



2022

sustainability

REPORT



m

TABLE OF CONTENT

4	A COMMENT FROM THE PRESIDENT OF THE MANAGEMENT BOARD
6	ABOUT US
20	GENERAL SUSTAINABILITY APPROACH
22	GOVERNANCE, ETHICS AND COMPLIANCE
28	GOVERNANCE STRUCTURE
38	BUSINESS RISK
42	COMMUNICATION WITH STAKEHOLDERS
44	OUR EMPLOYEES
65	IMPACT OF BUSINESS ON ENVIRONMENTAL PROTECTION
79	SHARES
84	SUPPLY CHAIN AND CUSTOMERS
96	ABOUT THIS REPORT
99	INDEX OF GRI STANDARDS
102	LIST OF ABBREVIATIONS

A COMMENT FROM **IRENA LANGER-BREZNIK,** *President of the Management Board*

During 2022, the M SAN Grupa showed a high level of stability and agility, despite the economic disturbances that directly affected the global supply chain this year, but also the war in Ukraine and other external factors that indirectly affected the investment readiness and market demand.

Despite the challenges, 2022 was full of important achievements. We continued with significant marketing and capital investments in the repositioning of our own brands and with a strong step towards green energy through the operations of the Green Division, established at the end of 2021.

The basis of strong and continuous growth is the development and upgrading of our key brands, innovations in the assortment with which we follow the trends and needs of our consumers, planning and successful implementation of sales and marketing activities on all markets, as well as efficient cost management.

Business-wise, the Group achieved respectable results in all key business indicators, with increase in sales in all major business divisions. On a consolidated level, the Group achieved HRK 3,257 million in revenue, which represents revenue growth of 20.2% on an annual level, and a drop in EBITDA of (7.9%) in the same period.

At the end of 2022, we completed the acquisition of ALTERNA, one of the leading Slovenian distribution companies, thereby strengthening our position as a regional leader in the distribution of new technologies.



IRENA LANGER – BREZNIK
President of the Management Board

ABOUT US

The M SAN Grupa is a limited liability Company for computer production, trade and import-export with its headquarters in Rugvica, Dugoselska ulica 5, represented by the chairperson of the Management Board, Mrs. Irena Langer-Breznik, Company registration number: 080157581, was registered at the Commercial Court in Zagreb in 1995 under the name M SAN d.o.o., and in 1997 it got its current name.

The M SAN Grupa is the largest private IT Company in the Republic of Croatia. Within the M SAN Grupa, whose primary activity is the distribution of computer hardware, software and consumer electronics, companies in the region such as Kim Tec Bosnia and Herzegovina, Kim Tec Serbia, Kim Tec Montenegro and Pakom Kompani North Macedonia operate, among others, and from the end of 2022 and Alterna distribucija d.o.o. in Slovenia. In addition to the above, the Group produces IT equipment and consumer electronics of our own brands, which includes TV sets, air conditioners, lighting fixtures (LED lamps), white goods, desktop computers and electric mobility products (electric scooters, electric bicycles), which it also distributes through its distribution network.

In the portfolio, the Group also has a logistics activity that primarily includes storage, manipulation and transport of goods (M SAN Logistika), a service activity for the provision of servicing and repair of goods during the warranty and non-warranty periods (MR Servis d.o.o., KIM TEC-SERVIS d.o.o. Vitez, KIM TEC SERVIS d.o.o. Belgrade) 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 subsidiary. M SAN Grupa d.o.o. - Podružnica Buzin, Buzinski prilaz 10, Buzin Since its establishment, the Group has implemented a

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 our own brands, with production taking place in the People's Republic of China, the Republic of Turkey, the Republic of Croatia and the Republic of Serbia. Most of the production takes place in the plants of third parties, while in the plants of the Group's companies, in the Republic of Croatia and the Republic of Serbia, the assembly of personal computers, TV sets and electric bicycles takes place, as well as the production of led lighting of our own brands. In parallel, the expansion of the Group's operations in the Adriatic region is being carried out by establishing companies and logistics centers with the development of its own logistics, as well as service and service support. Its own regional logistics network is one of the Group's key competitive advantages. Since entering the market until today, we have gained the trust of our customers, partners and suppliers, the number of which is constantly increasing. We are proud that we have become one of the best distributors on the regional IT and CE market from our beginning until today. We attribute our position as a market leader to the commitment of our employees, suppliers, customers and stakeholders, because we firmly believe that achieving common goals leads to success and enables additional expansion and improvement of our own business. The Company does not carry out research and development activities. The Company will publish a non-financial report with all relevant parameters on the website (<https://www.msan.hr/en/>) within the legally stipulated period.

M SAN GRUPA

M SAN GRUPA

M SAN GRUPA

27 years.

Your reliable partner

m

BUSINESS MODEL

The business model of the M SAN Grupa is based on building and maintaining trust and reliability of cooperation with suppliers and customers, developing a diverse product portfolio and financial stability, and special care that is devoted to products of our own brands.

We have acquired a large number of satisfied partners and customers by investing in production, distribution, marketing and development. Our own brands that we are proud of are VIVAX in the consumer electronics range, MS Energy in the e-mobility range, MSGW computers, MS in the range of peripherals, cables, drones, housings, power supplies and accessories for mobile phones, laptops and desktops, Solmacht which covers the field of solar systems and MS Lux which offers a range of LED lighting products.

VIVAX The VIVAX brand as a domestic product has been present on the Croatian market since 2004, and has been placed on a total of 39 markets, meaning 4 continents. Today, the VIVAX range offers more than 250 different products that can be divided into 5 product groups: Imago (TV receivers), Cool (air conditioners), Home (small household appliances and white goods), Vox (audio, Hi-Fi) and Tablets. The entire range and design of VIVAX products is completely designed in Croatia, and high quality standards are ensured by the implementation of strict procedures in production processes with a special emphasis on quality control processes. VIVAX is part of a Group of rare European consumer electronics brands that manufacture their products on European soil. Also, M SAN has a production line of LED TV devices with diagonal sizes from 22" to 65", which takes place in its own premises in Rugvica. This production is intended for the Croatian market, as well as the European Union market.



POSLOVNI MODEL

MS ENERGY is our own brand of electric scooters, bicycles and all other modern personal electric transportation systems. It has been present on the Croatian market since 2019, and today's range of MS Energy 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 customer demands for sustainable, simple and smart transport solutions, the for complete e-mobility.

The reliability and quality of e-mobility products is one of the foundations of the MS Energy brand. The strategy of product creation and the entire production process is based on the use of proven technological solutions, with the aim of creating highly reliable, environmentally friendly solutions for e-mobility that positively affect people's lives.



BUSINESS MODEL

MSGW computers has been on the Croatian market since 2005 as M SAN's own brand. All computers are manufactured in the Group's automated IT equipment production facility and have undergone numerous correctness tests. MSGW computers meets all the necessary requirements set by Microsoft for full compatibility of built-in components with the Windows operating system.



BUSINESS MODEL

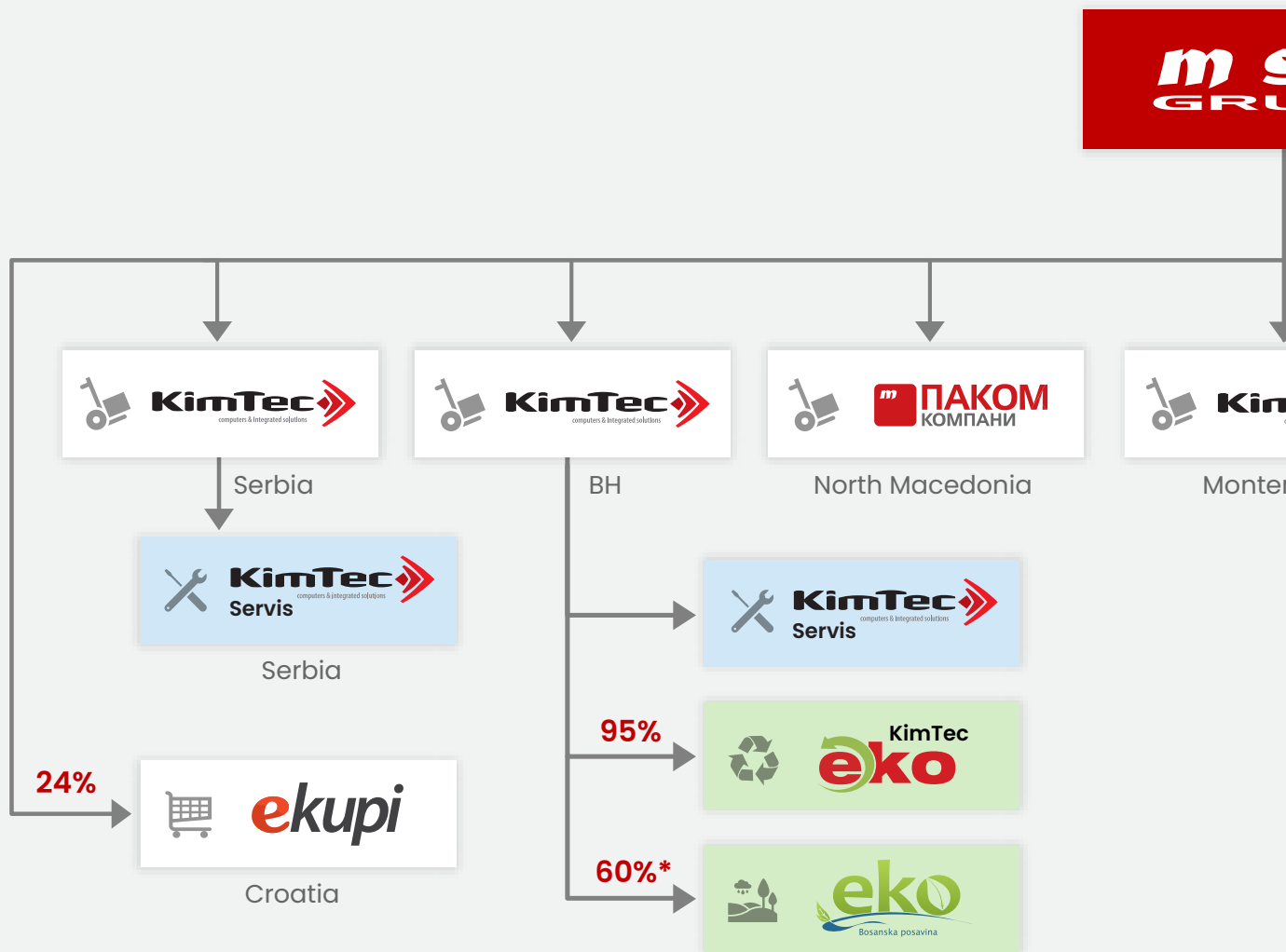
MS is an own brand of the M SAN Grupa, which combines the production and sale of computer peripherals including headphones, speakers, keyboards and mice, as well as housings, power supplies and cables. With an 18-year tradition, it successfully operates on the Croatian market and regional markets (Serbia, Bosnia and Herzegovina, Macedonia, Montenegro) and is expanding its operations to other EU markets as well. Each stage of the production cycle is subject to strict quality control, which ensures the reliability and functionality of each device, and ultimately a quality product at an affordable price.



SOLMACHT is a label for excellence in the distribution of top-quality components and equipment required for the construction of solar power plants and related systems. The youngest own brand in the M SAN Grupa portfolio was created in response to market needs for complete solutions in the field of manufacturing solar electric power plants. Through the framework of Solmacht, business partners and end users are provided with the continuous availability of all components from the world's top manufacturers needed for the design and manufacture of solar power plants: from solar panels to electric inverters, load-bearing substructures, battery tanks and additional equipment to chargers for electric vehicles.



OVERVIEW OF RELATED COMPANIES OF M SAN GROUP



Legend

- IT & CE distribution
- Ecommerce
- Service
- EE
- Agriculture
- ICT
- Real estate
- Logistics

*on December 31, 2022, the company did not participate in the consolidation.



Croatia



Montenegro



Slovenia

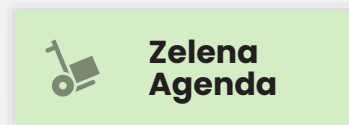


Croatia

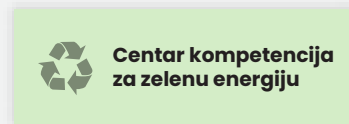


Croatia

60%



Croatia



Croatia



Croatia



North Macedonia

waste disposal





PORTFOLIO, SALES CHANNELS, PARTNERS

The M SAN Grupa d.o.o. is the leading distributor of IT products and consumer electronics of more than 60 of the world's most reputable manufacturers and more than 15,000 products. The following stand out among them: Acer, Asus, Hewlett Packard, IBM, Lenovo, LG Electronics Inc, Microsoft, Panasonic, Samsung, Toshiba, Transcend, Western Digital and many others.

The M SAN Grupa has expanded its range with a full range of quality products from which every business or private user can choose a product according to their wishes and capabilities.

The M SAN Grupa's logistics is among the most developed in the region, which ensures fast and accurate delivery.

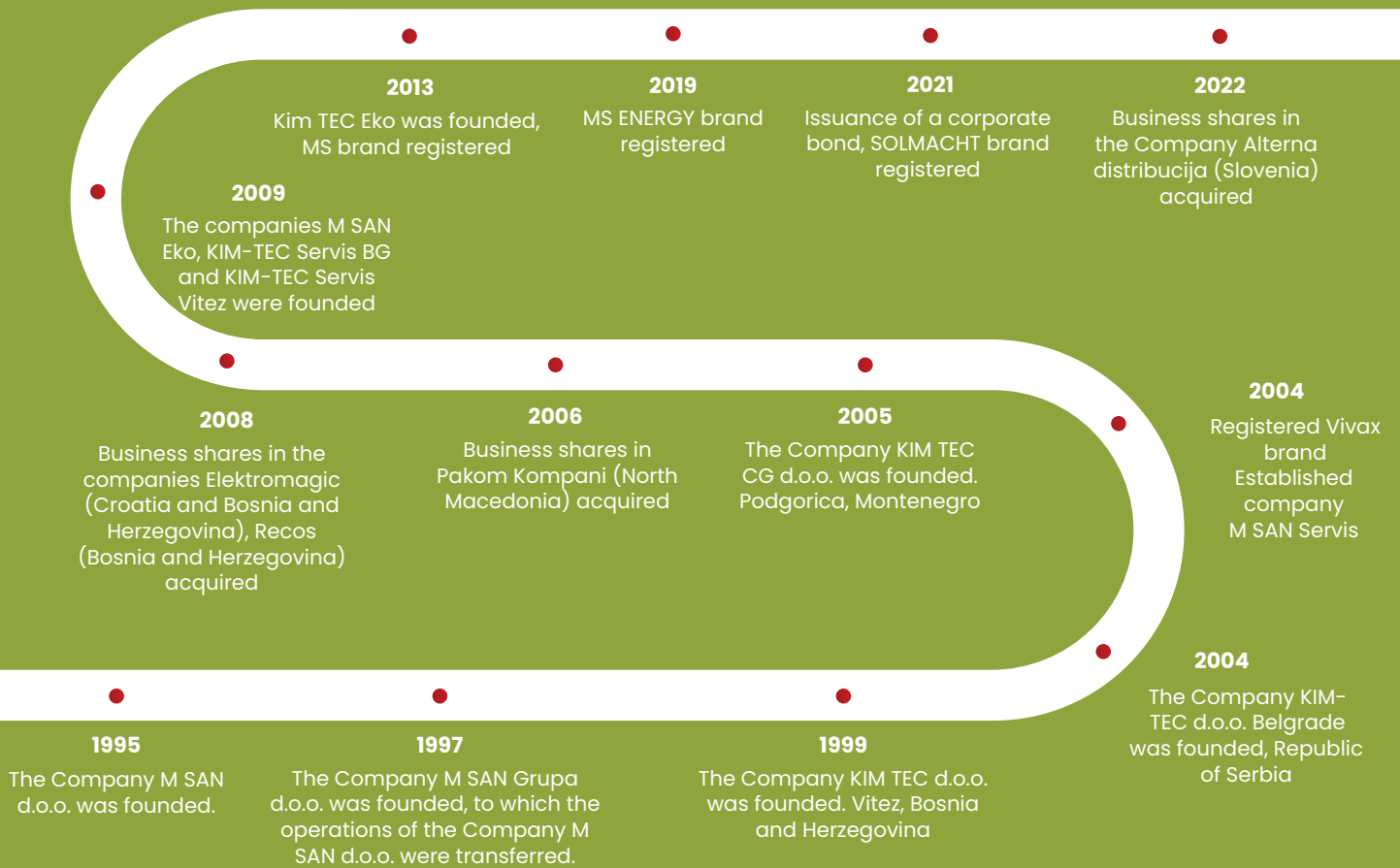
The M SAN Grupa has over 7,000 partners inside and outside Croatia. Sales channels consist of commodity chains, IT and CE retailers and system integrators. Internal sales teams of the M SAN Grupa were also developed according to the sales channels according to product groups. Through the 'Enterprise' sales segment, the M SAN Grupa offers high added value through knowledge and complex solutions for partners such as system integrators and similar.

With a large number of partners, the Group has significantly diversified its operations, where the largest unrelated customer accounts for 1.8% of the total annual turnover. The Group invests significantly in the sales channels of exports to third countries (countries where there are no subsidiaries), so the total share of exports to third countries increased from 16.5% in 2021 to 17.0% in 2022.



HISTORICAL

Development



ORGANIZATIONAL STRUCTURE

The M SAN Grupa is a limited liability company. The sole owner of the Company is Mr. Stipo Matić. The Company does not own its own shares and does not implement a program to buy them back.

Supervisory Board:

Željko Menalo, President of the Supervisory Board

Miroslav Huzjak, Deputy President 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

Management Board:

Irena Langer-Breznik, President of the Management Board since 1 January 2023

Žarko Kruljac, Vice- President of the Management Board since 1 October 2022

Slaven Stipančić, member of the Management Board

Goran Kotlarević, member of the Management Board

Miroslav Gabrić, member of the Management Board from 6 May 2022 to 8 March 2023

Alen Panić, member of the Management Board since 1 October 2022

Vladimir Brkljača, member of the Management Board since 1 October 2022

The operating business of the Group is organized through four divisions:

- ITCE – distribution of IT equipment and consumer electronics;
- Enterprise – value-added distribution for customized hardware-software solutions;
- Vivax – production and distribution of our own brand, over 250 items in all categories (televisions, air conditioners, white goods, small household appliances).
- Green division – production and distribution of own brands of electric mobility and professional LED lighting, distribution of solar power plant components.

The heads of the Company's divisions are also responsible for the divisions in the regional members, which at the same time comprise four sales channels whose motto is "One Company on many different markets".



ORGANIZATIONAL STRUCTURE

In the reporting period ending on 31 December 2022, a total of 930 employees contributed to the growth and development of our companies, out of which a total of 537 employees were employed at the parent Company M SAN Grupa and related companies in Croatia, and 393 employees employed in the region (Serbia, Bosnia and Herzegovina, Montenegro, Macedonia, Slovenia).

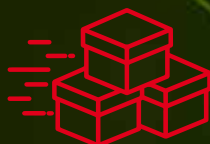
Our main goals and ambitions are:

- to become the most successful ITCE distributor in the Adria region
- to develop our own brand with a relevant presence on the EU market
- to achieve market leadership in the field of e-Mobility
- to build a logistics infrastructure in order to reach end consumers
- lean operations



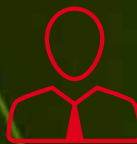
7.000+

PARTNERS



200.000

PRODUCTS DELIVERED PER
MONTH



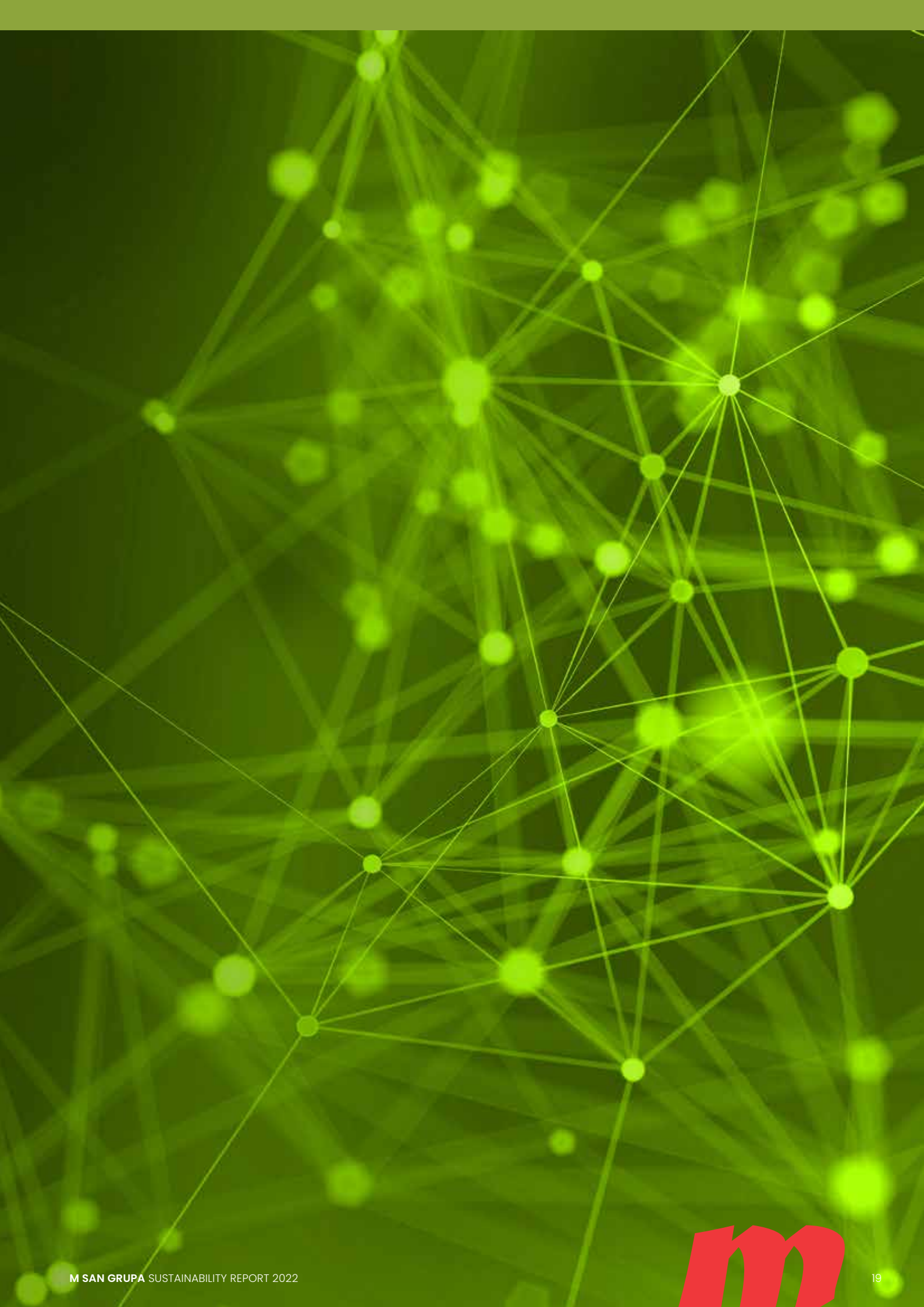
893

EMPLOYEES



6

OWN BRANDS



GENERAL SUSTAINABILITY

Approach

Our approach to the sustainability of doing business is in line with the M SAN Grupa's corporate goals. We see the concept of sustainability as the continued progress of business that contributes to positive results of environmental, social, and governance indicators, while, at the same time, not damaging the environment and society. One of our leading goals is to create added value for our customers, suppliers, and the society in which we do business. Our goal is to create value by ensuring a sustainable business model that makes the Group a valued member of the society, thus promoting personal well-being and respect and care for the environment.

In order to create added value in our business environment, people represent the centre of our business - our employees, the employees of our suppliers, partners, clients, and end customers. The social component of the sustainability indicators that include environmental, social, and governance indicators (in English: ESG, environmental, social, governance) is related to people. As a multicultural environment, we pay particular attention to building a unique corporative culture that respects differences and encourages cooperation. We provide our employees with the security and quality of the working environment through ethical business practices. We are aware of the fact that a promising career development in a company brings quality individuals, therefore investing in the development and progress of our employees is of significant importance to us. Open business culture that encourages the employees to present new ideas, exchange opinions or even complaints represents the basis for the development and satisfaction of employees who are key to providing a quality service to our clients and end customers.

As part of a larger community, M SAN is aware of the importance of its own influence on the improvement of general social conditions, promotion of true values and, finally, investing its own revenue to improve the community. In addition to a wide spectrum of donation projects, endorsement activity is also important, primarily concerning the promotion of computer literacy and training of children and youths through competitions at the Olympics of knowledge. In addition to the investment in children and youths that represent the future of our community, we are also active in the protection and providing help to socially disadvantaged groups. Taking into consideration the leading values of our Group, the endorsement strategy is aimed at children, youths, and the socially disadvantaged.

GENERAL GENERAL SUSTAINABILITY APPROACH

Furthermore, we consciously contribute to environmental protection through the company M SAN EKO, also a company within the Group whose primary task is the management of electrical and electronic waste. M SAN EKO holds the permits to perform the activity of waste management (for hazardous and non-hazardous waste), including key numbers (unique waste labels prescribed by the law) that are related to electric and electronic waste (EE waste). The primary vision of M SAN EKO was to address the circular economy principles. By founding the company in 2009, we offered our partners a concept and by implementing it, we have greatly contributed to larger quantities of separately collected waste at the level of the Republic of Croatia. Within the same workspace, there is an established system of separate collection of waste, thus influencing the reduction of the quantity of waste at landfills and directly the awareness regarding the corporate social responsibility in the environment protection sector. Through our model of reverse logistics, we also contribute to the reduction of CO₂ emissions and, by doing so, contribute to a holistic approach to environment protection.

GOVERNANCE, ETHICS AND compliance

CORE VALUES, MISSION, AND VISION

MISSION

M SAN provides its partners with maximum support by optimising processes in the distribution chain in order to help them create a competitive advantage on the market.

The mission of M SAN is to be innovative, "smart" logistics at the service to our partners. "Smart logistics" is not what we are nor is it a destination that we can reach, but rather it is the road that we have chosen to travel. The modern way of business and the rhythm of life, regardless of all the technology and the constant progress does not ensure perfection, infallibility, nor market advantage to anyone. The only sure thing are the ever more rapid changes, changes that are getting harder and harder to follow, predict, and get ahead of. Within that world of changes, we change as well - we are prepared to admit our oversights and mistakes, we learn from them, and we are adamant not to repeat them. The beauty of partnership lies in the fact that the successes of our partners are also the joy and pride of their smart logistics - the M SAN Grupa!

VISION

to be a distribution leader on all of the markets in the region according to the measures of the modern business,

which has a broader meaning for us. To be a leader on the markets in which we do business does not solely mean to realise the largest market share for us. In and of itself, that is significant and takes knowledge, continued and dedicated work by the management and employees, as well as large investments in the constant growth and development of the business and the increase of the market share, but rather, for us being a market leader means to be the first to set the trends in business, as well as to be the first in the quality of established relations and business collaboration that we have and develop with our business partners and the quality and range of services that we offer. It means to be a leader in established values and corporate culture that we nurture within the organisation, to be the leader in employee relations and investments in their constant development and training, to also be the leader in all things, such as the software, applications that we use in our work and business rules and procedures, as well as everything that comprises the basis and support of the business, without which the position of a market leader would be difficult to achieve, i.e., in a phrase: corporate governance.

In achieving our vision, we act in accordance with the highest ethical and moral standards in all the areas that we work in, while also ensuring constant care for our employees, partners, clients, and the environment that we work in. Within the Group, we nurture an open and honest culture based on a friendly relationship, mutual cooperation, trust, and respect, while respecting the differences and uniqueness of each person. Mutual help and support are part of our culture, while the Management Board, through its open-door policy, offers maximum support to all the employees by showing open interest in all topics that the employees want to consult on, i.e., that they want to discuss. All of the Group's employees participated in creating our fundamental values that we are extremely proud of and live by them every day, transferring them to new employees, thus representing all of us and what we are, how we act and the manner in which we behave. [102-16]

OUR CORE VALUES ARE focused on:

[102-16]

- **Trust and respect** – as the basis of every quality business relationship between associates and towards partners, M SAN respects the integrity and personality of every individual and respects the difference in opinion, culture, and traditions, while also promoting open communication.
- **Responsibility** – M SAN performs obligations that it has undertaken and fully completes its work by perceiving and resolving problems that it considers necessary to resolve and, in doing so, fulfils the promises given to associates and partners. Every person within M SAN is responsible for himself/herself and his/her work, but also for the success and benefit of the company as a whole - by contributing the maximum at work, they reach the best viable solutions to the satisfaction of all included parties..
- **Proactivity** – it involves entrepreneurship and initiative, as well as being prepared to take risks. It is expected that every individual be initiative-taking in his/her work, having a sense of initiative in resolving tasks and timeliness in their performance, but also the necessity to think several steps ahead in order to foresee the needs of the partner and react to them in advance.
- **Focus on the partners and customers** – M SAN builds the partners' and customers' trust by foreseeing their needs and providing information even before they have requested them. The efficiency and effectiveness are key factors in supporting M SAN's customers and partners and M SAN actively approaches its partners in accordance with market developments by striving to be their first choice.
- **Developing teamwork and team spirit** – the feeling of unity and collegiality is under constant development, guided by the principle: "All for one - one for all." By respecting the differences and looking at facts and situations from different angles, M SAN contributes to raising the work and cultural ethics. Therefore, teamwork, full cooperation, and multidisciplinary approach in different work projects and tasks is particularly enticed and asserted.

• **Innovation** – by finding new ways to meet the needs of its own partners and by learning and being innovative, M SAN creates new and added value. New problems represent challenges that need to be readily approached with an open mind, solutions found, and suggestions provided to improve existing processes and procedures.

• **An organisation that learns** – acquiring new competencies is the personal responsibility and obligation of every person in M SAN, while creative approach in work, being open to acquiring new knowledge, suggestions, and experiences, as well as the capability to produce new ideas are especially valued and rewarded. The impact evaluation system is being developed and applied, thus changing what was not good and continuously harmonising the processes and procedures in accordance with constant changes. One of the largest advantages of M SAN is the exchange of knowledge with the aim to increase the total organisational knowledge.

• **Positive work environment** – M SAN strives to achieve what it writes and speaks about and the foundations for it can be found in everyday positive environment. In maintaining the work spirit, it is led by the desire for success and achievements, while it supports honest and positive, collegial relations and encourages, builds, and participate in them.

• **Richness of diversity** – in M SAN, diversity is viewed as wealth. The markets on which it acts differ in the economic and cultural sense, and in the sense of their worldview. It eagerly accepts that diversity and responds with a richness of its own diversity. The most valuable resource of the Group are the people who have different experiences, knowledge, skills, ideas, and wishes. It is this very richness that represents a firm foundation for building its own success and growth.

CORPORATE

Governance

M SAN Grupa as a public interest entity whose corporate bonds are listed on the Official Market of the Zagreb Stock Exchange, in accordance with the Accounting Act, Article 22 is required to include a statement on the application of the corporate governance code in the annual report.

M SAN Grupa is not obliged to apply the Corporate Governance Code of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange d.d. (https://www.hanfa.hr/media/4098/zse_kodeks_hr.pdf), but the Group is guided in its operations by the highest standards of governance and responsibility in accordance with good corporate governance practice, and the standards and practices themselves are included in the Statement of incorporation of the Company, which is available on the Company's website (https://www.M SAN.hr/wp-content/uploads/2021/05/2021-04-21_M-SAN-Grupa_lzjava-o-osnivanju.pdf).

The Company is also obliged to provide HANFA with data on corporate governance practices through the Questionnaire on Management Practices for Bond Issuers (GIKU-UOP-OBV).

M SAN Grupa is a signatory to the Code of Business Ethics, initiated by the Croatian Chamber of Commerce. The Code establishes guidelines for the ethical conduct of business entities, and the signatories, among other things, undertake to respect human rights, apply provisions on the prevention of corruption, etc.

INTERNAL CONTROLS AND RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCESS

Internal accounting controls, ie the procedures of competent employees ensure the accuracy, validity, comprehensiveness of financial records and reports, which are the basis for the preparation of annual financial statements. This control system also ensures their compliance with International Financial Reporting Standards.



The Company's accounting policies represent the rules that the Company applies when preparing its financial statements. A summary of significant accounting policies is disclosed in the Company's financial statements.

COMPANY'S BOARDS

The corporate governance structure of M SAN Grupa is based on a dualistic system, consisting of the Supervisory Board and the Management Board, they, together with the General Assembly, in accordance with the Articles of Association and the Companies Act, represent the three basic bodies of the Company.

The Supervisory Board has set up an Audit Committee, which in the course of its tasks assesses the quality of the internal control and risk management system in order to adequately identify the main risks to which the company is exposed (including compliance risks).

DESCRIPTION OF DIVERSITY POLICY

individual by respecting the principles of diversity and equal opportunities. Diversity is one of the features of our organizational culture, present since the founding of the Company, and is reflected in the belief that differences in gender, skin color, political or other beliefs, national or social origin are a wealth, which within M SAN for more than 20 years transformed into mutual success.

The Group strictly prohibits and condemns all forms of discrimination in order to provide and ensure a sustainable work environment free of discrimination and abuse based on sex, race, religion, ethnicity, sexual orientation or any other characteristic / status as grounds for discrimination. The Group is committed to ensuring a non-discriminatory workplace and we are proud of the absence of reported incidents.



GOVERNANCE

structure

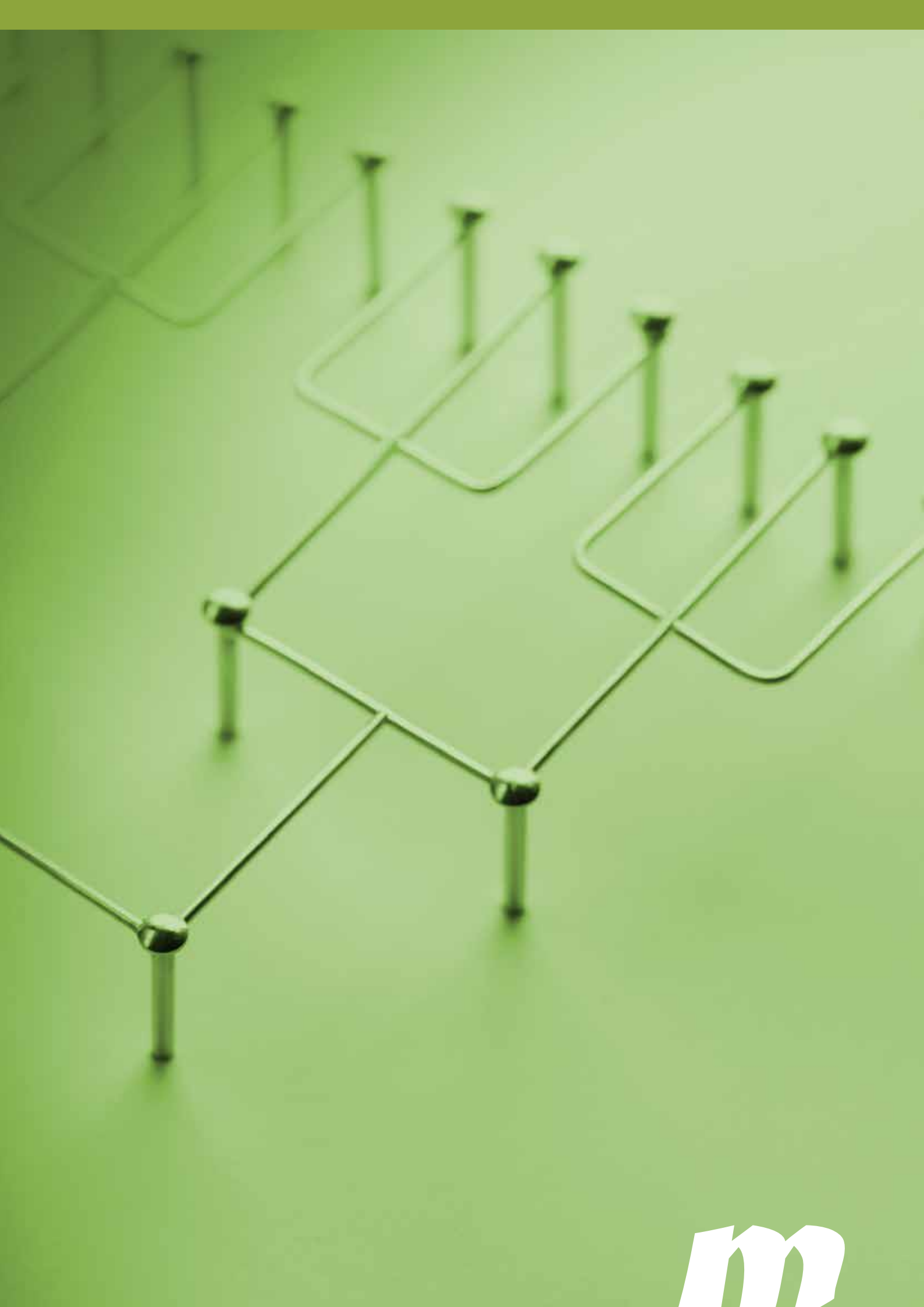
[102-18]

The governance within M SAN is founded on transparency and effectiveness of corporate governance based on the best international practices, thus ensuring the success and sustainability of the entire Group. M SAN does business as a two-level board structure, consisting of the Supervisory Board and the Management Board. Over the course of 2021, the Supervisory Board consisted of three members, while the Management Board consisted of six members, i.e., the Chairman and five members of the Board.

The Supervisory Board and the Management Board ensure that the established strategy, resources, risk management system, internal control system, and stakeholder relations support the long-term and sustainable development of the entire Group. Furthermore, stated elements ensure that the strategy takes into consideration the possible impact on the environment and community, and that the politics, culture, and values of M SAN promote ethical behaviour, respect for human rights, and lead to an enticing and comfortable work environment.

The role of the Management Board in managing the business is governed by the Companies Act, the Statute, and internal rules. The Management Board exercises its function with the due diligence of a circumspect trader, primarily taking into account the best interests of the Group. In decision making, personal interests must not lead the Management Board, i.e., use business opportunities for personal purposes and shall immediately notify the Supervisory Board of any possible conflict of interests.

The Assembly of the Company is the highest governance body and consists of the member of the Company as the sole founder. A member of the Association makes decisions for which he is authorized by law and the Statement of incorporation of the Association. The Assembly decides on matters that are within the exclusive competence of the Assembly under the current Companies Act. If it deems that there is a need for that, the Assembly is authorized to send a mandatory instruction to the Management Board regarding the management of the Company's affairs, and the Management Board is obliged to manage the Company's affairs in accordance with the mandatory instructions of the Assembly. The Assembly is convened by the Management Board of the Company in cases prescribed by the Companies Act and whenever required by the interests of the Company, but may also be convened by the Supervisory Board and a member of the Company. The assembly is suitable for decision-making if the only member of the Company is present.



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The M SAN Grupa's MANAGEMENT BOARD



IRENA LANGER BREZNIK
PRESIDENT OF THE MANAGEMENT BOARD

Irena Langer Breznik has held a number of management positions in the M SAN Grupa for 17 years. In her roles, which include a leadership position in the M SAN Grupa's procurement, in addition to responsibility for the complete procurement process in the Republic of Croatia and regionally, she is responsible for obtaining new distributions, nurturing quality relationships with principals, organizing and implementing marketing activities at the level of M SAN and companies in the region; moreover, she was responsible for the establishment of new business processes as well as the improvement of existing ones and worked continuously on structural improvements of business processes with special emphasis on regional procurement, development and improvement of operations in the foreign markets of Group members, management of numerous projects with the aim of developing and improving business applications, electronic trade development between business entities, inventory management and digital transformation. Since 2011, Mrs. Langer Breznik leads the e-commerce development and operations of eKupi, both in the Republic of Croatia and regionally, and serves as a member of the M SAN Grupa Management Board. On 1 January 2023, she assumed the position of Chairperson of the Company's Management Board.



ŽARKO KRULJAC

VICE-PRESIDENT OF THE MANAGEMENT BOARD

Žarko Kruljac devoted 16 years in the M SAN Grupa to the development of the Grupa's sales force and distribution reach. Initially, he stood out due to the successes in business and the realization of strategic goals that he achieved in management positions in companies in the Republic of Serbia and Bosnia and Herzegovina, and after that, managing commercial operations in Croatia and the region, and focused his activities on three key aspects: continuous building and strengthening of partnership customer networks, raising the competences of sales operations and adapting sales processes to market changes. He received his doctorate in the field of economic sciences in 2020. Since 2009, Mr. Kruljac has been a member of the Company's Management Board.



SLAVEN STIPANČIĆ

MEMBER OF THE MANAGEMENT BOARD

During his 19 years in the M SAN Grupa, Slaven Stipančić focused on improving the procurement process and expanding the distribution portfolio. Mr. Stipančić, leading a team of successful professionals, is responsible for and made a great contribution to the development of M SAN's own VIVAX brand, thanks to which VIVAX became a recognized brand that is sold on almost the entire European market, as well as on other continents. As director of the consumer electronics segment, he works on contracting and developing distribution cooperation with the world's strongest CE brands, in Croatia and the region. At the same time, he is working on optimizing the connection between the sales processes of international CE brands and the Company's procurement processes. Since 2009, Mr. Stipančić has been a member of the Company's Management Board.



UPRAVA M SAN Grupe



GORAN KOTLAREVIĆ
MEMBER OF THE MANAGEMENT BOARD

Strengthening sales operations and expanding the distribution reach, in all countries of the region, are the main subjects of Mr. Kotlarević's activities. In his 16 years of work in the M SAN Grupa in the positions of sales manager, sales director and business development director, Mr. Kotlarević directly influenced the building of the Company's strong market presence and its current recognition. Since March 2021, Mr. Kotlarević has been a member of the Company's Management Board.



MIROSLAV GABRIĆ
MEMBER OF THE MANAGEMENT BOARD

Mr. Miroslav Gabrić joined the management of the M SAN Grupa in 2022, after more than 2 decades of experience in key management positions of the largest distribution Groups in Croatia and neighbouring countries, where he worked on the organization of logistics, including the implementation of technological solutions for the optimization of all processes in the field of logistics. His arrival at the M SAN Grupa is connected precisely with his primary responsibility of consolidating, optimizing and developing all processes in the field of logistics. Since 8 March 2023, Mr. Gabrić no longer acts as a member of the Company's Management Board.



ALEN PANIĆ

MEMBER OF THE MANAGEMENT BOARD

During almost 19 years within the M SAN Grupa, Mr. Alen Panić held a number of functions related to the construction and development of the division of high technologies and project business, including the role of executive director of the so-called value-added distribution. Today, the mentioned division consists of a number of departments that are responsible for the business of infrastructure, software, cloud and project solutions, distributed in all the countries of the region, distributing the world's largest technology principals, and represents the regional leader in that segment of business behind which hundreds of successfully delivered the most complex ICT projects, continuous growth and business expansion. Since October 2022, he has been a member of the Company's Management Board.



VLADIMIR BRKLJAČA

MEMBER OF THE MANAGEMENT BOARD

Vladimir Brkljača built his business career in the M SAN Grupa, where he devoted himself to the development of the VIVAX brand for the past 18 years. Along the way, he held various positions; from product manager, head of development and procurement VIVAX, head of the VIVAX profit centre, and for the last 5 years he held the position of executive director of the VIVAX division, with key responsibilities for development, procurement, sales and building the VIVAX brand. He led the project of moving and building a plant for the production of VIVAX LED televisions in Croatia and in the initial phase the development of the MS Energy brand. He made the main contribution to the overall development and strengthening of the VIVAX division's operations in all countries of the region, a significant step forward to the EU market, and the implementation of the VIVAX brand strategy. Since October 2022, he has been a member of the Company's Management Board.



The M SAN Grupa's SUPERVISORY BOARD

ŽELJKO MENALO

PRESIDENT OF THE SUPERVISORY BOARD

Željko Menalo spent most of his career in the financial industry within the Erste&Steiermarkische Group in Croatia, where he performed various managerial tasks. He joined the SM Group* in 2019 with employment at the Company M SAN Ulaganja d.o.o., and since 2022 he has been employed at the Company Ured za podršku d.o.o. in the position of adviser. By the decision of the Company's Assembly of September 2022, Željko Menalo was appointed to the position of Chairman of the Supervisory Board with the beginning of his term of office on 1 January 2023.

MIROSLAV HUZJAK

DEPUTY PRESIDENT OF THE SUPERVISORY BOARD

For the past 23 years, Miroslav Huzjak has been working in leading positions in the M SAN Grupa, leading teams of professionals who have positioned the Company as the most important ICT and CE distributor in the Adria region. He worked in various jobs in the Company, and held a managerial position in the commercial department, which in addition to the responsibility for the organization of the commercial department, and its successful operation and the positioning of M SAN as a market leader, included numerous other responsibilities. Mr. Huzjak was responsible for conducting key negotiations for concluding a distribution contract with the largest globally significant principals, thanks to which M SAN became an authorized distributor of numerous world-famous brands, both in the territory of the Republic of Croatia and regionally. As of 1 January 2023, Mr. Huzjak holds the position of Deputy Chairman of the Supervisory Board of the M SAN Grupa.

MARKO RAŠIĆ

MEMBER OF THE SUPERVISORY BOARD

Marko Rašić started his career at M SAN in 2003 as an intern in the Finance Department and by 2011 he had progressed to the position of head of finance. During the acquisition period of the Group in the agricultural segment, he actively participates in takeover processes and the subsequent financial restructuring of acquired agricultural companies. In parallel with his duties as head of finance, since 2016 he has held the position of Chairman of the Supervisory Board of PP ORAHOVICA d.o.o. and President of the Supervisory Board of PPK Valpovo d.o.o. and since 2014 he has been a member of the Supervisory Board of the Company KING ICT d.o.o. In the Supervisory Board of M SAN, he has held the position of Deputy Chairman of the Supervisory Board since 2016. In 2017, he was appointed director of the Company Ured za podršku d.o.o. As of 1 January 2023 Mr. Rašić acts as a member of the Supervisory Board.

STIPO MATIĆ

MEMBER OF THE SUPERVISORY BOARD

Stipo Matić founded M SAN in 1995 and is its sole founder and member. In the period until 2009, Stipo Matić held the position of director of M SAN, and then took over the position of Chairman of the Supervisory Board of M SAN. Moreover, Stipo Matić is the director of M SAN Logistika d.o.o. and M SAN EKO d.o.o., 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. Today, the portfolio of companies owned by him 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. As of 1 January 2023 Mr. Matić acts as a member of the Supervisory Board.

SNJEŽANA MATIĆ

MEMBER OF THE SUPERVISORY BOARD

Snježana Matić has been involved in the business of M SAN since the very foundation of the Company. In the beginning, she worked on sales tasks, and then on procurement tasks with a special focus on building long-term sustainable business relationships with suppliers. In response to the growth of SAN's business activities, she took over the coordination of activities in accounting and finance, and in 2004 devoted herself to the development of system integration business, where she still operates in the field of controlling. She has been a member of the Supervisory Board of M SAN since 2004.

In addition to the Supervisory Board and the Management Board, the Audit Committee, consisting of three members Branislav Vrtačnik, Kristina Alebić and Branka Gerić, has the role of providing support to the Supervisory Board in its performance his tasks and the implementation of other activities, in accordance with applicable laws and others provisions. The audit committee is an advisory committee of the Supervisory Board without executive powers, that is, it acts as a specialized subcommittee of the Supervisory Board, and its powers derive from powers of the Supervisory Board.

*SM group: A group consisting of companies in which the sole member of the M SAN Grupa directly or indirectly exercises control



ETHICS AND

MANAGEMENT

The Group conducts its activities in a fair, ethical, and legal manner, i.e., on the grounds of compliance with the laws through:

- i. the activities of the Legal Department.
- ii. risk management in accordance with the established risk management process and
- iii. the implementation of “best practices” through different organisational parts of the company.

Grupa u svakodnevnom poslovanju primjenjuje Politiku poslovanja u suzbijanju korupcije i mita, koja je dostupna i na engleskom jeziku, te Kodeks etike u poslovanju koji je donijela Hrvatska gospodarska komora. Politika poslovanja u suzbijanju korupcije utvrđuje standarde poslovanja Grupe u prevenciji korupcije i pobliže uređuje sve radnje i postupke kojih su se svi radnici obvezni suzdržavati u poslovanju odnosno prijaviti iste u slučaju sumnje u kršenje predmetne Politike. Nadalje, unutar Grupe objavljen je Kodeks poslovnog ponašanja kojim su obuhvaćena pravila ponašanja te su dane jasne i razumljive smjernice za aktivnosti i suradnju s klijentima, poslovnim partnerima, kao i suradnicima unutar Grupe. Vjerujemo u najviše standarde ponašanja te svatko od zaposlenika ima važnu ulogu u njihovom poštovanju s ciljem osiguravanja temelja za dugoročan uspjeh. Pravo je i obveza svakog zaposlenika nadređenoj osobi prijaviti nepoštivanje Kodeksa. [205-3]

Grupa je regulirala i sustav zviždača (engl. whistleblowing system) donošenjem Pravilnika o postupku unutarnjeg prijavljivanja nepravilnosti i imenovanja povjerljive osobe, a kojim se nepravilnost definira kao svako kršenje zakona i drugih propisa koji su povezani s obavljanjem poslova u pojedinom društvu. Sva društva unutar Grupe imaju imenovanu osobu kojoj zaposlenici mogu, anonimno ili osobno, prijaviti nepravilnost. Kroz sustav, pomoću dokumentacije koja je dostupna na intranetu, potičemo zaposlenike na reakciju, odnosno želimo ih ohrabriti da, ako

nadređena osoba ne reagira na prijavljenu nepravilnost, pomoć potraže kod osobe na višoj poziciji u organizacijskoj hijerarhiji. Osim imenovane ili nadređene osobe, moguće je prijaviti nepravilnosti, osobno ili anonimno, Pravnom odjelu ili internoj reviziji. U slučaju prijave nepravilnosti, imenovana osoba provodi preliminarnu procjenu pravnog i reputacijskog rizika za poduzeće i, po potrebi, s obzirom na prirodu problema, uključuje pravnu službu i druge odjele. Na temelju rezultata istrage imenovana osoba predlaže potrebne procedure i mjere Upravi ili drugom organizacijskom dijelu poduzeća. Imenovana osoba zajedno s Upravom odlučuje o potrebi uključivanja državnih tijela. Od donošenja Pravilnika 2019. nije bilo prijavljenih nepravilnosti. Od osnutka M SAN-a, Grupa nije imala potvrđene slučajeve korupcije.

M SAN redovno educira svoje zaposlenike i dionike putem internetske stranice, lokalnog intraneta i internih materijala poduzeća o donesenim politikama i pravilnicima. Zaposlenici se pravodobno obavješćuju o svakoj promjeni ili dodatnom ažuriranju svih dokumenata Grupe putem e-maila.





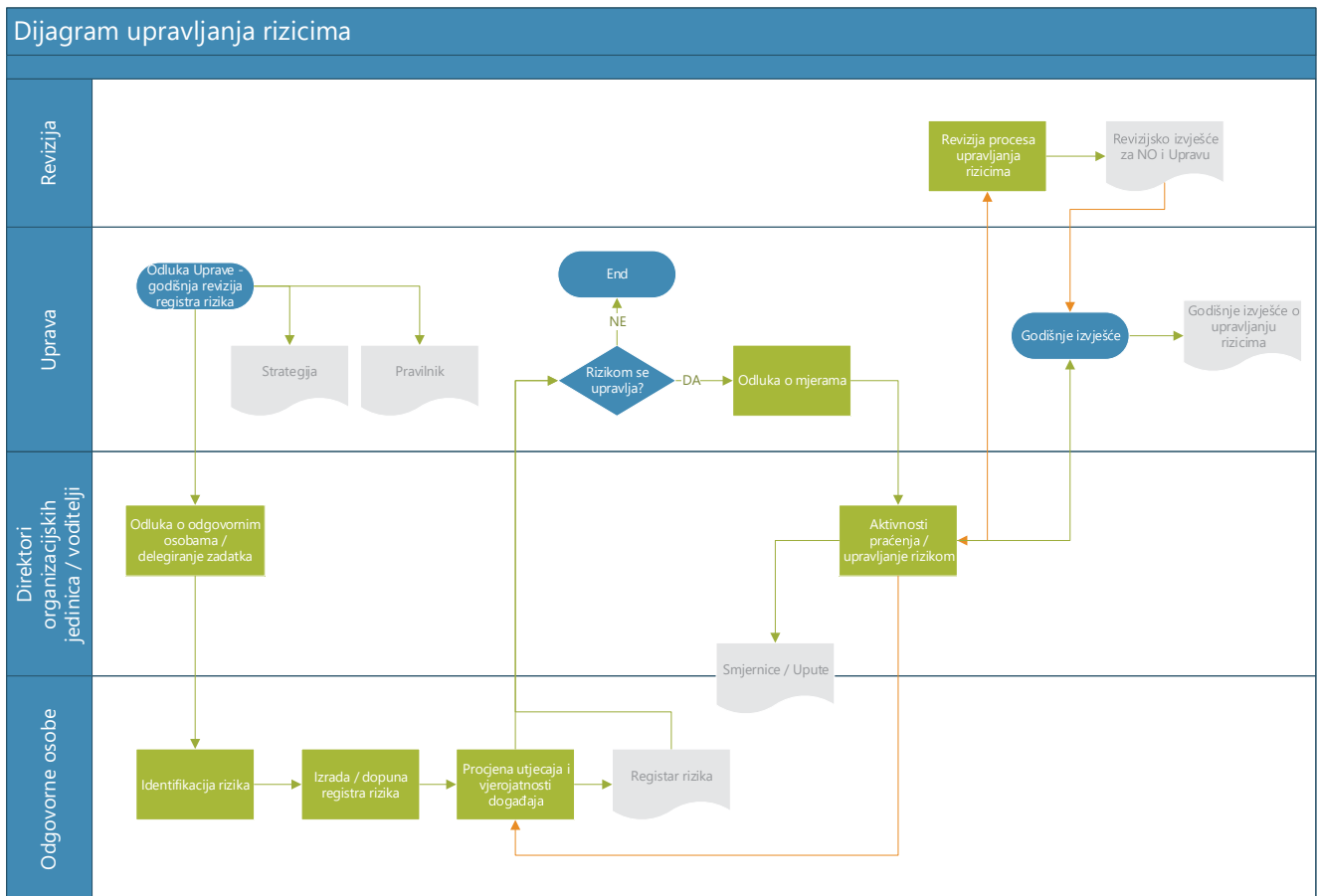
BUSINESS

Risks

In its everyday business, the Group implements the Anti-Corruption and Bribery Policy that is also available in the English language and the Code of Business Ethics brought by the Croatian Chamber of Commerce. The Anti-Corruption and Bribery Policy establishes the standards for the Group's business in preventing corruption and tightly regulates all the actions and procedures that all employees shall abstain from when doing business, i.e., report them in the case of a suspected breach of the Policy in question.

Furthermore, there is an established Business Conduct Code within the Group that covers the rules of conduct and provides clear and comprehensible guidelines for activities and collaboration with the customers, business partners, as well as associates within the Group. We believe in the highest standards of conduct and every employee plays an important role in observing them with the aim of ensuring the foundations for long-term success. It is the right and obligation of every employee to report breaches of the Code to his/her superior.

Dijagram upravljanja rizicima



The Management Board is responsible for implementing and improving an efficient risk management system and subsequent revision of the entire process. Along with the management, all employees of the Group, depending on their work role, are included in the risk management system. Every year, the directors of organisational units, together with the managers and country managers, shall draft a Risk Registry or revise the current one. The Registry is comprised of the description of all risks that M SAN and its affiliates are exposed to in the region, the assessment of their influence on the M SAN Grupa and the companies in the region, the probability of their occurrence, possible limitations and the capabilities of the Group to deal with described risks, as well as measures that should be taken with the aim to mitigate the identified risks. Among other things, the directors of organisational units, together with the managers and country managers, shall draft the Risk Management

Report once every year in which the risks are grouped to related categories (IT risks, environmental risks, social risks, and similar risks). Internal audit shall assess the implementation and the efficiency of the risk management process, used methodology and measures taken, while also drafting its own annual work plan and individual audits based on the Risk Registry.

M SAN pays particular attention to total information security, both software and “physical” IT security, i.e., management of risks related to the physical security of information. M SAN has been continuously managing environmental risks in the best possible manner, which can be seen from the example of relocating the manufacture to parts of China and selecting factories that have the highest manufacturing standards and implement a series of measures and activities to reduce the environmental pollution, which, in the end, affects the products that they procure and distribute. Furthermore, M SAN also conducts analyses of suppliers and procured products for further distribution in respect of measures taken for environmental protection, production quality, materials used in production, safety of the users while using the device and its surroundings, as well as for the environment. M SAN conducts an environmental risk assessment every year. The positive aspects of managing environmental risks are the following:

- reducing the environmental pollution in the manufacturing process as a result of taking measures and activities conducted by M SAN
- positive impact on the health of people due to reduced pollution
- procurement and distribution of quality products, preceded by additional and subsequent quality tests
- reducing the costs that could potentially arise in sales, servicing, and disposal of lower quality products
- reducing the quantities of hazardous and harmful components in the devices themselves, which, in the end, reduces the quantity of hazardous waste after the device is no longer in use
- increased satisfaction of business partners and end customers
- positive influence on corporate image and reputation
- recognising the company as an organisation that not only cares about the environment, but also about the quality, health, and the future of our planet.

From the viewpoint of sociology, we are aware that the sales and selection of products that we distribute is affected by numerous factors, such as the level of education of the inhabitants, purchasing power, lifestyle, family size, age and sex structure, trends, and other things, which is why we pay attention and adapt our products to various target groups in order to meet the needs and preferences of each group. We care about the end consumers of our products, and we consider it important to know their habits, needs, desires, and preferences, but also their particularities and specificities. Knowing the target groups, their preferences, lifestyles, and circumstances contributes to the increase of customer satisfaction, the increase of quality and responsible social risk management, the reduction of the occurrence and impact of the risk arising out of sales for the business and realisation of strategic goals, the risk of stocks, the market share risk, and customer loss risk.

The positive aspects and advantages of social risk management are the following:

- better knowledge of the business environment, foreseeing possible disruptive events and adopting measures for their prevention or mitigation
- readiness for the occurrence of undesired events and situations with decision making regarding the measures to be taken in the case they occur
- better communication with target groups, understanding and recognising their needs
- better communication with business partners, buyers, and suppliers
- procurement and distribution of products and services for which there is a need or for which there will be a need in the near future, along with creating new trends
- offering products in accordance with the needs but also the purchasing power of the buyers
- direct increase of sales and achievement of strategic company goals
- an increase in customer satisfaction
- growing trust of all stakeholders in the Group
- an increase in the reputation of the Group that cares and understands the market and customer needs
- growing trust of investors in the company.

The safety of our stakeholders and customers is our greatest priority, therefore, M SAN continuously controls the standards of its own products, monitors the origin of the product and manufacturing conditions. By selecting the suppliers with the highest manufacturing quality standards, we strive to responsibly manage environmental risks and to contribute to the quality of life and the health of our stakeholders and customers in a positive manner.



COMMUNICATION WITH stakeholders

We are aware of the importance of our stakeholders for our business and, as a Group, we invest in dialogue with our stakeholders and include them in our own development processes. Stakeholders affect our business, transactions, and decisions every day and play an important role in shaping the value chain. The communication with the stakeholders is efficient and effective, and we strive to respond to the interests, suggestions, or problems of our stakeholders as soon as possible. We constantly invest in quality communication in order to improve the relationship with our key stakeholders for the purpose of sustainable development. In our next reporting year (2022), M SAN will make additional efforts to draft a materiality matrix and include stakeholders in identifying and determining material issue priorities that the 2022 Report will cover.

[102-40]

Stakeholder groups that our Group regularly communicates with:

- employees
- sales partners
- users of servicing
- logistics partners
- suppliers
- servicing principals
- ministries and national agencies
- creditors
- the media

Stakeholders Employees	Key topics of interest Working conditions, stability and success of business, occupational safety, benefits, career development	Communication channels Intranet, internal decisions, periodic interviews with the superior, surveys, newsletters
Sales partners	Product information (sales conditions, availability and delivery deadlines, quality, safety), handling discarded EE equipment	B2B web-shop platform, e-mail, telephone, mobile applications, surveys, consulting
Users of servicing	Information regarding products being serviced (malfunction reports, order statuses, servicing deadlines), the possibility to dispose of a device that cannot be repaired	Call centre for servicing, WebRMA application, form on the website of the servicing centre, e-mail
Logistics partners	Organisation of collection and delivery of products from the suppliers to distribution centres and afterwards to the buyers (with accompanying freight-forwarding processes) and reverse logistics processes	Specialised applications of certain logistics partners, internal WMS, e-mail, telephone, live meetings and via communication applications
Suppliers	Key performance indicators (sales indicators, stocks, success of promotional activities), financial indicators	Commercial reports, communication through specialised supplier information systems
Servicing principals	Key performance indicators of servicing centres for products under warranty (speed, costs), user satisfaction, resolving technical issues	Specialised applications of certain servicing principals, reports, e-mail, telephone, live meetings and via communication applications, specialised servicing trainings
Ministries and national agencies	Compliance with the regulations. Feedback when publicising draft proposals of Acts and by-laws. Tax treatment.	E-savjetovanje (e-consulting), prescribed reports, entry into the eONTO base (Logbook on Waste Generation and Stream), ROO (Environment Pollution Registry) and reporting quantities to the Environmental Protection and Energy Efficiency Fund, surveillances, participating in working groups regarding the proposed amendment to Acts and by-laws
Creditors	Financial indicators, business stability, risk management and transparency	Financial reports
The media	Events, such as issuing bonds or takeovers	Website public announcements (newspapers, news portals), social networks



OUR

employees

A WORK ENVIRONMENT IN ACCORDANCE WITH THE VALUES

WORKPLACE VALUES

A Group, as a multicultural environment, pays particular attention to building a unique corporate culture that respects differences and encourages cooperation between its employees. Since the beginning of our business, employees have been a particularly important pillar of the Group. It is the very dedication, expertise, and energy of the employees that enables the Group to make progress every day. We take care of our employees since the very beginnings of their employment, we give importance to the employee onboarding process, it is important to us that we make them aware of our goals, the work atmosphere, the organisational structure, and culture immediately, as well as the manner in which M SAN works and lives in its environment, all in order for us to ensure that work tasks are carried out more efficiently, but also as a way of fitting in within the new work environment.

Furthermore, as a Group, we care about the development of our employees, which is why we further invest in the creation of opportunities for the development and progress of our employees, while being aware that the possibility of a promising career development within the company ensures quality workforce. We promote knowledge and expertise among employees; to be specific, we make it possible for them to specialise through seminars, trainings, conferences, courses and/or congresses. Every calendar year, the ambassadors of values, i.e., the best employees, are chosen and rewarded.

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

The employment policy within the Group respects the personal integrity of every individual by respecting the principles of diversity and equal opportunity. Diversity is only one of the characteristics of our organisational culture that is present since the very founding of the company and it is reflected in the belief that differences in genders, skin colour, political or other beliefs, national or social origin, and other characteristics do not represent differences, but rather, richness that has been transforming into joint, individual, team success for over 20 years already, and in the end, the success of the entire M SAN Grupa. All employment applications with a wide spectrum of qualifications and experience are welcome in the entire Group and we always invite all those who could positively contribute to the values and goals of our organisation to apply. All candidates who respond to a competition for recruitment are informed of the status of the competition and possible realisation of employment.

If a certain candidate is not fit for the position for which he/she applied but is fit for another position within the Group, such a candidate is informed of that possibility and requested consent for possible further continuation of the competition as a candidate for that other position. Competitions for recruitment are always open to everyone and each candidate has equal opportunities for employment, including internal employees. Adequate employment procedures have been established within the Group, while rules of business conduct can be found in the Employees' Manual. There is a strong connection, i.e., a great level of trust between the Human Resources Department, the managers, and employees.

There is always room for improvement and the direction in which M SAN is moving is continued improvement for the well-being of the employees, but also the Group itself. During the pandemic, we followed the rules of our TUKS (Crisis Situation Management Team), who informed us of the condition of the number of employees and in accordance with that we practised weekly and monthly rotation options in HomeOffice.

M SAN stands up for so-called "decent work," which guarantees equal workplace rights for all employees and particularly cares for those who are in a disadvantaged position for any reason, i.e., for those who have realised a reduced income for any reason, while continuously opening new positions and demanding the same from other participants in the supply chain. It vigorously condemns child labour, forced labour, unpaid overtime, work in conditions insulting to employee dignity, and endangering health.

[406-1]

There were no discrimination incidents during the reporting period. The Group vigorously condemns and deplors any form of discrimination with the aim of providing a sustainable working environment without discrimination or abuse based on sex, race, religion, ethnicity, sexual orientation, or any other characteristic/status as a basis for discrimination. The group is dedicated to ensuring a non-discriminatory workplace and we are proud that we have no reported incidents.



OUR EMPLOYEES

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2022

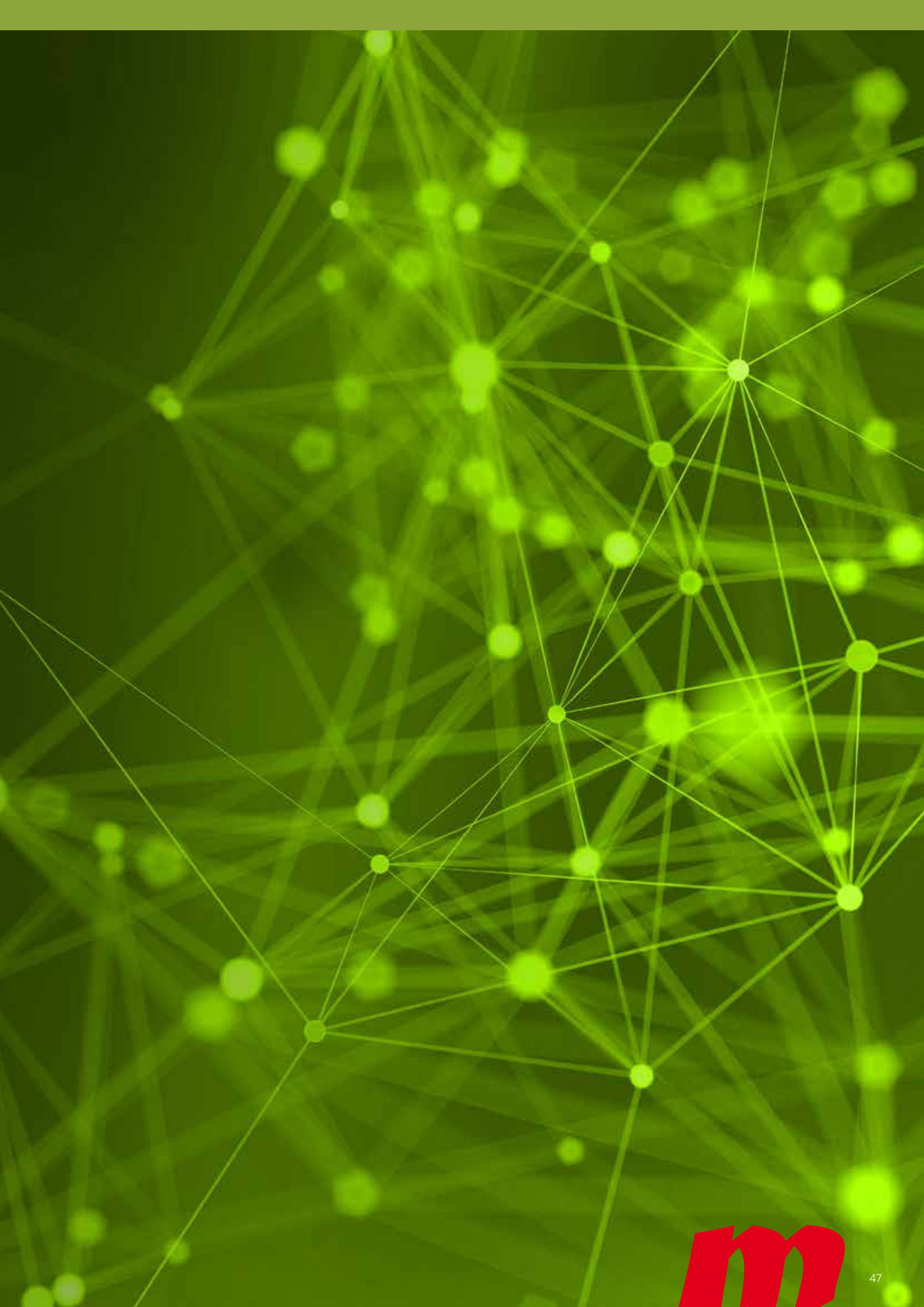
[GRI 102-8]

In 2022, the Group had 893 employees, of which, according to the type of contract, 802 of them were employed for an indefinite period (89.81%), while 91 of them, or 10.19%, were employed for a fixed period. The majority of employees, more precisely 537 (60.13%) were employed in Croatia, followed by Serbia with 156 (17.47%) employees, Bosnia and Herzegovina with 121 (13.55%), Macedonia with 49 (5.49 %) and Montenegro with 30 (3.36%) employees.



893

EMPLOYEES



NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2022 [GRI 102-8]

HRVATSKA



M SAN GRUPA

INDETERMINATE PERIOD

MEN	WOMEN
189	94
TOTAL 283	

TEMPORARY

MEN	WOMEN
9	8
TOTAL 17	

M SAN LOGISTIKA

INDETERMINATE PERIOD

MEN	WOMEN
101	12
TOTAL 113	

TEMPORARY

MEN	WOMEN
24	4
TOTAL 28	

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2022 [GRI 102-8]

HRVATSKA



MR SERVIS

INDETERMINATE PERIOD

MEN	WOMEN
67	26
TOTAL 93	

TEMPORARY

MEN	WOMEN
0	0
TOTAL 0	

M SAN EKO

INDETERMINATE PERIOD

MEN	WOMEN
2	1
TOTAL 3	

TEMPORARY

MEN	WOMEN
0	0
TOTAL 0	

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2022 [GRI 102-8]

BOSNIA AND HERZEGOVINA



KIM TEC

INDETERMINATE PERIOD	
MEN	WOMEN
80	13
TOTAL 93	

TEMPORARY	
MEN	WOMEN
3	0
TOTAL 3	

KIM TEC – SERVIS

INDETERMINATE PERIOD	
MEN	WOMEN
21	0
TOTAL 21	

TEMPORARY	
MEN	WOMEN
1	0
TOTAL 1	

KIM TEC EKO

INDETERMINATE PERIOD	
MEN	WOMEN
3	0
TOTAL 3	

TEMPORARY	
MEN	WOMEN
0	0
TOTAL 0	

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2022 [GRI 102-8]

SERBIA



KIM TEC

INDETERMINATE PERIOD

MEN	WOMEN
90	26

TOTAL **116**

TEMPORARY

MEN	WOMEN
12	3

TOTAL **15**

KIM TEC – SERVIS

INDETERMINATE PERIOD

MEN	WOMEN
15	4

TOTAL **19**

TEMPORARY

MEN	WOMEN
4	2

TOTAL **6**



NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2022 [GRI 102-8]

MACEDONIA



PAKOM KOMPANI

INDETERMINATE PERIOD

MEN	WOMEN
30	8

TOTAL **38**

TEMPORARY

MEN	WOMEN
9	2

TOTAL **11**

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2022 [GRI 102-8]

MONTENEGRO



KIM TEC

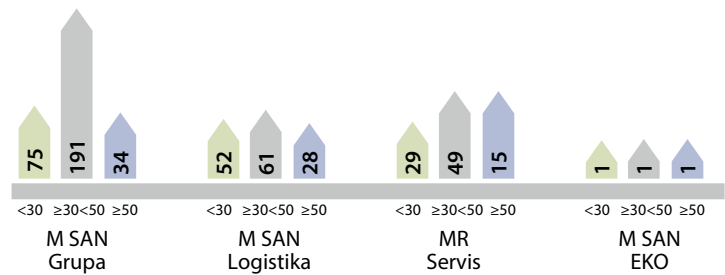
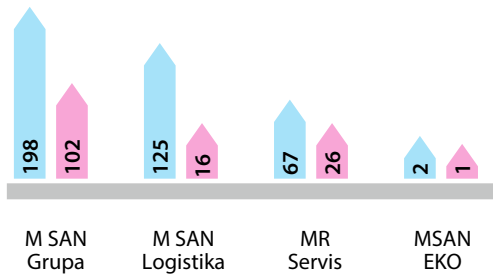
INDETERMINATE PERIOD	
MEN	WOMEN
17	3
TOTAL 20	

TEMPORARY	
MEN	WOMEN
6	4
TOTAL 10	



INFORMATION OF THE EMPLOYEES WITHIN THE GROUP IN THE REPUBLIC OF CROATIA IN THE REPORTING PERIOD

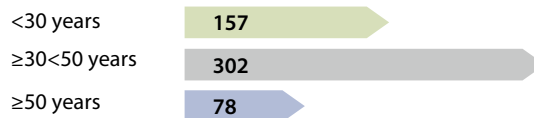
NUMBER OF EMPLOYEES WITHIN THE GROUP IN THE REPUBLIC OF CROATIA



TOTAL

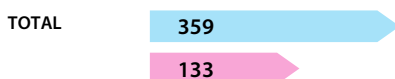
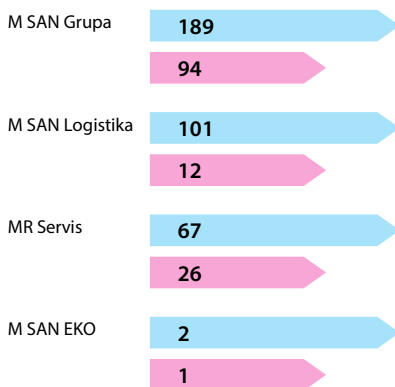


TOTAL



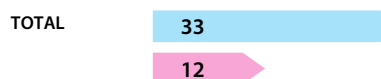
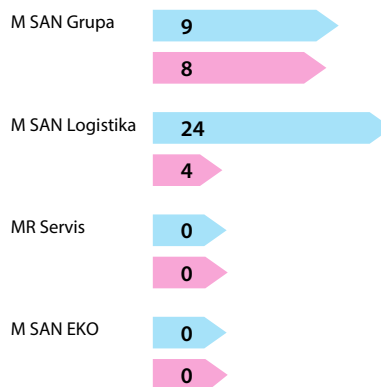
NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT

EMPLOYMENT CONTRACT FOR AN INDETERMINATE PERIOD OF TIME



492

EMPLOYMENT CONTRACT FOR A TEMPORARY PERIOD OF TIME



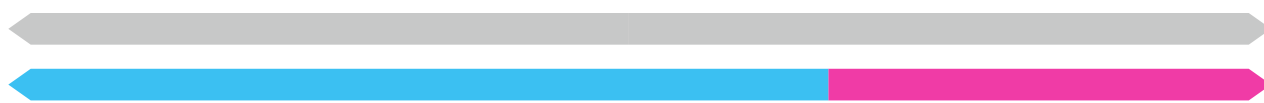
45



537

employee

within Group in 2022



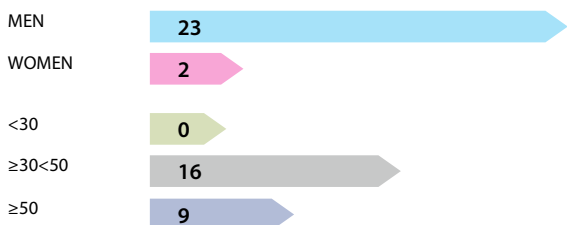
73% 27%
MEN WOMEN



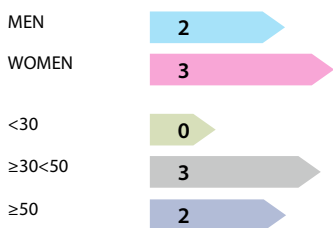
MANAGEMENT STRUCTURE ACCORDING TO GENDER AND AGE

M SAN Grupa

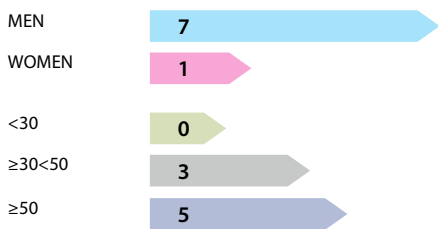
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT

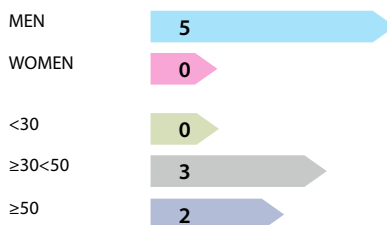


TOP MANAGEMENT

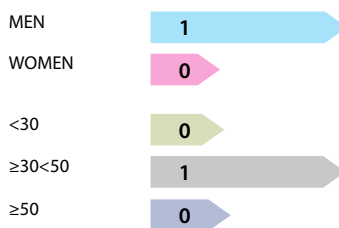


M SAN Logistika

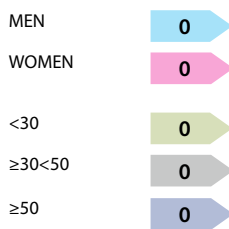
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT



TOP MANAGEMENT



MANAGEMENT STRUCTURE ACCORDING TO GENDER

MIDDLE AND OPERATIVE MANAGEMENT

88,24% MEN
11,76% WOMEN

SENIOR MANAGEMENT

57,14% MEN
42,86% WOMEN

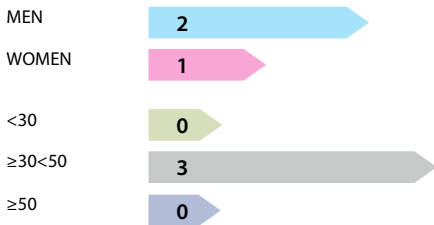
TOP MANAGEMENT

87,50% MEN
12,50% WOMEN

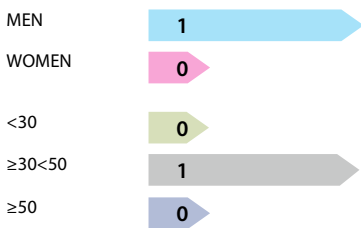
MANAGEMENT STRUCTURE ACCORDING TO GENDER AND AGE

MR Servis

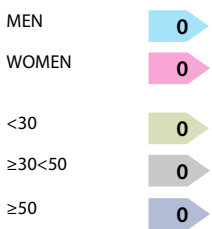
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT

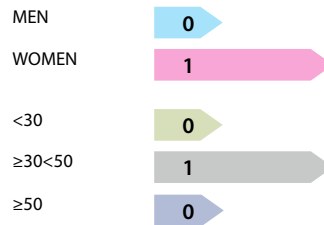


TOP MANAGEMENT

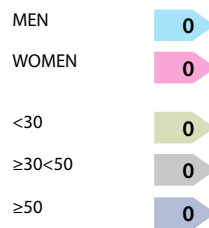


M SAN EKO

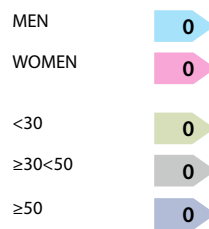
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT

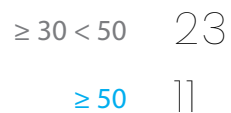


TOP MANAGEMENT



MANAGEMENT STRUCTURE ACCORDING TO AGE

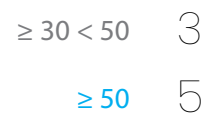
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT



TOP MANAGEMENT

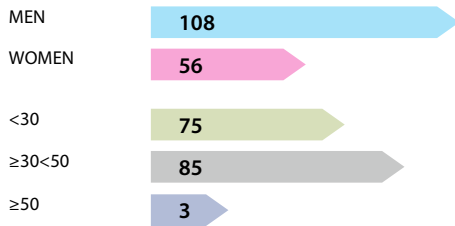


401-1

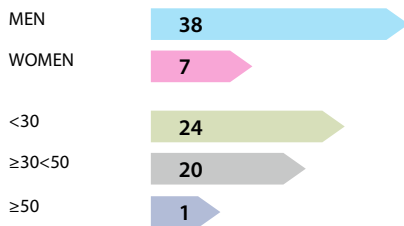
RECRUITMENT OF NEW EMPLOYEES

TOTAL NUMBER OF NEW EMPLOYEES DURING THE REPORTING PERIOD

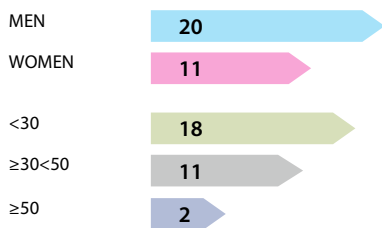
M SAN Grupa



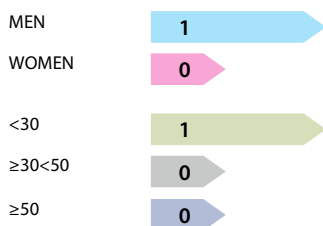
M SAN Logistika



MR Servis



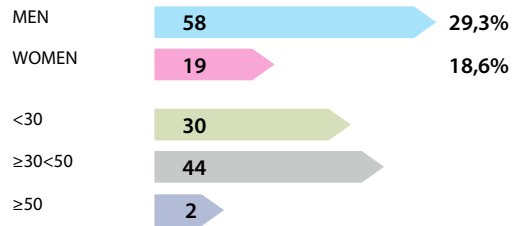
M SAN EKO



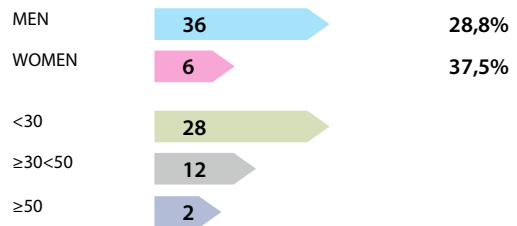
EMPLOYEE FLUCTUATIONS

TOTAL NUMBER AND PERCENTAGE OF EMPLOYEE FLUCTUATIONS DURING THE REPORTING PERIOD

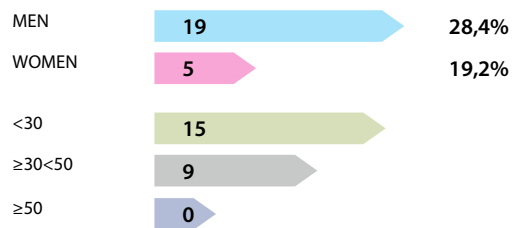
M SAN Grupa



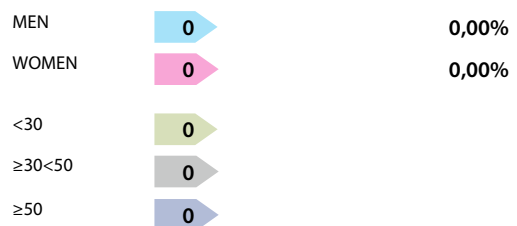
M SAN Logistika



MR Servis



M SAN EKO



EMPLOYEE DEVELOPMENT AND SATISFACTION

We recognize our employees as an essential part of the organization that successfully achieves its business goals and, thus the Group's goals as a whole. Our employees make up the core capital, and we have achieved our current success thanks to the hard work of our employees and their loyalty and desire to make M SAN better. In return, we strive to create a healthy and sustainable environment for growth, development and success by offering additional benefits and providing opportunities for further professional development of our employees. At the same time, it is crucial to us that our employees have a balance between their private and business lives.

At the end of 2022 (December 12, 2022), a person is employed at the company level whose primary role is to define management and employee development policies and manage talent development.

During 2023, the plan is to establish a structured approach to development based on the analysis of the so-called Gaps for existing work roles and preparation for growth and development in future work roles.



TRAININGS AND EMPLOYEE SKILL DEVELOPMENT

Even though the greatest investment in technical knowledge and skills of the employees is passed down through knowledge from the mentor to the employee, all employees have the right to access e-learning. Considering the constant investment in the development of our employees, in 2022 we presented a new model of learning to our employees, i.e., learning and development of knowledge was made available to them via the Udemy platform. The HR Department created the models of learning by dedicating additional attention to the requests of different departments, the responsibility of certain positions, and the expectations of the managers and heads of departments.

During the reporting period, more than 30% of the employees accessed the mentioned platform and it is expected that the number of employees who will use additional learning models will increase. E-learning in the field of health and safety procedures within the Group is available to newly employed persons.

EMPLOYEE BENEFITS

Besides providing the security of employment, the Group provides its employees with numerous benefits with which it seeks to retain expert personnel and attract new and talented employees. As a company that extremely appreciates sports activities according to the Latin proverb "Mens sana in corpore sano," M SAN has joined the Multisport programme that encourages employees to be physically active. Before COVID-19, we regularly held sports days where employees could compete in various sports activities. In addition, encouraging employees to do sports activities resulted in our employees participating in sports events Wings for Life World Run that was held in Zadar.

Due to being prevented by the pandemic, our last teambuilding was held in 2019 in Sv. Martina Muri. New products are placed through internal communication channels and our employees are periodically informed of the benefits of buying certain products via the web-shop eKupi or MR Servis. Transportation costs are covered for our employees. At the site of our business building in Buzin and the logistics centre in Rugvica, there is also a provided possibility to use the restaurant with several daily menus.

Some of the additional benefits offered by the Group to its employees:

CHILDREN & FAMILY

Gift for the birth of a child

Christmas gift for children

Returning from maternity leave - the right to work half-time, during which we pay full salary compensation.

Paid leave for the first day of kindergarten

Paid leave for the first day of school for freshmen

Paid leave for the birthday of a child up to the 4th year of elementary school

HEALTH & SAFETY

Systematic review

Fresh fruit

Insurance (accident, death, disability)

Support in case of death in the family



HEALTH PROTECTION, OCCUPATIONAL SAFETY, AND EMPLOYEE TRAINING

M SAN complies with all safety instructions and legal regulations regarding health and safety at work. Within the Group, we have created and applied the Regulations on Occupational Safety, the Regulations on Fire Protection, as well as the Worker Training Program. Safety at work is one of the key interests of every company, including our Group. By implementing and continuously improving safety at work, we strive to establish a situation without accidents and downtime; that is, we strive to protect the life and health of our employees. Furthermore, in the occupational safety and health system, the training of workers for safe work has a special significance as one of the most effective measures for successfully preventing workplace injuries. M SAN's employees first undergo the theoretical part of the training, then the practical part, and finally, the training programs are implemented.

Appropriate documentation is available to all employees via the intranet. All regulations within the Group try to reduce the number of injuries at work, which is indicated by the small number of injuries in the reporting period (N=1). We strive to maintain the existing measures but also to increase the level of safety in the workplace and reduce the number of injuries to a minimum.

[403-9]

Workplace injuries

M SAN Group had one work-related injury in 2022. The injury was a minor injury and did not occur at the workplace but in traffic, on the way from work.

M SAN Logistika had one work injury in 2022. The injury we are citing was minor; the injured part of the body was the knee, which happened while performing work.

MR Servis and M SAN Eko had no injuries at work in 2022.

[403-1]

The occupational health and safety management system within the Group has been implemented in accordance with the requirements of the Labor Law, the Occupational Safety and Health Act and corresponding by-laws. Appropriate Risk Assessments have been prepared for all companies in the Group that describe the activities and workplaces covered by the occupational health and safety management system.





IMPACT OF THE BUSINESS

on environment protection

OUR RESPONSIBILITY TOWARDS THE ENVIRONMENT

The common well-being of us all greatly depends on the health of the environment. The environment is everything that surrounds us, while taking care of the environment means taking care of ourselves as well. The rapid life tempo and the increase of the population accompanied by intense consumption of goods and services contribute to global warming and other negative impacts on the environment. The responsibility of the individual is to safeguard the diversity and manage the resources rationally. The corporate responsibility system, besides the waste management domain that includes more intense waste separation according to its type, places an emphasis on the efficient use of the energy and other natural resources. By developing the business, we strive to follow the needs of the market as a causal link system and similarly and directly and/ or indirectly contribute to the environment protection system.



ENVIRONMENTAL MANAGEMENT SYSTEM

One of the fundamental determinants of our business is the care for environment and its protection. Members of our Group conduct environmental management in various ways. As part of the ISO 9001 and ISO 14001 certification, MR Servis has defined an Environment and Quality Management Policy in which, among other things, we undertake to take care of the environment protection, i.e., to reduce the negative impact on the environment and permanently reduce the consumption of natural resources. The Policy is publicly available to all interested parties.

As part of the risk management process, the M SAN Grupa also considers the environmental aspects.

Through the registry of environmental aspects, we continuously assess the impact of our work activities on the environment (consumption of resources, waste, and other things) and define measures to reduce the negative influence.

However, the largest breakthrough in the sense of environmental management, the Group has achieved by founding M SAN EKO. Namely, by developing the activities within the Group, as well as expanding the partner network, it was necessary to meet the requests of the communities that we act in and their regulatory environment. As a result of the above-mentioned, we have founded M SAN EKO and provide the service of collecting EE waste through our own company since 2009.

M SAN EKO holds permits for waste management activities, hazardous and non-hazardous, issued by the Ministry of Environmental Protection, Spatial Planning and Construction (2009), the Ministry of Environment and Nature Protection (2015), and now the Ministry of Economy and Sustainable Development (2022) and Zagreb County, Administrative Department for Spatial Planning, Construction and Environmental Protection, Environmental Protection Department (2015, 2020).

The processes to perform the requests are in line with the principles of environmental protection and we strive to meet the needs of the market, irrespective of whether the need is servicing and/or the last cycle, i.e., the collection of EE waste. Every amendment to the regulatory legislation and/or by-laws is transferred to the system with previous interventions by the Legal Department with the purpose of an interdisciplinary approach in business. After the decision has been made, the change is defined by the employees who are in direct contact with the above-mentioned and the market reaction to it is monitored. Considering the partner network is mostly focused on the sales process, we send an information regarding the changes in a timely manner in order to meet mutual needs in the partner relationship.

[307-1]

During the reporting period, it has not been established that there was a breach of the legislation and/or environmental protection regulations and there have been no significant fines and non-monetary sanctions for breaching the law and/or environmental protection regulations.



ENERGY

We consider the efficient use of energy resources to be the basis of sustainable development. The Group operates in leased premises, and the real estate owner is M SAN Nekretnine, d.o.o. Therefore, although we do not own the real estate in which we operate through factors of decisive influence, we constantly initiate improvements through rent and connection and invest in improving our energy efficiency and sustainability. We have already contributed a lot to the ambitions of energy efficiency, but we continue to work hard, and we have proven this by using energy from renewable sources. Two years ago, we invested in renewable energy sources to contribute to the European strategy for reducing greenhouse gas emissions (European Green Plan). Although the Group's environmental, social and management sustainability strategy is currently under construction, we made significant steps in energy efficiency in the reporting year.

Some of the activities carried out in which we took part per our share in real estate leasing were:

- Commissioning a photovoltaic power plant with a capacity of 275 kWp, installed on the roof of an office building in Buzin at the beginning of July, covering 20% of the yearly facility's electricity consumption.
- Construction and commissioning at the beginning of September 2022 of a photovoltaic power plant with a capacity of 417 kWp⁴ on the roof of LDC Rugvica (FNE Rugvica 1).
- Investment in LED lighting in new business premises where the group operates
- Upgrading the HVAC system⁶ to use ozone-friendly gas
- Upgrade of charging stations for electric vehicles.

The electricity produced from the photovoltaic power plant is primarily used inside the office building, and in periods of higher energy production compared to the building's consumption, the excess electricity is handed over to the public distribution network. The deployment of photovoltaic modules on roof surfaces ensures maximum utilization. We plan to introduce the use of renewable energy sources in all available places within the Group that meet the energy requirements and become CO2 neutral.

[302-4]

In 2022, with the aim of reducing electricity consumption, a photovoltaic power plant was installed on the roof of an office building in Buzin. Given that M SAN occupies 12.80% of the leased space within the office building, this percentage was used to calculate the amount of energy M SAN uses. M SAN used 38.74 MWh, i.e. 139.46 GJ, of the total electricity produced from the photovoltaic power plant. The stated amount of electricity would normally be used from the public grid.

In addition, the properties where we operate in Buzin and Rugvica have energy certificates and a report on the energy audit of buildings. The energy management system follows the guidelines of the ISO 50001 certificate and the Ordinance on energy audits for large companies (NN 123/15).

We believe in saving We actively work to save energy in every phase of our business, from the very beginning of production until the moment the product ends up in the hands of our customers, therefore we proudly point out how we deal with energy efficiency within our logistics processes, distribution activities and office infrastructure.

⁴ kWp, i.e., kilowatts peak - the measure of solar energy in the photovoltaic (PV) industry

⁵ LED, i.e., light emitting diode

⁶ HVAC system - heating, ventilation, and air conditioning system



Total energy consumption within the Group in the Republic of Croatia

ELECTRICITY

Location	Consumption (kWh)
Rugvica, consumption from HEP	758,424.00
Total consumption at the Rugvica location	944,404.00
Buzin, consumption from HEP	1,574,811.00
Total consumption at the Buzin location	1,877,401.00

GAS

Location	Consumption (kWh)
Total consumption at the Rugvica location	414,130.00
Total consumption at the Buzin location	743,280.00

ENERGENTI TOTAL

Location	Potrošnja (kWh)
Total consumption at the Rugvica location	2,620,681.00
Total consumption at the Buzin location	1,358,534.00
TOTAL	3,979,215.00

WASTE MANAGEMENT

As regards the waste generation and management, due to the nature of our business, we have the largest influence on EE waste, i.e., the waste from electrical and electronic equipment. Considering that our business model includes the import of electrical and electronic components and products, we pay fees for placing the equipment on the market (to the Environmental Protection and Energy Efficiency Fund) that includes the waste management fee.

By incorporating the company M SAN EKO, we started a new era, the policy of “greener” business and a step in the direction of circular economy in 2009. We obtained the Permit to perform the activity of hazardous waste management (and non-hazardous) on 16th September 2009, which regards the activity of collection and temporary storage of EE waste (Ministry of Environmental Protection, Spatial Planning, and Construction). The permits are issued for a period of five (5) years and during the revision, two new permits were acquired in consideration that the Ministry has remained competent solely for hazardous waste (4.9.2015. i 11.4.2022.), furthermore, considering that the waste management facility in Rugvica belongs to Zagreb County, we received a Permit for non-hazardous waste from the county office (December 29, 2015 and December 29, 2020). The facility in Rugvica is entered into the Spatial plan for performing the hazardous waste management activity. M SAN EKO holds a certificate that it was registered in the List of legal and natural persons who perform the activity of transporting the waste and in the Logbook for performing the activity of waste management on 1st June 2015.

As a result of the above, in April 2022, the revision procedure of the Waste Management Permit by the Ministry was completed.

M SAN EKO is responsible for collecting the EE waste from the entire Group, as well as our partners throughout Croatia. In order to be able to make the whole waste management process as efficient as possible and to reduce the CO2 emissions, our couriers take the packaging (pallets and/or containers) of EE waste when delivering a new product and transport the waste to M SAN EKO. Considering the current system, the collected EE waste is sorted in accordance with key numbers and categories and is turned over to further processing procedures to competent legal persons. In accordance with the above-mentioned process, the records of quantities are kept in order for us to have an insight on the need to register in the EPR (Environment Pollution Registry).

The professionalism of the request, the constant professional training, and providing relevant information to our partner network that we inform of the amendments to legislative acts and/or by-laws. As regards the EE waste disposal, we always comply with new policies and decisions, and in the case of an amendment of legislative acts and/or by-laws, we regularly inform our partners of it. The portal “e-savjetovanje” (e-consulting) has enabled the participation of all interested parties in the procedure of the amendment of the laws and/or by-laws and we are active in it as well.



WASTE SEPARATION

The packaging of the products of our own brands has the markings for waste separation in order to separate and recycle the waste, something that we place a large emphasis on in our business. Furthermore, all of our offices have containers for waste separation and the employees have the possibility to dispose of old batteries into the special boxes within the office. We have an "eco-corner" on every floor where our employees can dispose of sorted waste. There is a large container for sorting waste outside the office. We do not use plastic packaging and we do not generate a significant quantity of plastic waste, but we have plastic waste separators in our offices. The products from our production line are packaged in cardboard packaging that is later recycled.

TRAININGS

We conduct trainings for employees on the topic of waste management in order for them to have precise instructions regarding the use of tanks and containers for sorting waste and in order to ease the recognising of various types of waste to them.

The employees are informed about what is disposed of to which container and about the exceptions considering that we have separate waste collection containers in the office premises (metal and plastics, biowaste, paper and cardboard, mixed municipal waste, and glass) and courtyard containers (construction waste, mixed municipal waste, cardboard and paper, and plastics).

The employees who perform the activity of waste management have passed a training that was prescribed by the Sustainable Waste Management Act, as well as the colleagues who were appointed as waste management commissioners, considering that the act required the appointment and the training of a commissioner and deputy for every company that had more than 50 employees. At the beginning of 2016, there was a training for the person responsible and commissioners that sat the exam. After they passed the exam, they obtained a Certificate from the Ministry (Certificate on completed waste management training) that was valid for five (5) years (2016 - 2021).

ENVIRONMENT WITHIN THE SUPPLY CHAIN

We conduct joint activities with our suppliers and partners in order to reduce the negative impact on the environment. Our sales partner network has numerous direct and indirect possibilities, of which we highlight the support regarding waste management. In accordance with the Permits for performing the activity of waste management, we collect EE waste from our partners, but we also suggest a solution when they inquire about the disposal of other types of waste (e.g., textile, beauty products, glass, and others). Through the thorough activity of MR Servis and the cooperation with our servicing network, we also achieve a significant positive impact on the environment. By repairing and regularly servicing the product, its functionality is retained, and the life cycle is prolonged, a consequence of which are natural resource savings for the manufacture of a new one.

Total mass (t) of waste generated within M SAN Grupa

M SAN Grupa

Type of waste (key number)	Total mass of waste	
	Redirected from disposal in metric tonnes (t)	Location
15 01 01 (Paper and cardboard packaging)	0.740	Rugvica
15 01 02 (Plastic packaging)	2.210	
16 01 03 (Worn tires)	2.780	
20 01 33* (Batteries and rechargeable batteries covered under 16 06 01, 16 06 02, or 16 06 03 and unsorted batteries and rechargeable batteries, containing such batteries)	0.008	
20 01 35* (Disposed electrical and electronic equipment not specified under 20 01 21 and 20 01 23, containing hazardous components)	58.173	
16 02 13* (Disposed equipment containing hazardous components that is not specified under 16 02 09 to 16 02 12))	0.060	
16 02 11* (Disposed equipment containing chlorofluorocarbons, HCFC, and HFC))	1.686	
20 01 23* (Disposed equipment containing hlorofluorocarbons)	0.043	
20 01 21* (Fluorescent pipes and other waste containing mercury)	0.109	
20 01 21* (Fluorescent pipes and other waste containing mercury)	110.046	
16 02 16 (Components extracted from disposed equipment not specified under 16 02 15)		
08 03 18 (Waste printing toners not specified under 08 03 17)		Buzin
Total		

Total mass (t) of waste generated within M SAN Logistika

M SAN Logistika

Type of waste (key number)	Total mass of waste. Redirected from disposal in metric tonnes (t)
15 01 01 (Paper and cardboard packaging)	106.970
15 01 02 (Plastic packaging)	14.840
15 01 03 (Wood packaging)	70.830
15 01 06 (miješana ambalaža)	17.250
TOTAL	209.890



Total mass (t) of waste generated within MR Servis

MR Servis

Type of waste (key number)	Total mass of waste. Redirected from disposal in metric tonnes (t)
16 02 13* (Disposed equipment containing hazardous components that is not specified under 16 02 09 to 16 02 12))	21.432
16 02 11* (Disposed equipment containing chlorofluorocarbons, HCFC, and HFC))	10.555
16 02 16 (Components extracted from disposed equipment not specified under 16 02 15)	10.220
16 06 01* (Lead batteries)	0.857
08 03 18 (Waste printing toners not specified under 08 03 17)	0.138
20 01 33* (Batteries and rechargeable batteries covered under 16 06 01, 16 06 02, or 16 06 03 and unsorted batteries and rechargeable batteries, containing such batteries)	0.152
Total	43.354

Total mass (t) of waste collected and generated within M SAN EKO

M SAN EKO

Type of waste (key number)	Total mass of waste. Redirected from disposal in metric tonnes (t)
16 02 13* (Disposed equipment containing hazardous components that is not specified under 16 02 09 to 16 02 12))	243.55
16 02 11* (Disposed equipment containing chlorofluorocarbons. HCFC. and HFC))	73.70
20 01 21* (Fluorescent pipes and other waste containing mercury)	3.98
20 01 23* (Disposed equipment containing hlorofluorocarbons)	8.71
20 01 35* (Disposed electrical and electronic equipment not specified under 20 01 21 and 20 01 23. containing hazardous components)	74.90
20 01 36 (Disposed electrical and electronic equipment. not specified under 20 01 21. 20 01 23 and 20 01 35)	13.24
16 02 14 (Disposed equipment not specified under 16 02 09 to 16 02 13)	3.04
16 02 16 (Components extracted from disposed equipment not specified under 16 02 15)	10.42
15 01 01 (Paper and cardboard packaging)	7.22
TOTAL	438.747

Hazardous and non-hazardous waste within the Group diverted from disposal (t)

Recycling	M SAN Grupa	M SAN Logistika	MR Servis	M SAN EKO	TOTAL
Non-hazardous waste	5.882	209.890	10.358	34.600	260.73
Hazardous waste	104.164	0	32.996	387.680	524.84
Total waste redirected from disposal	110.046	209.890	43.354	422.280	785.57



These key numbers (hazardous and non-hazardous waste) were selected from the waste remaining at Rugvica, while the headquarters is in Buzin and the warehouse is in Rugvica. Competent companies took over our waste and we have not been informed of their business policy (reuse percentages, recycling, recovery, and similar). The information when exceeding 0.5 t of hazardous and 20 t of non-hazardous waste is collected in the global (Croatian) statistics (EPR), in our case, Location 1 (headquarters Buzin) does not exceed these limits.....



CIRCULAR ECONOMY

Our positive impact on the environment can also be seen through the model of circular economy. We see circular economy as a concept whose goal is the reduction of waste by prolonging the life cycle of the product and the increased use of renewable energy sources. We strive to reduce the possibility of waste generation, we increase the quantities of waste recycling and provide our clients with the possibility to reuse, repair, and recycle the product. We work on the fact that as little product and material as possible ends up at a landfill, while as many as possible is returned through the circular economy loop.

In order to achieve that, we highlight three key manners in which we participate in the circular economy model:

- i. product design – while designing a new product for our own brands, it is important to us to have servicing support for the product, i.e., that in the case of the product malfunctioning, we can restore its original functionality/value and prolong the life cycle of the product. In order for us to achieve that, an adequate stock of reserve parts was foreseen, servicing and technical manuals have been secured, and the entire servicing network was informed and trained. On the other hand, our quality control department takes care that our range consists only of products that meet strict quality and environment protection criteria.
- ii. MR Servis – is one of the largest service centers in this part of Europe, through which we extend the life of products, preventing them from ending up as waste. In 2022, 35,262 products were serviced under warranty. which is almost identical to the number of serviced products in 2021 of 35,254. On the other side. 12,118 were serviced out of warranty in 2022. and in 2021, 11,615 products. that is, by 4% more.
- iii. M SAN EKO – through the EE-waste management company, we offer our partners the opportunity to collect their EE-waste. and through M SAN Logistika's return tour service, we additionally reduce the negative impact on the environment. or CO2 emissions...

An additional contribution to our green business is the multiple use of packaging. When we unpack the packaging of received products, we do not throw it away. Such packaging is used to package other products for the purpose of transport protection. Our progress can be seen in recent years when we used heavier materials and equipment in the manufacture of television lines and the mass of one television was 20 - 30 kilograms, while today, by using newer, lighter, and environmentally friendly materials, we manufacture LED televisions whose average mass is 8 kilograms. This example of business has fully closed the circle when talking about circular economy.

Most of our supplier network consists of world-renowned brands, such as LG, Samsung, Lenovo, and others who do business according to EU standards and base their business on sustainable development. Our goal is to distribute the products from the manufacturer to the customer in the

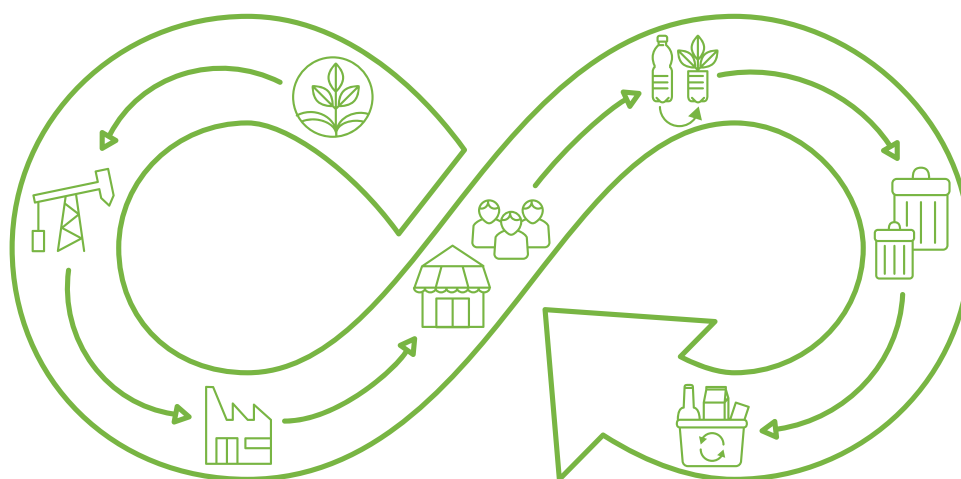
most reliable and efficient manner. We believe that our largest influence on the offering side is the manner in which a product should be available and repairable. The manufacturers supply us with spare parts, trainings, and servicing manuals in order for us to prolong the life cycle of the product.

For certain product groups, such as air conditioners, refrigerators, and freezers, we ensure a warranty period of five years, without it being a time-limited promotion of a certain manufacturer or a promotional action.

In addition, for certain product groups, we strive and make the effort to prolong the life cycle of the product by having an extended warranty as an additional service in our offer.

Although part of the Group is MR Servis, we create numerous partnerships and through the service network (more than 100 companies) and supply them with spare parts, service and technical manuals in order to facilitate their common goal - extending the life of the product. Every year, we service several tens of thousands of products so that they are not replaced by new ones or end up in a landfill.

We consider it a very important part of our business, with which we can have a significantly more positive impact on the environment than through the production of the products we distribute. Below is a table with the number of return processing received at MR Servis in 2021 and 2022.



Return processing at MR Servis in 2022 and 2021

Processed returns in MR Servis

Zaprimljeno godine:	2022.	2021.
Return rejected	119	172
Write-off product	3.356	2.883
Product returned to sale	745	1.154
Product returned to discounted sale	4.151	4.730
Product returned to manufacturer	1.346	1.589
TOTAL	9.717	12.549

“GREEN” INVESTMENTS.

M SAN recognises the importance of environment impact and its own responsibility towards the environment; therefore, it continuously plans and conducts “green” investments.

In 2022, we continued the investments started in 2021,

A photovoltaic power plant with a capacity of 275 kWp was put into operation at the beginning of July, installed on the roof of an office building in Buzin, thanks to which 20% of the facility's electricity consumption was covered for the year.

It was built and put into operation at the beginning of September 2022, the year of the 417 kWp⁴ photovoltaic power plant on the roof of LDC Rugvica (FNE Rugvica 1),

Investments continued in LED lighting in the new business premises where the group operates, in the upgrade of the HVAC system⁶ to use ozone-friendly gas, and in the upgrade of charging stations for electric vehicles,

Investment planning for the construction of a photovoltaic power plant with a capacity of 2 MWp⁴ on the roof of LDC Rugvica (FNE Rugvica 2) has begun, the realization of which is planned for the end of 2023.

Investment planning has also begun for the construction of a 22 kWp⁴ photovoltaic power plant on the roof of a new office building in Buzin, Buzinski prilaz 28 (FNE Buzin 2), the realization of which is planned for H1 2023.

Furthermore, it is possible to charge electric cars free of charge for employees and guests, at our charging stations in front of the office building in Buzin,

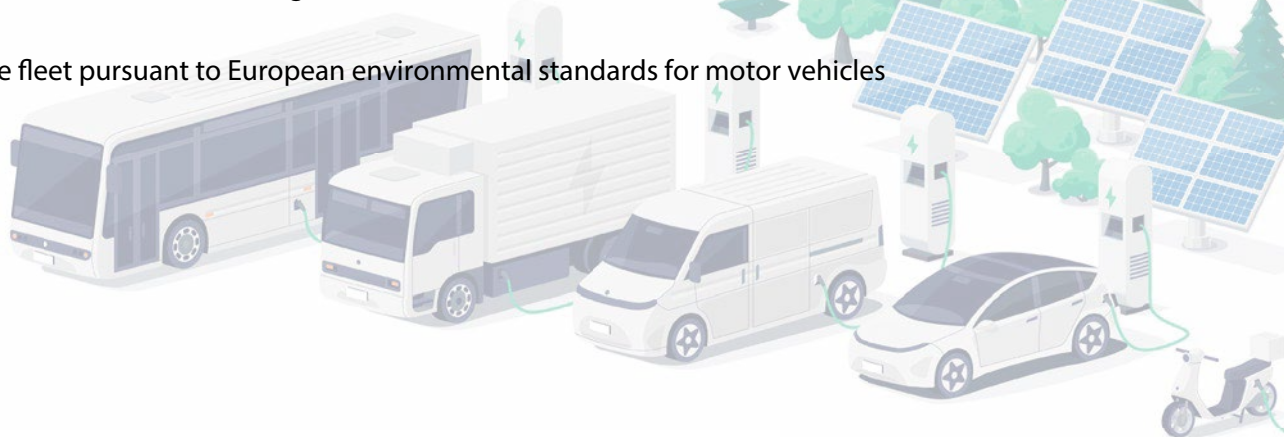
It also continued with the implementation of planned investments in LED lighting in the new business premises where the group operates, with the further development of plans to replace the entire heating and cooling system, as well as with the active encouragement of employees to use electric bicycles and eRomobil in daily transport, with continuous emphasis on the need use of safety devices.

VEHICLE FLEET MANAGEMENT

The Wialon Fleet Management, an advanced programme for calculating optimal routes in accordance with legal, traffic, and operative rules (type, capacity, and vehicle dimensions and other details), is used within M SAN Logistika, doubling also as GPS tracking so we can know where the vehicle is located at any given moment. With the help of the above-mentioned programme, we conduct the optimisation of delivery and the entire transport. The interface "Eco Driving" enables us to monitor the manner of driving, respecting the regulations, fuel savings, and lesser vehicle amortisation, thereby also the monthly rewards for the best drivers. Such a manner of work brings us significant savings because we motivate the drivers in such a manner, who then compete between themselves for certain rewards. Pursuant to the information provided by the system, we continuously work on the improvement of driving safety, quality maintenance of transported products and the reduction of fuel costs. By driving in a cost-effective manner, we reduce the generation and emission of CO₂ and, in doing so, we care about the environment. As mentioned previously, the optimisation of fuel consumption and the reduction of CO₂ emissions are achieved by using return tours for the transport of returns, products for repairs, as well as the transport of EE waste.

Pursuant to European environmental standards for motor vehicles²², M SAN's fleet is, for the most part, comprised of vehicles of a EURO 6 designation, as can be seen from the table below.

M SAN's vehicle fleet pursuant to European environmental standards for motor vehicles



Flota vozila M SAN-a prema Europskim ekološkim normama motornih vozila

Vehicle type	Trucks	Van
EURO 3	2	-
EURO 4	1	-
EURO 5	2	-
EURO 6	1	17

18kW i.e., kilowatt

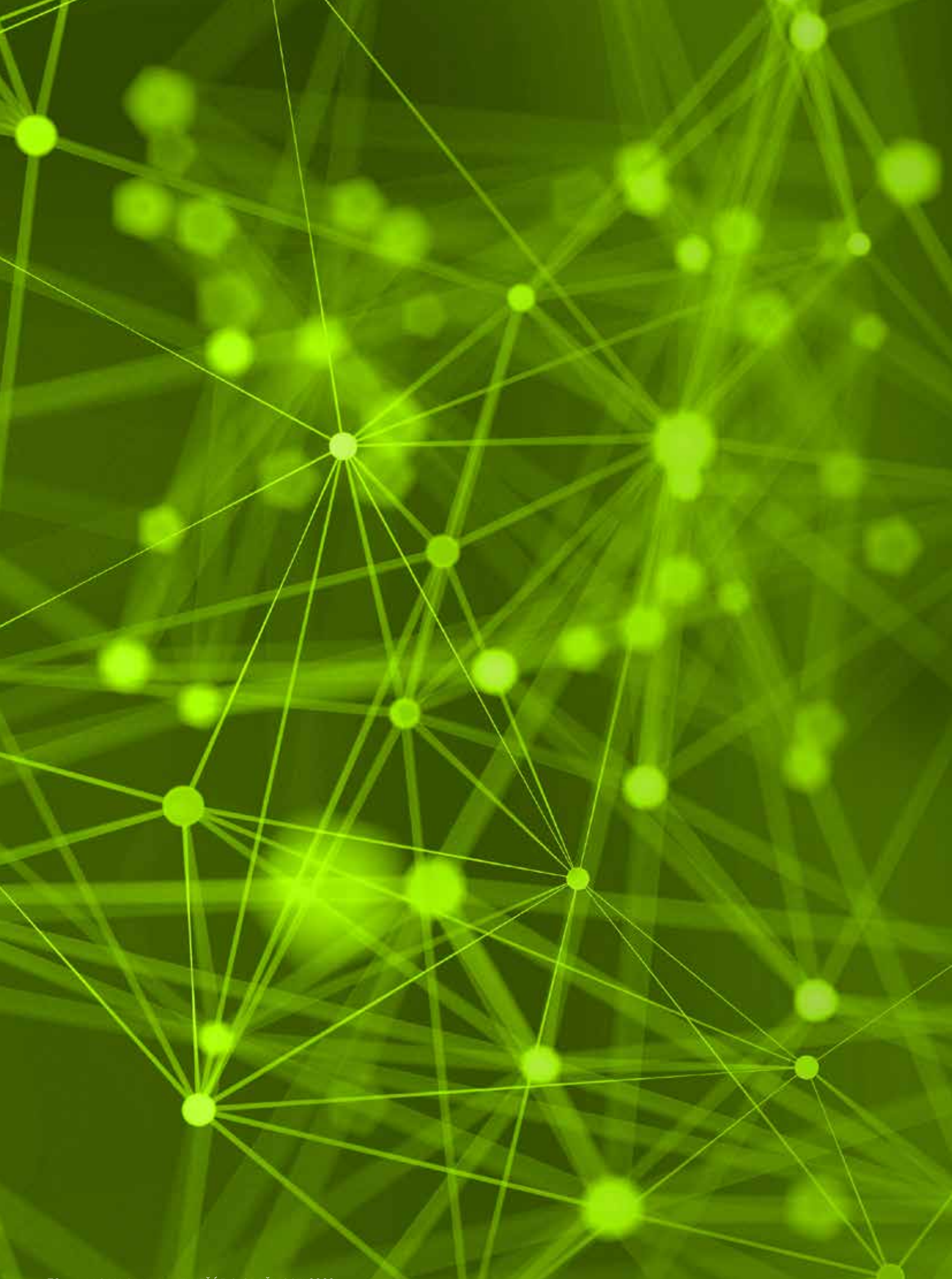
19kWh/y i.e., kilowatt hour per year

20Kg/y, i.e., kilogram per year

21GPS tracking, i.e., tracking via the Global Positioning System

22European environmental standards for motor vehicles are exhaust emission standards that must be met by motor vehicles that are sold, i.e., that are imported on the territory of the European Union





SHARES



SHARE OF TURNOVER FROM PRODUCTS OR SERVICES ACCORDANT WITH EU TAXONOMY FOR 2022

Economic activities / code

	Absolute turnover	Proportion of turnover
	HRK	%
A. TAXONOMY-ELIGIBLE ACTIVITIES		13%
A.1. Environmentally sustainable activities (Taxonomy-aligned) Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0.00	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		
3.5. Manufacture of energy efficiency equipment for buildings	342,931,810.00	11%
6.4. Operation of personal mobility devices, cycle logistics	84,911.00	0%
9.3. Professional services related to energy performance of buildings	424,145,039.00	13%
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		
Total (A.1+A.2)	424,145,039.00	13%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		
Turnover of Taxonomy-non-eligible activities	2,832,782,771.00	87%
Total (A+B)	3,256,927,810.00	100%

SHARE OF CAPITAL EXPENDITURE (CAPEX) ACCORDANT WITH EU TAXONOMY FOR 2022

Economic activities / code

	Absolute turnover	Proportion of turnover
	HRK	%
A. TAXONOMY-ELIGIBLE ACTIVITIES		0%
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)	0,00	0%
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0,00	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)	0,00	0%
Taxonomy-aligned) CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	0,00	0%
Total (A.1+A.2)	0,00	0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		
Capex of Taxonomy-non-eligible activities	12,901,000,00	100%
Total (A+B)	12,901,000,00	100%



SHARE OF OPERATING EXPENDITURE (OPEX) ACCORDANT WITH EU TAXONOMY FOR 2022

Economic activities / code

	Absolute turnover	Proportion of turnover
	HRK	%
A. TAXONOMY-ELIGIBLE ACTIVITIES		0%
A.1. Environmentally sustainable activities (Taxonomy-aligned) OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0.00	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	0.00 0.00 0.00 0.00	0% 0% 0% 0%
Total (A.1+A.2)	0.00	0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES OpEx of Taxonomy-non-eligible activities	412,548,000.00	100%
Total (A+B)	412,548,000.00	100%



SUPPLY CHAIN AND CUSTOMERS



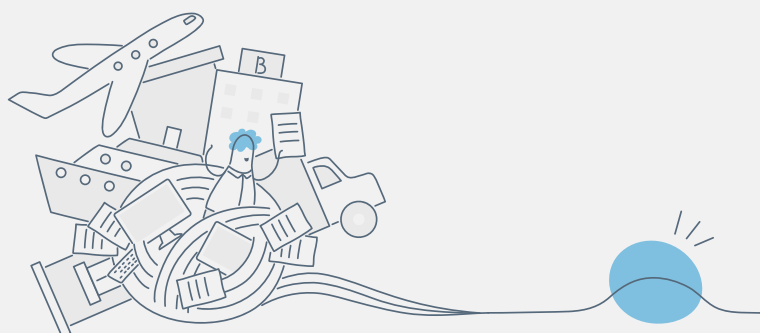
RESPONSIBLE RESOURCE MANAGEMENT AND PARTNERSHIP WITH THE SUPPLIERS

Our collaboration with suppliers has always been founded on partnership, responsibility, and mutual trust. Owing to the dedication of our suppliers, our customers have access to high-quality products. Currently, we collaborate with more than 200 suppliers and all processes are conducted in accordance with partner agreements and set legislative frameworks.

PARTNERSHIP WITH THE SUPPLIERS

As a distributor, we seek to satisfy our customers, therefore, we strive to realise distribution partner agreements with leading global manufacturers and suppliers. We also strive to ensure post-sales support via servicing agreements with those same suppliers. By using our own logistics and reverse logistics wherever possible, we strive to have control over the entire supply chain. Only by controlling the circular process and with the support of our suppliers can we ensure quality service, customer satisfaction, optimal expenses, and an acceptable environmental impact at the same time. All necessary information related to the quality of our products is received directly from the market in real time and, in doing so, we obtain information on potential problems or suggestions for improving the products. We ensure constant quality in such a manner. Over 100 servicing partners inform us of every malfunction within the warranty. As a result of that, we have a detailed insight and precise information about what happened with the product, which part malfunctioned, and under what circumstances. Servicing partners are our “emanation” on the market. We collaborate with our servicing centre, MR Servis, in the same manner and by itself, it has more than twenty direct servicing agreements with global brands. All feedback, whether coming from sales partners, MR Servis, or servicing partners, is considered as very valuable and in collaboration with our suppliers, we use it to improve the quality of our products.

The suppliers that we have already contracted with and who are related to a range of a private brand, are visited at every order so we could have constant control over the quality of the product. All products must pass the check of the Quality Control Department before they are placed on the market. In order to check the working conditions, we also conduct unannounced checks of our



suppliers in China. Product quality control represents a particularly important step for us in order to not have supplier failures that can damage our reputation.

In our business with the suppliers, we emphasise two key things:

- i. the products must comply with the rules and regulations of the European Union and
- ii. the suppliers must ensure spare parts so we could prolong the life cycle of the product.

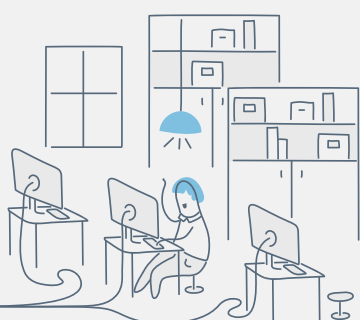
QUALITY CONTROL AND RELATIONS WITH SUPPLIERS FROM CHINA

The process of signing a collaboration agreement with new suppliers demands three levels of approval before the signature itself, while additional quality controls are conducted before the agreement has been concluded. Our Quality Control Department team visits the factory in China in order to check the working conditions, e.g., the number of people working in a production line, the manner in which the employees touch the products and materials in the production process, the arrangement and organisation of the manufacturing plant, the manner in which the products are packaged, is the company policy with regards to the employees checked (do they work overtime, is the production line clean, and similar). Finally, only after the documentation has been delivered and after it has been checked and verified to comply with the rules and regulations is the product ordered from the supplier. In order to check the quality and delivery deadline of new suppliers, initial order quantities are smaller.

Considering that the durability and the functionality of the product are of extreme importance to us, when procuring products, one of the key conditions is the availability of spare parts, i.e., the capability of the supplier to provide us with spare parts for the product. By ensuring the repair of the product in case it malfunctions, instead of replacing it with a new one and throwing out the old one, our customers are able to have a prolonged total life cycle of the product. As regards the key components, since the beginnings of our business, spare parts are kept for a minimum of five to seven years in our stocks, irrespective of the fact that the regulations have not obliged us to do this until 2020, when the minimum mandatory period of keeping stocks was prescribed by the law.

The most significant part of our business as a distributor is the fact that we do not rely only on several global brands and suppliers, but rather, we have hundreds of global brands and a large number of suppliers, thus dispersing the risk of our business. In addition, such risk dispersion for each product group does not only ensure an alternative, but also the possibility of a larger selection for the customers. No supplier has a majority share (more than 50%) in our portfolio, while the largest share (approx. 20%) of our portfolio is taken by our own brand VIVAX. We see the independence of our business in relation to a certain manufacturer or a small number of partners and suppliers as the most significant advantage of our business.

We collaborate with local suppliers for consumables, the procurement of marketing materials, as well as for cardboard packaging for televisions. Local suppliers are also supported by contracting local services, such as transportation services.



HUMAN RIGHTS IN THE SUPPLY CHAIN

By conducting announced and unannounced visits to our suppliers for the purpose of control, we demonstrate the importance of our suppliers' relationship towards their employees, i.e., their working conditions (overtime, safety guides, and similar). Therefore, since the very founding of our own brands, we have established the Quality Control Department in Croatia and in China as well. M SAN's employees lead the Quality Control Department and collaborate with the local team in China every day and personally visit the manufacturers that we collaborate with. In such a manner, we have ensured everyday awareness and even if there is a problem, it is resolved in the fastest and best possible manner. We highlighted the importance of human rights earlier, in chapter 5. Our employees, where we highlighted that M SAN stands up for so-called "decent work" and vigorously condemns child labour, forced labour, unpaid overtime, and work in conditions insulting for employee dignity and health-endangering, while the same is required of other supply chain participants, including our suppliers. Global brands that we collaborate with also place an emphasis on human rights, which is further checked before a contract is signed.

RESPONSIBLE PRODUCTS AND SERVICES – QUALITY AND SECURITY

PRODUCT CERTIFICATES

M SAN ensures the compliance of all products from the range of its own brands (VIVAX, MS, MSGW, MS Energy, and SOLMACHT) with the European Union legislations and, therefore, meets the requirements that ensure a high level of public interest protection, such as health and safety in general, occupational health and safety, consumer protection, environment protection, and the protection of all other public interests protected by those laws. The compliance of the product with the legislative framework of the European Union is checked by authorised bodies that assess compliance and, based on conducted tests, issue test reports that confirm the compliance of products with applicable Directives and regulations of the European Union.

The products from our own range of brands, depending on their characteristics, performance, and type of purpose, must comply with the following Directives and regulations of the European Union:

- Directive 2014/53/EU relating to the making available on the market of radio equipment - an example of RED23 certificate
- Directive 2014/30/EU on electromagnetic compatibility - an example of EMC24 certificate
- Directive 2014/35/EU relating to the making available on the market of electrical equipment designed for use within certain voltage limits - an example of LVD25 certificate
- Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment - an example of RoHS26 certificate
- Directive 2009/125/EC establishing a framework for the setting of ecodesign requirements for energy-related products - an example of ErP27 certificate
- Directive 2006/42/EC – on machinery – an example of MD28 certificate
- Regulation 2016/426 on appliances burning gaseous fuels - an example of GAR29 certificate.

23 Radio Equipment Directive certificate

24 Electromagnetic compatibility certificate

25 Low voltage certificate

26 Reduction of Hazardous Substances certificate

27 Energy-related Products certificate

28 Machinery Directive certificate

29 Gas Appliance Regulation certificate



PRODUCT QUALITY AND SAFETY

THE PROCESS OF DESIGNING YOUR OWN BRANDS

While designing products for our own brands, we follow six steps:

- i. the product must comply with all of the European Union regulations
- ii. checking the quality of the “golden sample” in order to establish whether the quality and function meet M SAN’s standards
- iii. selecting a design that is recognisable on the domestic market
- iv. mass production
- v. mass production quality check in order to assess whether the quality is 100% equal to the approved “golden sample”
- vi. product delivery to M SAN’s warehouse.



PRODUCT QUALITY AND SAFETY

As regards the product delivery, we follow detailed regulations and standards of the European Union, while during the ordering of the product, we strive that it has all of the necessary certificates - CE, RoHS, ErP, ReD, LVD, EMC, and other certificates. The products are registered in the European Product Registry for Energy Labelling (EPREL) and have an energy label on the back with a QR code. By scanning the QR code, the end user accesses the EPREL database for the product in question, where he/she can review or download all relevant product information. M SAN, as the importer and responsible person who, among other things, places VIVAX brand air conditioning equipment and heat pumps filled with fluorinated greenhouse gases on the market, has to comply with all of the requirements prescribed by the Regulation 517/2014 on fluorinated greenhouse gases. Once per year, an independent auditor checks the compliance of the business with the Regulation and reports via the official portal F-gas. We regularly check the European Union portal every week with regards to how much gas we imported in our climate and how many quotas we spent.

As part of the VIVAX brand, we have our own production line of televisions. Each component that the device consists of must have the necessary certificates. After the manufacturing process, the television must pass quality control. We conduct multiple quality control (all of the functionalities of the device, background lighting, entering sleep mode after a certain period of time has passed, and energy consumption when working and in sleep mode, and similar). Before the order has been concluded with the supplier, we order control samples. If the sample complies with regulations, controls, standards, and regulations prescribed by the European Union, only then do we consider ordering it. After we confirm the order, the supplier starts manufacturing. After the manufacture has been completed, our Quality Control Department employees in China check the quality of manufactured products. If all manufactured products receive the QC PASS status, the goods can be transported to Croatia.

All of our products have certificates related to the environment and quality. The product has been checked and controlled by the Quality Control Department in order to determine whether it complies with European Union regulations and whether it works properly and in accordance with defined standards. In order to encourage our customers to reduce the negative influence on the environment, the boxes of products from the range of our own brands, in addition to the certificate label of the product, there are also labels that explain how to handle parts of the product after it is no longer usable and how to properly recycle each part of the product. We want to encourage our customers to dispose of electronic equipment in dedicated places and, by doing so, to be more aware of their impact on the environment.

As regards the markets outside Croatia, particularly the markets of Bosnia and Herzegovina, Serbia, Macedonia, or Montenegro, we are always one step ahead of the competition because our products have been manufactured according to the regulations and standards prescribed by the European Union. All of our products comply with European Union regulations, irrespective of the market where the product is placed. Even though the law does not oblige us to, we sell products according to equal standards on all of the markets that we do business in.

[416-1]

The Group assesses the impact of all products and services on health and safety, including own brand products. All of the products comply with legislative criteria that must be met in order for them to be placed on the market. The assessment is conducted by various external test laboratories.

[416-2] [417-2]

During 2022, the proceedings before the Administrative Court related to the non-conformities of one product in the Republic of Croatia from 2021 were still ongoing.

RESPONSIBLE PRODUCT MANAGEMENT AND CUSTOMER SERVICE

In order to be more accessible to the end users of our products, we have enabled direct contact via social networks and forms on our brand pages. Our sales partners often forward inquiries from end users, to which we must respond as soon as possible. However, in by far the largest extent of communication with the end users of our products takes place through service support. We have provided service and technical support at several levels.

The largest volume of service activities and technical support for our products is related to MR Servis. However, we have also organized a wide network of service partners with the support of which we cover all locations in Croatia. We are constantly increasing the number of our service partners in order to make our service network as efficient as possible. For partners and authorized services, we organize VIVAX Cool day every year in order to present and introduce new products to them and provide them with solutions related to technical issues.

For certain groups of products from the assortment of our brands, such as VIVAX air conditioners and white



goods, we provide and store key spare parts for a minimum of five years., and in this way extend the life of the product. To emphasize our commitment to product quality and care for end users., for products such as air conditioners, refrigerators and freezers, we extended the warranty period from two to five years.

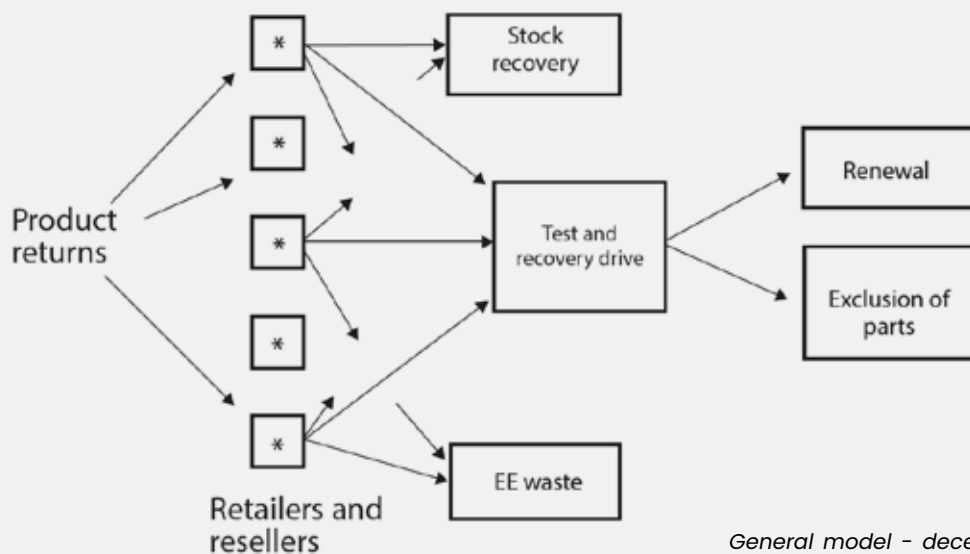
RESPONSIBLE PARTNER COMMUNICATION POLICY

Each of our sales partners (customers) has an assigned sales representative to whom he/she can always directly contact. We share the range of products, specifications, images, energy labels, and safety data sheets with our partners. We also provide them with administrative, technical, and financial support, as well as provide support with suppliers when preparing larger jobs. M SAN shares all the necessary information and data for the customers to be able to decide exactly what product they need.

We train servicing partners and provide them with safety data sheets and, if needed, with direct technical support for products that are technically more challenging, such as air conditioners. On the other hand, we founded M SAN EKO that takes over and disposes of electronic waste when the product is no longer usable. We collaborate with professional customers who are educated and are particularly good at what they do. The responsible partner communication policy is equally applied in every country that we do business in and, as a distribution company, we collaborate with trustworthy suppliers whose products contain all necessary certificates.

REVERSE LOGISTICS AND PRODUCT LIFE CYCLE

As mentioned in the previous chapter, Impact of the business on environment protection, M SAN's largest impact on environment is through reverse logistics, by prolonging the life cycle of the product. Since the very beginnings of the business, we place a large emphasis on the importance of reverse logistics. Through M SAN Logistika, M SAN EKO, and MR Servis, the reverse logistics has been organised as a decentralised, responsive, and reverse supply chain.

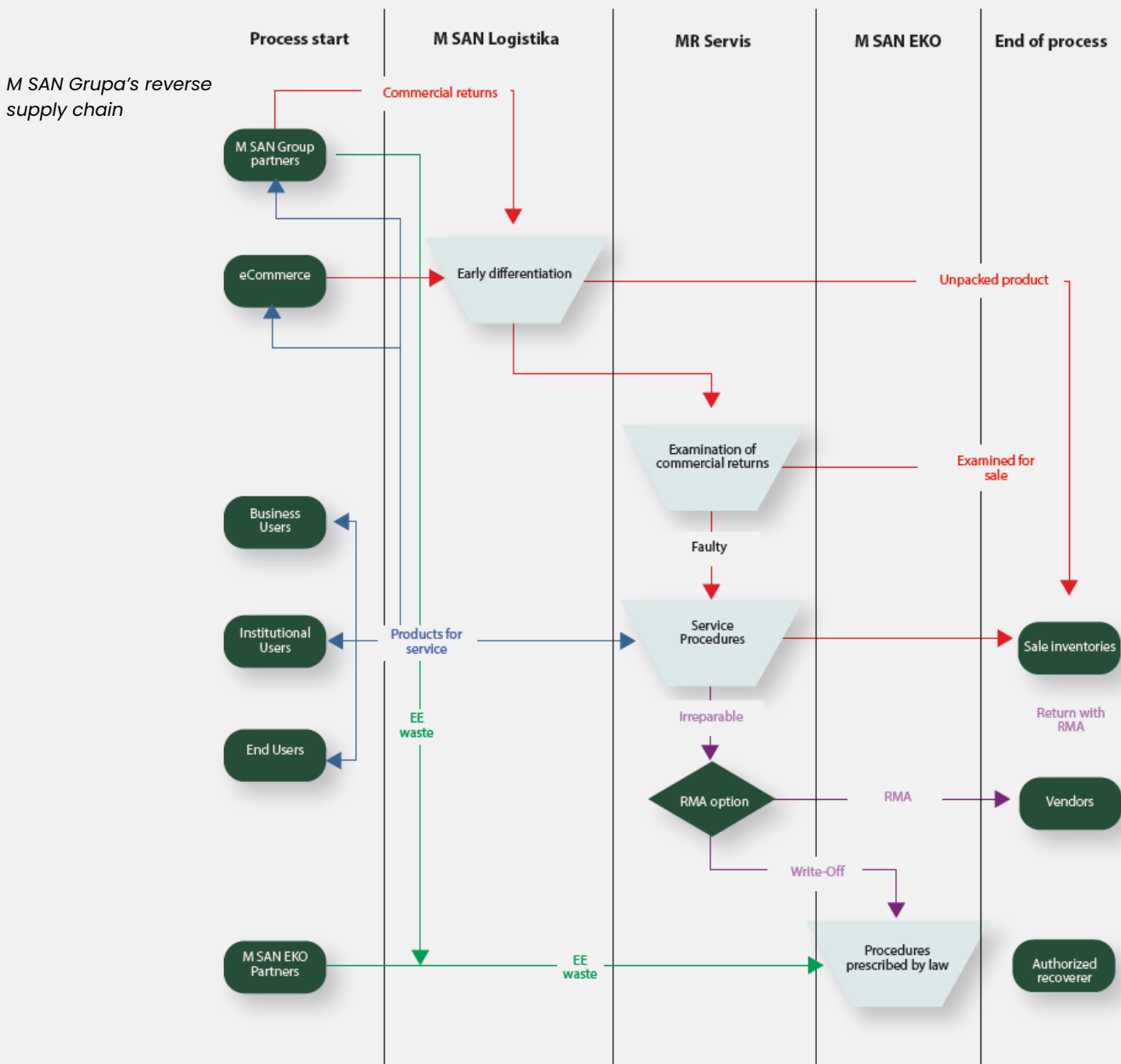


General model – decentralised, responsive, and reverse supply chain

As shown by the general model, the products are initially evaluated and sorted, i.e., separated on multiple locations, if possible, at the site of takeover, meaning partner retail stores and commercial centres. Product returns are separated into three groups:

- i. commercial returns
- ii. products for servicing
- iii. electronic and electrical waste.

By differentiating early, only the products for servicing and products that are defective upon delivered (DOA – dead on arrival), i.e., products that are not in the original factory condition, pass the check, diagnostics, and further processes in a centralised manner. The other processes are conducted in a decentralised manner. The electronic and electrical waste is separated at the location of the user and transported directly to M SAN EKO’s location, while the commercial returns of the products in factory condition are returned directly to the stocks. M SAN’s reverse logistics process is shown on the picture below.



Through the described organisation of reverse logistics, we achieve a very important goal, which is that commercial returns are returned to sales with minimum delays. The elapsed time in the return process plays a significant role in maintaining the value of the product. This type of reverse logistics can be considered as one of more advanced and more demanding in the organisational sense but, at the same time, it provides a significant advantage to us. The shortened delay time in the process of returning the product to stocks not only prevents the drop in value that comes with time but also, the drop in value that comes with the obsolescence of the product model itself. That fact is particularly pronounced in IT product sales, where products lose value rapidly and the models and trends also change rapidly.

The group of reverse logistics processes is an example of our greatest positive influence on the environment. To be more specific, by transporting EE waste and products to be repaired in return routes, we reduce fuel consumption and the generated CO₂ quantity. Furthermore, through the activities of MR Servis, we prolong the life cycle of the product, which, consequently, reduces the exploitation of raw materials, energy consumption, and generation of CO₂ for the manufacture of new products, while also reducing the generation of EE waste. M SAN EKO provides the partners with the collection and transportation of EE waste in a manner that simplifies their operative business, while also motivating them and their customers to dispose of waste in an environmentally friendly manner.



FOCUS IN 2022. AND LAUNCHED INNOVATIONS

In 2022, we continued with significant marketing and capital investments in repositioning our own brands and with a strong step towards green energy through the operations of the Green Division, established at the end of 2021.

The basis of strong and continuous growth is the development and upgrading of our key brands, innovations in the assortment with which we follow the trends and needs of our consumers, planning and successful realization of sales and marketing activities in all markets., as well as efficient cost management.

Therefore, we continued with significant investments in promoting our MS Energy brand in all product categories: electric bicycles, electric scooters, and accessories.

In parallel, we strengthened the part of the business related to solar systems through, on the one hand, the expansion of partnerships with new world-renowned suppliers, and on the other hand, through continuing to build the competencies of our team focused on working in this highly dynamic area.

In addition, during 2022, the production of professional LED lighting under the brand name MS Lux was added to the work of the Green Division by the separation from the business of the company

BETTER SHOPPING EXPERIENCE

COMMUNICATION WITH CUSTOMERS AND END USERS

The sales team is in direct communication with the sales partners, i.e., customers every day, as well as with end users. In everyday communication, we find out a lot about our products, whether it is product complaints or how satisfied the customers are with the products themselves. Even though we do not have

our own store and are not legally obliged to, we have connected with the end users. We offer the possibility to directly communicate through social networks with them, as well as to comment on our posts. We announce various promotions on social networks with which we want to encourage end users to provide feedback and we reward the most original comments. Furthermore, each of our brands has its own website with a contact form through which end users can contact us. We strive to respond to all inquiries from our end users as soon as possible. They can expect feedback within 24 hours from time of receipt of the inquiry, however, if we did not manage to respond to the inquiry within 24 hours, we let the end user know that we will respond as soon as possible. If the Department of Sales and Procurement cannot respond to the inquiry, the end user is connected with MR Servis's customer support.



Even though some of the companies in our industry avoid direct communication with end users, our policy includes communication with end users, i.e., the communication with end users is one of the ways in which buyers reach us and are provided with answers to all of their questions and with the help they need.

Another way is to directly contact the servicing centre, i.e., MR Servis. The end users have all the necessary information on their warrant document, such as the website, telephone number, e-mail, or addresses where they can leave their product. We offer technical support to our end users, as well as multiple malfunction report and product repair options

In the case when the product has malfunctioned during the warranty period, the end user can personally turn the product over for servicing to a retail partner where the product has been bought or directly to MR Servis in Zagreb or Rugvica. The end user can request free collection and transport of the product for servicing through a courier, while for certain product groups, such as appliances or air conditioners, the end user can also request repair at his/her location. In order for us to ensure quality servicing support to end users in any location in Croatia, MR Servis has organised its own field teams of certified technicians and we have also contracted over a hundred servicing partners.

Also, in the case when the end user is requesting information regarding the disposal of the device that cannot be repaired and/or only an information regarding where to dispose of EE equipment, we provide instructions (contact M SAN EKO).

We believe that we are doing everything we can to provide our end users with the best possible support and we do not avoid responsibility or additional costs. We are open and available for communication with end users in order to resolve their problems and respond to their needs.

[418-1]

There have been no privacy breaches regarding M SAN's customers nor have there been losses or thefts of customer's personal information during the reporting period. Furthermore, M SAN has not received complaints related to breaches of customer privacy from outside parties or regulatory bodies.

INFORMING END USERS, PARTNERS, AND AUTHORISED SERVICING CENTRES

In order to inform our sales partners of new developments, i.e., new products in our offer, we send newsletters to them and issue promotional flyers and catalogues several times during the year. We also share all of the news and important information on the websites of our own brands in order to inform the end users of our products as well.

STUDENT SUPPORT

The internship program M SAN STARTER has been in operation since 2021. It is a rotational system in which the intern goes through all the departments of the company within three months, with the aim of focusing on the development of his own talent.

In this way, we provide an equal chance to all economic and technical trainees, that is, we provide them with the opportunity to prove themselves and further improve their knowledge and skills. The rotation system is also a great opportunity for directors of organizational units and managers to find great members for their teams. In the reporting period, we employed ten interns from the program.



ABOUT THIS REPORT

[102-50] [102-52] [102-53] [102-54]

In this Sustainability Report, M SAN Group presents to its stakeholders and the general public the economic, social and environmental results for the business year from January 1 to December 31, 2022.

The report contains non-financial information on sustainable operations and the impact of M SAN Group and its subsidiaries on key stakeholders, the community and the environment, and is prepared on the basis of the internationally recognized framework for non-financial reporting "GRI Standards: Core Option". These guidelines provide a framework for a consolidated approach and reporting, while maintaining the highest level of transparency and consistency. Standards enable the reliability and usefulness of information for markets and society.

All presented data is internally collected and checked first by employees responsible for individual areas of our business, and then verified by the Group's management so that they are up-to-date and accurate.

At the beginning of 2022, in parallel with the work on the preparation of this report, the Group began preparations for the creation of the Company's Sustainable Business Strategy (ESG Strategy) aligned with the Corporate Sustainability Reporting Directive (CSRD) with the aim of making the report on sustainable business for 2023 fully harmonized with the Directive.

This report has been prepared in printed and PDF format and is publicly available on the website: www.msan.hr/izvjesce-o-odrzivosti

We invite stakeholders to read the report. In case of any questions, advices or comments, please feel free to contact us at the e-mail address: pr@msan.hr

MATERIAL TOPICS

[102-46] [102-47]

According to the GRI standard guidelines, the contents of the report are a result of the materiality definition process. The report has been prepared pursuant to internal and external consultations and an overview of the trends and problems important for IT distribution, while containing the strategical aspects of the Group's sustainable development.

As a result of the above-mentioned, the topics have been categorised under five main categories: governance, ethics, and compliance; our employees; impact of the business on environment protection; supply chain and customers; and community.

LIST OF MATERIAL TOPICS:

1. Governance, ethics, and compliance
 - Core values, mission, and vision
 - Risk management
 - Collaboration and communication with stakeholders
2. Our employees
 - A work environment in accordance with the values
 - Employee development and satisfaction
 - Health and safety
3. Impact of the business on environment protection
 - Our responsibility towards the environment
 - Circular economy
 - Green investments
4. Supply chain and customers
 - Responsible resource management and partnership with the suppliers
 - Responsible products and services– quality and security
 - Better shopping experience
5. Community help

APPENDIX

INDEX OF GRI STANDARD CONTENTS [102-55]

GRI standard	Name of the indicator	Page number
GRI 102: General information 2016		
1. Name of the organisation		
102-1	Name of the organisation	8
102-2	Activities, market brands, products, and services	7
102-3	Organisation headquarters location	8
102-4	Business activities' location	8
102-5	Ownership and legal form	8
102-6	Markets on which the organisation does	8
102-7	businessOrganisation size	18
102-8	Information about employees and other workers	61
102-13	Memberships in associations	24
2. Strategija		
102-14	Statement from the highest-ranked decisionmaking person	4
3. Etika i integritet		
102-16	Values, principles, standards, and rules of conduct	18
4. Upravljanje		
102-18	Governance structure	19
5. Uključivanje dionika		
102-40	List of included stakeholder groups	30
102-42	Recognition and selection of included stakeholders	60
102-44	Essential topics and open issues	60
6. Način izvještavanja		
102-46	Definition of report contents and topic limits	116
102-47	List of material topics	116
102-50	Amendments to information	102
102-51	Amendments to reporting	116
102-52	Reporting period	116
102-53	Date of last report	118
102-54	Reporting statement pursuant to GRI standards	104
102-55	Index of GRI contents (GRI Index)	100

MATERIAL TOPICS

GRI standard	Name of the indicator	Page number
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Material topics

ECONOMIC CATEGORY

GRI 205: Anti-Corruption Policies 2016

205-3	Confirmed corruption cases and measures taken	38
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Material topics

ENVIRONMENTAL CATEGORY

GRI 302: Energy 2016

302-4	Energy consumption reduction	71
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GRI 307: Compliance with environment protection regulations

2016		
307-1	Non-compliance with the legislation and regulations in the field of environment protection	70



MATERIAL TOPICS

GRI standard	Name of the indicator	Page number
Material topics		
SOCIAL CATEGORY		
GRI 401: Employment 2016		
401-1	New employment rates and employee fluctuations	58
GRI 403: Workplace health and safety 2018		
403-1	Occupational health and safety management system	63
403-9	Occupational injuries	64
GRI 416: Customer health and safety 2016		
416-1	Assessment of the impact on health and safety by significant product and services categories	93 93
416-2	Cases of non-compliance with the regulations and voluntary codes related to the impact of products and services on health and safety	106 93
GRI 417: Products and services labelling 2016		
417-2	Cases of non-compliance with the regulations and voluntary codes related to the information regarding the product, service, and labelling	98
GRI 418: Customer privacy 2016		
418-1	Justified complaints related to breaches of customer privacy and personal information losses	



LIST OF ABBREVIATIONS

Abbreviation Description

B2B	Business-to-Business
BiH	Bosnia and Herzegovina
CE	Consumer Electronics
CO ₂	Carbon dioxide
d.o.o.	Limited liability company
d.o.o.e.l. (d.o.o.)	Limited liability company
DJI	Da-Jiang Innovations, Chinese technology company
DLC	Logistics-distribution centre
DOA	Dead on arrival
DPO	Drone Pilot Operators
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EE waste	Electrical and electronic waste
EMC certificate	Electromagnetic compatibility certificate
eONTO	e-Logbook on Waste Generation and Stream
EPREL	European Product Registry for Energy Labelling
ErP certificate	Energy-related Products certificate
ESG	Environmental, social, governance
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GAR certificate	Gas Appliance Regulation certificate
GJ	Gigajoules
GPS	Global Positioning System
GRI	Global Reporting Initiative
HCFC	Hydrochlorofluorocarbon
HFC	Fluorinated greenhouse gases
HGSS	Croatian Mountain Rescue Service
Hi-Fi	High Fidelity
HR	Human Resources
HRK	Croatian Kuna
HVAC system	Heating, ventilation, and air conditioning system
ICT	Information and Communication Technology
Inc.	Incorporated
ISO	International Organization for Standardization
IT	Information Technology
kg	Kilogram
KPI	Key Performance Indicators

Abbreviation	Description
kW	Kilowatt
kWh	Kilowatt hour
kWp	Kilowatts peak
LED	Light emitting diode
Ltd.	Limited company
LVD certificate	Low voltage certificate
MD certificate	Machinery Directive certificate
mil.	Million
MJ	Megajoules
MWh	Megawatt hour
MWp	Mega Watt peak
NN	Official Gazette
OEEO	Waste Electrical and Electronic Equipment
PDF	Portable Document Format
QC	Quality Control
QR	Quick response
RED certificate	Radio Equipment Directive certificate
RH	The Republic of Croatia
RMA	Return merchandise authorization
RoHS certificate	Reduction of Hazardous Substances certificate
ROO	Environment Pollution Registry
SDG	Sustainable Development Goals
t	Tonne
TBD	To be done
TUKS	Crisis Situation Management Team
UAS/UAV	Unmanned Aircraft Systems / Unmanned Aerial Vehicle
UN	United Nations
WEEE	Waste from Electrical and Electronic Equipment
WMS	Warehouse management system
WMS	Warehouse management system
y	Year



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