutions to the satisfaction of all parties involved. The Company's resources are managed according to the principles of good management and all the data accessed during work is treated responsibly.

Proactivity

Being proactive implies entrepreneurship and initiative as well as the readiness to take risks. It is necessary to always think a few steps ahead so that the Company anticipates the needs of its partners and responds to them in advance. Everyone is expected to have a proactive attitude towards work and self-initiative in solving tasks, especially in terms of timely performance.

Partner-oriented approach

Efficiency and effectiveness are among the key factors for supporting the Company's partners. Our focus on partners involves developing trust through a proactive approach to work, anticipating their needs and providing the information they need before they request it, the quality of the service provided, the development of high-quality and reliable business cooperation and continuous communication. In order for this to be achieved, market developments are continuously monitored and partners are actively approached while we strive for the Company to be their first choice.

Developing teamwork and team spirit

The Company develops a sense of community and solidarity based on the principle of 'All for One — One for All'. This concerns in particular the provision of expert assistance, advice, exchange of experience and an open flow of information. By respecting diversity and considering facts and situations from different angles, it contributes to improving the work and cultural ethics within itself. Teamwork, continuous cooperation and involvement of experts from different fields as well as a multidisciplinary approach to different business projects and tasks are particularly encouraged and affirmed.

Innovation

New problems present challenges that need to be readily approached with an open mind, where it is necessary to find solutions and to make suggestions for the improvement of existing processes and procedures. By finding new ways of meeting partners' needs, learning and innovation, the Company creates new, additional value. An innovative approach is a basis and the way in which the Company operates in existing situations.

Learning organisation

Acquiring new competence is the personal responsibility and obligation of every individual within the Company, and the creative approach to work, openness to new knowledge, suggestions and experiences, as well as the ability to produce new ideas, are especially appreciated. An impact evaluation system is being developed and applied and what has not proven to work is being changed, continuously aligning processes and procedures with the changes. The exchange of knowledge is of utmost importance in order to increase the overall knowledge in the organisation — one of the greatest advantages of the Company. The transfer of knowledge and experience is encouraged by the participation of all employees in specialist and project interdisciplinary teams, internal mobility and participation in different business processes.

Positive work environment

The Company strives to achieve each individual and collective goal, and the basis of this is necessarily a positive everyday work environment. In maintaining work morale, the Company is guided by the desire for success and achievement and supports sincere and positive friendly relations, in which it itself participates. Possible personal dissatisfaction is resolved promptly and at the level of the problem.

Benefits of diversity

The markets in which the Company operates differ in terms of economic, cultural and world view aspects. This diversity is readily accepted by the Company and it reacts to it with the value of its internal diversity. The most valuable resource of the Company are people with different experiences, knowledge, skills, ideas and desires. This wealth is a solid foundation upon which the Company builds its own success and growth.

Integrity

Integrity is considered one of the key qualities of all employees and of the Company itself and entails a consistent and uncompromising adherence to strong moral and ethical principles and values. Employees, members of the Management Board, members of the Supervisory Board and managers are expected to ensure, within their competence, the exercise of rights, respect for the integrity and dignity of all employees without discrimination or privilege on any grounds. Any conduct contrary to the above is contrary to the views and practices of the Company. All employees, members of the Management Board, members of the Supervisory Board and managers should be respected as persons in accordance with guaranteed rights to life, integrity and dignity.

Responsible and ethics-based business

Ethics, compliance and the corporate culture of the Company relying on the Code of Ethics of M SAN Grupa d. o. o. and its owned subsidiaries (hereinafter: Code of Ethics) are incorporated into the whole organisation and apply equally to all employees regardless of function. In accordance with the Code of Ethics, the Management Board of the Company points to the importance of compliance and ethics in the Company through its own activities and conduct as well as organising training for employees and allocating relevant resources. Business is based on integrity, respect for ethical and moral principles of business as well as regulations, guidelines and own policies, procedures, rules, decisions, etc. Corporate governance is based on risk management, strong internal control systems and regular internal audit activities.

Respect for all human rights

The Company stands for so-called decent work, guaranteeing equal rights at the workplace for all employees and providing special care for those who are disadvantaged for any reason. Child labour, forced and compulsory labour, unpaid overtime and labour conditions that offend the dignity of employees and endanger their health are strongly condemned. The Company also strictly prohibits and condemns all forms of discrimination and abuse on grounds of sex, race, religion, ethnicity, sexual orientation or any other characteristic or status, with the aim of providing and maintaining a sustainable working environment.

Sustainable and socially responsible business

Corporate social responsibility is deeply integrated and characterises all the business activities and decisions of the Company. The company successfully aligns its own business policies, strategy and activities with accepted values. Business is characterised by a high awareness of current and future possible impacts of business activities on the environment and the community as a whole. Continuous progress in the context of business contributes to positive results in terms of ecological, sociological and management indicators, while not causing damage to the environment and society and creating added value for the Company's business partners, ensuring a sustainable business model that makes the Company a valued member of the community.

Business and conduct characterised by a high level of environmental awareness

The common welfare of all depends heavily on the health of the environment. The pace of modern life, rapid population growth and intensive consumption of goods and services all contribute to global warming and other negative impacts on the environment. It is the responsibility of every individual to preserve diversity and manage resources rationally. In addition to waste management, the system of responsible business operations emphasises the importance of efficient use of renewable energy and other natural resources. With the development of business, the Company strives to monitor the needs of the market through a causal system, and by analogy contributes directly and/or indirectly to the system of environmental protection, continuously invests significant funds in order to transform business and positively affect the preservation of the environment. The continuous education of employees helps ensure and encourage conduct that protects the environment and does not pollute it, the repeated use of packaging, the provision of repair services that extend the life of purchased and used products, while products that cannot be repaired are sent to recycling.

GRI 2-24

CODE OF ETHICS

The Code of Ethics lays down the highest standards, rules of conduct and ethical principles that are to be adhered to in business operations by all employees, partners and associates of M SAN Grupa and its owned subsidiaries, as well as all other natural and legal persons that are in any way connected with the business of M SAN Grupa. It is of utmost importance that this Code be the basis for the day-to-day conduct of all stakeholders.

GRI 2-12

Members of the Management Board, the Supervisory Board and managers are expected to:

- respect the principles of the Code, behave in accordance with the Code and promote its core values at all levels of business and demonstrate the importance of adhering to the Code with their actions;
- create a working environment that encourages lawful and ethical behaviour and allows employees to ask questions and express their concerns about possible violations;
- encourage the timely necessary training of employees regarding the content and application of this Code and other applicable procedures and rules of the Company and adequately monitor the procedures of their employees; and
- not to cover up conduct contrary to the Code and immediately report to authorised persons any reports of illegal or unethical acts or any other acts or procedures that violate the rules set out in the Code.

The Code of Ethics stipulates:

- the principle of respect for integrity and dignity, the principle of zero tolerance for any discrimination, mobbing and harassment;
- principle of zero tolerance for bribery and corruption;
- principle of avoidance and prevention of conflicts of interest;
- principle of fair competition;
- principle of responsible management of assets, business finance and procurement processes;
- principle of zero tolerance for money laundering and terrorist financing;
- principle of expertise and responsibility — professionalism in business;
- principles of trust and co-worker solidarity;
- principle of teamwork and professional communication;
- principle of confidentiality of personal data and business information, IT system security;
- principle of zero tolerance for the consumption of alcohol, drugs and other addictive substances during working hours;
- principle of environmental protection and the protection of human health, business focused on the conservation of natural resources and responsible waste management based on sustainable development;
- principle of respect for human rights and zero tolerance for forced and child labour;
- principle of transparency in business and transparency in reporting; and
- principle of compliance with import-export control, restrictions and sanctions.

GRI 2-25 GRI 2-26

Business partners, suppliers and other stakeholders may submit a complaint about the conduct of employees that they consider to be contrary to the provisions of the Code of Ethics, while employees may submit a complaint against direct superiors and/or other employees if they consider their conduct to be contrary to the provisions of the Code of Ethics. Complaints are submitted in writing to the contact e-mail address: compliance@msan.hr or by telephone to the number available and published on the Intranet pages of the Company intended for employees, or on the website for all third interested parties. The information on the person submitting the complaint shall be treated as confidential information. The filing of a complaint by an employee in good faith cannot be a reason for sanctioning that employee. No retaliation will be tolerated towards stakeholders,

especially employees, who report possible violations or express concerns in good faith. Any suspicion of retaliation must be reported to the same e-mail address provided for the submission of complaints. Anyone responsible for retaliation against individuals who report suspicions of unethical behaviour, other risks of non-compliance or business risks will be subject to disciplinary action. Acting according to the Code of Ethics and examining individual complaints does not prevent the implementation of measures within the competence of the Management Board regarding the liability of employees for violations of the employment relationship, as well as other prescribed forms of employee liability and in relation to internal supervision where certain conduct meets the conditions for the implementation of these measures.

ANTI-CORRUPTION BUSINESS POLICY

Corruption as a social phenomenon has a strong negative impact on the rule of law and trust in institutions, as well as on the economy, democratic political culture and society as a whole. It has an irrefutable negative impact on economic prosperity and the prosperity of all citizens and therefore activities aimed at identifying, preventing and combating corruption at all levels are a priority for any state and the whole of society. In 2021, the Republic of Croatia adopted a new Anti-Corruption Strategy for 2021–2030, with the aim of continuing strategic implementation and upgrades to the system of anti-corruption measures. As stated in the Strategy, there is no definition of corruption in the Croatian legal system. One of the most commonly used definitions is the misuse of power, position and authority for personal gain.

M SAN Grupa has an internal anti-corruption business policy that applies to the entire Group and to all subsidiaries that prescribes corruption prevention both within the Company itself and in relation to its business associates. By improving the professional and ethical behaviour of employees and the management structure, as well as by increasing corporate social responsibility, the following goals are to be achieved: 1) provide general information to employees on business standards and measures taken to identify, prevent and manage corruption risks, 2) establish principles and rules for identifying and preventing potential corruption in order to protect integrity and reputation and 3) determine the actions to be taken where, despite all the preventive actions taken, corruption is found.

A very important aspect of the fight against corruption within the business sector lies in the context of the formation and implementation of compliance systems and policies. Any establishment of internal self-assessment mechanisms and more effective control

over the business and internal processes of legal entities in the private and public sectors is, among other things, an important tool in the framework of strengthening the prevention system in the fight against corruption. As part of the compliance policy, ethical infrastructure in business is very important. The adopted anti-corruption business policy applies to and obligates all employees. The policy also applies to the business and affairs that the Company undertakes in all the countries in which it operates, and all employees are obligated to read it, understand it and adhere to it. Managers are obligated to apply this policy and ensure that the employees, individuals and entities for which they are responsible are aware of it, understand it and comply with it.

The Company has adopted a zero-tolerance position towards any form of corruption. Therefore, the Company and its employees shall not promise, offer, give or approve, directly or indirectly, bribes or 'any type of value' to anyone, including government officials, employees or representatives thereof, state-owned or state-controlled companies, natural persons or employees of any business entity, thereby unduly influencing any action or decision of that person for the purpose of obtaining, preserving or securing any undue benefit to the Company.

All employees of the Company and third parties acting on its behalf are not allowed to offer, seek or receive bribes or other unlawful payments in order to enter into or retain business deals, are not allowed to participate in money laundering and are obligated to comply with the general principles against money laundering, corruption and bribery as defined by the relevant conventions on combating corruption and money laundering. In its operations, the Company complies with all applicable national and international laws and regulations governing this, including the UK Bribery Act and the Foreign Corrupt Practices Act. In case of doubt, the Management Board is authorised to clarify or interpret this business policy.

GRI 205-1

MANAGING CORRUPTION RISK

Corruption occurs where there is an opportunity, where there is no adequate control or risk and where there is a lack of personal integrity of the offender. Corruption risk can be defined as a characteristic, property or exposure of an individual, an organisational unit, an enterprise as a whole or a process that increases the likelihood of corrupt behaviour, i.e. a violation of established principles of integrity. Each individual faces various corruption risks depending on their authority defined by the work tasks or the position held by the individual, which affect the work or the business of the company in which this individual is

employed. By detecting corruption risks, the aim of the Company is to detect weak points within established decision-making processes, i.e. the parts of the system that, because of different circumstances, are most exposed to corruption. Carrying out a risk assessment procedure is not an investigation that investigates and seeks corrupt behaviour of employees with the aim of sanctioning them. The Company regularly conducts the risk assessment process as a preventive tool to help build the integrity system of each employee individually in order to ensure the integrity of the company as a whole.

GRI 205-2

Employees are obligated to participate in the internal education courses 'Combating Corruption and Bribery' and 'Code of Ethics'.

These consist of getting acquainted with the key elements of both acts, after which it is necessary to pass a test on the acquired knowledge. The education course started in December of 2023, and by 31 Dec 2023, 210 employees successfully passed its test, while in 2024, it will be extended to the entire Group together with subsidiaries.

PROCEDURE FOR INTERNAL REPORTING OF IRREGULARITIES

The Management Board of M SAN Grupa stands for zero tolerance for illegal, unethical or any actions or practices that violate the business policy, either by its employees or business partners.

The Regulations on the Procedure for Internal Reporting of Irregularities and the Appointment of a Confidential Person has been adopted, regulating the internal reporting of irregularities in M SAN Grupa and the appointment of a confidential person for internal reporting of irregularities.

If employees notice any behaviour that raises suspicion, falls into the category of illegal and unethical behaviour and elements of conflict of interest are observed in making business decisions, they are obligated to report this to their manager or legal service, personally or anonymously. Account shall also be taken of any complaint submitted by a third party who has performed any work in and/or for M SAN Grupa.

Each employee is responsible for reporting events that they believe violates the company's regulations even in cases involving a manager.

The prevention or the attempt to prevent the reporting of irregularities is prohibited and the reporting person must not be placed in any way at a disadvantage due to the report submitted. It is prohibited to retaliate, attempt to retaliate or threaten to retaliate against a person reporting irregularities, related persons and the confidential person and their deputy for reporting irregularities or public disclosure.

The identity of the reporting person, i.e. the data on the basis of which their identity may be disclosed and other data contained in the irregularity report, shall be accessible only to the persons in charge of receiving such reports and their further processing, and shall remain protected, unless otherwise agreed with the reporting person. In exceptional circumstances, the identity of the reporting person and any

other information may be disclosed only if this is a necessary and proportionate obligation imposed by European Union or national law in the framework of investigations by national authorities or in the context of judicial proceedings, including in order to protect the rights of defence of the person concerned.

Reporting persons are entitled to the protection provided for in the Act on the Protection of Reporters of Irregularities if they had reasonable reason to believe that the reported or publicly disclosed information on irregularities is true at the time of reporting or disclosure, that this information falls within the scope of the Act and if they have submitted a report in accordance with the provisions of the Act through the system of internal or external reporting of irregularities or have publicly disclosed the irregularity. M SAN Grupa has appointed a confidential person and their deputy for internal reporting of irregularities.

The procedure upon receipt of a report of irregularities begins by receiving the report by any available means of communication (e-mail, telephone, face-to-face, etc.) orally or in writing. Reports can also be submitted anonymously. For anonymous applications, among other things, the so-called Red Box option is provided, through which any question or complaint can be submitted anonymously and is available on the Intranet to all employees.

The report must contain information on the reporting person, unless anonymous, details on the person(s) to whom the report relates and a description of the irregularity reported. Reports are kept in a physical format, and if received orally, a report is kept in the form of a complete and accurate transcript of the conversation made by the Confidential Person or their deputy or as an audio recording of the conversation in a physical and accessible format. Upon receipt of the report, the investigation phase, led by the Confidential Person, commences and the case is either resolved or if necessary escalated to a higher level of decision-making (Management Board). At this stage, measures and procedures to be taken by certain organisational units or persons are defined.

Possible actions and measures include, but are not limited to:

- > the adjustment/change of a particular procedure;
- > escalation of the case to management / Management Board;
- > Human Resources measures, if employees are involved in the report;
- > hiring an external service for the purpose of an investigation where impartiality is unlikely to be achieved in dealing with the report; and
- > reaching a decision to notify competent state bodies, e.g. courts, the tax administration, police or other third parties in accordance with legal regulations.

If the Confidential Person and the Management Board have made a decision that the case should be forwarded to the competent state bodies or persons, the appropriate report for the said authorities/persons shall be drawn up upon agreement.

All reports in each case must be documented and appropriately marked as classified.

GRI 205-3

In 2023, no cases of bribery or corruption were documented.

GRI 206 -1

In 2023, no legal proceedings were initiated for conduct contrary to the principle of freedom of competition or antitrust and monopolistic practices.

GRI 415-1

In 2023, there were no cash or in-kind contributions paid directly or indirectly for political purposes.



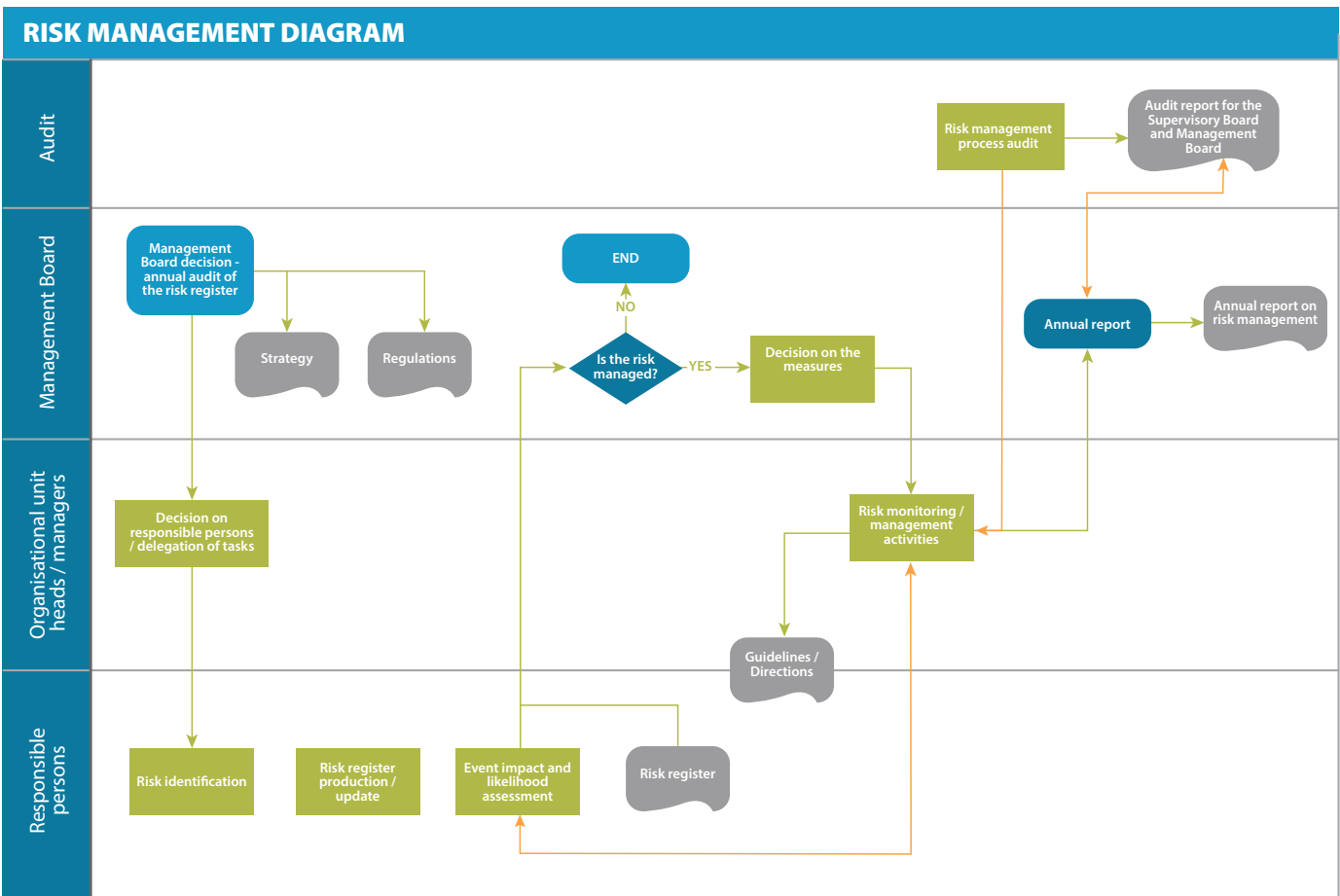
RISK MANAGEMENT

M SAN Grupa, as part of its usual and regular business process, examines risks, determines the likelihood that they will occur as well as their impact on the organisation or business and the realisation of its goals. Furthermore, as part of the same process, the organisation determines the risk appetite and measures or treatment of risk in order to at least reduce its impact if not completely eliminate it. The risk register contains listed risks that are regularly reviewed annually, as well as risk appetite and risk treatment, and measures the effects that the risk management process has on the business. The Regulations on the Risk Management System of M SAN GRUPA and its subsidiaries has been implemented, as well as its Risk Management Strategy. The Management Board is responsible for maintaining an effective internal control system as well as for maintaining effective risk control. The risk management system includes management as well as all employees

(to the extent depending on their position). By 30 November each year, the heads of organisational departments as well as Country Managers of subsidiaries are required to create a Risk Register or revise the previous one, where all risks, limitations, the ability of the company to bear such risks as well as the measures for their control and management are described.

A Risk Management Report is also produced annually. An internal audit evaluates the implementation and effectiveness of the risk assessment system as well as the methodology used. The internal audit shall also draw up its annual work plan as well as individual audits based on the Risk Register.

Full responsibility for the risk management process lies with the Management Board, while each organisational unit is responsible and participates in the risk management process, review and audit of the Risk Register and proposing measures related to it. The final decision on risk appetite and risk treatment is made by a decision of the Management Board.



Management of sustainability-related risks (ecological, social or governance risks (corporate governance))

- > Quality control risk management - when introducing new products
- > Business continuity risk

Like any organisation, the Group faces a number of risks that it cannot directly affect, e.g. global risk, such as climate change and those linked or specific to a certain geographical area such as a particular country or region. However, there is awareness that these risks can and should be managed in the most effective way, which is in fact done, in order to minimise the impact on business and the realisation of strategic goals.

By closely monitoring events at the global level, but also by monitoring events and situations in certain parts and countries of the world, activities are carefully prepared and risks to which the Group may be exposed, related to climate change, natural disasters, weather conditions, pollution and similar phenomena that can have a negative impact on business, are assessed.

Some examples are:

- relocating production to parts of China or factories with high production standards and implementing a range of measures and activities to reduce environmental pollution, influence rising production prices and ultimately the prices of the products procured and distributed;
- use of renewable energy sources that do not pollute the environment; and
- analysis of principals and products procured for distribution from the point of view of environmental protection measures taken, production quality, materials used in production, safety of devices during use for the user and their environment and for the environment in general.

From a sociological point of view, the Group is aware that the sales and selection of products it distributes are influenced by the level of education of the population, purchasing power, lifestyle, family size, age structure, sex structure, trends, etc., and adapts/ categorises products into different groups.

Furthermore, the Group is also aware of the risks associated with Croatian citizens and the impact of the situation in the Republic of Croatia related to the working-age population:

- the study and residence of Croatian citizens in the countries of study after graduation, as well as the departure of highly educated persons from the Republic of Croatia who are experts in the relevant field and possess the competence required by M SAN Grupa, have resulted in a smaller selection of the workforce for employment;
- because of the departure of highly educated medical professionals from the Republic of Croatia, the health system and thus the health care of those who remain, i.e. the employees of M SAN, is at risk;
- the lower quality of health care and low-quality and delayed diagnostics have a direct impact on serious illnesses and longer absences of employees, as more severe illnesses require longer treatment -> problems of new recruitment and job redistribution occur during absences; and
- the decline in birth rates and the fact that Croatia is a country with an extremely old population point to the challenges of recruitment and taking measures in the future related to importing part of the workforce.

The measures taken to reduce the negative socio-economic impact are:

> **working with others:**

1. business with companies that operate in accordance with the UN principles of the protection of fundamental human rights, respect the principles of diversity and inclusion and have social sensitivity initiatives;
2. business with companies that have highly developed management policies for their employees and provide additional benefits for their employees in the form of well-being policies, investments in education and practice the highest standards of health and safety protection;

> **internal initiatives:**

1. the use of high standards of health and safety at work, an absolute prohibition and intolerance of any violation of human rights and the protection of employees from any violation of dignity;
2. encouraging care for one's own physical health by subsidising part of the costs of group or individual sports activities;

> **activities and community assistance:**

1. the Group is aware of its influence on the community in which it works and lives and is aware that it is necessary to adequately manage the impacts it has on this community; and
2. a policy is being prepared that would define a concrete policy of impact management by the community through planning and defining sponsorship and donations programmes.



ENVIRONMENTAL RISK ANALYSES

The **positive** aspects of environmental risk management are:

- reducing the costs that may arise from the sale, repair and disposal of lower-quality products;
- an increase in the satisfaction of business partners and end users;
- a positive impact on corporate reputation and prestige; and
- the Company being recognised as an organisation that cares not only about the environment but also about the quality, health and future of our planet.

Knowledge of the target groups, their preferences, lifestyles and circumstances contributes to managing risks and reducing the occurrence and impact of the following risks: sales risk, inventory risk, market share risk, customer loss risk, customer cost risk and business risk management. The positive aspects and benefits of risk management are as follows:

- better communication and understanding of target groups and identification of their needs;
- better communication with business partners, customers and suppliers;
- procurement and distribution of products and services that are needed or will be needed in the near future, including new trends;
- offering products according to the customer's needs and purchasing power;
- direct increase in sales and achievement of the company's strategic objectives;
- an increase in customer satisfaction;
- the growing trust of all stakeholders of the company;
- the growth of the reputation of the Company that cares about and understands the needs of the market and its users; and
- the growing trust of investors in the company.

The management of risks related to human resources management directly leads to the following positive aspects:

- an increase in employee satisfaction;
- efficiency increases;
- a good working atmosphere;
- good interpersonal relationships;
- a negligible turnover of employees or an absence of one;
- an increase in the satisfaction of business partners who are in direct communication with the employees of the Company; and
- the growth of the reputation of the Company and it being chosen as a desirable employer.

CLIMATE-RELATED RISKS

1) Risks of **adverse** effects on the climate

Some examples of generally identified negative effects on the climate are given below:

- the company's industrial production facility could directly emit greenhouse gases into the atmosphere;
- the energy purchased by the company for the performance of its activities may have been produced from fossil fuels;
- the product produced by the company may require fossil fuel consumption, for example in the case of petrol or diesel cars; and
- the production of materials used by the company could lead to greenhouse gas emissions upstream on the value chain. This could be the case for companies that use materials such as cement or aluminium in their production processes. Similarly, a company producing or processing forestry or agricultural products, including in sectors such as the food, clothing or wood processing industries, could potentially cause, directly or indirectly, land use change, including deforestation and forest degradation and related greenhouse gas emissions.

2) Risks of **adverse** effects on the company

Climate change risks to the company's financial performance can be classified as physical or transition risks.

Transition risks stem from the transition to a low-carbon and climate-resilient economy. These include the following:

- policy risks, for example as a result of energy efficiency requirements, carbon pricing mechanisms that increase the price of fossil fuels or policies to encourage sustainable land use;
- legal risks, such as the risk of legal proceedings for

failure to avoid or reduce adverse impacts on the climate or failure to adapt to climate change;

- technological risks, for example if technology with a less harmful effect on the climate replaces more climate-adverse technology;
- market risks, for example if consumers and business users choose to switch to products and services that are less harmful to the climate;
- reputation risks, for example difficulties in attracting and retaining customers, employees, business partners and investors if the company has a reputation of causing harm to the climate.

Generally speaking, a company with a higher negative impact on the climate will be more exposed to transition risks.

Physical risks to the company arise from the physical effects of climate change. These include the following:

- acute physical risks, arising from specific events, in particular weather-related events, such as storms, floods, fires or heat waves, which can cause damage to production facilities and disrupt value chains; and
- chronic physical risks, stemming from longer-term climate change, such as temperature changes, rising sea levels, reduced water availability, loss of biodiversity and changes in land and soil productivity.

The company's exposure to physical risks does not directly depend on whether or not the company has a negative impact on the climate.

GRI 2-13, GRI 207-1, GRI 207-2, GRI 207-3

TAX MANAGEMENT

M SAN Grupa has adopted a tax strategy that applies to all subsidiaries in the Republic of Croatia and the region.

This tax strategy was proposed by the Tax Department and adopted by the Management Board of M SAN Grupa. The strategy aims to ensure compliance with all relevant tax regulations in each country where M SAN Grupa operates. When adopting the tax strategy and policy, M SAN Grupa does not consult stakeholders, but adopts the strategy independently in accordance with all relevant regulations.

M SAN Grupa monitors and reviews its operations and adjusts its tax procedures to comply with any changes in applicable tax rules and regulations, including in accordance with transfer pricing guidelines.

M SAN Grupa actively adheres to all external tax

regulations and disclosure requirements in all countries in which it operates, and in addition to ensuring full compliance, the tax strategy prescribes internal tax management, tax risk management and the relationship with tax authorities.

Accordingly, the Head of the Tax Department of the Group formulates an approach to tax management and ensures effective internal supervision of the tax processes of M SAN Grupa. Tax risks are identified, assessed, managed and monitored by the internal tax risk management process and there is no defined level of tax risk that M SAN Grupa is willing to accept.

M SAN Grupa is committed to a transparent, constructive and trust-based relationship with tax authorities in the jurisdictions in which it operates.

GRI 2-28

M SAN Grupa is a member of the Croatian Chamber of Economy (CCE) and CANTD - the Croatian Association of New Technology Distributors.



BUSINESS ACTIVITIES, SUPPLY CHAIN AND CUSTOMERS



GRI 2-6

The business operations of M SAN Grupa are organised in four divisions:

- ITCE - distribution of IT equipment and consumer electronics;
- Enterprise - value-added distribution for custom hardware-software solutions;
- Vivax - manufacture and distribution of a proprietary brand, of over 250 items in all categories (television sets, air conditioners, large appliances and small household appliances); and
- Green - electric mobility products, LED lighting and solar panels.

BUSINESS MODEL

The business model of M SAN Grupa is based on building and maintaining trust and reliability of cooperation with suppliers and customers, developing product portfolio diversity and financial stability and paying special attention to the products of proprietary brands. A large number of satisfied partners and customers have been gained by investing in production, distribution, marketing and development. The proprietary brands that the Group is proud of are VIVAX in the range of consumer electronics, MS Energy in the range of e-mobility, MSGW in the range of computers, MS in the range of peripheral devices, cables, drones, housings and power supplies for computers, as well as accessories for mobile phones, laptops and desktop computers, Solmacht, which covers range of solar systems and MS Lux, which offers a range of LED lighting products.



VIVAX

This proprietary brand, as a domestic product, has been present on the Croatian market since 2004, and has to date been placed on a total of 39 markets on 4 continents. Today, VIVAX offers more than 300 different products that can be divided into 5 strategic product groups: air conditioning, TV sets, large appliances and small household appliances. The entire range and design of VIVAX products was fully designed in Croatia, and high quality standards are

ensured by the implementation of strict procedures in production processes with special emphasis on quality control processes. VIVAX is part of a group of rare consumer electronics brands that produces part of its products on European soil. M SAN also has a production line of 22" to 65" LED TV sets, which takes place in its own premises in Rugvica. This manufacture is intended for the Croatian market and the European Union market.



MS ENERGY

is a proprietary brand of electric scooters, bicycles and all other modern personal electric transport systems. It has been present on the Croatian market since 2019 and today, the MS Energy range is divided into four categories: electric bicycles, electric scooters, electric motorcycles and accessories. In today's world, where mobility and ecology define a new lifestyle, MS Energy provides answers to customers' demands for

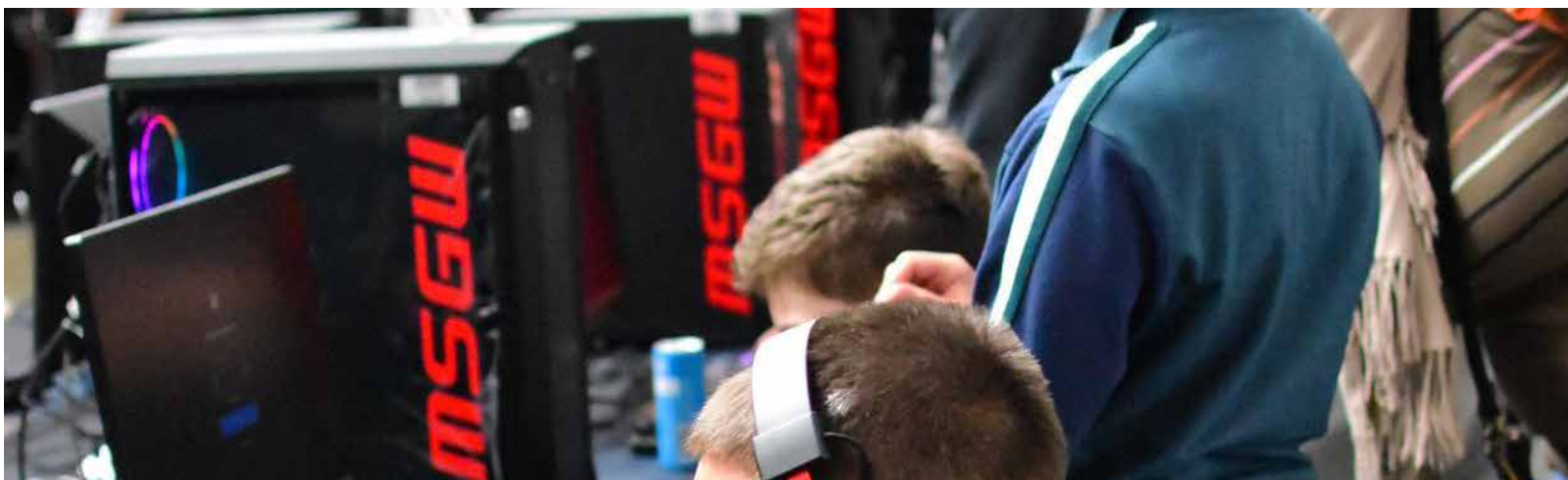
sustainable, simple and smart transport solutions, i.e. for complete e-mobility. The reliability and quality of e-mobility products is one of the foundations of MS Energy. The product creation strategy and the overall production process is based on the use of proven technological solutions, with the aim of creating highly reliable, environmentally friendly e-mobility solutions that have a positive impact on people's lives.



MSGW

computers, as a proprietary brand of M SAN Grupa, has been on the Croatian market since 2005. All the computers are made in an automated facility for the production of IT equipment of the Group and

are subjected to numerous functional tests. MSGW computers meet all the necessary requirements that Microsoft sets for complete compatibility of embedded components with the Windows OS.



MS

is a proprietary brand of M SAN Grupa, which combines the production and sale of computer peripheral devices such as headphones, speakers, keyboards, mice, casings, power supplies and cables. With a tradition of 18 years, it successfully operates on the Croatian and regional markets (Serbia, Bosnia

and Herzegovina, Macedonia and Montenegro) and is expanding its operations to other EU markets. Each stage of the production cycle is subject to strict quality control, which ensures the reliability and functionality of each device, and ultimately a high-quality product at an affordable price.



MS LUX

is one of the leading European manufacturers of professional lighting. The state-of-the-art LED technology mimics the light of the sun, which it adapts and optimises for all needs with the smallest possible environmental footprint. It has grown from two established brands of professional LED lighting:

DATA Link – production and development of special purpose lighting, work lighting and anti-explosion lighting for industrial applications and

LEDA – the development of MS Lux lighting products manufacture started back in 2015 under the brand name LEDA. From the very beginning, this

development has been strategically focused on public and industrial lighting and the company has to date delivered public lighting to more than 100 cities and municipalities in the Republic of Croatia, Bosnia and Herzegovina, Macedonia, Slovenia, Serbia and the rest of the region. In addition to lighting fixtures, solutions based on IoT technologies for lighting monitoring and control were also implemented.

This product group consists of several public lighting lines:

- road lighting;
- ambient lighting; and
- floodlights.





SOLMACHT

is a mark of excellence in the distribution of top-quality components and equipment necessary for the construction of solar power plants and related systems. It is a brand belonging to the portfolio of M SAN Grupa, which came to be in response to market needs for complete solutions in the field of solar power plants production. Through Solmacht, business partners and end users are provided with the continuous availability of all the components by leading global manufacturers needed for the design and construction of solar power plants: from solar panels, electric inverters, load-bearing floor structures, battery storage systems and accessories to electric vehicle chargers.

M SAN Grupa is also the leading distributor of IT products and consumer electronics by more than 60 of the world's most renowned manufacturers and more than 15,000 products. Among them are highlighted: Acer, Asus, Hewlett Packard, IBM, Lenovo, LG Electronics Inc, Microsoft, Panasonic, Samsung, Toshiba, Transcend, Western Digital and many others. M SAN Grupa has expanded its range with a whole new set of high-quality products from which every user, whether

business or private, can choose a product according to their wishes and purchasing power.

The logistics of M SAN Grupa is among the most developed in the region, ensuring fast and accurate delivery. M SAN Grupa has over 7,000 partners inside and outside Croatia. Sales channels consist of chain stores, IT&CE retailers and system integrators. Correspondingly to the sales channels, internal sales teams of M SAN Grupa were also developed according to product groups. Through the 'Enterprise' sales segment, M SAN Grupa offers high added value through knowledge and complex solutions for partners such as system integrators and the like. With a large number of partners, the Group has significantly diversified its business, where the largest unaffiliated customer accounts for 1.3% of the total annual turnover. With the acquisition of Alterna Distribucija, the Group added the Slovenian market to its 'domestic markets'. Nevertheless, the Group continues to invest significantly in export sales channels to third countries (countries where there are no subsidiaries), thus accounting for 11.5% of total exports to third countries in 2023.



QUALITY MANAGEMENT OF PRODUCTION LINES

VIVAX and MS ENERGY Quality Management and Supplier Relationships

Maintaining high quality standards is key to achieving long-term customer satisfaction. M SAN Grupa d. o. o. is aware that satisfied customers are the foundation of successful business and therefore continuously works on maintaining and improving these standards.

Through strict quality control procedures, it is ensured that every product produced under the proprietary brands VIVAX and MS ENERGY meets high standards of performance, reliability and safety. Regular checks and testing, both on samples and during the production process, help to identify potential defects or problems and enable quick intervention and correction before the product reaches customers.

In addition, M SAN Grupa actively collects feedback from customers to better understand their needs, wishes and expectations. This information is used to further improve products and services, resulting in products that better match the needs of the market and increase customer satisfaction.

It is important to point out that satisfied customers not only return, but also recommend the products to others, which contributes to the positive reputation of proprietary brands and strengthening our competitive position on the market. Therefore, focusing on high quality standards and maintaining customer

satisfaction at the highest level are key priorities of M SAN Grupa and are the basis of success in a wide range of consumer electronics products, from televisions, large appliances and small household appliances to electric bicycles and scooters.

To achieve these goals, the Group has two main quality control departments in place.

The first and larger quality control department is part of MS Industrial Ltd based in China, Dongguan. This department plays a key role in controlling the quality of all of the proprietary brands of M SAN Grupa that are procured/produced in China.

Product quality control in China can be divided into three steps:

1. checking the quality and reliability of suppliers (factory)
2. sample Testing
3. the testing of finished products using the AQL or Full-Check method.

GRI 2-6, GRI 408-1, GRI 409-1

SUPPLIERS CHECK (FACTORY)

Checking the quality of a factory or supplier is a key step in ensuring high product standards and building trust between partners. M SAN Grupa has itself set the norms and standards that suppliers must respect, such as input quality controls and internal organisation of suppliers, respect for human and labour rights, environmental care and the possibilities of using green energy and business sustainability. Factories and suppliers must carry out a thorough analysis and adapt their business according to the Group's requirements, including absolute intolerance for child labour and forced or compulsory labour.

First and foremost, factories or suppliers must ensure that their products and production processes meet the required quality standards. This includes checking raw materials, components and finished products to ensure that they meet specifications and the standards defined by customers or international standards such as ISO standards.

In addition, it is important that factories or suppliers

respect human rights and labour standards. This includes ensuring safe and healthy working conditions and preventing any form of discrimination. Checks are carried out through inspection by Quality Control, through interviews with employees and the review of relevant documentation.

Environmental care is also a key aspect of checking the quality of factories and suppliers. This includes compliance with environmental protection regulations, waste management, reducing emissions of harmful substances and the use of sustainable manufacturing practices.

Finally, the quality check of factories or suppliers should include all other common standards required by the partners in the European Union. This may include compliance with product regulations, consumer protection, ethical business standards and other relevant standards and regulations.

This is essential for establishing long-term partnerships and ensuring trust between all the parties involved.

Sample Testing

The first step in the product development process involves sample testing of a potential new product. The sample is subjected to a thorough performance and functionality test. Any irregularity or potential problem is analysed in detail in cooperation with the factory to identify defects and consider ways to resolve them or improve the product. When all issues are carefully analysed and the parties (M SAN Grupa

and the factory) reach an agreement, the sample is approved for production and gets the 'PASS' status. At this point, all key components are precisely defined in technical documentation (such as LVD test reports), and the actual product must be manufactured in accordance with these specifications.

Production and Testing of Finished Products Using the AQL or Full-Check Method

Any manufacture of VIVAX or MS ENERGY products must undergo quality control prior to delivery, based on a pre-tested sample.

Two commonly used methods are:

- 1. AQL (Accepted Quality Level); and**
- 2. Full Check (full checking of each device).**

Each of them has its own advantages and method of application, depending on the type of device, the quantity and complexity of the device itself.

Firstly, the AQL method is a sampling system based on statistical analysis. This method makes it possible to determine an acceptable level of quality for a given product, i.e. the quantity sampled must meet a certain quality standard. According to the AQL principle, a certain number of samples from the product batch are selected for detailed inspection. The number and size of samples are determined on the basis of the risk level of the product and the level of quality acceptable to the Group and the customers. For example, for high-risk products, such as TV displays, a stricter AQL or even a 'Full Check' can be applied, while a less stringent AQL standard can be used for lower-risk products. This approach allows for a rapid assessment of the quality of a product batch without the need for a complete overview of each individual product.

On the other hand, the Full-Check method, as its name suggests, implies a detailed and thorough examination of each individual product in the batch. This method is often used when high quality standards are essential or when the risk of malfunction is high and entails high costs if a malfunction occurs. This method is used most often in LED display quality control, because any faulty display, which may include a complete or partial

display malfunction (defect dark dots, defect bright dots, artefacts in the display or shadows) entails high costs or write off of the display or television set later on during production. In this way, the percentage of write-off devices during production is reduced to a minor percentage.

Ultimately, the choice between the AQL and the Full-Check method depends on the specific requirements of the product, the level of risk, the Group's quality standards and the resources available to perform the tests. The use of the right method allows for maintaining high quality standards, meeting customer needs and avoiding potential problems associated with poor product quality.

In addition to AQL or Full-Check quality control, the tested products are compared to the previously tested sample by functionality and production quality, and key components listed in the LVD documentation are checked.

When the tested products comply with all the above quality testing steps, confirmation is given that the product has passed the quality test and is ready for delivery.

In case the product testing results do not meet an acceptable AQL standard, corrections and quality control are required from the factory, as well as repeating the whole test procedure and the AQL testing.

With the Full Check, any detected defect is immediately resolved and every product goes to delivery completely up to standard.

Quality Control Department - Croatia, Rugvica

The Quality Control Department plays a key role in sample testing and quality assurance for products produced at the Rugvica manufacture facility. Special attention is paid to quality control in the production of television sets and electric bicycles. The employees of this department scrutinise each sample in detail to make sure it meets the Company's high standards, using the methods described above for quality control at MS Industrial Ltd in China as well. In addition, regular controls are carried out during the production process to prevent any defects and to ensure that the products meet customers' expectations.

Before the start of production of each batch, three samples of LED TV receivers are assembled manually and the correct operation as well as compatibility of all parts are checked and the required measurements are made in accordance with the energy efficiency requirements (ErP). It is only after approval by Quality Control that the production of LED TVs from the batch in question can begin.

At the end of the production process, in order to ensure the highest quality, each TV is carefully checked after 2–3 hours of test operation for the correctness of all inputs/outputs. The quality of the image and sound and the general appearance are controlled to prevent the presence of scratches, stains or impurities on the housing. After this last step, the LED TV is thoroughly cleaned, packed in a box and sent to the warehouse or distribution.

The two quality control departments described above strive to continuously improve their processes to ensure superior product quality.

The Group remains committed to the production and distribution of products under proprietary brands. In this way, it creates its own business policy and directly affects quality and marketing activities.

Customer trust is key to the success of proprietary brands such as VIVAX and MS ENERGY, and building this trust requires sustained and fully committed work.

GRI 416-2

In 2023, there were no cases of non-compliance with regulations and/or voluntary codes on the impacts of products and services on the health and safety of users and customers.

PRODUCT INFORMATION TYPE AND LABELLING

When labelling products of proprietary brands (Vivax, MS Energy), the following is stated on the product label.

> The source of the components of the product or service:

All the information on the label is provided on the packaging itself. The declaration is placed (printed) on the packaging and comes directly from the factory.

> The contents of the product, in particular in relation to substances that may have an impact on the environment or society:

The declaration of conformity states that the products comply with the RoHS Directive, i.e. the European Directive on the Restriction of the Use of Certain Hazardous Substances (RoHS) in Electrical and Electronic Equipment. It replaced Directive 2002/95/EC, known as the 'lead-free' directive. The RoHS Directive has a very simple goal: to reduce the use of the following 6 dangerous substances:

- lead: 1000 ppm or less.
- mercury: 1000 ppm or less.
- cadmium: 100 ppm or less.
- hexavalent chromium: 1000 ppm or less.
- polybrominated biphenyls (PBB): 1000 ppm or less.
- polybrominated diphenyl ether (PBDE): 1000 ppm or less.

> Safe use of the product or service:

Warnings prescribing the safe use of products and services are given at the very beginning of the instructions, specifically at the location of the 'Warnings and instructions for the safe use of the product', as required by the LVD Directive (Low Voltage Directive).

The Low Voltage Directive (LVD) covers health and



safety risks for electrical equipment operating with an input or output voltage between 50 and 1000 V AC and between 75 and 1500 V DC.

> Disposal of products and environmental or social impacts:

The correct disposal of the product and the related environmental impact is also included in the 'Warnings and instructions for the safe use of the product' and prescribes the manner in which electrical and electronic equipment and spent batteries are disposed of. As part of the instructions, it is stated that proper disposal of the product prevents possible negative effects on the environment and human health that could be compromised by inadequate disposal, and that the recycling of materials from the product helps to preserve a healthy living environment and natural resources.

GRI 204, GRI 204-1 GRI 2-13, GRI 2-16

SUPPLY CHAIN MANAGEMENT

M SAN Grupa has two vertical suppliers of goods for resale:

1. **suppliers that cover the development of proprietary brands in the Group: VIVAX, MS ENERGY, MS, MSGW, MS LUX, SOLMACHT;**
2. **suppliers of established world/global brands to be distributed.**

Product types under proprietary brands:

VIVAX – consumer electronics:

air conditioners;
TV sets;
large appliances;
small household appliances; and
smart gadgets;

MS ENERGY – e-mobility:

e-bicycles;
e-scooters; and
e-motorcycles;

MS – peripherals, housings, power supplies, accessories;

MSGW – PC production;

MS LUX – professional lighting production; and

SOLMACHT – distribution of solar panels, inventory and equipment.

For proprietary brands, it is essential that products placed on the market are appropriately certified:

- **TV non-smart:** LVD, EMC, ErP, RoHS; and
- **TV smart:** RED, LVD, ErP, RoHS;
- **large appliances:** LVD, EMC, ErP, RoHS; and
- **small household appliances:** LVD, EMC, ErP, RoHS; and
- **smart gadgets:** RED, RoHS.

There are a total of 156 brands in distribution, 6 of which are proprietary brands (listed above).

In the total turnover of M SAN Grupa (2023), the share of proprietary brands was 27%, rising to 48% in the total gross margin.

Proprietary brands mainly work with Chinese suppliers, 80%, while 20% are EU and Turkish suppliers.

In order to identify the risks associated with a supply chain and its practices, analyses of the financial stability of suppliers are carried out on a regular basis and the political situation in the supplier countries is monitored, as well as any changes in legislation and market conditions.

The focus is always on suppliers that are crucial for business and the activities of these suppliers are continuously monitored in order to identify possible risks - primarily through the monitoring of financial statements, analysis of media reports, etc.

A close relationship and long-term cooperation are developed with key suppliers, thus better understanding their business circumstances, challenges and potential risks. Regular communication and cooperation can help detect risks and find

solutions before there is a situation that may jeopardise normal business operations.

In parallel, in order to ensure that business is unhindered under all conditions, relationships with alternative suppliers are developed and stock is stored in a timely manner (if some irregularities/changes are observed in the market that could cause disruptions in procurement and normal operations - such as the COVID-19 pandemic). Diversification of suppliers is also always done in order to minimise business risk.

As a criterion when selecting a supplier/factory for cooperation, the pre-established evaluation format and method are used, implemented at the beginning and during an audit of the cooperation, and certain characteristics of the responsible business operations of the supplier are scored - if the number of points is not adequate, the factory is not selected for future cooperation.

The production facilities, quality, capacity (daily / monthly / yearly), financial stability and working conditions, prescribed by the fundamental principles of human rights protection, are assessed.

GRI 408-1, GRI 409-1

If any violation of human or children's rights, or the use of child, forced or compulsory labour is established during a factory audit (or during the on-site inspection of quality control in production), cooperation with such a supplier is automatically terminated.

GRI 2-13, GRI 418-1, GRI 3-3

PRIVACY AND PERSONAL DATA PROTECTION POLICY

Data protection is governed by the Privacy and Personal Data Policy, which is published on the corporate website of M SAN Grupa and is accessible to all. It is based on the Privacy and Personal Data Protection Policy based on the Regulation of the European Parliament and of the Council (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and explains which personal data is collected in connection with M SAN Grupa services and products, how this data is processed, used and protected, for which purposes it is used and what the rights of users and customers are.

All customers and users of the products and services of M SAN Grupa who are users of notifications about products and services are instructed to read the Data Protection Policy available on the corporate website in order to better understand which data M SAN Grupa collects and processes, for what purpose, on what legal basis, with whom and why it shares it, what safeguards it implements and what the rights of customers / users / other stakeholders as data subjects are.

M SAN Grupa d. o. o. respects that every data subject should be able to ensure the accuracy, completeness and up-to-dateness of their personal data. If a data subject considers that their personal data is incomplete, inaccurate or not up to date,

they may contact M SAN Grupa by sending an e-mail to voditelj@msan.hr.

The personal data collected is kept in a secure environment. Personal data is protected from unauthorised access, disclosure, use, alteration or destruction by any organisation or individual.

The data is stored at the premises of M SAN Group, i.e. in its own IT systems, but also on the servers of trusted service providers.

M SAN Grupa d. o. o. ensures that personal data is kept in a secure location (which includes reasonable administrative, technical and physical protection to prevent unauthorised use, access, disclosure, copying or modification of personal data), which can only be accessed by authorised persons.

The collected data will only be stored for as long as necessary to fulfil the stated purposes. Personal data shall not be stored in a format which permits identification for longer than is reasonably necessary to achieve the purpose for which it was collected or processed.

If consent is given, personal data will be processed until the consent is withdrawn. If a justified objection is made to the processing of personal data based on legitimate interest, the personal data shall no longer be processed for this purpose in the future.

This aspect is dealt with by IT support and legal affairs, and a data protection officer is also appointed.

GRI 418-1

In 2023, there were no cases of any justified complaint concerning breaches of customers' privacy or the loss of customer data.

DEVELOPMENT AND INNOVATION

The business employs technical innovation in order to achieve improvements in the existing and new products, services and processes. Likewise, administrative innovation is also employed in organisational structure and administrative processes, but not necessarily in relation to technical innovations. Different innovation strategies are combined to create competitive advantage (platform offering strategy, co-creation strategy, brand value enhancement strategy...) This business segment is focused on the development of our proprietary brands (MS Energy, Vivax, MS Lux, MSGW, Solmacht), which is why the aim is to ensure the highest possible quality of products through adequate investments in production and distribution, at the same time taking care of sustainability and efficiency. Advantages are manifested in the possibility of capitalising on the close relationship with partners/ customers and the flexibility and readiness to meet their changing demands quickly. This close relationship and our dedication to listening to the needs of our partners/customers enable us to react promptly and encourage us to develop and innovate (for example, improved performance of e-bikes in connection with kilometres travelled in accordance with market demands). M SAN Grupa monitors competition and employs innovation in order to create additional value on an ongoing basis, first and foremost for the sake of its customers, but also for its own sake and advancement. By practising transparency in its activities, M SAN Grupa gains customer trust and applies the same method in leading its sustainable business strategy. Strategic decisions and the need for development and innovation are focused on finding and conquering new markets, improving existing products and introducing new ones, as well as placing and promoting new or redesigned existing products on the market.

One other innovation aspect that is very important for an organisation is the introduction of new processes and business systems which, when implemented, can increase efficiency of both individuals and the whole organization and reduce costs.

When developing products, great care is given to making sure they are sustainable and have a minimal negative impact on the environment.

Through its related company M SAN EKO d. o. o., whose main task is the management of electrical and electronic waste, M SAN Grupa has adopted the principle of circular economy - customers are offered the possibility to leave their old products to be collected by us; this way a system of separate waste collection is established, directly contributing to reducing the amount of waste in landfills and reducing CO2 emissions, as well as raising awareness of the importance of corporate social responsibility, contributing to environmental protection and reducing the negative impacts on climate.

Moreover, other aspects of sustainability are manifested in ongoing investments in our proprietary brands, with an emphasis on environmental protection and sustainable business:

- MS Energy – e-bikes, e-scooters, and e-motorcycles are a simple and smart transport solution and the best example of modern mobility and ecology.
- Vivax – invests in its products on an ongoing basis (e.g. introduces new air conditioner designs with improved performances - devices that remove allergens and harmful particles and contribute to health...).
- MSGW – production of computers sold with predefined specifications, but also as custom solutions, in order to make sure that the customers are satisfied with the product for longer and to encourage sustainability.

- MS – proprietary brand that combines the production and sale of peripheral devices, casings, power supplies, notebook accessories and cables; all its characteristics are manifested through an innovative approach, monitoring trends and improving products according to the wishes of users; all products go through different processes that ensure that they comply with sustainable quality standards before leaving the factory.
- MS LUX – professional lighting where the latest LED technology mimics natural sunlight and optimises it for different needs and applications, with the smallest environmental footprint (own software solution).
- SOLMACHT – proprietary brand for distributing top quality components and equipment necessary for the production of solar power plants and related systems that are a long-term sustainable and affordable source of electricity.

M SAN Grupa meets the principle of circular economy in full: product design and development >> production and quality control >> product distribution to users >> use by users, possible service and reuse >> satisfied customer >> waste collection and disposal >> recycling and reuse of products.

A satisfied customer is the greatest reward - thanks to innovative, practical and simple solutions and reliable, high-quality and easily repairable products, customers keep coming back.

In development and innovation, certain guidelines and policies are applied and mandatory legislation, international standards, trends, and specific needs of internal and external users are monitored; all business applications are developed accordingly.

The largest part relates to production and quality control - products are manufactured according to EU standards and are subject to very rigorous quality control, including the drafting of technical documentation identified in legislation and necessary for placing new products on the market, testing, and aligning with the rules and regulations of the European Union.

M SAN Grupa also has set up internal regulations, procedures and processes related to development

and innovation management (e.g. factory visits at different stages of product life cycle, product testing by stage...) and monitors and applies regulations and recommendations related to information security. The business quality management system (QMS) is in the process of being established and represents the main repository of official documentation (regulations, procedures, work instructions, etc.) for M SAN Group, a vertical distribution at the regional level.

The QMS is a central place containing all current documentation describing the methods of work and procedures for certain business processes, sub-processes and activities in our daily work.

The business quality management system enables us to apply the same information, methods, skills and procedures in a consistent manner when performing processes.

The sectors and departments in charge of development and innovation aspects are

- Manufacturing sector
- VIVAX and MS Energy Development Departments
- LED Development Department
- Business and Quality Support – Process Improvement and Development Team – QC Specialists Team
- IT support

External stakeholders are also involved in product development (partners/customers, public law bodies...), as well as internal stakeholders, that is, employees who are able to use their abilities and competences to achieve the organization's goals (getting involved in the work activities, development and learning, trust, product testing...).

Regarding external stakeholders, we are especially careful to include gamers and take their needs into account: representatives of the MSGW brand department present our equipment at different gaming events and encourage visitors to try it out, thus observing the needs of our target group.

In addition, the opinions of external stakeholders were taken into account during the development of the MS energy scooter regarding the desired range and so the current maximum range is 90 km.

The success of our approach to development and innovation is measured using different reports and metrics (for example, in the IT department - number of completed projects, items and services, % of sales and market share...)

Attention is also paid to the digitalisation of internal processes and the introduced systems are also set up in digital form; different systems are linked from storage/warehouse and procurement to sales using different applications in business systems in order to have all the information in one place. An internal HR system with all the relevant data for employees was also developed (with options to submit holiday requests, planned absence requests, work from home requests) and an upgrade of the existing intranet system was announced that will enable us to have all the data relevant for employees, in connection with work, rules, processes and information about M SAN Group, in one place. Employees are informed on time about every change that is being introduced and the IT department provides full support in the development of complex software solutions. Employees are guided through the digitalisation process by way of trainings on using the new technologies.

Digitalisation of the internal business system increases operational efficiency and profit, simplifies long processes, reduces the possibility of human error, allows for better control of the business, helps establish better customer relations and makes it possible to allocate unused internal resources to other challenges that need to be addressed.

To ensure the best possible relationships with partners/customers/employees, new technologies and applications have been developed and adopted in the following areas:

- information on purchases – newsletter, promotional campaigns, web shop, mobile app

- information on satisfaction – online surveys and questionnaires
- digital signature
- e-invoicing
- strengthening the digital skills of employees – ‘remote’ teams, conducting meetings in a virtual environment, training over different e-platforms...
- HR portal – online training materials and benefits for employees
- working with different devices and in different environments
- accessing company data at any time and from any location
- modern software – process management at the level of the entire business (procurement-sales-storage)
- agile software development methods
- mobile internet necessary for the work of employees.

It is also important to highlight the participation in different activities and projects which involve the transfer and application of new knowledge and technologies in a business environment:

- participation in trade fairs (e.g. the Light + Building trade fair in Frankfurt for professional industrial lighting where MS LUX stands out with its own software solutions and state-of-the-art LED technology)
- participation in events (e.g. MSGW gaming computers – latest technologies)
- participation in conferences (e.g. on the impact of the NIS 2 directive on companies in Croatia)
- participation in academies (e.g. Veeam Software – presentation of partner solutions related to AI, cyber security...)
- organising trainings in tools used within the organisation to improve business efficiency
- introducing new applications to move closer to users (mobile apps)
- introducing new platforms to share knowledge and instructions for employees.



PRIVACY AND DATA SECURITY

Although the company does not have the official ISO 27001 certificate, it does apply the guidelines from this standard, in particular those relating to the following chapters: Organizing information security, Human Resource security, Asset management, Logical security/Access control, Physical and environmental security, Operations security, Communications security, System acquisition, development and maintenance, Information security incident management.

LOGICAL SECURITY/ ACCESS CONTROL

Defined login and logout, for managing the permissions of individual users and privileged access rights, and for applying the principle of least privilege. Other security features include: segmented network, 2FA access with VPN, mobile device management, laptop disc encryption, automatic computer locking following a period of inactivity, demanding complex and long user passwords, regular password changes without the option of repeating an old password.

OPERATIONS SECURITY

Elements of operations security: separate testing, development and production environments are in place; capacity management is currently being developed further; controls against malicious code and email are implemented; SIEM is used for recording events; rules for installations to operating systems and user computers are clearly defined; installations to user computers are limited; backup is carried out on multiple media and locations; information system security is supervised on an ongoing basis.

PHYSICAL AND ENVIRONMENTAL SECURITY

The premises are under video surveillance, control of access and a key card entry system are implemented. Card readers are installed on all doors and cannot be opened without scanning the ID card. The right of entry of the individual employee-owner of the ID card is determined for each individual door.

The premises are divided into several zones: administrative zones, security zones, server rooms, rented offices.

During onboarding, the new employee is issued a personalised ID card with entry privileges for their organisational unit; special entry requests for the other zones (listed above) are submitted through a ticketing system.

Access rights checks and video surveillance checks are carried out regularly. The premises are also fully equipped with all the fire protection controls.

INFORMATION SECURITY INCIDENT MANAGEMENT

Security incident management allows a quick and efficient recovery after a security incident, a systematic and thorough approach to solving and eliminating the consequences of an incident, as well as the reducing of the impact of the incident on critical systems and activities and the minimising of possible business consequences.

Security incidents can be reported over the phone, email or ticketing system. The Jira ServiceDesk ticketing system has a security incident category. Email incident reports automatically trigger the generation of a ticket, while phone incident reports are logged into the system by the operator who received the phone report. In both cases all reported incidents and issues go through triage, get classified into appropriate groups and end up in the system. The full course of events is visible for each report, which includes assessing and processing information security events, gathering evidence and learning from incidents.

In 2023, the development of an internal portal was initiated, the Business quality system, which is planned to go live on 1 April 2024.

- In 2023:

1. The FireEye EX solution was implemented, the ATP (Advance Threat Prevention):

Description of the solution: The FireEye EX solution (ATP – Advance Threat Prevention) was implemented, a system for the protection against advanced malicious threats and ‘zero-day’ attacks with the email sandboxing option. Due to the increasing number of advanced malicious threats and ‘zero-day’ attacks, classic security methods such as firewalls, signature-based attack prevention systems (IPS) and antivirus protection are no longer sufficient, and more advanced analysis methods are necessary to detect these advanced threats and ‘zero-day’ attacks. The FireEye platform for controlling and blocking traffic, in addition to in-depth traffic inspection, also utilises the simulation of suspicious files and URLs in an isolated virtual environment (sandbox) to detect possible threats. On top of that, it also utilises cloud services that are updated every second with new threat information. This solution analyses every email attachment and URL and quarantines email which represents a security attack, including spear phishing email.

2. Internal ticketing tool was replaced:

For internal purposes, the outdated KSL tool was replaced with a significantly newer and more robust tool – the JIRA Service Desk Portal. This service support management platform has a range of security features and procedures that help to protect data and ensure system security. The platform provides monitoring and analysis of incidents for the purpose of reporting on their status at the IT department level.

The IT department of Ured za podršku d. o. o. provides IT support to all members of the group, it is under constant evaluation by audit firms and goes through internal and external audits because group members cooperate with companies that have been certified according to different ISO standards, including ISO27001 and the Business security certificate levels National SECRET, NATO SECRET, and SECRET UE/EU SECRET.

Given the industry in which M SAN Grupa operates and the need to emphasize the importance of cybersecurity, a conference entitled ‘Cybersecurity trendovi u 2023. i zaštita poslovanja’ (**Cybersecurity trends in 2023 and business protection**) was organised in 2023.

At the one-day event, over 150 participants had the opportunity to attend 12 lectures and a panel of top regional cybersecurity experts who discussed one of the most urgent challenges of our time-the future of digital security. Several lecturers from leading companies from the industry presented their solutions and opportunities for business protection.

Among other things, the pressing issues related to cybersecurity were discussed-for example, how does AI influence digital security? What proactive measures need be taken to reduce the possibility of an attack? How best to protect your business? How to educate employees and future generations about digital security? How does the image of a business change with the evolution of hacker attacks?

Given how important this topic is and how much interest the participants showed in this conference, additional conferences are planned in 2024, especially in connection with the upcoming NIS 2 directive and the new cybersecurity act.





MS ENERGY

OPREZ!

Velika opasnost od požara!

Ne izlagati ambalažu električnih vozila vlagi, povećanoj temperaturi ili suncu, te posebno kisiku.

Skладиštite ambalažu u suhoj i hladnoj mjestu, u zatvorenom prostoru koji je propisan za skladištenje, a ne u garaži, na ulici ili u vanjskom prostoru. Temperatura skladišta ne smije biti viša od 4,6 m!

Ako postoji mehanička oštećenja, odmah odvojite bateriju od nadređene osobe.

...tor koji je propisan za skladištenje, a ne u garaži, na ulici ili u vanjskom prostoru. Temperatura skladišta ne smije biti viša od 4,6 m!
...utij, na (robl) potrebno je skladišta i obavijestiti
msenergy.hr

ECONOMIC IMPACT AND SUSTAINABILITY

Positive economic impact and indicators are certainly a sign of successful business management and a prerequisite for building a sustainable business and creating added value for the community, employees, stakeholders and ultimately the entire economy.

The Management Board is responsible for the business results of the company. Business plans are drafted in

the current year for the next year, giving an outline of the desired results in the following business year. In accordance with the achieved results, which are periodically reviewed, the expected costs are also adjusted (primarily the potential extraordinary or unplanned costs, as the recurrent costs are taken into account during planning).

GRI 201-1

Economic value (TEUR)	2021	2022	2023
Revenue	359.687	432.269	471.672
Operating costs	336.162	406.524	440.978
Employee salaries and benefits	13.731	19.893	22.732
Payments to capital contributors	1.277	1.795	2.537
Payments to the government (taxes)	714	575	648
Community investments (donations)	152	89	29

GRI 201-2

In 2023, the financial implications and other risks and opportunities related to climate change were not considered. This analysis will be carried out in 2024 and the results will be reported in the Sustainability Report for 2024.

GRI 203-1

Given that the production of e-mobility devices, distribution of equipment for solar power plants and production of highly efficient professional LED lighting constitute a part of the business activities, the positive impact of business activities through this type of production and investment is considered unquestionable.

SHARE OF TURNOVER FROM PRODUCTS OR SERVICES ACCORDANT WITH EU TAXONOMY FOR 2023.

Economic activities	Code	Total	share	Criterion of significant contribution to environmental objectives	
		Currency EUR	%	Climate change mitigation	Climate change adaptation
A. ELIGIBLE ACTIVITIES BY TAXONOMY (A.1 + A.2)		51.137.570,3	10,8%		
A.1 Environmentally sustainable activities (compliant with Taxonomy)		51.137.570,3	10,8%		
9.3. Professional services connected with energy efficiency of buildings		3.865,7	0,0%		
6.4. Business of personal mobility devices, bicycle logistics		8.363.069	1,8%		
3.5. Production of equipment for energy efficiency of buildings		42.770.635	9,1%		
3.5. Production of equipment for energy efficiency of buildings		-	0,0%		
A.2 Acceptable activities that are not environmentally sustainable (not compliant with Taxonomy)		420.909.401	89,2%		
B. NEPRIHVATLJIVE DJELATNOSTI PREMA TAKSONOMIJI		420.909.401	89,2%		
Turnover of ineligible activities according to Taxonomy		420.909.401	89,2%		
TOTAL (A+B)		472.046.971	100,0%		

SHARE OF OPERATING EXPENDITURE (OPEX) ACCORDANT WITH EU TAXONOMY FOR 2023.

Economic activities	Code	Total	share	Criterion of significant contribution to environmental objectives	
		Currency EUR	%	Climate change mitigation	Climate change adaptation
A.. ELIGIBLE ACTIVITIES BY TAXONOMY (A.1 + A.2)		-	0		
A.1 Environmentally sustainable activities (compliant with Taxonomy)		-	0%		
A.2 Acceptable activities that are not environmentally sustainable (not compliant with Taxonomy)		-	0%		
B. UNACCEPTABLE ACTIVITIES ACCORDING TO TAXONOMY		10.662.763	100,0%		
OPEX of ineligible activities according to Taxonomy		10.662.763	100,0%		
TOTAL (A+B)		10.662.763	100,0%		

SHARE OF CAPITAL EXPENDITURE (CAPEX) ACCORDANT WITH EU TAXONOMY FOR 2023

Economic activities	Code	total	share	Criterion of significant contribution to environmental objectives	
		Currency EUR	%	Climate change mitigation	Climate change adaptation
A. ELIGIBLE ACTIVITIES BY TAXONOMY (A.1 + A.2)		-	0,0%		
A.1 Environmentally sustainable activities (compliant with Taxonomy)		-	0,0%		
B			0,0%		
C			0,0%		
D			0,0%		
A.2 Acceptable activities that are not environmentally sustainable (not compliant with Taxonomy)			0,0%		
7.2 Renovation of existing buildings			0%		
B			0,0%		
C			0,0%		
D			0,0%		
B. UNACCEPTABLE ACTIVITIES ACCORDING TO TAXONOMY		5.435.259	100,0%		
OPEX of ineligible activities according to Taxonomy		5.435.259	100,0%		
TOTAL (A+B)		5.435.259	100,0%		

EMPLOYEES



GRI 2-7

In 2023, the Group together with the region had 920* employees, of which 691 were men (75%) and 229 were women (25%); by type of employment contract 836 (91 %) were permanent and 84 (9 %) were temporary. Most of the employees, 548 of

them, were employed in Croatia, followed by Serbia with 147 employees, Bosnia and Herzegovina with 120, Macedonia with 73 and Montenegro with 32 employees.

*(missing data for Alterna)

M SAN GRUPA

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	137	63	193	99	181	92
Permanent contract	13	3	9	8	6	5
Temporary contract	124	60	184	91	175	87
Full-time	136	61	192	97	179	90
Part-time	1	2	1	2	2	2

MR SERVIS

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	67	19	64	26	70	28
Permanent contract	3	0	0	0	0	0
Temporary contract	64	19	64	26	70	28
Full-time	66	19	63	26	69	28
Part-time	1	0	1	0	1	0

M SAN LOGISTIKA

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	125	17	125	16	126	23
Permanent contract	31	4	24	4	24	2
Temporary contract	94	13	101	12	102	21
Full-time	123	17	123	16	124	23
Part-time	67	19	64	26	70	28

M SAN EKO

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	2	1	2	1	2	1
Permanent contract	1	0	1	0	1	0
Temporary contract	1	1	1	1	1	1
Full-time	2	1	2	1	2	1
Part-time	0	0	0	0	0	0

CENTAR KOMPETENCIJE ZA ZELENU ENERGIJU

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	0	0	3	0	2	1
Permanent contract	0	0	0	0	0	0
Temporary contract	0	0	3	0	2	1
Full-time	0	0	3	0	1	1
Part-time	0	0	0	0	1	0

PAKOM KOMPANI MK

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	31	11	39	10	41	14
Permanent contract	5	2	9	2	8	6
Temporary contract	26	9	30	8	33	8
Full-time	27	7	36	9	39	13
Part-time	4	4	3	1	2	1

KORVUS MK

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	12	9	11	5	11	7
Permanent contract	0	1	0	0	1	1
Temporary contract	12	8	11	5	10	6
Full-time	11	5	10	4	11	6
Part-time	1	4	1	1	0	1

KIM TEC SRBIJA

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	87	28	102	29	94	26
Permanent contract	14	2	12	3	6	1
Temporary contract	73	26	90	26	88	25
Full-time	85	28	101	29	92	26
Part-time	2	-	1	-	2	-

KIM TEC SERVIS SRBIJA

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	15	4	19	6	21	6
Permanent contract	1	1	4	2	2	3
Temporary contract	14	3	15	4	19	3
Full-time	15	4	19	6	21	6
Part-time	0	0	0	0	0	0

KIM TEC BIH

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	67	11	83	13	79	12
Permanent contract	0	0	3	0	5	0
Temporary contract	61	10	84	9	75	11
Full-time	71	0	96	0	91	0
Part-time	0	0	0	0	0	0

KIM TEC EKO

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	3	0	3	0	4	1
Permanent contract	0	0	0	0	0	0
Temporary contract	3	0	3	0	4	1
Full-time	3	0	3	0	4	1
Part-time	0	0	0	0	0	0

KIM TEC SERVIS BIH

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	22	0	22	0	23	1
Permanent contract	3	0	1	0	3	1
Temporary contract	19	0	21	0	20	0
Full-time	22	0	21	0	23	1
Part-time	0	0	0	0	0	0

DATA LINK

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	14	8	14	8	14	8
Permanent contract	2	2	3	2	0	0
Temporary contract	12	6	11	6	14	8
Full-time	14	8	14	8	14	8
Part-time	0	0	0	0	0	0

KIM TEC CRNA GORA

Employees (31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees	18	7	23	7	23	9
Permanent contract	3	3	6	4	5	4
Temporary contract	15	4	17	3	18	5
Full-time	18	7	23	7	23	9
Part-time	0	0	0	0	0	0

GRI 2-8

M SAN Grupa (Croatia and the region) has only regular employees and does not employ other types of employees, such as for example agency employees.

New employment rates and employee turnover rates

M SAN GRUPA

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	18	9	50	25	23	11	10	2	23	7	22	11
30-50 years	25	14	54	31	18	15	7	6	32	12	27	22
> 50 years	4	0	3	0	5	1	0	0	2	0	5	1

MR SERVIS

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	6	5	13	5	9	7	3	2	12	3	5	4
30-50 years	4	4	5	6	11	2	5	4	7	2	9	1
> 50 years	0	0	2	0	1	0	0	0	0	0	2	1

M SAN LOGISTIKA

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	23	4	20	4	26	5	11	2	23	5	30	3
30-50 years	8	2	17	3	18	5	10	2	11	1	13	1
> 50 years	0	0	1	0	2	1	0	0	2	0	0	0

M SAN EKO

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	0	0	0	0	0	0	0	0	0	0	0	0
30-50 years	1	1	1	1	1	1	0	0	0	0	0	0
> 50 years	0	1	0	1	0	1	0	0	0	0	0	0

CENTAR KOMPETENCIJE ZA ZELENU ENERGIJU

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	0	0	3	0	1	0	0	0	2	0	0	0
30-50 years	0	0	0	0	1	1	0	0	0	0	0	1
> 50 years	0	0	0	0	0	0	0	0	0	0	0	0

PAKOM KOMPANI MK

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	1	0	2	0	4	1	0	0	3	0	2	0
30-50 years	6	0	16	2	8	5	1	0	7	3	7	1
> 50 years	0	0	0	0	1	1	0	0	0	0	2	2

KORVUS MK

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	1	0	1	0	0	2	3	0	0	1	1	0
30-50 years	1	0	0	0	1	0	3	0	1	3	0	0
> 50 years	0	0	0	0	0	1	0	0	0	0	1	1

KIM TEC SRBIJA

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	3	3	3	1	0	1	3	2	2	1	1	1
30-50 years	24	4	31	5	19	6	15	2	17	4	27	8
> 50 years	0	0	0	0	1	1	1	0	0	0	1	1

KIM TEC SERVIS SRBIJA

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	1	0	1	0	1	1	1	0	1	0	2	0
30-50 years	4	2	7	5	4	2	3	3	3	3	2	3
> 50 years	1	0	0	0	1	0	0	0	0	0	0	0

KIM TEC BIH

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	3	1	2	0	4	0	4	4	2	0	3	0
30-50 years	11	0	20	2	12	0	5	0	6	0	16	2
> 50 years	0	0	4	0	0	0	0	0	0	0	0	0

KIM TEC SERVIS BIH

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	7	0	2	0	1	1	2	0	2	0	1	0
30-50 years	2	0	1	0	2	0	1	0	0	0	1	0
> 50 years	0	0	0	0	0	0	0	0	1	0	0	0

KIM TEC CRNA GORA

(status on 31.12.)	INCOMING						LEAVING					
	2021.		2022.		2023.		2021.		2022.		2023.	
	M	W	M	W	M	W	M	W	M	W	M	W
< 30 years	1	1	0	0	0	2	0	0	0	0	0	0
30-50 years	0	0	5	1	0	0	0	0	1	1	0	0
> 50 years	0	0	0	0	0	0	0	0	0	0	0	0





GRI 3-3 GRI 404-1, GRI 404-2, GRI 404-3

WORKPLACE VALUES, TRAINING AND DEVELOPMENT

The group, as a multicultural environment, pays special attention to building a uniform corporate culture in which diversity is respected and cooperation among employees is encouraged. Ever since we started operations, our employees have been a very important pillar of our group. It is their commitment, expertise and energy that enable the group to thrive every day. Caring for employees from the moment of their onboarding is an important element of introducing them to their new professional surroundings. In order to ensure a more efficient performance of work tasks and easier integration into the new working environment, it is important to introduce new employees to the goals of the group right at the beginning, as well as to the working atmosphere, organisational structure and culture and to show them how M SAN Grupa functions in its environment. Moreover, the group takes care of the development of its employees and invests in the creation of opportunities for their development and growth, conscious of the fact that the prospect of a satisfactory career development within the group ensures a high-quality workforce. Knowledge and expertise are promoted among employees: specialisations are available in the form of seminars, trainings, conferences, courses and/or congresses.

Professional development is shaped through different trainings and development programmes implemented both internally and externally.

The values of Innovation, Learning Organisation and Wealth of Diversity have been put at the core of strategy delivery, in line with the key company values. To put this into practice, development workshops that encourage innovation were organised in cooperation with the Institute for Innovation, for the managers first and then later for all employees.

In total, 30 managers and 225 employees took part in the workshops. In addition, in order to encourage innovation and appreciation of diversity, the Proprietary Brands

division organised a workshop for 34 key employees who were able to develop and master their critical thinking skills, creativity, focus on results and on clients using practical examples.

Vivax and Zelena energija employees took part in a competence development programme in 2023 which lasted 15 days and included 92 hours of training.

At the moment, M SAN Grupa does not have a suitable system of measuring or recording the number of training hours per employee. In the medium term, the development of a suitable system for recording trainings, pass rates and hours of training per employee is planned. Alongside trainings and education programmes, employees are offered different 'on the job' trainings, rotations, peer development, site visits, etc. M SAN Grupa employees also have access to Udemy, an online learning platform which offers a variety of trainings.

In July 2023, after the strategic guidelines and a strong commercial orientation were adopted, and in line with the company values-Confidence and Respect, Responsibility, Proactivity, Orientation towards Partners and Customers, Development of Teamwork and Spirit, Innovation, Learning Organisation, Positive Work Environment, Wealth of Diversity, Integrity, Responsible and Ethical Business, Respect for all human rights, Sustainable and Socially Responsible Business, Business and Conduct with a High Level of Environmental Awareness-which we try to incorporate into our daily activities, the strength and value of employees was recognised as one of the key elements in achieving the strategic objectives.

To help with detecting the areas within human resources that would most benefit from investing for the building of sustainable knowledge and competences, a process of identifying the talents and evaluating the potential of employees in the field of commercial activity was initiated. This process included the assessment of employee potential, detection of room for the development and improvement of their competences, determination of career paths and directions, assessment of risk and impact of employee departure, and definition of what is being passed down in relation to each direction.

Figure 1 shows an example of a succession map profile.

IME I PREZIME

OPĆE INFORMACIJE:

Pozicija: Trenutna pozicija

Tvrtka: Tvrtka

Datum zaposlenja: XX.XX.XXXX Datum zaposlenja na poziciji: XX.XX.XXXX

Divizija: Divizija

Staż u kompaniji: G/M/D Organizacijska jedinica: Org jed

PROCJENA

	PERFORMANCE	POTENCIAL	9 BOX	RIZIK ODLASKA	PROCIJENI KARJERNI SMJER
NADREDENI	Iznad očekivanja	Visok	IZNIMAN TALENT	Srednji	Menadžerski
OBJEKTIVNI	Iznad očekivanja	Visok	IZNIMAN TALENT	UTJECAJ ODLASKA	Stručni ili projektni
PREPORUKA	FOKUS NA ZADRŽAVANJE, PROMOCIJA, ULAGANJE U DALJI RAZVOJ			ENGAGEMENT SCORE	

PLAN RAZVOJA

KARJERNI PUT – NEXT STEP	PERIOD POTREBAN ZA NEXT STEP	KOMENTAR NADREĐENE OSOBE	POTENCIJALNI NASLEDNIO
Voditelj tima	Odmah		Ime i prezime
PODRUČJA ZA RAZVOJ	MENTOR		PERIOD POTREBAN ZA NASLEDNIKE
Razvoj finansijskog akumena	Ime i prezime		2 godine

ULAGANJA U RAZVOJ (UKUPNO)	XX.XXX EUR
ULAGANJA U RAZVOJ (NAJVEĆE)	XXXX EUR

In addition, development plans for individual employees also stem from this process. So, even though the employee development strategy is not organised into a formal document, there are clear guidelines for employee development which are used to manage investments into employee knowledge and competences, contributing to the sustainable growth and development of business.

In 2023, competence development planning was integrated into the M SAN Grupa business plan for 2024, which included a defined budget for the development of employees to support all the development activities planned for 2024.

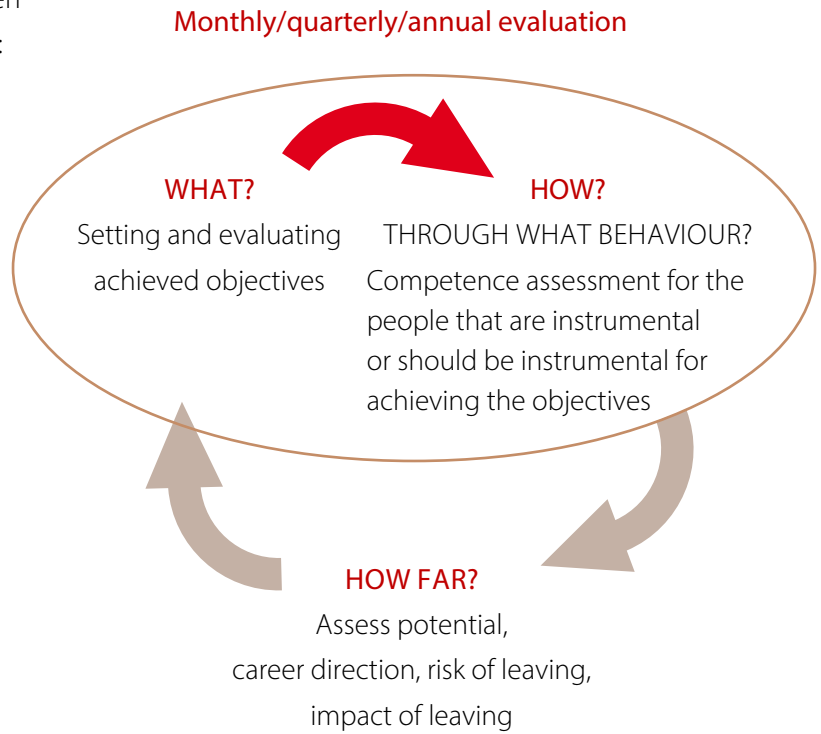
No structured development plans and objectives were set in 2023, but an annual assessment of achieved objectives and competences is planned, and this will then lead to the setting of individual development plans and objectives.



LINK BETWEEN DELIVERING RESULTS AND EMPLOYEE DEVELOPMENT

Three key principles need to be observed when planning development at the following levels:

- employee level (regardless of position)
- organisational unit or team level
- organisation level.



POTENTIAL ASSESSMENT

Questions the manager needs to be able to answer



CAN THEY?

Does the person have the capacity to tackle assignments more complex than their current ones in the upcoming period?



WILL THEY? DO THEY WANT TO?

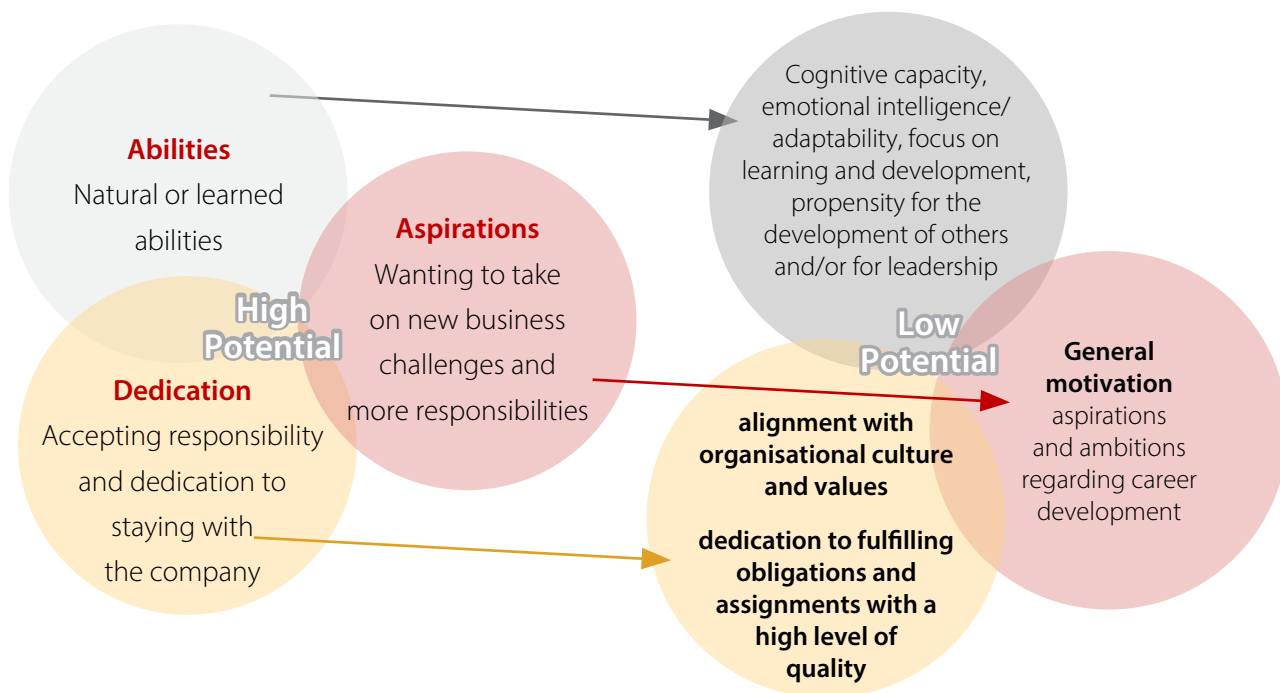
Is the person showing incentive to take on more complex assignments and responsibilities in the upcoming period?



DOES THE PERSON WANT TO STAY WITH THIS COMPANY?

Does the person want to take on the assignments and responsibilities in this company?
Are they focused on achieving strategic objectives?

POTENTIAL – WHAT IS ASSESSED?



CASE STUDY POTENTIAL ASSESSMENT

ABILITIES: demonstrates the necessary level of ability in their daily work, falling within the competence framework for a new role / for more complex assignments and can **immediately** take over or needs a maximum of 6 months of development guidance to assume a new role / more complex assignments. ✔

MOTIVATION: demonstrates a clear interest in a range of assignments connected with the potential new role, sets ambitious goals for themselves or their team on their own initiative and ‘pushes’ the organisation forward, is able to clearly communicate their ambitions for career development, but in doing so only has insight into their own space for development. ✔

DEDICATION: demonstrates dedication to work in **considering the organisation as a whole, taking account of its strategic objectives**, caring about the quality of their work, assuming responsibility for their assignments, **focusing on solutions** and not wasting time on analysing obstacles or causes (**looks for a ‘how to’, and not a ‘how not to’**), helps others achieve their goals (shares best practices, know-how and information). ✔

In addition, expert guidelines for the assessment of potential are applied by implementing psychological testing, allowing the assessment to be objective and any subjectivity to be minimised.

In the scope of its potential assessment programme for further development and detecting key employees and talents, M SAN Grupa conducted the STAY QUESTIONNAIRES and STAY INTERVIEWS to understand why its employees decide to stay with them and to learn what employees consider important in their work environments and what could potentially motivate them further or make them more satisfied. Part of the questions in the stay questionnaire concerned the issue of satisfaction with development opportunities.

We are planning to conduct stay interviews every year to track progress and identify potential additional areas for improvement.

In addition, at the end of 2023 an assessment of commitment to work was launched in cooperation with one of world leaders in this area WTW company, and the questions asked included two categories (Capability and Growth) to assess satisfaction with development opportunities.

This assessment was conducted from 11 December 2023 to 5 January 2024 and the results will serve as basis for the actions that will be taken during 2024 for the purpose of increasing the level of commitment in areas that proved essential.

GRI 402-1

The notification periods for informing employees about any significant changes in operations are covered by legislation. Changes which are not covered by legislation or other rules are, as a matter of practice, communicated to the employees at least a week earlier either via email or in meetings in person.

All employees are connected to the communication channels: intranet, emails, notice boards, team

meetings, in-person communication; the communication channel mostly depends on the type of work, for example, M SAN Logistika employees do not use computers in their everyday work activities and so do not use emails, so we communicate with them mostly through in-person/oral communication.

DIVERSITY, EQUALITY AND INCLUSION (PROTECTION OF HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS)

The group employment policy respects the personal integrity of each individual by observing the principles of diversity and equal opportunities. Diversity is just one of the characteristics of our organisational culture present from the very beginnings of the company, manifested in the belief that any differences in gender, race, political or other beliefs or national and social backgrounds are not really differences, but our wealth and strength, which M SAN has been translating into success for the past 20 years and more, both at the level of individual employees, whole teams and ultimately the whole group. All job applications with a wide range of qualifications and experience are welcome throughout the entire group and anybody who could positively contribute to the group's values and objectives is always welcome to apply. All job applicants are informed about the status of their application and the possibility of employment. If an applicant is not suitable for the job they applied for, but could be suitable for another position or job within the group, they are informed of such a possibility and asked if they agree with carrying their application over and continuing the employment process for the other position. Job vacancies are open to all applicants and every candidate has equal employment opportunities and chances, including internal employees. Appropriate recruitment procedures are set up in the

group, and the code of conduct is laid down in the Employee Handbook. The relationship between the HR department, the managers and the employees is strong and marked by a high level of trust. There is always room for improvement, and the trajectory of M SAN is the ongoing advancement for the benefit of the employees and the whole group. M SAN is committed to decent work, guaranteeing equal rights at work for all employees, and takes special care of the employees who are disadvantaged for any reason and for those who have, for any reason, realised a reduced income. M SAN is also creating new jobs regularly and requires the same from other participants in the supply chain. Child labour, forced and compulsory labour, unpaid overtime and labour conditions that offend the dignity of employees and endanger their health are strongly condemned.

MANAGEMENT BODY AND EMPLOYEE DIVERSITY

M SAN Grupa – in 2021, 2022 and 2023, 1/6 or 16.67% of the Management Board members were women, on 1 January 2023 a woman was appointed as president of the Management Board (formerly a member of the Management Board).

M SAN LOGISTIKA – between 2021 and 2023 there

were no women in the Management Board or other management bodies.

MR SERVIS –between 2021 and 2023 there were no women in the Management Board or other management bodies.

M SAN EKO – between 2021 and 2023 there were no women in the Management Board or other management bodies, a woman is the head holder of procura of the company.

M SAN GRUPA

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	20	15	45	32	40	24
30-50 years	97	43	121	62	106	60
> 50 years	20	5	27	5	35	8

MR SERVIS

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	16	10	15	12	19	14
30-50 years	42	9	35	13	37	14
> 50 years	9	0	14	1	14	0

MS LOGISTIKA

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	52	12	42	10	33	12
30-50 years	48	3	57	4	66	8
> 50 years	25	2	26	2	27	3

M SAN EKO

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	0	0	1	0	1	0
30-50 years	1	1	0	1	0	1
> 50 years	0	0	1	0	1	0

PAKOM KOMPANI MK

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	2	1	2	1	4	3
30-50 years	27	8	35	7	36	9
> 50 years	2	2	2	2	1	2

KORVUS MK

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	4	2	3	1	3	3
30-50 years	7	6	7	3	8	4
> 50 years	1	1	1	1	0	0

DATA LINK

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years					4	2
30-50 years					7	5
> 50 years					3	1

KIM TEC SERVIS SRBIJA

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	1	0	2	0	2	1
30-50 years	9	4	11	6	12	5
> 50 years	5	0	6	0	7	0

KIM TEC BIH

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	16	2	18	2	19	1
30-50 years	47	9	59	10	51	10
> 50 years	4	0	6	1	9	1

KIM TEC EKO

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	0	0	0	0	0	0
30-50 years	1	0	1	0	2	1
> 50 years	2	0	2	0	2	0

KIM TEC SERVIS

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
<30godina	8	0	8	0	7	1
30-50godina	11	0	12	0	14	0
>50godina	3	0	2	0	2	0

KIM TEC CRNA GORA

Overall employee diversity (status on 31.12.)	2021.		2022.		2023.	
	M	W	M	W	M	W
< 30 years	2	3	3	2	3	3
30-50 years	14	3	18	4	18	5
> 50 years	2	1	2	1	2	1

GRI 406-1

No incidents of discrimination were reported during the reporting period. With the aim of providing a sustainable working environment free from discrimination and abuse on grounds of sex, race, religion, ethnicity, sexual orientation or any other characteristic or status, the group strictly prohibits and condemns any form of discrimination. The group is committed to ensuring a non-discriminatory work environment and is proud of having no reported incidents.

M SAN Grupa has appointed a person for the protection of dignity of employees. This person is authorised to receive and handle complaints related to the protection of the dignity of employees. The group protects the dignity of employees while they are performing their work activities and provides them with the working conditions in which they will not be subjected to harassment or sexual harassment.

Particular attention is paid to the protection of the dignity of employees when making decisions on the organisation and furnishing of work and sanitary facilities, the choice of obligatory workwear, the manner of controlling employees and property, as well as any decisions regarding the working conditions that may directly or indirectly expose employees to different forms of harassment.

In case an employee files a complaint, the competent person or body is obligated to examine their claims as soon as possible, but no later than 8 (eight) days from the delivery of the complaint, and to take all the appropriate necessary measures to prevent the continuation of harassment or sexual harassment, if it is found to be present.

If deemed necessary, during the complaint-handling process, a statement from the persons against whom the complaint was filed can be requested. The authorised person is obliged to carefully examine every claim made by the employee filing the complaint, making sure that the verification and examination procedure does not violate the dignity of the complainant and other employees.

The employee may require their lawyer to be present when making the statement.

If measures to prevent harassment or sexual harassment are not taken within eight days or if the measures taken are manifestly inappropriate, the complainant has the right to stop working until they are ensured protection, provided that they have sought protection before the competent court within a further period of eight days.

If there are circumstances due to which the dignity of the employee cannot be reasonably expected to be protected, the employee is not obliged to file a complaint and has the right to stop working, provided that they have sought protection before the competent court and informed the competent person within eight days from stopping working. During work stoppage, the employee is entitled to remuneration in the amount equal to the salary they would have received if they had continued working. If a final court ruling establishes that the dignity of the employee has not been violated, a reimbursement of the remuneration paid may be requested.

Sexual harassment of employees by their superiors constitutes a serious violation of obligations arising from the employment relationship.

Regarding the collected data and the facts, as well as the measures taken and proposed in connection with the protection of the dignity of employees, the group is obliged to protect the privacy and dignity of all participants and to contribute to the mutual respect between all employees, regardless of their position in the structure. All data and facts collected and established during the process of protecting the dignity of employees constitute a business secret. A breach of the confidentiality provisions by a person appointed to receive and handle employee complaints constitutes a serious breach of the

obligations arising from an employment relationship. If an employee opposes conduct which constitutes harassment or sexual harassment, this does not constitute a breach of the obligations arising from an employment relationship on their part nor can it be the grounds for discriminating against this employee.

Protection against discrimination

Employees are protected against direct or indirect discrimination based on race, ethnicity or skin colour, sex, language, religion, political or other beliefs, national or social background, wealth, trade union membership, level of education, social status, marital or family status, age, health status, disability, genetics, gender identity, gender expression or sexual orientation in the area of work and work and employment relationships, including in determining the selection criteria and conditions for employment, promotion, career guidance, training, upskilling and retraining, in accordance with special laws. Placing an employee at a disadvantage on the basis of a misconception about the existence of grounds for discrimination is also considered discrimination.

Failure to ensure that a disabled person can use publicly available resources and participate in regular business activities in accordance with their specific needs is also considered discrimination.

Direct discrimination occurs when a person is, has been or would be treated less favourably than another person in a comparable situation.

Indirect discrimination occurs where an apparently neutral provision, criterion or practice would put some persons at a particular disadvantage compared with other persons, unless such a provision, criterion or practice may be objectively justified by a legitimate aim, and the means of achieving that aim are appropriate and necessary.

Grave discrimination occurs when a person is discriminated against on multiple grounds (multiple discrimination), repeatedly (repeated discrimination), over a long period of time (prolonged discrimination), or when the consequences of the discrimination affect the victim particularly seriously.

An incentive to discriminate, when committed intentionally, is also considered discrimination.

GRI 2-19, GRI 2-20,

REMUNERATION SETTING, EQUALITY POLICY IN WAGE SETTING AND COMPENSATION RATIOS

Management bodies are fully involved in the whole system of setting remuneration and wages of employees, as well as in the establishing of wage increases on the group level. In determining the remuneration policy, no other stakeholders or external consultants are consulted, the group operates

independently and autonomously in this regard.

Although M SAN Grupa has not conducted an official survey on gender pay gap in the group, we assume that no such gap exists because wage setting is based solely on the complexity of the job, employee experience, know-how and achieved results.

M SAN GRUPA

Ratio between the wages of men and women	2021.	2022.	2023.
	W/M	W/M	W/M
Zagreb	0,81	0,79	0,81
Ratio between the standard initial wage and minimum wage	2021.	2022.	2023.
	W/M	W/M	W/M
Zagreb	1.76	1.76	1.81

MR SERVIS

Ratio between the wages of men and women	2021.	2022.	2023.
	W/M	W/M	W/M
Rugvica	0,85	0,80	0,82

M SAN LOGISTIKA

Ratio between the wages of men and women	2021.	2022.	2023.
	W/M	W/M	W/M
Rugvica	0,77	0,82	0,83

M SAN EKO

Ratio between the wages of men and women	2021.	2022.	2023.
	W/M	W/M	W/M
Rugvica	0,74	0,88	0,88

PAKOM KOMPANI MK

Ratio between the wages of men and women	2021.	2022.	2023.
	W/M	W/M	W/M
Skopje	1.154	1.311	1.165
Ratio between the standard initial wage and minimum wage	2021.	2022.	2023.
	W/M	W/M	W/M
Skopje	2.101	2.109	2.547

KORVUS MK

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Skopje	0.422		0.689		0.555	
Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	W/M		W/M		W/M	
Skopje	2.625		2.049		1.765	

DATA LINK

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Bjelovar					0,76	
Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	M	W	M	W	M	W
Bjelovar					2,13	2,13

* *Given that there were no new employments in 2023, the lowest wage (M/W) compared to the minimum wage for 2023 was used for the calculation (EUR 850/EUR 700)

KIM TEC SRBIJA

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Beograd	0,96		0,97		1,06	
Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	M	W	M	W	M	W
Beograd	2,487	2,390	2,743	2,662	3,337	3,536

KIM TEC SERVIS SRBIJA

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Beograd	0,81		1,04		0,98	
Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	M	W	M	W	M	W
Beograd	1,83	1,49	1,75	1,42	1,93	1,90

KIM TEC BIH

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Vitez	1,16		1,16		1,16	
Sarajevo	0,93		0,93		0,93	
Banja Luka	0,75		0,75		0,80	

Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	M	W	M	W	M	W
Vitez	1,63	3,29	1,47	2,57	1,67	2,34
Sarajevo	3,76	3,52	2,94	2,76	2,68	2,51
Banja Luka	2,40	2,88	2,31	2,77	1,44	1,66

KIM TEC EKO

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Vitez					0,93	

Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	M	W	M	W	M	W
Vitez	2,92		2,20		2,51	2,34

KIM TEC SERVIS

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Vitez						
Sarajevo					0,51	

Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	M	W	M	W	M	W
Vitez	1,76		1,60		1,56	1
Sarajevo	2,11		2,11		1,92	

KIM TEC CRNA GORA

Ratio between the wages of men and women	2021.		2022.		2023.	
	W/M		W/M		W/M	
Podgorica	0,67		0,80		0,86	

Ratio between the standard initial wage and minimum wage	2021.		2022.		2023.	
	M	W	M	W	M	W
Vitez	5,68	3,79	3,075	2,45	2,29	1,97

GRI 2-21

The ratio of the total annual remuneration of the person with the highest remuneration in the organisation to the median of the total annual remuneration of all employees (excluding the remuneration of the person with the highest remuneration in the organisation) is **3,66**.

* only shown for M SAN Group, given the size and structure of other enterprises in the region.

Procedure:

the highest annual income in 2023/median of all other wages (except the highest) of the employees who were employed for the entire 12 months.

The ratio of the percentage increase in the total annual remuneration* of the person with the highest remuneration in the group to the median of the total

annual remuneration of all employees (excluding the remuneration of the person with the highest remuneration in the organisation) is not available because in 2023 there was a percentage reduction in the remuneration of the person with the highest remuneration in the group compared to 2022, while at the same time the median of the total annual remuneration of all employees increased.

In 2023, the highest earner in M SAN Grupa changed, and the new highest earner was paid a smaller total annual remuneration in 2023, which resulted in a decrease in the total annual remuneration of the person with the highest remuneration compared to 2022.

* Total annual remuneration includes wages, bonuses, shares, options, additional non-equity benefits, change in pension value and non-qualified deferred benefits during the year.

GRI 401-3

Parental leave:

M SAN GRUPA

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	5	8	5	7	7	1
Total number of employees making use of their right to parental leave	0	8	5	7	6	1
Total number of employees returning to work after the end of parental leave	0	8	4	7	5	1
* Rate of return to work of employees who made use of their right to parental leave	-	100%	80%	100%	83%	100%
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	0	5	3	7	4	0
** Retention rate for employees who made use of their right to parental leave	-	63%	60%	100%	67%	0%

M SAN LOGISTIKA

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	6	1	8	1	8	0
Total number of employees making use of their right to parental leave	2	1	4	1	6	0
Total number of employees returning to work after the end of parental leave	2	1	4	1	6	0
* Rate of return to work of employees who made use of their right to parental leave	100%	100%	100%	100%	100%	-
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	2	1	4	1	5	0
** Retention rate for employees who made use of their right to parental leave	100%	100%	100%	100%	83%	-

MR SERVIS

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	5	3	5	2	6	1
Total number of employees making use of their right to parental leave	1	3	4	2	4	1
Total number of employees returning to work after the end of parental leave	1	3	4	1	4	1
* Rate of return to work of employees who made use of their right to parental leave	100%	100%	100%	50%	100%	100%
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	1	2	4	1	4	1
** Retention rate for employees who made use of their right to parental leave	100%	67%	100%	50%	100%	100%

M SAN EKO

M SAN Eko had no employees who made use of their right to parental leave in the last three years.

PAKOM KOMPANI MK

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	0	0	0	0	0	1
Total number of employees making use of their right to parental leave	0	0	0	0	0	1
Total number of employees returning to work after the end of parental leave	0	1	0	0	0	0
* Rate of return to work of employees who made use of their right to parental leave	0	100%	0	0	0	0
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	0	0	0	1	0	0
** Retention rate for employees who made use of their right to parental leave	0	0	0	100%	0	0

KORVUS MK

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	1	0	1	2	1	0
Total number of employees making use of their right to parental leave	0	0	0	2	0	0
Total number of employees returning to work after the end of parental leave	0	0	0	0	0	2
* Rate of return to work of employees who made use of their right to parental leave	0	0	0	0	0	100%
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	0	1	0	0	0	2
** Retention rate for employees who made use of their right to parental leave	0	0	0	0	0	100%

KIM TEC SRBIJA

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	87	28	102	29	94	26
Total number of employees making use of their right to parental leave	1	3	0	2	0	2
Total number of employees returning to work after the end of parental leave	1	3	0	2	0	2
* Rate of return to work of employees who made use of their right to parental leave	100%	100%	0	100%	0	100%
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	0	3	0	2	0	2
** Retention rate for employees who made use of their right to parental leave	0	0	0	0	0	0

KIM TEC SERVIS SRBIJA

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	15	4	19	6	21	6
Total number of employees making use of their right to parental leave	0	0	0	0	0	0
Total number of employees returning to work after the end of parental leave	0	0	0	0	0	0
* Rate of return to work of employees who made use of their right to parental leave	0	0	0	0	0	0

KIM TEC BIH

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	67	11	83	13	79	12
Total number of employees making use of their right to parental leave	0	1	0	2	0	1
Total number of employees returning to work after the end of parental leave	0	1	0	2	0	1
* Rate of return to work of employees who made use of their right to parental leave	0	100%	0	100%	0	100%
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	0	1	0	2	0	1
** Retention rate for employees who made use of their right to parental leave	0	100%	0	100%	0	100%

KIM TEC EKO

KIM TEC EKO had no employees who made use of their right to parental leave in the last three years.

DATA LINK

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	0	0	1	0	3	1
Total number of employees making use of their right to parental leave	0	0	1	0	1	0
Total number of employees returning to work after the end of parental leave	0	0	1	0	1	0
* Rate of return to work of employees who made use of their right to parental leave	0	0	100%	0%	100%	0
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	0	0	1	0	1	0
** Retention rate for employees who made use of their right to parental leave	0	0	100%	0%	100%	0

KIM TEC CRNA GORA

Right to parental leave	2021.		2022.		2023.	
	M	W	M	W	M	W
Total number of employees entitled to parental leave	19	6	22	7	23	9
Total number of employees making use of their right to parental leave	0	1	0	0	0	0
Total number of employees returning to work after the end of parental leave	0	1	0	0	0	0
* Rate of return to work of employees who made use of their right to parental leave	0	100%	0	0	0	0
Total number of employees who returned to work after the end of parental leave and who remained employed for 12 months after returning to work	0	100	0	0	0	0
** Retention rate for employees who made use of their right to parental leave	0	100%	0	0	0	0

Employee benefits:

COMPANY NAME	BENEFIT					
	SUPPLEMENTARY HEALTH INSURANCE	ADDITIONAL REWARD MODELS	NON-COMPULSORY PENSION FUND	COLLECTIVE BARGAINING AGREEMENT	FLEXIBLE WORKING TIME/HYBRID WORK MODEL	ADDITIONAL BENEFITS
M SAN Grupa (including MR Servis, M SAN Logistika and M SAN Eko)	√	√	√*	x	x	√
Pakom Kompani MK	√	√	x	√	x	n/a
Korvus MK	√	√	x	x	x	n/a
KIM TEC Srbija	√	n/a	x	x	x	√
KIM TEC SERVIS Srbija	√	n/a	x	x	x	√
KIM TEC BIH	√	√	x	x	√	√
KIM TEC EKO	√	√	x	x	√	√
KIM TEC SERVIS BIH	√	√	x	x	√	√
DATA LINK	x	x	x	x	x	x

* Payments to the third pension pillar from gross wages - only for employees who opt in

There are no differences in benefits or working conditions for full-time employees with temporary contracts or permanent contracts or for part-time employees with either type of contract, just like there are no differences relating to different locations: the rules laid down in the Regulations apply to all employees.

Additional benefits:

M SAN GRUPA (INCLUDING MR SERVIS, M SAN LOGISTIKA AND M SAN EKO):

PAID LEAVE	
REASON FOR ABSENCE	marriage
	birth of a child
	death of an immediate family member
	death of grandparents, parents-in-law
	moving house [regardless of location]
	serious illness of an immediate family member
	natural disasters
	professional training for personal purposes

ADDITIONAL BENEFITS	
TYPE OF BENEFIT	DESCRIPTION
Supplementary health insurance	Basic package-includes the basic physical check-up with additional specialist exams and diagnostics according to indications.
Return from maternity leave	Mothers returning from maternity leave can work part-time for two weeks with full wages, to help with the adjustments for the child.
Paid leave for the first day of kindergarten and the first day of school	when the child starts kindergarten/first grade of school
Paid leave for the birthday of a child up to the 4th grade of elementary school	birthdays that coincide with the weekend or a holiday are not transferred to a working day
Fresh fruit	fresh fruit is provided twice a week
Non-compulsory pension fund from wages	Payments to the third pension pillar from gross wages-only for employees who opt in
Gift for the birth of a child	EUR 400 eKupi gift voucher and EUR 400 cash
Christmas gift for the children	up to the amount of EUR 140 (50% paid in cash and 50% as eKupi gift voucher)
Christmas bonus	in accordance with the achieved financial results in the current year up to EUR 560.00
Bereavement allowance	Free membership and registration fees
Accident/death/disability insurance	
Diners Club membership fee	Subsidised membership fee
Visa Premium membership fee	Visa Premium membership fee
MultiSport	MultiSport

KIM TEC SRBIJA, KIM TEC SERVIS SRBIJA:

Employees are provided with supplementary/non-compulsory health insurance with a full physical check-up as part of a EUR 1,000 annual insurance policy. Women returning to work after maternity leave are entitled to two weeks of flexible part-time work (4 hours a day). Parents with children starting first grade are given an extra day off. There is a restaurant on the company premises where employees can buy meals at subsidised prices.

KIM TEC BIH, KIM TEC EKO I KIM TEC SERVIS

In 2023, a new package of benefits, the Fit Pass programme, was created, additional workshops and trainings for employees were provided, office spaces were redesigned, spaces for relaxation and rest were set up, work from home was made possible, delivery of fresh fruit to the offices was organised, and stimulation and length of service cash prizes were paid to employees.

GRI 2-30

Although at the moment only the employees of Pakom Kompani MK have a collective bargaining agreement, M SAN Grupa absolutely supports collective organising and bargaining and would not do anything to prevent it.



GRI 403

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1, GRI 403-8

The Management Board and the Occupational Health and Safety Service are in charge of the areas of work environment development and occupational health and safety. An occupational health and safety expert is employed who has a contract for healthcare services with occupational medicine practitioners.

The policies, regulations and procedures that define the management in this area are the following: Risk Assessment, Regulation on Occupational Health and Safety, Fire Safety Regulation, Employee Training Programme, Evacuation and Rescue Plan and Procedures for Accidents at Work. All of these

regulations and procedures cover all our employees, positions and workplaces.

All employees have the right to file a complaint in connection with occupational health and safety and may do so either through their immediate superior or to Human Resources and Occupational Health and Safety Service directly.

In 2023, among others, the following elements were updated and supplemented: risk assessment, regular training for all employees, professional training for certain employees, regular maintenance of the protection system, evacuation and rescue plans.

GRI 403-4, GRI 403-5, GRI 403-7

The main objective of managing the issues of occupational health and safety is to provide employees with a safe working environment and to protect their health. The management strategy includes regular activities and monitoring in this segment as well as preventing accidents at work rather than managing them when they happen. The year after year progress is visible, but these are ongoing activities aimed at consistently improving procedures and regulations, as well as actual practices in the workplace. To achieve this, it is necessary to provide additional training to all employees and ensure their greater involvement in this segment. Raising awareness among the employees about the importance of occupational health and safety is essential, because the whole system is only as strong as its weakest element. As long as there is just

one employee who is not familiar with OSH issues, there is room for improvement. We plan to achieve full employee involvement through additional trainings, courses, presentations and exercises.

Trainings in occupational health and safety are organised for all employees during onboarding, when changing positions or workplaces or introducing changes to work processes. Internal documents are produced to better familiarise the employees with issues of occupational health and safety. At the end of 2023, the production of a corporate video on occupational health and safety within the organisation began. In addition, professional trainings for specific areas are provided for all employees whose positions or jobs require it.

GRI 403-2

Workplace risks are identified and recorded in accordance with a document called Risk Assessment. This document is produced by the occupational health and safety expert with the involvement of all

employees. Risk Assessment analyses all workplaces, identifies the associated risks and defines the measures to minimise them.

GRI 403-3 GRI 403-6

All employees working under specific working conditions are provided with medical examinations, medical examinations for assessing the impact of long-term work on the computer are provided for employees who need them, and regular full physical check-ups are provided for all employees. These services are used during working hours.

The company KIM TEC Srbija provides transportation

to the nearest health institution in case of accidents at work. Pregnant women are entitled to paid absence from work during the day for pregnancy-related medical examinations. Moreover, preliminary and periodic examinations are provided for employees in jobs associated with an increased risk or who work at a height (drivers, forklift drivers).

GRI 403-4

All employees participate in preparing the risk assessment by completing a survey where they describe their workplace, the jobs and tasks they

perform, the equipment and tools they use and detect the risks they are faced with in the workplace.

GRI 403-9

Accidents at work:

M SAN Grupa	2 accidents at work were reported in 2021, 2 in 2022 and 3 in 2023.
M SAN Logistika	3 accidents at work were reported in 2021, 2 in 2022 and 1 in 2023.
MR Servis	no accidents at work were reported in 2021 and 2022 and 2 were reported in 2023.
M SAN EKO	no accidents at work were reported in the past three years.

	2021.	2022.	2023.
M SAN Grupa	1.34*	0.44*	0.42*
M SAN LOGISTIKA	1.79*	0.90*	0.82*
MR SERVIS	0*	0*	1.26*

* Accident rate per 200,000 hours

Refers only to accidents at work (there were no work-related deaths and serious injuries).

M SAN GRUPA

Rate of accidents at work	Number of accidents / % of accidents						Working hours lost			Working days lost		
	2021.		2022.		2023.		2021.	2022.	2023.	2021.	2022.	2023.
	No.	%	No.	%	No.	%	No.	No.	No.	No.	No.	No.
Total accidents at work	2	0.94	1	0.66	1	0.34	120	168	40	15	21	5
In the work process	1	0.47	0	0	1	0.34	48	0	40	6	0	5
Outside the work process	1	0.47	1	0.66	0	0	72	168	0	9	21	0

M SAN LOGISTIKA

Rate of accidents at work	Number of accidents / % of accidents						Working hours lost			Working days lost		
	2021.		2022.		2023.		2021.	2022.	2023.	2021.	2022.	2023.
	No.	%	No.	%	No.	%	No.	No.	No.	No.	No.	No.
Total accidents at work	2	1.30	1	0.65	1	0.67	256	1248	288	32	156	36
In the work process	2	1.30	1	0.65	1	0.67	256	1248	288	32	156	36
Outside the work process	0	0	0	0	0	0	0	0	0	0	0	0

MR SERVIS

Rate of accidents at work	Number of accidents / % of accidents						Working hours lost			Working days lost		
	2021.		2022.		2023.		2021.	2022.	2023.	2021.	2022.	2023.
	No.	%	No.	%	No.	%	No.	No.	No.	No.	No.	No.
Total accidents at work	0	0	0	0	1	0.99	0	0	488	0	0	61
In the work process	0	0	0	0	1	0.99	0	0	488	0	0	61
Outside the work process	0	0	0	0	0	0	0	0	0	0	0	0

PAKOM KOMPANI MK

Rate of accidents at work	Number of accidents / % of accidents						Working hours lost			Working days lost		
	2021.		2022.		2023.		2021.	2022.	2023.	2021.	2022.	2023.
	No.	%	No.	%	No.	%	No.	No.	No.	No.	No.	No.
Total accidents at work	0	0	0	0	3	5.45	0	0	0	0	0	0
In the work process	0	0	0	0	3	5.45	0	0	0	0	0	0
Outside the work process	0	0	0	0	0	0	0	0	0	0	0	0

KIM TEC SRBIJA

Rate of accidents at work	Number of accidents / % of accidents						Working hours lost			Working days lost		
	2021.		2022.		2023.		2021.	2022.	2023.	2021.	2022.	2023.
	No.	%	No.	%	No.	%	No.	No.	No.	No.	No.	No.
Total accidents at work	2	1.7	1	0.8	1	0.8	408	944	1	51	118	1
In the work process	2	1.7	1	0.8	-	-	408	944	-	51	118	-
Outside the work process	-	-	-	-	1	0.8	-	-	176	-	-	22

KIM TEC SERVIS SRBIJA

Rate of accidents at work	Number of accidents / % of accidents						Working hours lost			Working days lost		
	2021.		2022.		2023.		2021.	2022.	2023.	2021.	2022.	2023.
	No.	%	No.	%	No.	%	No.	No.	No.	No.	No.	No.
Total accidents at work	0	0	0	0	2	7.4	0	0	400	0	0	50
In the work process	0	0	0	0	2	7.4	0	0	400	0	0	50
Outside the work process	-	-	-	-	0	0	-	-	0	-	-	0

KIM TEC CRNA GORA

Rate of accidents at work	Number of accidents / % of accidents						Working hours lost			Working days lost		
	2021.		2022.		2023.		2021.	2022.	2023.	2021.	2022.	2023.
	No.	%	No.	%	No.	%	No.	No.	No.	No.	No.	No.
Total accidents at work	0	0	0	0	2	6.25	0	0	504	0	0	63
In the work process	0	0	0	0	0	0	0	0	0	0	0	0
Outside the work process	0	0	0	0	2	6.25	0	0	504	0	0	63

In Korvus MK, KIM TEC BIH, KIM TEC EKO, KIM TEC Servis BIH and Data Link no accidents at work were reported in the last three years.

GRI 403-10

In M SAN Grupa (including the region) no work-related diseases or ailments were reported in the same period.

ENVIRONMENTAL IMPACT OF OPERATIONS



GRI 3-3

ENVIRONMENTAL RESPONSIBILITY

Our common welfare depends heavily on the health of the environment. Everything that surrounds us is our environment, and by taking care of the environment we are also taking care of ourselves. The pace of modern life, rapid population growth and intensive consumption of goods and services all contribute to global warming and other negative impacts on the environment. It is the responsibility of the individual to preserve diversity and manage resources rationally. In addition to the waste management domain, which includes a more intensive separation of waste by type, the system of responsible business practices highlights the importance of efficient use of energy and other natural resources. In the scope of business development, market needs are monitored using a system of causal links and direct/indirect contributions to the system of environmental protection are made accordingly.

M SAN Grupa is aware of the environmental impacts of its manufacturing activities and takes them into account when creating and implementing different measures to ensure resource efficiency.

The Management Board has adopted the Environmental, Health and Safety at Work Management Policy which applies to the manufacturing of MS Lux products. By adopting this policy, the group commits to providing the necessary resources which will ensure compliance with the requirements of the ISO 14001-2015 and ISO 45001:2018 standards and the documents of the established management system. MS Lux employees are motivated, professional, dedicated and obliged to attend regular trainings, which enables

them to take care of the environment and occupational health and safety throughout the entire LED luminaire manufacturing process.

The environmental, health and safety at work management system is integrated into the comprehensive business system which is based on the requirements of HRN EN ISO 9001:2015, 14001:2015 and ISO 45001:2018 standards. This system is the basis for constantly improving cooperation with current and future customers and other interested parties and harmonising business activities with legal and other applicable regulations in environmental protection and occupational health and safety.

In addition to the employees who directly participate in the manufacturing process and whose activities have an impact on the environment, M SAN Grupa also provides regular trainings for other employees about the importance of waste sorting and the implemented measures. In particular, waste containers with multiple compartments for separating different types of waste have been installed on every floor of the office building in Buzin. In addition, the employees themselves developed new positive patterns and habits, which led to the setup of a designated bike area to encourage using alternative ways of getting to work, as well as the installation of an electric car charging station.

When packaging a product to protect it and prevent it from getting damaged during transport and shipping, old packaging material is reused. In order to be able to do this, we have acquired a special machine which turns used cardboard packaging into paper for filling the boxes the products are packaged in. This way we have minimised the use of plastic air bubble wrap in packaging

GRI 2-27

During the reporting period, no non-compliance with the environmental protection laws and/or regulations was found and no significant fines and non-pecuniary sanctions were imposed for non-compliance with the environmental protection laws and/or regulations.

ENERGY

GRI 302-1

The efficient use of energy resources is the cornerstone of sustainable development. The group operates in leased premises, and the property owner is M SAN Nekretnine d. o. o. Therefore, although the Group is

not the owner of the property in which it operates, it regularly initiates improvements and invests in better energy efficiency and sustainability through factors of decisive influence, rent and connectivity.

Energy consumption (BP10*)	2021.	2022.	2023.
Electricity, network (kWh)		1,574,811	1,585,989
Electricity, photovoltaic plants (kWh)	-	302,590	288,850
Electricity, total (kWh)	-	1,877,401	1,874,839
Gas (m3)	100,078	93,514	67,312

*BP10 – Location Buzin, Buzinski prilaz 10

Energy consumption (BP28**)	2021.	2022.	2023.
Electricity, network (kWh)	-	-	53,861
Electricity, photovoltaic plants (kWh)	-	-	14,957
Electricity, total (kWh)	-	-	68,818
Gas (m3)	-	-	9,586

**BP28 – Location Buzin, Buzinski prilaz 28

Energy consumption (Rugvica)	2021.	2022.	2023.
Electricity, network (kWh)		758,424	669,385
Electricity, photovoltaic plants (kWh)	-	185,980	601,547
Electricity, total (kWh)	-	944,404	1,270,932
Gas (m3)	58,094	46,038	58,679

Energy intensity

	2022			2023		
	BP10	BP28	Rugvica	BP10	BP28	Rugvica
Net area usable (m ²)	14,350.00	-	33,632.00	14,350.00	1,325.00	33,632.00
Electricity						
consumption, network (kWh)	1.574.811,00		758.424,00	1.585.989,00	53.861,00	669.385,00
consumption, photovoltaic plants (kWh)	302.590,00		185.980,00	288.850,00	14.957,10	297.740,00
Gas						
consumption (kWh)	743,280.00		414,130.00	729,586.79	107,166.00	581,723.47
TOTA LkWh	2,620,681.00	-	1,358,534.00	2,604,425.79	175,984.10	1,548,848.47
EI (kWh/m²)	182.63		40.39	181.49	132.82	46.05

* BP10 – location Buzin, Buzinski prilaz 10;

BP28 – location Buzin, Buzinski prilaz 28

kWh/m² is used as the unit of energy intensity; EI (energy intensity) is calculated using energy and gas consumption.



GRI 302-4; GRI 305-5

Measures taken to reduce energy consumption and ensure optimal use of resources

Even though they were established in the previous years, the measures taken to encourage the optimal use of resources and the maximising of alternative energy sources need to be highlighted here.

The greatest breakthrough are the investments in renewable energy sources initiated three years ago made to significantly reduce greenhouse gas emissions (contributing to the European Green Deal).

In particular, the following measures were taken:

- in early July 2022, a photovoltaic plant with an output of 275 kWp was installed on the roof of our office building in Buzin and put into service, it produces enough power to cover 20% of the annual energy consumption of the building;
- in early September 2022, a photovoltaic plant with an output of 417 kWp was installed on the roof of the LDC Rugvica and put into service (FNE Rugvica 1);
- investments in LED5 lighting in the new business premises of the group;

Energy product consumption is calculated by taking into account all the tenants of M SAN Nekretnine d. o. o. and establishing a fixed flat-rate sum per m² of leased area. The following calculation was used to establish the price per unit: all the costs of energy products, fees, maintenance, etc. were summarised for every individual property, and this sum was then divided by 12 months and the total property net area usable. In 2023 there were no significant changes in energy consumption per m² of leased space for M SAN Group. Except if the production facilities in Rugvica (MSLux and e-mobility) are mobilised to a substantial degree, no significant increase in energy consumption is expected in the coming period.

- the HVAC system was upgraded to use gas that is not damaging to the ozone
- electric car charging stations were upgraded.

In 2023, the share of electricity produced in photovoltaic power plants in the total electricity consumption was 17% for the building at Buzinski prilaz 10, 30% for Buzinski prilaz 28, and 23% for Rugvica.

At the moment, all office buildings have integrated photovoltaic power plants of maximum capacity depending on the surface area installed on their roofs, and the installations of additional power plants on the roofs of the group's property are planned. Activities planned for 2024 include:

- putting the 2 MW photovoltaic power plant 'Rugvica II' into service
- designing a new integrated photovoltaic power plant at the new parking lot "Krčmarići"

Another project that was launched is called the 'Smart Energy Management System'. The first phase of this project includes the installation of measuring equipment for measuring energy, gas and water consumption in order to record the consumption of energy products for the main consumers. The second phase of the project will include the creation of guidelines for the optimisation/reduction of energy consumption. Phase 1 is planned to be completed by the end of 2024 and the first draft of the energy consumption optimisation guidelines is planned for Q2/2025.

GRI 306-1 i GRI 306-2

Waste management

As regards manufacturing and waste management, because of the nature of its business the group has the greatest influence on EE waste or WEEE, waste electrical and electronic equipment. Given that the business model of M SAN Grupa includes the import of electrical and electronic components and products, a fee is paid to the Environmental Protection and Energy Efficiency Fund for placing the equipment on the market, and this fee includes a waste management fee. A new era of 'greener' business policies started with the incorporation of M SAN EKO d. o. o., and a new step towards a circular economy was taken. A permit was obtained for carrying out hazardous and non-hazardous waste management activities (16.09.2009) for the collection and temporary storage of EE waste (Ministry of Environmental Protection, Physical Planning and Construction). These permits are issued for a period of five (5) years. Two new permits were obtained during audit, with the Ministry remaining competent only for hazardous waste (04.09.2015 and 11.04.2022). Because the waste management facility in Rugvica forms part of Zagreb County, a permit for non-hazardous waste was obtained from the competent county court (29.12.2015 and 29.12.2020).

List of permits:

- > 2009: hazardous and non-hazardous waste; Permit from the Ministry of Environmental Protection, Physical Planning and Construction, Class: UP/I 351-02/09-11/22, File no.: 531-13-2-1-09-3 of 16 September 2009
- > 2015: non-hazardous waste
Permit from the Administrative Department for Physical Planning, Construction and Environmental Protection, Division for Environmental Protection, Zagreb County, Class: UP/I-351-01/15-02/10, File no.: 238/1-18-02/4-15-7 / of 29 December 2015
- > 2015: hazardous waste:
Permit from the Ministry of Environmental and Nature Protection, Class: UP/I-351-02/14-11-21, File no.: 517-06-3-1-15-19 of 4 September 2015
- > 2020: non-hazardous waste
Decision of the Administrative Department for

Physical Planning, Construction and Environmental Protection, Division for Environmental Protection, Zagreb County, Class: UP/I-351-02/20-01/22, File no.: 238/1-18-02/4-20-9 of 29 December 2020

> 2022: hazardous waste:

Decision of the Ministry of Economy and Sustainable Development, Class: UP/I-351-02/20-131/31, File no.: 517-05-2-1-22-14 of 11 April 2022.

From 23 December 2022, the headquarters of M SAN Eko d. o. o. are at Rugvica (Dugoselska ulica 5) and the warehouse is at the same address, both in Zagreb County. The facility in Rugvica is included in the Zoning plan and classified for the activities of hazardous waste management. M SAN EKO is certified to have been registered on the List of Legal and Natural Persons Engaged in Waste Transport (PRV-1060) from 1 June 2015 and in the Logbook for Waste Management Activities (POS-354). On those grounds, in April 2022 the revision of the Permit for Waste Management from the Ministry was completed. M SAN EKO is responsible for collecting the EE waste of the entire group, as well as the (network of) partners across Croatia. In order to make the entire waste management process as efficient as possible and to reduce CO₂ emissions, when delivering new products our couriers collect the packaging (pallets and/or containers) from the EE waste and deliver it to M SAN EKO. Under the current system, the collected EE waste is sorted according to key numbers and categories and is then given to the authorised legal entities for further processing. As part of this process, records of the amounts are kept in the entries of our own system, as well as in the electronic logbook 'e-ONTO' and the ROO (Environmental Pollution Register). Professional conduct demands constant improvement and providing the relevant information to our network of partners, who are notified of any changes in the regulations and codes. As regards the management of EE waste, these activities are always in line with new policies and decisions. The 'e-Consultations' portal has enabled all interested parties to participate in the amending of regulations and codes, and the group was active in these processes as well.



Waste separation

The products by our proprietary brands are packed in packaging which features the designations for the proper disposal and sorting of waste in order to contribute to waste separation and recycling, which our business encourages. In addition, all offices are equipped with containers for waste separation and special containers for the disposal of used batteries. An 'eco corner' is set up on every floor for employees

to dispose of their sorted waste. A large waste sorting container is installed outside the offices. Plastic packaging is not used and no significant amount of plastic waste is produced, but there are plastic waste separators in the offices. Products from the manufacturing line are packed in cardboard packaging, which is later recycled.

Trainings

Trainings in waste management are carried out for employees to give them precise instructions on how to use the containers and waste separators and how to better recognise the different types of waste. Employees are instructed on the proper disposal of different types of waste and the exceptions from these rules, as well as the organisation of the separate collection containers in the offices (for metal and plastics, bio-waste, paper and cardboard, mixed municipal waste and glass) and the containers in the yard (for construction and demolition waste, bio-waste, mixed municipal waste, paper and cardboard and plastics). The employees involved

in the waste management activities took part in the training required by the Act on Sustainable Waste Management, and so did the employees appointed waste management commissioners, as the regulations at that time required every company with over 50 employees to appoint and train a commissioner and deputy commissioner for waste management. At the beginning of 2016, trainings were held for the responsible person and the commissioners who took the prescribed exam. After passing the exam, they received a certificate from the Ministry (Certificate on Waste Management Training) valid for five (5) years.

GRI 2-6

Environmental issues in the supply chain

Joint actions are being carried out with suppliers and partners to reduce the negative impact on the environment. The sales partner network has a number of direct and indirect possibilities and options, and the support for waste management is a particularly important one. EE waste is collected from the partners in accordance with the Permits for waste management, and if they have questions about the disposal of other types of waste, such as textile, cosmetics and

glass to name a few, solutions are proposed. The core activity of MR Servis and its collaboration with the service network also have a positive impact on the environment. By repairing and regularly servicing or maintaining products, their functionality is preserved and their lifespan prolonged, contributing to the saving of natural resources. MR Servis sets aside the components which cannot be repaired and delivers them to M SAN EKO.

GRI 306-3 GRI 306-4 GRI 306-5

Waste by members of M SAN Grupa in Croatia

M SAN Grupa

> Location Buzin, prikaz u t (metric tons)

Key number	Description	2021.	2022.	2023.
08 03 18	waste printing toners other than those mentioned in 08 03 17*	0.085		0.178
20 01 33*	batteries and accumulators included in 16 06 01*, 16 06 02* or 16 06 03* and unsorted batteries and accumulators containing these batteries			0.006
15 01 01	paper and cardboard packaging	0.76		
	total	0.845		0.184

	Hazardous waste			0.006
	Non-hazardous waste	0.845		0.178
	total	0.845		0.184

> Location Rugvica, prikaz u t (metric tons)

Key number	Description	2021.	2022.	2023.
08 03 18	waste printing toners other than those mentioned in 08 03 17*	0.15		
16 01 03	waste tyres		2.78	2.41
16 02 11*	discarded equipment containing chlorofluorocarbons, HCFC, HFC	17.252	44.101	9.66
16 02 13*	discarded equipment containing hazardous components[3] other than those mentioned in 16 02 09* to 16 02 12*	38.622	58.173	64.39
16 02 14	discarded equipment other than those mentioned in 16 02 09* to 16 02 13*			0.041
16 02 16	components removed from discarded equipment other than those mentioned in 16 02 15*	0.95	0.043	2.73
20 01 21*	fluorescent tubes and other mercury-containing waste	0.019	1.686	
20 01 23*	discarded equipment containing chlorofluorocarbons	0.9	0.06	
20 01 33*	batteries and accumulators included in 16 06 01*, 16 06 02* or 16 06 03* and unsorted batteries and accumulators containing these batteries	0.034	0.008	
20 01 35*	discarded electrical and electronic equipment other than those mentioned in 20 01 21* and 20 01 23* containing hazardous components [7]	1.504	0.136	6.549
20 01 36	discarded electrical and electronic equipment other than those mentioned in 20 01 21*, 20 01 23* and 20 01 35*			7.107
15 01 01	paper and cardboard packaging			
15 01 02	plastic packaging		2.14	3.36
	total	59.431	109.127	96.247

	Hazardous waste	58.331	104.164	80.599
	Non-hazardous waste	1.1	4.963	15.648
	total	59.431	109.127	96.247

LEDA (MS LUX)

Key number	Description	2022.	2023.
15 01 01	paper and cardboard packaging	0.74	4.77
15 01 02	plastic packaging	0.07	0.35

	Hazardous waste		
	Non-hazardous waste	0.81	5.12

MS BIKES AND SCOOTERS

Key number	Description			2023.
15 01 02	plastic packaging			1,62
	Hazardous waste			
	Non-hazardous waste		0	1.62

MS LOGISTIKA, in t (metric tons)

Key number	Description	2021.	2022.	2023.
15 01 01	paper and cardboard packaging	73.71	231.27	83.3
15 01 02	plastic packaging	13.76	15.17	8.22
15 01 03	wood packaging	51.11	0	133.18
15 01 06	mixed packaging		18.13	16.46
	total	138.58	264.57	241.16
	Hazardous waste			
	Non-hazardous waste	138.58	264.57	241.16

MR SERVIS, in t (metric tons)

Key number	Description	2021.	2022.	2023.
16 02 11*	discarded equipment containing chlorofluorocarbons, HCFC, HFC	9.91	10.555	6.885
16 02 13*	discarded equipment containing hazardous components [3] other than those mentioned in 16 02 09* to 16 02 12*	23.504	21.432	15.348
16 06 01*	lead batteries	0.944	0.857	0.573
20 01 33*	batteries and accumulators included in 16 06 01*, 16 06 02* or 16 06 03* and unsorted batteries and accumulators containing these batteries	0.276	0.152	0.202
20 01 34	batteries and accumulators other than those mentioned in 20 01 33*			0.15
16 02 16	components removed from discarded equipment other than those mentioned in 16 02 15*	11.46	10.22	
08 03 18	waste printing toners other than those mentioned in 08 03 17*	0.315	0.138	
	Hazardous waste	34,634	32,996	23,008
	Non-hazardous waste	11,775	10,358	0,15
	total	46,409	43,354	23,158

M SAN EKO, data in t (metric tons)

Key number	Description of key number	PRODUCED				HANDED OVER		
		2021.	2022.	2023.		2021.	2022.	2023.
15 01 01-produced	paper and cardboard packaging	6.1	7.22	12.65		6.1	7.22	12.65
17 04 05-produced	iron and steel			3.44				3.44
	total produced	6.1	7.22	16.09	total handed over	6.1	7.22	16.09

Quantities collected:		2021.	2022.	2023.		2021.	2022.	2023.
16 02 11*	discarded equipment containing chlorofluorocarbons, HCFC, HFC	123.58	73.7	43.99		123.02	74.26	41.06
16 02 13*	discarded equipment containing hazardous components[3] other than those mentioned in 16 02 09* to 16 02 12*	301.127	243.545	229.495		349.13	243.58	236.82
16 02 14	discarded equipment other than those mentioned in 16 02 09* to 16 02 13*	0.195	3.04	3.375				6.61
16 02 15*	hazardous components removed from discarded equipment							
16 02 16	components removed from discarded equipment other than those mentioned in 16 02 15*	12.41	10.42	2.785		11.46	10.22	5.13
20 01 21*	fluorescent tubes and other mercury-containing waste	1.625	3.98			1.49	3.11	
20 01 23*	discarded equipment containing chlorofluorocarbons	2.1	8.71	0.08		0.9	3.46	5.46
20 01 35*	discarded electrical and electronic equipment other than those mentioned in 20 01 21* and 20 01 23* containing hazardous components [7]	25.523	74.897	30.039		22.57	63.27	51.26
20 01 36	discarded electrical and electronic equipment other than those mentioned in 20 01 21*, 20 01 23* and 20 01 35	7.737	13.235	11.879		3.64	17.16	8.96
	total collected	474.297	431.527	321.643	total handed over	512.21	415.06	355.30

Waste collected: in t (metric tons)

Type	2021.	2022.	2023.
Hazardous waste (collected)	453.955	404.832	303.604
Non-hazardous waste (collected)	20.342	26.695	18.039
Non-hazardous waste (collected with produced)	26.442	33.915	34.129

Waste handed over: in t (metric tons)

Type	2021.	2022.	2023.
Hazardous waste (handed over to the recovery operator)	497.11	387.68	334.6
Non-hazardous waste (handed over to the recovery operator)	15.1	27.38	20.7
total	512.21	415.06	355.3

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

Climate impact

So far, the group has not carried out measurements and calculations of greenhouse gas emissions (scope 1, 2 and 3) or calculations of GHG intensity.

The processes of defining strategies and establishing KPIs for each of the identified key material topics will include the calculation of emissions and the establishment of a base year. The results thus obtained will serve as the basis for planning minimisation programmes and setting its objectives.

Although quite a number of initiatives have already

been taken primarily to reduce the emissions of area 2 (energy efficiency activities, installation of solar panels...), the emissions produced in area 1, where the group has direct influence, need to be studied in more detail and concrete reduction plans need to be adopted. Emissions produced in area 3 also need to be taken into account and an action plan for the potential reduction of emissions needs to be defined, even though the group mainly has an indirect influence in this area.

COMMUNITY



GRI 413-1 GRI 3-3

M SAN Grupa is aware of its impact on the community both through its business activities and through its impact on its employees, stakeholders and society as a whole. Thanks to its presence not only in Croatia but also in the wider region, the sponsorship and donations programme has always extended beyond the borders of Croatia.

Although activities in 2023 were smaller in volume compared to the previous years, a detailed sponsorship and donation strategy is planned for 2024. Its primary

objective is to help the community and contribute to the achievement of those UN sustainable development goals deemed to benefit from our contribution the most. Special emphasis will be placed on donations programmes aimed at small and less visible associations that are carrying out impactful projects in the micro communities and mostly operating locally.

We plan to also involve the key stakeholders in the entire process, primarily our employees, in order to champion goals that they personally find important and that fall in line with the set objectives.

Our activities will mainly focus on the following goals:



We will support programmes that promote quality education and health and well-being, offer assistance to the most deprived persons, fight against climate change and support gender equality.

In 2023 we collaborated with the largest student STEM competition in the region, the STEM Games 2023, which took place from 9 to 14 May 2023. The most popular video games today are played by dozens and even hundreds of millions of players. With so many people playing, a tendency to compete sprung naturally, and this is the story of how esports came to be. The STEM Games eSport Arena proved to be the perfect opportunity to both have fun and demonstrate this growing international industry. M SAN Grupa recognised the importance of this event and supported it by providing all the necessary equipment: gaming headphones, gaming keyboards, gaming mice, webcams, gaming chairs and suitable computer monitors.

This is the second year in a row that M SAN Grupa and STEM Games collaborated.

Because we are aware how important education is and we want to bring the M SAN Grupa brands closer to the students, we have concluded a business cooperation agreement with the Zagreb School of Economics and Management. Thanks to this agreement, M SAN Grupa sponsored a hall on the school premises, supported several school initiatives and displayed its branded messages in the hall to introduce the students to its business activities.

In 2023, several in-kind donations (air conditioners) were made to local volunteer fire departments, as well as different associations and organisations in Croatia and the wider region (Prsten association, Uskopolje community in Croatia, association of returnees Kulina, Posavski biseri folk ensemble, association of special police involved in the war in Croatia from Slavonski Brod..)

INFORMATION ON THE REPORT

This report was prepared in accordance with the **Global Reporting Initiative (GRI)** standards and follows its requirements methodologically. The GRI indicators are specified in all the relevant locations in the report and there is a detailed index of indicators later in the text.

This report is published annually and has not been audited. However, in accordance with the regulatory requirements, the next report will be audited with limited assurance.

The 2023 Sustainability Report, together with the Financial Statement, provides all M SAN Grupa stakeholders with an in-depth view of the group's operations, processes and ways in which material topics are managed, presents its strategic approach to sustainable development and the projects and initiatives implemented with the aim of managing environmental, social and economic impacts more effectively.

The financial data are published in the Financial Statement and are not repeated in this Sustainability Report.

This report primarily covers information relating to M SAN Grupa in Croatia (as a legal reporting entity)

- M SAN Logistika
- MR Servis
- M SAN Eko

- Centar kompetencija za zelenu energiju (limited data available)
- Data Link (acquired 07/2023) (limited data available)

and the limited information available for subsidiaries in the region:

- Alterna Distribucija d.o.o.
- KIM TEC BIH
 - KIM TEC Servis d.o.o.
 - KIM TEC Eko d.o.o.
- KIM TEC Srbija d.o.o.
 - KIM TEC Servis d.o.o.
- KIM TEC CG d.o.o.
- Pakom Kompani d.o.o.e.l.
- Korvus MK

The data for the group are presented on a consolidated basis, and where this was not possible and in order to show certain data in a transparent and more precise manner, the data are given separately. The report covers all disclosures, data and indicators that are:

- relevant to all M SAN Grupa stakeholders
- recognised as topics material for the group's operations
- disclosures necessary for compliance with the requirements of the GRI Standards.

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GRI Index

Statement of use	M SAN Grupa drafted this report in accordance with GRI Standards for the period from 1 January 2023 to 31 December 2023.
Used GRI 1	GRI 1: Foundation 2021

Disclosure number	Disclosure name	Page number	Note
GRI 2: General Sustainability Disclosures			
Organisation and its reporting practices			
2-1	Organisational details	8	
2-2	Entities included in the organisation's sustainability reporting	8, 12-13	
2-3	Reporting period, frequency and contact point	138	
2-4	Restatements of information	138	
2-5	External assurance	/	The report for the reporting year 2023 was not audited; the limited assurance audit will be carried out for the reporting year 2024.

Disclosure number	Disclosure name	Page number	Note
Activities and Workers			
2-6	Activities, value chain and other business relationships	10, 57, 64, 131	
2-7	Employees	83-87	
2-8	Workers who are not employees	87	

Disclosure number	Disclosure name	Page number	Note
Governance			
2-9	Governance structure and composition	15	
2-10	Nomination and selection of the highest governance body	15	
2-11	Chair of the highest governance body	15	
2-12	Role of the highest governance body in overseeing the management of impacts	43	
2-13	Delegation of responsibility for managing impacts	15, 54, 68, 70, 71	
2-14	Role of the highest governance body in sustainability reporting	26	
2-15	Conflicts of interest	15, 47	
2-16	Communication of critical concerns	15, 68	
2-17	Collective knowledge of the highest governance body	45	
2-18	Evaluation of the performance of the highest governance body	15	
2-19	Remuneration policies	105	
2-20	Process to determine remuneration	105	
2-21	Annual total compensation ratio	109	

Disclosure number	Disclosure name	Page number	Note
Strategies, Policies, Practices			
2-22	Statement on sustainable development strategy	4, 49	
2-23	Policy commitments	30, 39, 40, 42, 45	
2-24	Embedding policy commitments	43, 45	
2-25	Processes to remediate negative impacts	44, 49	
2-26	Mechanisms for seeking advice and raising concerns	44, 45, 47	
2-27	Compliance with laws and regulations	27, 123	
2-28	Membership associations	54	

Disclosure number	Disclosure name	Page number	Note
GRI 3: Material Topics			
2-29	Approach to stakeholder engagement	32	
2-30	Collective bargaining agreements	117	

Disclosure number	Disclosure name	Page number	Note
GRI 3: Materijalne teme			
3-1	Process to determine material topics	31	
3-2	List of material topics	36	
3-3	Management of material topics	37, 39, 49, 70, 71, 93, 123, 137	

Disclosure number	Disclosure name	Page number	Note
GRI 201 Economic Performance			
201-1	Direct economic value generated and distributed	79	
201-2	Financial implications and other risks and opportunities due to climate change	79	
201-3	Defined benefit plan obligations and other retirement plans	/	Not applicable
201-4	Financial assistance received from government	/	No financial assistance was received from the government in 2023.

Disclosure number	Disclosure name	Page number	Note
GRI 202 Market Presence			
202-2	Proportion of senior management hired from the local community	18, 20	

Disclosure number	Disclosure name	Page number	Note
GRI 203 Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	79	

Disclosure number	Disclosure name	Page number	Note
GRI 204 Procurement Practices			
204-1	Proportion of spending on local suppliers	68	

Disclosure number	Disclosure name	Page number	Note
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	46	
205-2	Communication and training about anti-corruption policies and procedures	45, 46	
205-3	Confirmed incidents of corruption and actions taken	48	

Disclosure number	Disclosure name	Page number	Note
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	48	

Disclosure number	Disclosure name	Page number	Note
GRI Tax			
207-1	Access to tax	54	
207-2	Tax governance, control, and risk management	54	
207-3	Stakeholder engagement and management of concerns related to tax	54	

Disclosure number	Disclosure name	Page number	Note
GRI 302: Energy			
302-1	Energy consumption within the organisation	124	
302-3	Energy intensity	125	
302-4	Reduction of energy consumption	127	

Disclosure number	Disclosure name	Page number	Note
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	135	
305-2	Energy indirect (Scope 2) GHG emissions	135	
305-3	Other indirect (Scope 3) GHG emissions	135	
305-4	GHG emissions intensity	135	
305-5	Reduction of GHG emissions	/	Not applicable
305-6	Emissions of ozone-depleting substances (ODS)	/	Not applicable
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	/	Not applicable

Disclosure number	Disclosure name	Page number	Note
GRI 306 Waste			
306-1	Waste generation and significant waste-related impacts	128	
306-2	Management of significant waste-related impacts	128	
306-3	Waste generated	131	
306-4	Waste diverted from disposal	131	
306-5	Waste directed to disposal	131	

Disclosure number	Disclosure name	Page number	Note
GRI 401: Employment			
401-1	New employee hires and employee turnover	88-90	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	115-117	
401-3	Parental leave	110-114	

Disclosure number	Disclosure name	Page number	Note
GRI 402: Labour/Management Relations			
402-1	Minimum notice periods regarding operational changes	99	

Disclosure number	Disclosure name	Page number	Note
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	118	
403-2	Hazard identification, risk assessment, and incident investigation	118	
403-3	Occupational health services	119	
403-4	Worker participation, consultation, and communication on occupational health and safety	118, 119	
403-5	Worker training on occupational health and safety	118	
403-6	Promotion of worker health	119	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	118	
403-8	Workers covered by an occupational health and safety management system	118	
403-9	Work-related injuries	119-121	
403-10	Work-related ill health	121	

Disclosure number	Disclosure name	Page number	Note
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	93	
404-2	programmes for upgrading employee skills and transition assistance programmes	93	
404-3	Percentage of employees receiving regular performance and career development reviews	93	

Broj objave	Naziv objave	Broj stranice	Napomena
GRI 405 Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	101	

Disclosure number	Disclosure name	Page number	Note
GRI 406 Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	104	

Disclosure number	Disclosure name	Page number	Note
GRI 407 Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	/	Not applicable

Disclosure number	Disclosure name	Page number	Note
GRI 408: Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	64, 69	

Disclosure number	Disclosure name	Page number	Note
GRI 409: Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	64, 69	

Disclosure number	Disclosure name	Page number	Note
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programmes	137	

Disclosure number	Disclosure name	Page number	Note
GRI 415: Political Contributions			
415-1	Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary	46	

Disclosure number	Disclosure name	Page number	Note
GRI 416: Customer Health and Safety			
416-2	Total number of incidents of non-compliance with regulations and/or voluntary codes	66	

Disclosure number	Disclosure name	Page number	Note
GRI 417: Marketing and Labelling			
417-1	Product and service information and labelling	67	

Disclosure number	Disclosure name	Page number	Note
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	70	



LIST OF ABBREVIATIONS

AI	Artificial Intelligence
AQL	Acceptable Quality Limit
ATP	Advance Threat Prevention
B2B	Business to Business
BiH	Bosnia and Herzegovina
CO₂	Carbon dioxide
d.o.o.	Društvo s ograničenom odgovornošću (limited liability company)
d.o.o.e.l.	Društvo s ograničenom odgovornošću (limited liability company)
EBITDA	Earnings before interest, taxes, depreciation and amortization
EE waste	Electrical and electronic waste
EMC certificate	Electromagnetic compatibility certificate
eONTO	Electronic logbook of waste generation and stream
EPREL	European Product Database for Energy Labelling
ErP	Energy related Products certificate
ESG	Environmental social governance
EU	European Union
FBIH	Federation of Bosnia and Herzegovina
g	Gas Appliance Regulation Certificate
GAR certificate	Global Positioning System
gđa.	Global Reporting Initiative
GPS	Human Resources
GRI	Heating, ventilation and air conditioning system
HR	Information and Communication Technology
HVAC system	Identification
ICT	Incorporated
ID	Intrusion prevention system
Inc.	International Organization for Standardization
IPS	Information Technology (Computers and components)
l sl.	Kilogram
ISO	Key Performance Indicator
IT	Kilowatt
ltd.	Kilowatt hour
Kg	Kilowatts peak

KPI	Light emitting diode
kW	Limited company
kWh	Low voltage certificate
kWp	Million
LED	Megajoules
Ltd.	Billion
LVD certificate	Mega watt hour
mil.	Mega watt peak
MJ	Quality control
mlrd.	Radio Equipment Directive certificate
MWh	Republic of Croatia
MWp	Return merchandise authorization
no	Reduction of Hazardous Substances certificate
npr.	Registar o onečišćenju okoliša
OEE0	Sustainable Development Goals
oo	Security information and event management
QC	Metric ton
RED certificate	Television
RH	Uniform resource locator
RMA	Volt
RoHS certificate	Virtual private network
ROO	Waste Electrical and Electronic Equipment
SDG	Warehouse management system
SIEM	Warehouse management system
sl.	
t	Tona
tj.	To jest
TV	televizor
tzv.	Takozvani
URL	Uniform resource locator
V	Volt
VPN	Virtual private network
WEEE	Waste from Electrical and Electronic Equipment (Otpad električne i elektroničke opreme)
WMS	Warehouse management system

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