



2021

SUSTAINABILITY REPORT



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COMMENT FROM MIROSLAV HUZZAK, *Chairman of the Board*

The COVID-19 pandemic has been a marking event for the business of the Group, significantly affecting the business for multiple reasons. The increased volume of work from home gave rise to the need for products and additional equipment that make it possible. At the same time, supply issues continued for all key principals, caused by production difficulties, the lack of essential components, and insufficient transport capacities.

Despite these challenges, the Group has generated 2,710 M HRK of revenue, the most revenue it has ever generated, along with the growth of the values of all annual profitability indicators, thus the normalised EBITDA has risen by 34.1% when compared with 2020.

Owing to quality contracts with leading global principals, the Group has managed to secure a sufficient quantity of products for the needs of its partners and has for the most part

of the year, with occasional shortages, ensured the timely and continued delivery of most necessary products. The Group has also enabled all of its employees to work from home, where business conditions allow for such work.

During the periods with a larger number of infected people, the Group retained the minimum number of employees at the workplace, while everyone else worked from home and alternated every few weeks.

We continued developing our own brand during 2021 and have strengthened the export to markets outside the region.

In July 2021, the Group successfully entered the capital market by issuing a corporate bond in the amount of 200 million HRK that was met with enthusiasm by the investors and demand significantly exceeded the targeted issue amount.



MIROSLAV HUZZAK,
Chairman of the Board

ABOUT US

M SAN Grupa is a limited liability company for the manufacture of computers, trade, import, and export with a registered seat at Zagreb, Buzinski prilaz 10, represented by the Chairman of the Board, Mr. Miroslav Huzjak, Company Registration No. (MBS): 080157581, registered at the Commercial Court in Zagreb in 1995 under the company name M SAN d.o.o., while it is given today's company name in 1997.

M SAN Grupa is the largest privately-owned IT company in the Republic of Croatia. The M SAN Grupa, whose primary activity is the distribution of computer hardware, software, and consumer electronics includes, among others, the companies doing business in the region, such as Kim Tec Bosnia and Herzegovina, Kim Tec Serbia, Kim Tec Montenegro, and Pakom Kompani Macedonia. In addition, the Group manufactures IT equipment and consumer electronics with its own brand, including TVs, air conditioners, mobile phones, appliances, desktop computers, and electric mobility products (electric scooters, electric bicycles) that the company then distributes through its distribution network.

In its portfolio, the Group also includes the activity of logistics that primarily includes storage, handling, and transport of goods (M SAN LOGISTIKA), service activity for the provision of servicing and repair of goods within or outside the warranty deadline (MR Servis d.o.o., KIM TEC-SERVIS d.o.o. Vitez, KIM-TEC SERVIS doo Beograd), and the activity of electronic waste collection and disposal (M SAN EKO d.o.o., KIM TEC EKO d.o.o. Vitez). In addition to primary activities, EKO Bosanska Posavina d.o.o. does business in the agriculture sector. The Group has no branch offices.

Since its founding, the Group has implemented a strategy of strengthening its portfolio with all major world-renowned IT equipment and consumer electronics brands. Particular emphasis has been placed on the manufacture and development of own brands, whereby the production takes place in the People's Republic of China, Republic of Turkey, Republic of Croatia, and Republic of Serbia. A larger part of manufacture takes place in facilities of third persons, while the facilities of the Group, namely, the company in the Republic of Croatia and the company KIM-TEC doo Beograd in the Republic of Serbia, perform the assembly of the personal computers and TVs of own brands. In parallel, the Group is expanding its business in the Adria region by establishing companies and logistics centres while developing its own logistics, service, and servicing support. The own logistics network makes up for one of the key comparative advantages of the Group.

From the entry on the market until today, we have obtained the trust of our customers, partners, and suppliers, the number of whom continues to increase. We are proud that we have become one of the best distributors on the regional IT and CE markets since the beginnings of the company. Our market leading position we attribute to the dedication of our employees, suppliers, customers, and stakeholders because we passionately believe that by achieving common goals, we achieve success and enable the further expansion and improvement of our business.

The Company does not conduct research and development activities.

The Company will publish a non-financial report with all relevant parameters on the website (<https://www.M-SAN.hr/>) within the legally prescribed deadline.



BUSINESS MODEL

The business model of M SAN Grupa is based on building and maintaining the trust and reliability of the cooperation with suppliers and customers, the development of the product group portfolio diversity and the financial stability, while particular care is dedicated to products of own brands. Extreme attention is dedicated to the optimisation of supplies and rapid capital turnover that has shown to be effective and affordable in conditions of hindered supply during the COVID-19 pandemic.

M SAN's portfolio includes products of own brands. We have acquired a large number of satisfied partners and customers by investing in the manufacture, distribution, marketing, and development. Own brands that we are proud of are VIVAX in the range of consumer electronics, MS Energy in the range of e-mobility, MSGW computers, MS in the range of peripherals, cables, drones, computer cases and power supplies, mobile phone accessories, laptop, and desktop computers, as well as SOLMACHT that covers the area of solar systems.

The brand **VIVAX**, as a national product, is present on the Croatian market since 2004 and has been placed onto a total of 39 markets, i.e., 4 continents. The VIVAX range nowadays offers more than 250 different products that can be divided into 6 product groups: Imago (TV sets), Cool (air conditioners), Home (small household appliances and appliances), Vox (audio, Hi-Fi), Smart (smartphones) and Tablets. The entire range and design of VIVAX products has been entirely designed in Croatia, while high quality standards were ensured by implementing strict procedures in production processes with a particular emphasis on quality control processes. VIVAX is a part of a group of rare European brands of consumer electronics that manufactures its products in Europe. Additionally, M SAN also has a production line of LED TV devices ranging from 22" to 65" that takes place in own facilities in Rugvica. This manufacture is intended for the Croatian and European Union markets.

BUSINESS MODEL

MS Energy is a brand of electric scooters, bicycles, and all other modern personal electronic transport systems. It has been present on the Croatian market since 2019 and today's range of MS Energy is divided into two categories: electric scooters and electric bicycles. In today's world, where mobility and ecology define the new lifestyle, MS Energy offers answers to the customer's demands for sustainable, simple, and smart transport solutions, i.e., full e-mobility. One of the foundations of the MS Energy brand is the trust in the quality of the e-mobility products. The strategy of creating the product and the entire production process are based on the use of proven technological solutions, while the idea itself to create the product is based on the desire to provide the user with a complete, dependable, environmentally friendly and affordable solution for city mobility issues.

MS ENERGY

VIVAX



BUSINESS MODEL

MSGW computers, as M SAN's own brand, has been on the Croatian market since 2005. All computers have been manufactured in M SAN's automated facility for the manufacture of IT equipment and have been subjected to numerous functional tests. MSGW computers meet all of the necessary demands required by Microsoft for full compatibility of built-in components with the Windows operating system.



BUSINESS MODEL

MS is a private brand of the M SAN Grupa, which combines the production and sale of computers peripherals discount headphones, speakers, keyboards and mice, and enclosures, power supplies and cables.

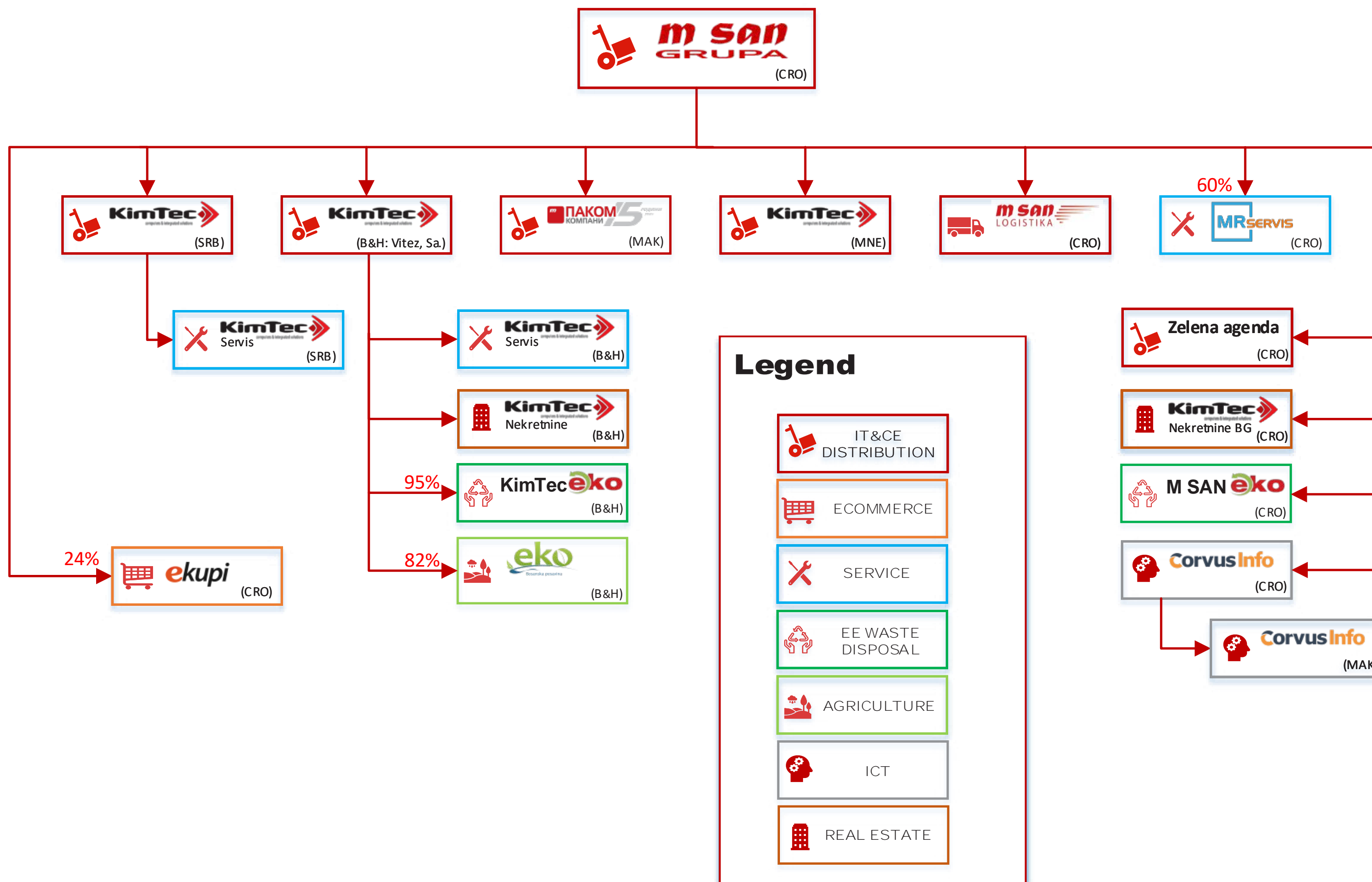
With a tradition of 18 years, it successfully operates in the Croatian market and the markets of the region (Serbia, Bosnia and Herzegovina, Macedonia, Montenegro) and expands its business to other EU markets. Every the production cycle phase is subject to strict quality control thus ensuring reliability and functionality of each device, and ultimately a quality product at an affordable price, synonymous with quality and reliability.



SOLMACHT, the youngest own brand in the M SAN Grupa's portfolio, was created in response to market needs for complete solutions in the field of solar power plant construction. Through Solmacht's framework, business and private customers are provided with a complete solar power plant construction service: from the conceptual design and detailed design of the solar power plant in accordance with customer needs, through professional assistance in obtaining permits and approvals, supply of all solar power plant components and performance supervision, all the way to commissioning.



OVERVIEW OF RELATED COMPANIES OF M SAN GRUPA





PORTFOLIO, SALES CHANNELS, PARTNERS

M SAN Grupa d.o.o. is a leading distributor of IT products and consumer electronics with more than 60 most prominent world manufacturers and more than 15,000 products.

Among them stand out: Microsoft, Hewlett Packard, Samsung, Acer, Asus, IBM, LG Electronics Inc, Panasonic, Lenovo, Toshiba, Transcend, Western Digital...

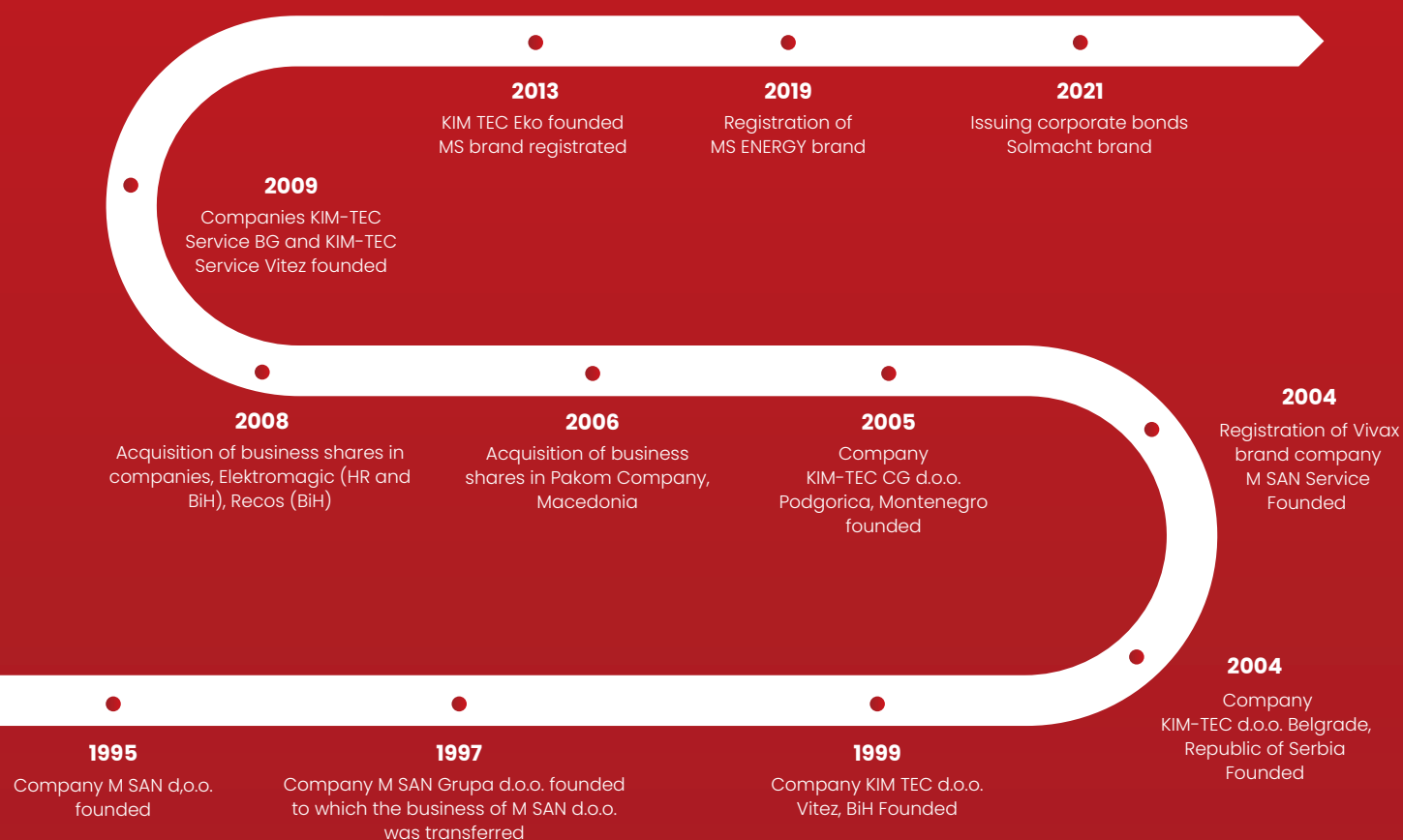
M SAN Grupa has expanded its range with a full range of quality products from which every user, business or home, can choose the product according to their wishes and possibilities.

The logistics of the M SAN Grupa are among the most developed in the region, thus ensuring a fast and accurate delivery.

M SAN Grupa has more than 6,300 partners in and outside Croatia. The sales channels consist of department stores, IT and CE retail stores and system integrators. Internal M SAN Grupa sales teams were established in accordance with the sales channels and product groups. Through the "Enterprise" sales segment, the M SAN Grupa offers high added value through the knowledge and complex partner solutions, such as system integrators and similar solutions.

The substantial number of partners has enabled the Group to significantly diversify its business, thus the largest unaffiliated customer makes up for 2.7% of the total annual turnover. The Group has made significant investments into export sales channels towards third countries (countries where it does not have affiliated companies) so the total export share toward third countries has risen from 15.3% in 2020 to 16.5% in 2021.

HISTORICAL DEVELOPMENT of the Group



ORGANISATIONAL STRUCTURE

By looking into its legal form, M SAN Grupa was registered as a joint-stock company until 28th April 2021.

By virtue of the decision of the extraordinary General Assembly of 28th April 2021, the joint-stock company was transformed into a limited liability company. The sole owner of the company is Mr. Stipo Matić who is also the Chairman of the General Assembly. The company does not own its own shares and does not implement a programme of purchasing them.

The Supervisory Board is comprised of three members, and they are:

Stipo Matić, the Chairman of the Supervisory Board,
Marko Rašić, the Deputy Chairman of the Supervisory Board,
Snježana Matić, a Member of the Supervisory Board.

Members of the Management Board:

Miroslav Huzjak, Chairman of the Management Board,
Irena Langer-Breznik, Member of the Management Board,
Goran Kotlarević, Member of the Management Board,
Žarko Kruljac, Member of the Management Board,
Slaven Stipančić, Member of the Management Board.

The operative business of the Group is organised in four divisions:

- **ITCE – distribution of IT equipment and consumer electronics;**
- **Enterprise** – value-added distribution (Value-add distribution) for adjusted hardware and software solutions;
- **Vivax** – the manufacture and distribution of own brand, numbering over 250 items in all categories (TVs, air conditioners, mobile phones, appliances, small household appliances).
- **Green divison** – electric mobility products, LED lighting, solar panels.

The Company division leaders are also responsible for the divisions in regional members that together make up for four sales channels with the sole motto being: *“One company on multiple diverse markets”*.

ORGANISATIONAL STRUCTURE

In the reporting period concluded on 31st December 2021, 451 employees contributed to the core business of the parent company M SAN Grupa and affiliated companies in the Republic of Croatia (M SAN Logistika, MR Servis, and M SAN EKO), while 374 employees contributed in the region (Serbia, Bosnia and Herzegovina, Montenegro, and Macedonia). The work of a total of 825 employees at 31st December has contributed to the growth and development of our companies in 2021.

Our main goals and ambitions are:

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

Key operational indicators of the Group

- 6,300+ partners
- 200,000 products delivered monthly
- 700+ employees
- 5 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.

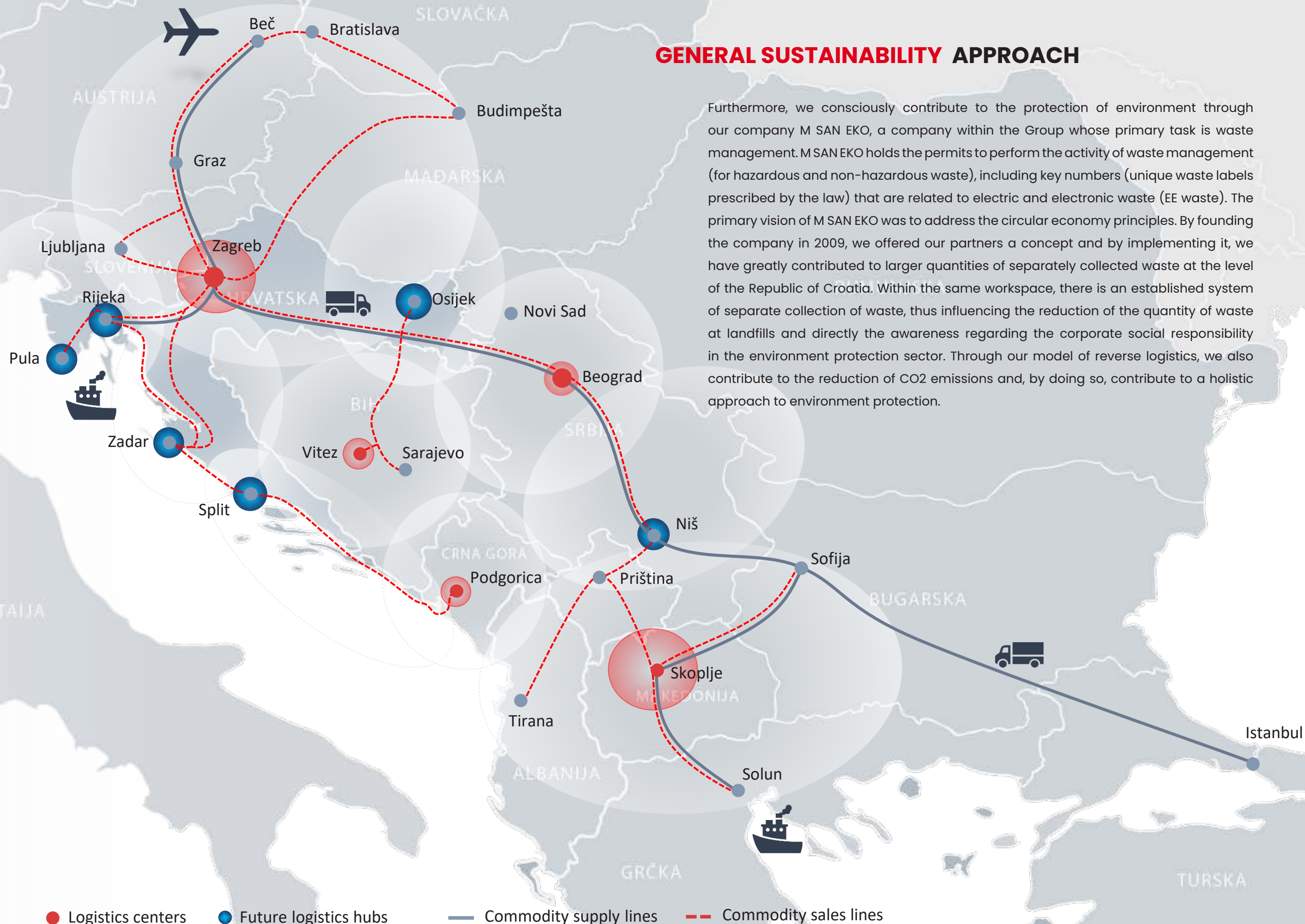
In order to create added value in our business environment, people represent the centre of our business – our employees, the employees of our suppliers, partners, clients, and end customers. The social component of the sustainability indicators that include environmental, social, and governance indicators (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 SUSTAINABILITY APPROACH

Furthermore, we consciously contribute to the protection of environment through our company M SAN EKO, a company within the Group whose primary task is waste management. 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.



● Logistics centers

● Future logistics hubs

— Commodity supply lines

- - - Commodity sales lines

OVERVIEW OF 2021

- Donations for Petrinja
- Organising help for colleagues whose assets were affected by the earthquake
- Procurement of a LED production line
- Introducing a green division in the M SAN Grupa
- Achieved 80% coverage of M SAN's shipments through own logistics
- MR Servis serviced 11,615 products not covered by warranty and 35,254 products covered by warranty
- M SAN EKO collected over 470 tonnes of EE waste
- Established own brand SOLMACHT

[102-13]

With the aim of collaboration and good business practice in the industry, M SAN is a member of the Croatian Association of New Technology Distributors.

Even though 2021 was a completely unusual and particularly challenging year, M SAN has managed not only to maintain the quality of the business, which was recognised by the suppliers, but also to help others. We are particularly proud of the acknowledgement "Petrinja Gold Heart Donator."



2021.

Acknowledgement "Petrinja Gold Heart Donator" for the donation of air conditioners and equipment to the container settlement in Petrinja



2021.

ADATA acknowledgement "Best Partner"



2021.

Transcend acknowledgement for continued partnership

OVERVIEW OF 2021

- In consideration of the fact that this is the first Sustainability Report of our Group, we would like to highlight some of the awards and acknowledgements that we have received during the previous period:
- 2002 “Golden Kuna” award of the Croatian Chamber of Commerce for the most successful medium-sized company
- 2003. “Golden Kuna” award of the Croatian Chamber of Commerce for the most successful medium-sized company

- 2004. “Golden Kuna” award of the Croatian Chamber of Commerce for the most successful medium-sized company
- 2015. Kaspersky award for the best partner in the development of the partner network for the area of South-Eastern Europe
- 2016. The award for the best Hewlett Packard Enterprise distributor in South-Eastern Europe



OUR RESPONSE TO THE COVID-19 PANDEMIC

HOW THE PANDEMIC AFFECTED THE GROUP

Like many other companies, our business was inevitably affected by the global COVID-19 pandemic in 2021. The manner in which we, as a Group, have reacted to newly arisen circumstances was a true test of readiness for a situation of crisis. Everyday work routine of the employees changed within 48 hours from the appearance of first information regarding the pandemic, while the Group was left in a situation where it had to react preventively to protect the safety of its employees and partners. Aware of potential risks in which we found ourselves and which persist to this day, as well as the responsible role that we play, our mandatory instructions and recommendations were aimed at establishing measures to preserve the health of our employees and their loved ones, as well as partners, customers, and users and the reduction of the possibility to spread the contagion but also the continuity of our own business. It was especially important to us that our employees were informed in a targeted and timely manner so they could do the right thing while there was an increased risk of contagion. The employees were informed of the level of risk and protection measures via e-mails, and they were also displayed in visible locations inside the company. The mandatory instructions and displayed recommendations concerned all of the employees or employees hired in any way who live, work, or visit the business premises of the Group in Croatia, Serbia, Bosnia and Herzegovina, Montenegro and Northern Macedonia.



OUR RESPONSE TO THE COVID-19 PANDEMIC

HOW THE PANDEMIC AFFECTED THE COMPANY

Furthermore, a work management system was drafted and adopted, including the instructions on behaviour rules in relation to the level of pandemic risk and protection measures. Parameters for determining the level of risk were divided into three categories: green, yellow, and red. The green category means an intermediate level of the risk of contagion, i.e., the confirmed presence of COVID-19 in the country and/or the city/ place of company headquarters or separate facility, without infected employees. The yellow category means a heightened level of the risk of contagion, i.e., 10 or more average weekly newly infected persons per 1,000,000 inhabitants of the country over the past 7 days. There are significant movement limitations and/or institution/legal person work limitations at the level of the country, while at the level of the company we have more than 1 person in self-isolation who was at the workplace prior to self-isolation. The red category means a high level of the risk of contagion, i.e., full lockdown and that there is an infected person who was at the workplace over the previous week.

Furthermore, the new management system during the COVID-19 pandemic contains a detailed elaboration of the rules of behaviour related to physical distance, work from home, missions/private trips within the country and abroad, internal/external meeting, conferences, meetings, and seminars organised by M SAN or to which M SAN is invited, and other important categories.

HOW THE PANDEMIC AFFECTED THE COMPANY

By monitoring the developing situation related to the COVID-19 pandemic, the prescribed management system that was announced at the beginning of the pandemic has changed in accordance with the situation and the measures of the Crisis Staff and an updated version of the changed in accordance with the new rules was announced in 2021. The changes concerned each of the categories.

Even though we faced logistics issues at the beginning of the pandemic, from the viewpoint of the customers, operative business returned to pre-pandemic levels very quickly. In addition, issues were noted in relation to the shortage of products, i.e., the suppliers from China, however, considering the wide spectrum of suppliers that we collaborate with, the pandemic has been a short-term and not too significant hindrance to the business in certain segments. Newly arisen issues were resolved in a noticeably brief period of time thanks to the suppliers whose warehouses are located throughout Europe. Taking into consideration the new and unknown pandemic situation that we found ourselves in, we have successfully resolved the problems with which we were met.



OUR RESPONSE TO THE COVID-19 PANDEMIC

WORKPLACE SAFETY AND EMPLOYEE SUPPORT

EMPLOYEE SAFETY

From the very beginning, the largest emphasis within the Group was always on the employees and their safety at the workplace, which was largely affirmed during the global pandemic. Apart from the physical, the mental health of the employees was a priority during the pandemic. Mental health help was provided to employees in diverse ways and in various parts of the organisation. Remote work during the pandemic was organised in several diverse ways. At the beginning of the pandemic, during full lockdown, almost all of the employees worked from home, while only those who were requested to be physically present due to their position had to be present at their workplace (for example, drivers employed in warehouses, servicing, and others). Accordingly, procedures for employee work from home were announced. The work equipment from the office was available to all employees, i.e., there was an option to borrow chairs, keyboards, monitors, and other equipment necessary to work from home. Additionally, during their work from home, all of the documentation and/or invoices that the employees needed to sign were delivered and returned by M SAN couriers. After the first easement of national measures, various flexible systems of work were adopted (e.g., weekly rotations), such as organising the work in different shifts in accordance with the needs of the department and the nature of the work. In the case of an isolation without infection or with mild infection symptoms, the employees were allowed to work from home in order to avoid the spread of the contagion within the organisation. Working from home is nowadays an option available during isolation (after contact with a person infected by COVID-19) or in the case of any other situation in accordance with the agreement with the superior or head of the department. The work from home option is used incomparably more frequent within the Group than it was before the pandemic, which is also the trend on the global market.

WORKPLACE SAFETY AND EMPLOYEE SUPPORT

EMPLOYEE SAFETY

As previously mentioned, during the pandemic but also today, while it is still ongoing, the work management system is applied depending on the risk of pandemic (green, yellow, and red categories). The employees are informed of every change to the work system via e-mails in a timely manner. In order to reduce any possibility of infection, special advanced technology was secured, i.e., an advanced thermal camera that measures the temperature of the person at the entrance to business premises and checks whether a person is wearing a mask. If any of the above-mentioned conditions is not fulfilled, the system shall automatically emit a voice warning to the person. Thermal cameras were placed at the entries to business premises in Buzin and Rugvica, as well as at the entries to business premises of the Group members in Serbia, Bosnia and Herzegovina, Montenegro, and Northern Macedonia. We organised the vaccination of employees within the Group (both doses of the vaccines) that has shown to be extremely effective and well-organised, and a large number of employees was vaccinated. Apart from that, the Group bore all of the costs of testing the employees for COVID.



SAFETY WITHIN logistics

During the pandemic, special rules also applied to partners during the loading or unloading of products after arriving to a distribution centre (M SAN Logistika). The partners were asked not to enter the warehouse or offices, i.e., sanitary premises and further procedures for handling the products were prescribed, depending on whether it concerned loading or unloading. Rules were also applied within the logistics depending on the risk of pandemic (green, yellow, and red categories). Employee shifts with a half-hour interval between them were introduced for the purpose of disinfection and avoidance of direct contact.

M SAN has successfully “passed the COVID test” in such a manner that there was no significant spread of contagion within the company because all measures to protect the safety and security of the employees were taken. Even though it was not easy to reorganise everyday work activities in the ever-changing conditions of the COVID-19 pandemic, everything was successfully done within the Group in order for the business to continue unhindered.



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 use and what we are, how we act and the manner in which we behave. [102-16]

GOVERNANCE, ETHICS AND compliance

CORE VALUES, MISSION, AND VISION

[102-16]

Our core values are focused on:

- **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.MSAN.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.



CORPORATE Governance

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

Employment policy within the Group respects the personal integrity of each 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.

The Group is managed by the Management Board, consisting of:



MIROSLAV HUZZAK
CHAIRMAN OF THE BOARD

MIROSLAV HUZZAK Over the past 23 years, Miroslav Huzjak has worked on leading functions within the M SAN Grupa and has led teams of experts who have positioned the company as the most significant ICT and CE distributor in the Adria region. He has worked various jobs in the company and had a leading role in the commercial department which, in addition to the responsibility for organising the commercial department, its successful business, and positioning M SAN as the market leader, also included numerous other responsibilities. Mr. Huzjak was responsible for leading key negotiations to conclude a distribution contract with the largest globally renowned principals, which made it possible for M SAN to become an authorised distributor of many a world-renowned brand for the territory of the Republic of Croatia, as well as the region. Establishing, organising, and improving the business of logistics and servicing, as well as establishing companies in the region and the development, expansion, and improvement of regional business all represent the responsibility of Mr. Huzjak, who has held the office of the Chairman of the Board of the company since 2009.



IRENA LANGER BREZNIK
VICE-CHAIRMAN OF THE BOARD

IRENA LANGER BREZNIK has held a series of leading offices over the past 15 years in M SAN Grupa. In her roles, that include a leading role in the procurement department of M SAN Grupa, besides the responsibility for the entire procurement process in the Republic of Croatia and in the region, obtaining new distributions, nurturing quality relations with principals, organising and conducting marketing activities at the level of M SAN and the companies in the region, she was responsible for establishing new business processes, as well as improving existing ones and has continuously worked on structural enhancements to business processes with a particular emphasis on regional procurement, development, and improvement of business on foreign markets of the members of the Group, leading numerous projects aimed at development and improvement of business application, the development of electronic trade between business subjects, and managing the stocks and digital transformation. Since 2011, Ms Langer Breznik has been at the head of the e-commerce development and business of the company eKupi in Croatia and in the region and is also a member of the Management Board of M SAN Grupa.



SLAVEN STIPANČIĆ
MEMBER OF THE BOARD

During his 16 years at M SAN Grupa, **SLAVEN STIPANČIĆ** has focused himself on improving the procurement process and expanding the distribution portfolio. Mr. Stipančić has, while leading a team of successful experts, provided a large contribution and is responsible for the development of own brand VIVAX, which has enabled VIVAX to become a recognisable brand that is sold on almost all of the European markets, but also on other continents. As the Director of the consumer electronics sector, he works on contracting and developing distribution collaboration with the strongest global CE-A brands in Croatia and in the region. In parallel, he is working on the optimisation of connecting sales processes of international CE-A brands with the company's procurement processes. Since 2009, Mr. Stipančić has held the office of the member of the company's Management Board.



ŽARKO KRULJAC
MEMBER OF THE BOARD

ŽARKO KRULJAC dedicated his first 14 years at M SAN Grupa to the development of the sales force and the distribution range of the Group. At first, he stood out thanks to his successes in business and the realisation of strategic goals that he accomplished in leading roles in the companies in the Republic of Serbia and Bosnia and Herzegovina, after which, by managing the commercial business in Croatia and the region, he focused his work on three key aspects: continued construction and strengthening of the partner customer network, raising the competences of sales operations, and adjusting the sales processes to market changes. He obtained a PhD in the field of economic sciences in 2020. Since 2009, Mr. Kruljac has held the office of the member of the company's Management Board.



GORAN KOTLAREVIĆ

MEMBER OF THE BOARD

GORAN KOTLAREVIĆ Strengthening sales operations and expanding the distribution range in all countries of the region represent the main field of Mr. Kotlarević's work. During his 16 years of work in M SAN Grupa in roles of the Head of Sales, the Director of Sales, and the Director of Business Development, Mr. Kotlarević has directly influenced the construction of a strong market presence of the company and its today's visibility. Since March 2021, Mr. Kotlarević has held the office of the member of the company's Management Board.



PAVO LEKO

MEMBER OF THE BOARD

PAVO LEKO As the member of the Management Board and the Director of Logistics Operations, Mr. Leko is using his knowledge and expertise to work on the expansion of logistics operations, the optimisation of processes, and raising the competencies of logistics employees in all countries where M SAN Grupa has affiliates. Over the past five years, thanks to Mr. Leko, the company has expanded the logistics capacities in Serbia and Bosnia and Herzegovina, introduced new logistics lines and a system of delivery within 24 hours, while also expanding its vehicle fleet. Mr. Leko has held the office of the member of the company's Management Board since 2017. On 31st January 2022 Mr. Leko resigned as a member of the Management Board and continued his career outside the Group.

The M SAN Supervisory Board consists of three members:

STIPO MATIĆ

THE CHAIRMAN 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 was the CEO of M SAN, after which he assumed the office of the Chairman of the M SAN Supervisory Board. Furthermore, Stipo Matić is the CEO of the companies M SAN Logistika d.o.o., M SAN Ulaganja d.o.o., and M SAN EKO d.o.o., a member of the Management Board in eKupi d.o.o., as well as the Chairman of the Supervisory Board of the company KING ICT d.o.o. Nowadays, the portfolio of companies owned by him includes the companies 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., as well as other companies.

MARKO RAŠIĆ

THE DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

MARKO RAŠIĆ began his career at M SAN in 2003 as an apprentice in the Department of Finances and has advanced to the function of Head of Finance in 2011. During the acquisition period of the Group in the agricultural sector, he actively participates in takeover processes and subsequent financial restructuring of acquired agricultural companies. In M SAN's Supervisory Board, he has held the office of the Deputy Chairman of the Supervisory Board since 2016. He has been appointed as the CEO of the company Ured za podršku d.o.o. in 2017.

SNJEŽANA MATIĆ

A MEMBER OF THE SUPERVISORY BOARD

SNJEŽANA MATIĆ has participated in M SAN's business since the company was founded. In the beginnings, she worked in sales and afterwards, on procurement tasks with a particular focus on building long-term sustainable business relationships with suppliers. As a response to the growth of M SAN's business activities, she took over the coordination of accounting and finance activities, after which she dedicated her time to the development of system integration business since 2004, where she works today in the field of controlling. She has been a member of the M SAN Supervisory Board since 2004.

Along with the Supervisory Board and the Management Board, the role of the Audit committee, consisting of three members, Branislav Vrtačnik, Kristina Alebić, and Branka Gerić, is to provide support to the Supervisory Board in performing its tasks and conducting other activities in accordance with applicable laws and other provisions. The Audit committee represents an advisory board to the Supervisory Board, without executive powers, i.e., acts as a specialised sub-board of the Supervisory Board and its powers are derived from the Supervisory Board's powers.

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.

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.

[205-3]

The Group has also regulated the whistleblowing system by adopting the Rules on the Procedure of Internal Reporting of Irregularities and Trusted Person Appointment, whereby an irregularity is defined as each violation of the law and other regulations related to performing work within a certain company. All companies within the Group have appointed a person to whom the employees can, anonymously or in person, report an irregularity. Through the system and with the documentation available on the intranet, we encourage employees to react, i.e., we want to encourage them to, if a superior does not react to a reported irregularity, seek the help of a person who is higher in the organisational hierarchy. Besides to the appointed person or to the superior, it is also possible to report irregularities, anonymously or in person, to the Legal Department or internal audit. In the case of a reported irregularity, the appointed person shall conduct a preliminary assessment of the legal risk and the risk to the reputation of the company and shall, if needed and considering the nature of the problem, include the Legal Department and other departments. Pursuant to the results of the investigation, the appointed person shall suggest necessary procedures and measures to the Management Board or other organisational part of the company. The appointed person decides on the need to include national authorities together with the Management Board. There have been no reported irregularities since the Rules were adopted in 2019. The Group has had no confirmed corruption cases since the founding of M SAN.

M SAN regularly educates its employees and stakeholders via its website, local intranet, and internal company materials on adopted policies and rules. The employees shall be informed of each change or additional update to all of the Group's documents via e-mail in a timely manner.



RISK

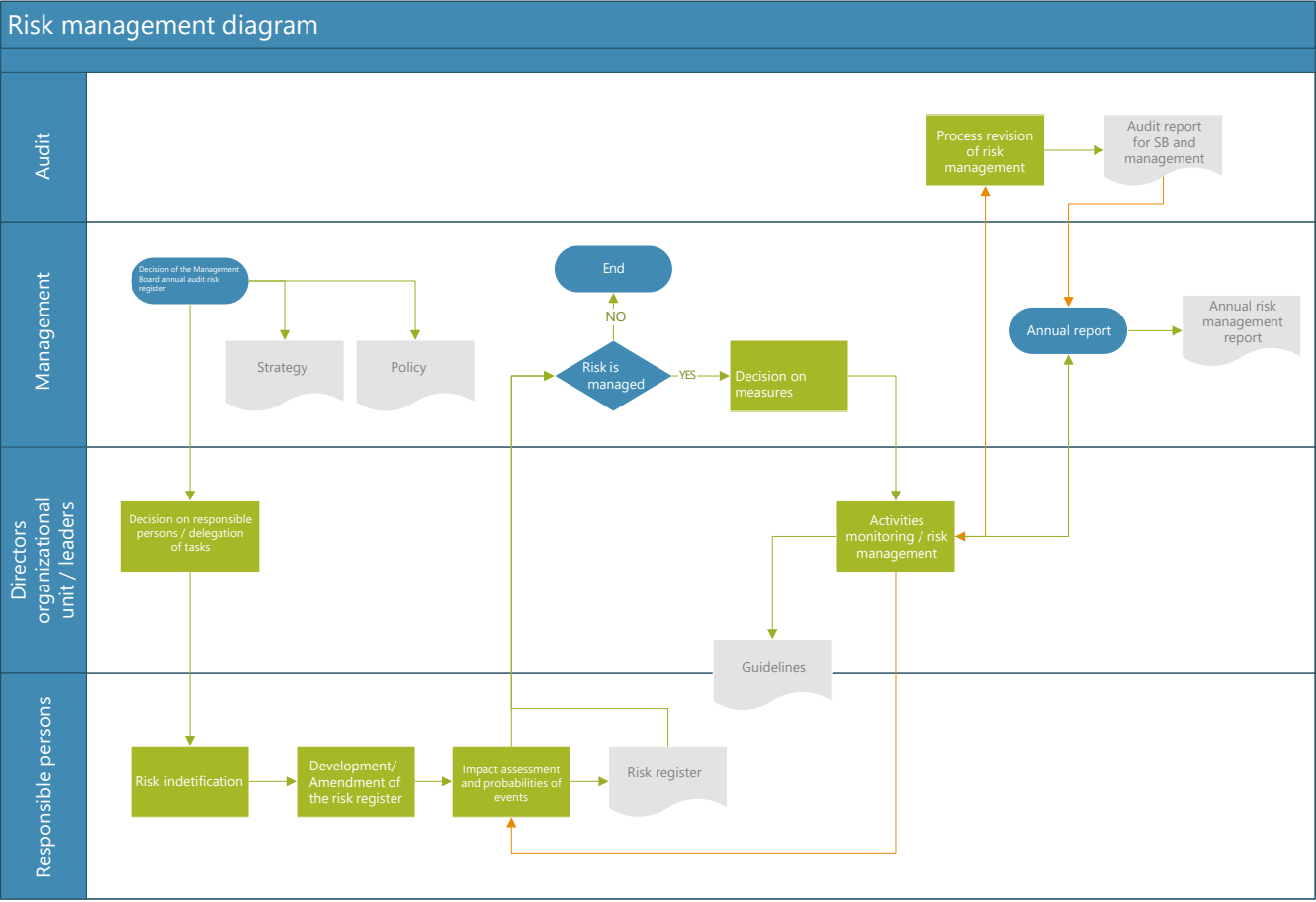
management

In our business, we strive to promote a work culture that demands an initiative-taking approach to risk management. We believe that the correct manner of risk management can create added value for the entire Group but also for our stakeholders with the aim being higher sustainability. The risk management strategy establishes the goals and main principles of taking risks and risk management, as well as the tendency of the Group to take risks. It supports achieving the mission, vision, and strategic goals through threat and opportunity management and creates an environment that supports and enables the realisation of strategic goals.

On the other hand, the Risk Management System Rules prescribe the risk management system in detail and the risk management function itself, while it also strives to ensure correct and efficient business but also the reduction of the risks arising out of regular business. The risk management diagram is shown below.



Risk management diagram



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.

RISK

management

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.

COLLABORATION AND 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



[102-42] [102-44]

Table of stakeholders

Stakeholders	Key topics of interest	Communication channels
Employees	Working conditions, stability and success of business, occupational safety, benefits, career development	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

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.



OUR employees

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 deplores 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.





CROATIA

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2021 [GRI 102-8]

M SAN GRUPA

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
124	59	14	3
TOTAL MEN		TOTAL WOMEN	
138		62	

M SAN LOGISTIKA

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
97	13	27	4
TOTAL MEN		TOTAL WOMEN	
124		17	

MR SERVIS

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
64	20	3	0
TOTAL MEN		TOTAL WOMEN	
67		20	

M SAN EKO

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
1	1	0	0
TOTAL MEN		TOTAL WOMEN	
1		1	

In 2021, the Group had 734 employees, out of which, according to the type of contract, 642 were employed for an indeterminate period of time (87.47%), while 92, i.e., 12.53% of them were employed for a temporary period of time. Most of the employees, precisely 430 (58.58%) of them were employed in Croatia, followed by Serbia with 134 (18.26%) employees, Bosnia and Herzegovina with 103 (14.03%), Macedonia with 42 (5.72%), and Montenegro with 25 (3.41%) employees.



BOSNIA AND HERZEGOVINA

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2021 [GRI 102-8]

KIM TEC

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
60	11	7	0
TOTAL MEN		TOTAL WOMEN	
67		11	

KIM TEC – SERVIS

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
19	0	3	0
TOTAL MEN		TOTAL WOMEN	
22		0	

KIM TEC ECO

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
3	0	0	0
TOTAL MEN		TOTAL WOMEN	
3		0	



SERBIA

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2021 [GRI 102-8]

KIM TEC

INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
73	26	14	2
TOTAL MEN		TOTAL WOMEN	
87		28	

KIM TEC – SERVIS

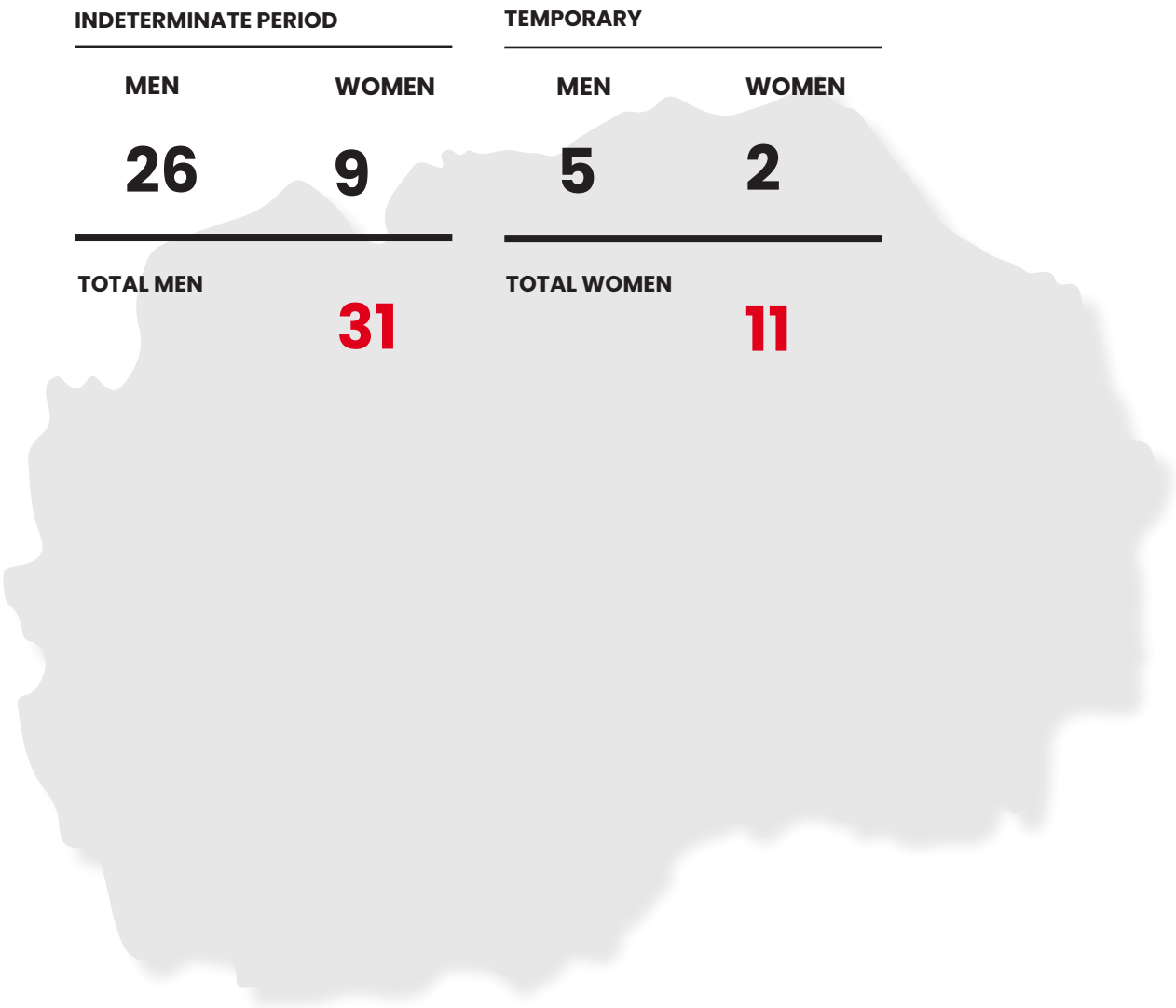
INDETERMINATE PERIOD		TEMPORARY	
MEN	WOMEN	MEN	WOMEN
14	3	1	1
TOTAL MEN		TOTAL WOMEN	
15		4	



MACEDONIA

NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2021 [GRI 102-8]

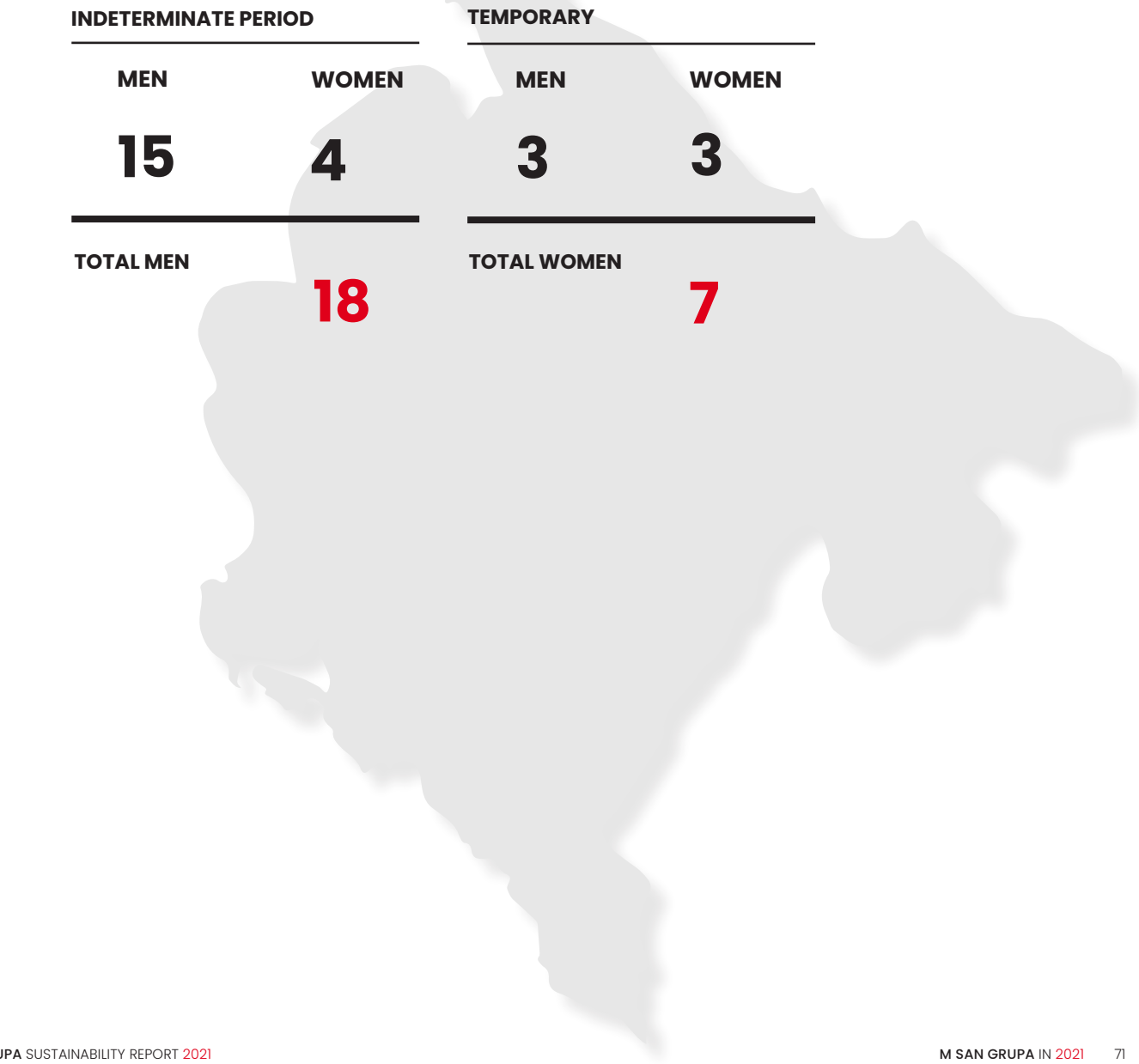
KIM TEC



MONTENEGRO

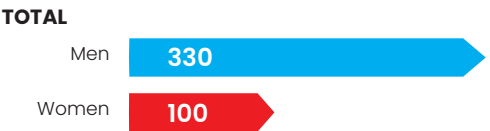
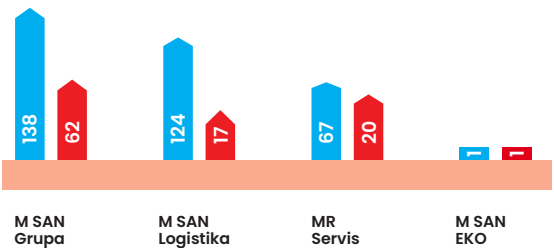
NUMBER OF EMPLOYEES WITHIN THE WHOLE GROUP BY COUNTRY BY TYPE OF CONTRACT IN 2021 [GRI 102-8]

KIM TEC

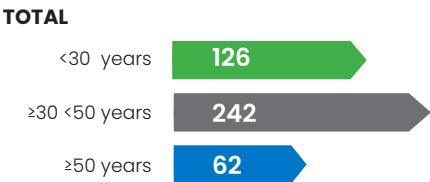
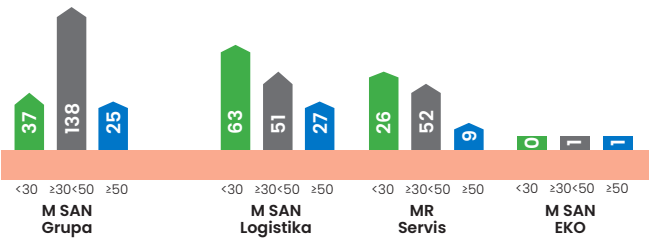


INFORMATION OF THE EMPLOYEES WITHIN THE GROUP IN THE REPUBLIC OF CROATIA IN THE REPORTING PERIOD

NUMBER OF EMPLOYEES WITHIN THE GROUP IN THE REPUBLIC OF CROATIA

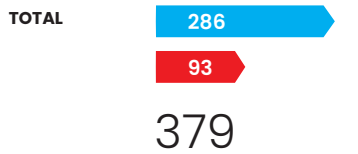
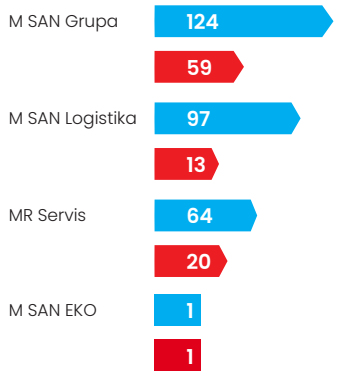


MANAGEMENT STRUCTURE ACCORDING TO AGE IN 2021

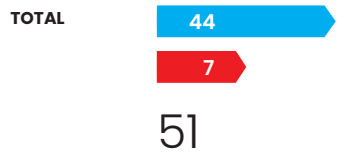
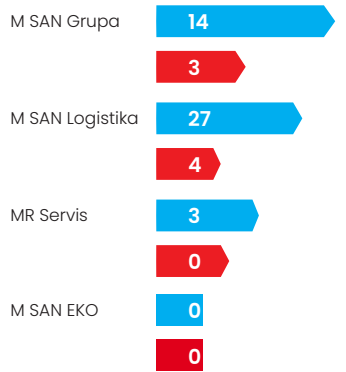


NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT

EMPLOYMENT CONTRACT FOR AN INDETERMINATE PERIOD OF TIME



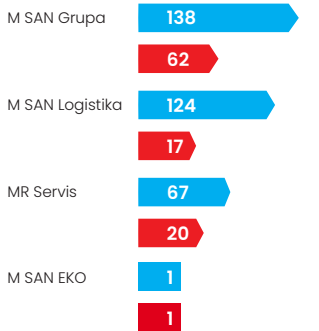
EMPLOYMENT CONTRACT FOR A TEMPORARY PERIOD OF TIME



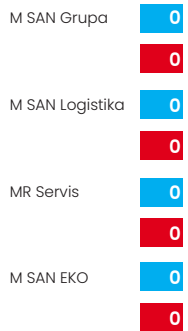
430
employee
within Groupe u 2021.

NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT

FULL-TIME



HALF-TIME (PART-TIME)

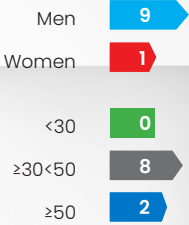


76.74% 23.26%
Men Women

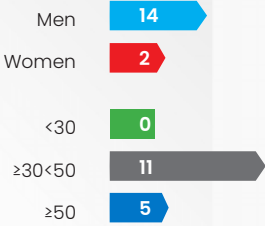
MANAGEMENT STRUCTURE ACCORDING TO SEX AND AGE

M SAN Grupa

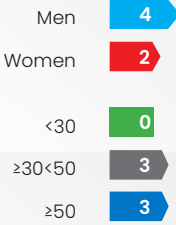
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT

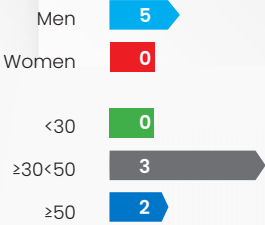


TOP MANAGEMENT

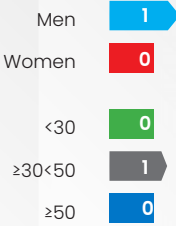


M SAN Logistika

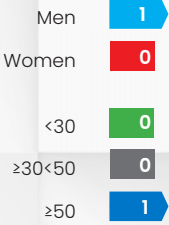
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT



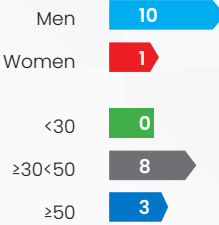
TOP MANAGEMENT



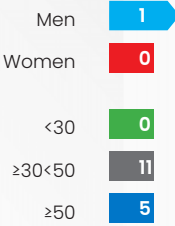
MANAGEMENT STRUCTURE ACCORDING TO SEX AND AGE IN 2021

MR Servis

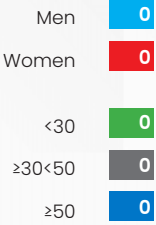
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT

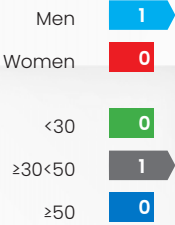


TOP MANAGEMENT

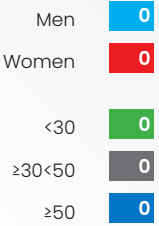


M SAN EKO

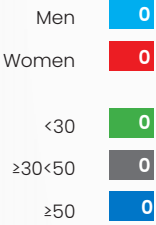
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT



TOP MANAGEMENT



MANAGEMENT STRUCTURE ACCORDING TO SEX IN 2021

MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT

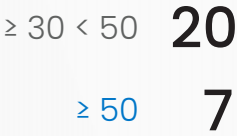


TOP MANAGEMENT

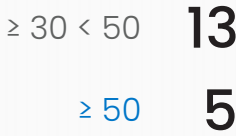


MANAGEMENT STRUCTURE ACCORDING TO AGE IN 2021

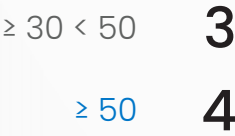
MIDDLE AND OPERATIVE MANAGEMENT



SENIOR MANAGEMENT



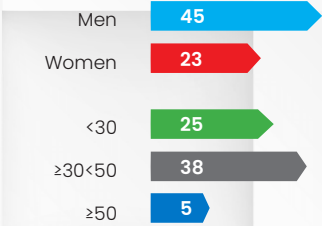
TOP MANAGEMENT



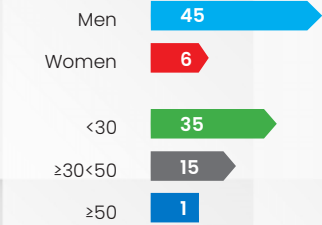
RECRUITMENT OF NEW EMPLOYEES AND EMPLOYEE FLUCTUATIONS

TOTAL NUMBER OF NEW EMPLOYEES DURING THE REPORTING PERIOD

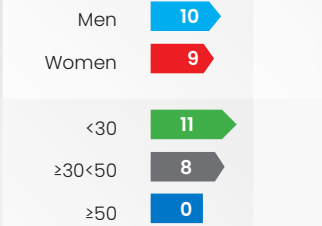
M SAN Grupa



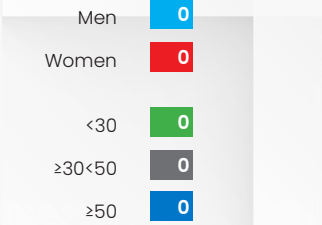
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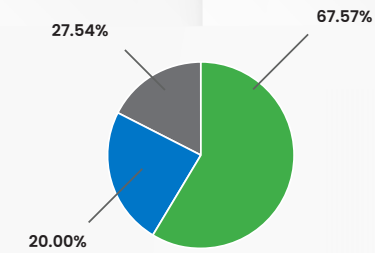
MR Servis



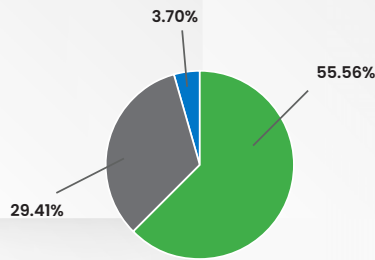
M SAN EKO



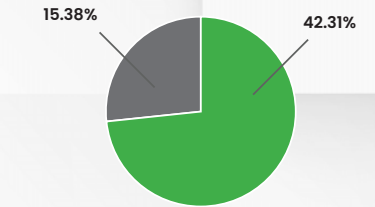
TOTAL PERCENTAGE OF NEW EMPLOYEES DURING THE REPORTING PERIOD



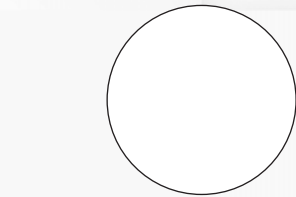
34.00%



36.17%



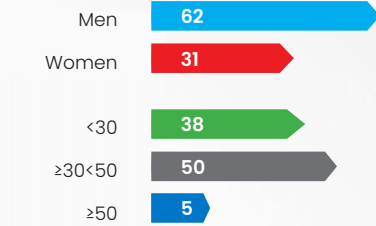
21.84%



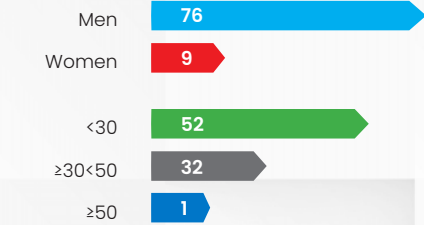
0%

TOTAL NUMBER OF EMPLOYEE FLUCTUATIONS DURING THE REPORTING PERIOD

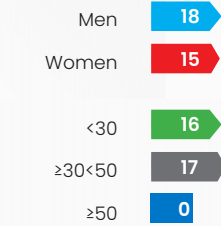
M SAN Grupa



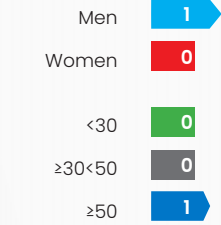
M SAN Logistika



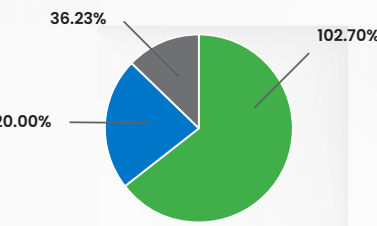
MR Servis



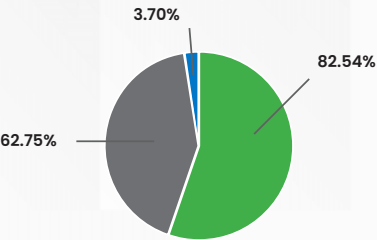
M SAN EKO



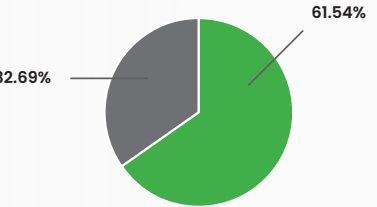
TOTAL PERCENTAGE OF NEW EMPLOYEES DURING THE REPORTING PERIOD



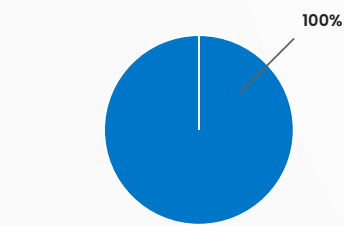
46.50%



60.28%



37.93%



50.00%

EMPLOYEE DEVELOPMENT AND SATISFACTION

We recognise our employees to be a particularly important part of the organisation that successfully achieves its own business goal and thereby, the goals of the Group in its entirety. Our employees represent the core capital, and our current success has been achieved thanks to the hard work of our employees, as well as their loyalty and desire to make M SAN better. In return, we strive to create a healthy and sustainable environment for the growth, development, and success by offering additional benefits and by offering possibilities for further professional development of our employees. At the same time, it is especially important to us that our employees have a work-life balance. As a sign of gratitude, M SAN has rewarded its most loyal employees in 2021 as well.

	M SAN Grupa	M SAN Logistika	MR Servis	M SAN EKO
10 – 15 years	26	20	12	1
15 – 20 years	29	18	8	1
20+ years	7	4	2	0

Number of employees kept within the Group in a period of 10 to 25 years

[401-3]

M SAN Grupa	Men	Women	Total
Total number of employees	138	62	200
Number of employees who have used the right to a paternity leave	0	7	7
Number of employees who have returned to work after the end of the paternity leave	0	7	7
Number of employees who have returned to work after the end of the paternity leave and who have remained employed 12 months after returning to work	0	6	6
The rate of return to work after the paternity leave	-	100%	-
The rate of retaining at work (12 months) after the return from paternity leave	-	85%	-

Number and structure of employees within M SAN Logistika who have used the right to maternity and paternity leave in 2021

M SAN Logistika	Men	Women	Total
Total number of employees	124	17	141
Number of employees who have used the right to a paternity leave	2	1	3
Number of employees who have returned to work after the end of the paternity leave	2	1	3
Number of employees who have returned to work after the end of the paternity leave and who have remained employed 12 months after returning to work	2	1	3
The rate of return to work after the paternity leave	100%	100%	-
The rate of retaining at work (12 months) after the return from paternity leave	100%	100%	-

Number and structure of employees within M SAN Logistika who have used the right to maternity and paternity leave in 2021

MR Servis	Men	Women	Total
Total number of employees	67	20	87
Number of employees who have used the right to a paternity leave	1	3	4
Number of employees who have returned to work after the end of the paternity leave	1	3	4
Number of employees who have returned to work after the end of the paternity leave and who have remained employed 12 months after returning to work	1	3	4
The rate of return to work after the paternity leave	100%	100%	-
The rate of retaining at work (12 months) after the return from paternity leave	100%	100%	-

Number and structure of employees within MR Servis who have used the right to maternity and paternity leave in 2021

M SAN EKO	Men	Women	Total
Total number of employees	1	1	2
Number of employees who have used the right to a paternity leave	0	0	0
Number of employees who have returned to work after the end of the paternity leave	0	0	0
Number of employees who have returned to work after the end of the paternity leave and who have remained employed 12 months after returning to work	0	0	0
The rate of return to work after the paternity leave	-	-	-
The rate of retaining at work (12 months) after the return from paternity leave	-	-	-

Number and structure of employees within M SAN EKO who have used the right to maternity and paternity leave in 2021

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 2021 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.



Some of the set criteria for the progress of employees include excellence in business, dedication to work, adopted business ethics, and stability and the desire to learn. Clear rules for annual assessment and target setting are being prepared and M SAN intends to implement them in the current year, 2022. The rules for awarding bonuses to employees in the Department of Sales and Procurement are structured, whose goals and key performance indicators were defined by organisational unit directors in cooperation with managers.



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 and Magenta 1 B2B Run.

Due to being prevented by the pandemic, our last teambuilding was held in 2019 in Sv. Martin na 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:

- Multisport card
- new-born baby gift
- Christmas gift (Christmas bonus and other symbolic gifts))
- gift for employees' children (parents of children that are under 15 years of age have the right to a gift voucher and a bonus per child for a present for Saint Nicholas)

EMPLOYEE INCLUSION

In 2021, our goal was to protect the health of our employees and with this goal in mind, we continuously monitored the number of infected and provided support to persons who had severe health issues as a consequence of COVID-19 or other illnesses. Therefore, the Group has not conducted research about the satisfaction of its employees in the reporting period, however, it will present new research in the next reporting period.

HEALTH AND SAFETY

M SAN emphasises the health and safety as two fundamental workplace values every day. In accordance with that, in the reporting period, Multisport organised the Days of Health, i.e., a free training workshop on the topic of health, nutrition, and workout that promotes a healthier way of life, and every employee had the opportunity to participate. Medical examinations for employees who work in places with special working conditions were organised. During the COVID-19 pandemic and after a series of earthquakes in Petrinja, we put the health of our employees first. We took care within the company, encouraged employees, provided help and support through all internal communication channels.

An additional programme of support for parents during the pandemic was established with the aim to establish a balance between business and private activities for parents, with a particular emphasis on mothers with small children who work from home. The

understanding and support were mutual – the employees endeavoured to perform their work activities as effectively as possible, while we, as the employer, provided maximum support and understanding to our employees. Despite the policy being applied to the entire company, different work environments required different strategies. Directors of organisational units and managers were able to determine the modality of the work completely independently from home to their organisational units, while having in mind that only they have the full knowledge of the needs and obligations of their teams and possibilities, i.e., the manners in which they are performed.

Only the employees of M SAN Logistika d.o.o., due to the nature of their work and the business activity had to perform business activities at their workplace. Even though we were not too optimistic with regards to the flexible model of work and work from home, our business has shown to be efficient and successful, of which we are extremely proud.



HEALTH PROTECTION, OCCUPATIONAL SAFETY, AND EMPLOYEE TRAINING

M SAN complies with all safety instructions and legislative regulations regarding occupational health and safety. Within the Group, we drafted the Occupational Health and Safety Rules, as well as the Employee Training Programme. Occupational health and safety are one of the key interests of every company, which also includes our Group. By conducting and continuously improving occupational health and safety, we strive to achieve a condition without accidents and stoppages, i.e., we strive to protect the life and health of our employees. Furthermore, within the system of occupational health and safety, the training of employees for safe work has a special meaning as one of the most efficient measures of successful prevention of workplace injuries. M SAN's employees first have to pass the theoretical part of the training, followed by the practical part and, in the end, the training programmes are conducted.

Corresponding documentation is available to all employees via the intranet. All of the regulations within the Group seek to reduce the number of workplace injuries, which can be seen from the small number of injuries in the reporting period. We strive to keep existing measures but also to increase the level of workplace security and to reduce the number of injuries to a minimum. During the reporting period, we only had 4 workplace injuries within the Group, while the details have been presented in the tables below.



[403-9]

M SAN Grupa ²		
Workplace injuries within M SAN Grupa	Total number of workplace injuries	2
	Number of deaths as a consequence of workplace injuries	0
	Number of workplace injuries with heavy consequences (excluding deaths)	0
	Number of noted workplace injuries	2
	Number of hours worked	300,040.3
	Heavy-consequence workplace injury rate (excluding deaths)	0

Workplace injuries within M SAN are related to a sprained ankle and traffic accident. In order to reduce the risks and other workplace hazards, employees are taught how to work in a safe manner, they take occupational health and safety exams, and are provided with impeccable means of work.

M SAN Logistika ³		
Workplace injuries within M SAN Logistika	Total number of workplace injuries	2
	Number of deaths as a consequence of workplace injuries	0
	Number of workplace injuries with heavy consequences (excluding deaths)	0
	Number of noted workplace injuries	2
	Number of hours worked	282,115.8
	Heavy-consequence workplace injury rate (excluding deaths)	0

Workplace injuries within M SAN Logistika are related to fist injuries. In order to reduce the risks and other workplace hazards, employees are taught how to work in a safe manner, they take occupational health and safety exams, are submitted to a mandatory medical examination, are provided with impeccable means of work, apply protective equipment as needed, and have to pass the forklift handling training.

The newest health and safety issues and procedures are communicated to our employees through trainings, i.e., the e-learning system conducted by persons appointed and responsible for training.

¹ M SAN Grupa calculates its risk with the following equation: probability of hazard + consequence = risk. The calculated risk represents the main information for risk assessment. For example, there are workplaces with low probabilities but heavy consequences, which results in medium-level risk employment. Second example: there are workplaces with high probabilities and medium-level consequences, which results in high-risk employment. Therefore, we consider that our methodology is different, considering that you are searching only for heavy consequences but do not take other factors into consideration. All workplaces are medium to low-level risk workplaces. This methodology has been described in the Risk Assessment Rules (Risk Assessment Drafting Rules) brought by the Ministry of Labour.

² M SAN Logistika calculates its risk with the following equation: probability of hazard + consequence = risk. The calculated risk represents the main information for risk assessment. For example, there are workplaces with low probabilities but heavy consequences, which results in medium-level risk employment. Second example: there are workplaces with high probabilities and medium-level consequences, which results in high-risk employment. Therefore, we consider that our methodology is different, considering that you are searching only for heavy consequences but do not take other factors into consideration. This methodology has been described in the Risk Assessment Rules (Risk Assessment Drafting Rules) brought by the Ministry of Labour.

[403-1]

The occupational health and safety management system within the Group was implemented in accordance with the requirements of the Labour Act, Occupational Health and Safety Act, and relevant by-laws. M SAN has prepared a document named Risk Assessment, describing the activities and workplaces covered by the occupational health and safety management system.

The risk assessment was performed by ATEST KONTROLA in 2017, a company qualified to assess the risks related to occupational health and safety. ATEST KONTROLA is currently conducting a revision of the risk assessment due to changes that happened since 2017, primarily in relation to new workplaces.





IMPACT OF THE BUSINESS on environment protection

6.1.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 the Permits for performing the activity of waste management, both hazardous and non-hazardous, issued by the Ministry of Environmental Protection, Spatial Planning and Construction (2009), the Ministry of Environmental and Nature Protection (2015) (today, the Ministry of Economy and Sustainable Development) and the Zagreb County, Administrative Department for Spatial Planning, Construction, and Environmental Protection, Environmental Protection Section.

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 as the foundation of sustainable development. The Group does business on leased premises, while the owner of the real estate is M SAN Nekretnine d.o.o. Therefore, even though we are not the owners of the real estate in which we do business because of decisive influence factors, we continuously initiate improvements through lease and the connection, and we invest in the improvement of our energy efficiency and sustainability. We maintain that we have largely contributed to the energy efficiency ambitions by now, but we also continue further with our efforts and work, which we have proved by using energy from renewable sources. We decided to invest in renewable energy sources two years ago in order to contribute to the European strategy of reducing greenhouse gas emissions (the European Green Deal). Even though the strategy of environmental, social, and

management sustainability of the Group is being drafted currently, we have taken significant steps in the reporting year in relation to the issue of energy efficiency. Some of conducted activities in which we have participated in according to our own share in the lease are:

- Photovoltaic power plant with a power of 275 kWp¹ has been placed on the roof of the business building in Buzin (on an annual level, the offices use 15% of electricity from renewable sources)
- Projects have been created, financing has been agreed on, and approvals acquired for the construction of a photovoltaic power plant with a power of 417 kWp on the roof of DLC Rugvica.
- all the lighting was replaced by LED lighting², by taking into consideration the facts regarding the cost-effectiveness of the

lighting

- the upgrade to the HVAC system³ is underway in order to use an ozone acceptable gas
- electric vehicle charging stations are currently being placed
- we have an office lighting energy saving system and an energy saving HVAC regime.

Electric energy produced by the photovoltaic power plant is primarily used within the business building and during periods of higher energy production in relation to the consumption of the object, the excess electrical energy is transferred to the public distribution network. The arrangement of photovoltaic modules on roof surfaces ensures maximum utilisation. We plan to introduce the use of renewable energy sources on all available locations within the Group that meet the energy conditions and to become CO2 neutral.

¹kWp, i.e., kilowatts peak – the measure of solar energy in the photovoltaic (PV) industry

²LED, i.e., light emitting diode

³HVAC system – heating, ventilation, and air conditioning system

Total energy consumption within the Group in the Republic of Croatia

	M SAN Grupa ⁷		M SAN Logistika ⁸		MR Servis ⁹		M SAN EKO ¹⁰		GRUPA	
Value	MWh ¹¹	GJ ¹²	MWh	GJ	MWh	GJ	MWh	GJ	MWh	GJ
Total energy consumption from non-renewable energy sources (natural gas)	65.70	236.50	50.65	182.33	36.89	132.79	0.30	1.08	153.53	552.71
Total energy consumption from renewable energy sources (solar energy)	11.91	42.88	0	0	0	0	0	0	11.91	42.88
Total energy consumption from own or purchased sources (electric energy)	192.68	693.65	121.46	437.25	88.46	318.44	0.72	2.60	403.32	1,451.94
Total energy consumption in the organisation according to the model	270.29	973.03	172.11	619.58	125.34	451.23	1.02	3.68	568.76	2,047.52

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 (4th September 2015). Considering that the waste management facility in Rugvica belongs to Zagreb County, we acquired the Permit for non-hazardous waste from the county office (29th December 2015). 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.

On those grounds, the process of revision of the existing Permits was started in 2020 and we acquired the non-hazardous waste permit on 29th December 2020, while the proceedings before the Ministry are still being held (we expect it will be acquired soon).

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 [306-4]		
Type of waste (key number)	Total mass of waste redirected from disposal in metric tonnes (t)	Location
16 02 11* (Disposed equipment containing chlorofluorocarbons, HCFC, and HFC)	17,252	Rugvica
16 02 13* (Disposed equipment containing hazardous components that is not specified under 16 02 09 to 16 02 12)	38,622	
20 01 21* (Fluorescent pipes and other waste containing mercury)	0,019	
20 01 23* (Disposed equipment containing chlorofluorocarbons)	0,9	
20 01 35* (Disposed electrical and electronic equipment not specified under 20 01 21 and 20 01 23, containing hazardous components)	1,504	
08 03 18 (Waste printing toners not specified under 08 03 17)	0,15	Buzin
16 02 16 (Components extracted from disposed equipment not specified under 16 02 15)	0,95	
15 01 01 (Paper and cardboard packaging)	0,76	
08 03 18 (Waste printing toners not specified under 08 03 17)	0,085	
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)	0,034	Buzin
Total	60,276	

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

M SAN Logistika	
Waste category	Total mass of waste redirected from disposal in metric tonnes (t)
15 01 01 (Paper and cardboard packaging)	73,71
15 01 02 (Plastic packaging)	13,76
15 01 03 (Wood packaging)	51,1
Total	138,57

Total mass (t) of waste generated within MR Servis

MR Servis	
Waste category	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)	23,504
16 02 11* (Disposed equipment containing chlorofluorocarbons, HCFC, and HFC)	9,91
16 02 16 (Components extracted from disposed equipment not specified under 16 02 15)	11,46
16 06 01* (Lead batteries)	0,944
08 03 18 (Waste printing toners not specified under 08 03 17)	0,315
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)	0,276
Total	46,409

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

M SAN EKO	
Waste category	Total mass of waste redirected from disposal in metric tonnes (t)
15 01 01 ¹³ (Paper and cardboard packaging)	6,1
16 02 13* (Disposed equipment containing hazardous components that is not specified under 16 02 09 to 16 02 12)	301,127
16 02 11* (Disposed equipment containing chlorofluorocarbons, HCFC, and HFC)	123,58
20 01 21* + (Fluorescent pipes and other waste containing mercury)	1,625
20 01 23* (Disposed equipment containing chlorofluorocarbons)	2,1
20 01 35* (Disposed electrical and electronic equipment not specified under 20 01 21 and 20 01 23, containing hazardous components)	25,523
16 02 14 (Disposed equipment not specified under 16 02 09 to 16 02 13)	0,195
16 02 16 (Components extracted from disposed equipment not specified under 16 02 15)	12,41
20 01 36 (Disposed electrical and electronic equipment not specified under 20 01 21, 20 01 23, and 20 01 35)	7,737
Total	480,397

¹³Key number 15 01 01 is related to generated waste, while all other categories are collected waste

Hazardous and non-hazardous waste within the Group

M SAN Grupa ¹⁴			M SAN Logistika ¹⁵		MR Servis ¹⁶		M SAN EKO ¹⁷		Total
	Total mass of waste disposed on company locations in metric tonnes	Total mass of waste disposed outside the company location in metric tonnes	Total mass of waste disposed on company locations in metric tonnes	Total mass of waste disposed outside the company location in metric tonnes	Total mass of waste disposed on company locations in metric tonnes	Total mass of waste disposed outside the company location in metric tonnes	Total mass of waste disposed on company locations in metric tonnes	Total mass of waste disposed outside the company location in metric tonnes	
Non-hazardous waste									
Recycling	1,945	0	138,57	0	11,775	0	0	26,442	178,732
Hazardous waste									
Recycling	58,331	0	0	0	34,634	0	0	453,955	546,92
Total waste redirected from disposal	60,276		138,57		46,409		480,397		725,652

¹⁴These key numbers (hazardous and non-hazardous waste) were selected from the waste remaining at two different locations, the registered office Buzin, and the warehouse 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 2 (warehouse in Rugvica) does not exceed these limits.

¹⁵These 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.

¹⁶These key numbers (hazardous and non-hazardous waste) have been selected from remaining waste. Competent companies took over our waste and we have not been informed of their business policy (reuse percentages, recycling, recovery, and similar). The information for hazardous waste exceeding 0.5 t and non-hazardous waste exceeding 20 t is collected in the global (Croatian) statistics (EPR), in our case, the headquarters is also an operational unit.

¹⁷These key numbers (hazardous and non-hazardous waste) have been selected from the waste remaining at two different locations, with the headquarters in Buzin (non-waste) and the warehouse 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 2 (warehouse in Rugvica) does 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:



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.

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 – we founded one of the largest servicing centres in this part of Europe. Through repairs within and after the warranty period, we prolong the life cycle of several tens of thousands of electrical and electronic devices annually. In 2021, there were 35,254 products serviced within the warranty period, while that number was 29,465 in 2020, which represents a significant increase in the number of repaired products when compared with previous years. On the other hand, there were 11,615 products serviced after the warranty period in 2021, while there were 11,130 in 2020. The basis of the business of MR Servis is the servicing of product, but also the manner in which we prolong the life cycle of the product, so it does not end up as waste.

iii. M SAN EKO – we founded a company for EE waste management and by doing so, we provided our partners with the possibility to collect their EE waste. In order to additionally reduce the negative impact on the environment, i.e., the CO2 emissions, we use the service of return tours of M SAN Logistika.

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.

Even though MR Servis is a part of the Group, we create numerous partnerships in the servicing network as well (more than 100 companies) and supply them with spare parts, servicing, and technical manuals in order to make the common goal easier for them – prolonging the life cycle of a product. We service several tens of thousands of products annually so that they would not be replaced by new ones or end up on the landfill. We consider this a very important part of our business through which we can positively impact the environment in a more significant manner than through the manufacture of the products that we distribute itself. The table below presents the number of processed returns received by MR Servis in 2020 and 2021. In total, in both years an almost equal number of returns was received, while there is a visible reduction in the number of rejected returns in 2021. Also, the number of products for write-off has been reduced in 2021, as well as the number of products returned to the manufacturer.

Processed returns in MR Servis in 2020 and 2021

Processed returns in MR Servis		
Year received:	2020.	2021.
Return rejected	211	172
Write-off product	2,929	2,883
Product returned to sale	1,470	1,154
Product returned to discounted sale	4,112	4,730
Product returned to manufacturer	1,643	1,589
Total	12,385	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. As part of the road towards achieving the promise, we have undertaken significant obligations in order to achieve our ambitions, i.e., in 2021, our primary focus was on renewable energy sources. A photovoltaic power plant with a power of 275 kWp has been placed on the roof of the business building in Buzin, while in the first quarter of 2022, the placement of a photovoltaic power plant on the site at Rugvica was started as a planned investment and project for 2022. Electric car charging stations were placed in front of the business building in Buzin.

Four more charging stations are planned and will be used during the test period. The charging of electric cars is currently free and available to all. The first electric vehicle has been ordered, while in the near future, we intend to replace company vehicles that are used for local deliveries with electric ones. In our future plans and strategies, we will definitely take into consideration the replacement of other fleet segments with electric vehicles so we could contribute to the reduction of our negative influence on the environment in that manner as well. In order to achieve the above-mentioned goal, i.e., the reduction of the environment pollution impact, we encourage employees to use bicycles as a means of transportation, which is why we also placed parking spots for bicycles in front of our business buildings. Our business premises have been made more energy efficient by replacing all lighting with LED lighting. The replacement of the entire cooling and heating system is also planned.

Some of the investments that we plan to undertake in the near future:

- 2022 – charging stations for electric cars with solar panels
- 2022 – photovoltaic power plant with a power of 417 kWp on the building of the distribution centre in Rugvica
- 2022 – new containers for EE waste
- 2022 – manufacturing plant for the manufacture of LED lighting for street lighting
- 2023 – production line of electric vehicle car batteries.

A comparison of the current photovoltaic power plant on site in Buzin and the one being prepared on site in Rugvica can be found in the table below.

Fotonaponska elektranau Buzinu i Rugvici

	Photovoltaic power plants	
	Buzin	Rugvica (TBD 2022.)
Installed power (kWp)	275	417
Direct current (kW ¹⁸)	215	380
Production (kWh/y ¹⁹)	257.659	422.541
Avoided CO2 emissions (kg/y ²⁰)	51.530	158.875
On-site consumption (kWh/y)	1.615.684	1.419.590
Self-sufficiency rate	15.9%	29.8%



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

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

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

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.

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

SHARE OF TURNOVER FROM PRODUCTS OR SERVICES
ACCORDANT WITH EU TAXONOMY FOR 2021

Economic activities	Code	Total	share	Criterion of significant contribution to environmental objectives	
		Currency HRK	%	Climate change mitigation	Climate change adaptation
A. ELIGIBLE ACTIVITIES BY TAXONOMY (A.1 + A.2)		44.2	1.6%	44.2	-
A.1 Environmentally sustainable activities (compliant with Taxonomy)		44.2	1.6%	44.2	-
A Business of personal mobility devices, bicycle logistics		44.2	1.6%	44.2	-
A.2 Private activities that are not environmentally sustainable (not compliant with Taxonomy)		-	0.0%	-	-
A			0.0%		
B. UNACCEPTABLE ACTIVITIES ACCORDING TO TAXONOMY		2,676	98.4%	2,676	-
Turnover of ineligible activities according to Taxonomy		2,676	98.4%	2,676	-
TOTAL (A+B)		2,720	100.0%	2,720	-

SHARE OF OPERATING EXPENDITURE (OPEX)
ACCORDANT WITH EU TAXONOMY FOR 2021

Economic activities	Code	Total	share	Criterion of significant contribution to environmental objectives	
		Currency HRK	%	Climate change mitigation	Climate change adaptation
A. ELIGIBLE ACTIVITIES BY TAXONOMY (A.1 + A.2)		-	0%	-	-
A.1 Environmentally sustainable activities (compliant with Taxonomy)		-	0%	-	-
A.2 Private activities that are not environmentally sustainable (not compliant with Taxonomy)		-	0%	-	-
A			0%		
B. UNACCEPTABLE ACTIVITIES ACCORDING TO TAXONOMY		281,293	100%	281,293	-
Turnover of ineligible activities according to Taxonomy		281,293	100%	281,293	-
TOTAL (A+B)		281,293	100%	281,293	-

SHARE OF CAPITAL EXPENDITURE (CAPEX)
ACCORDANT WITH EU TAXONOMY FOR 2021

Economic activities	Code	Total	share	Criterion of significant contribution to environmental objectives	
		Currency HRK	%	Climate change mitigation	Climate change adaptation
A. ELIGIBLE ACTIVITIES BY TAXONOMY (A.1 + A.2)		20,659,339	24.4%	20,659,339	-
A.1 Environmentally sustainable activities (compliant with Taxonomy)		-	0.0%	-	-
A.2 Private activities that are not environmentally sustainable (not compliant with Taxonomy)		20,659,339	24%	20,659,339	-
7.2 Renovation of existing buildings		20,659,339	24.4%	20,659,339	-
B. UNACCEPTABLE ACTIVITIES ACCORDING TO TAXONOMY		64,160,029	75.6%	64,160,029	-
CAPEX unacceptable activities according to taxonomy		64,160,029	75.6%	64,160,029	-
TOTAL (A+B)		84,819,369	100.0%	84,819,369	-



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 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.

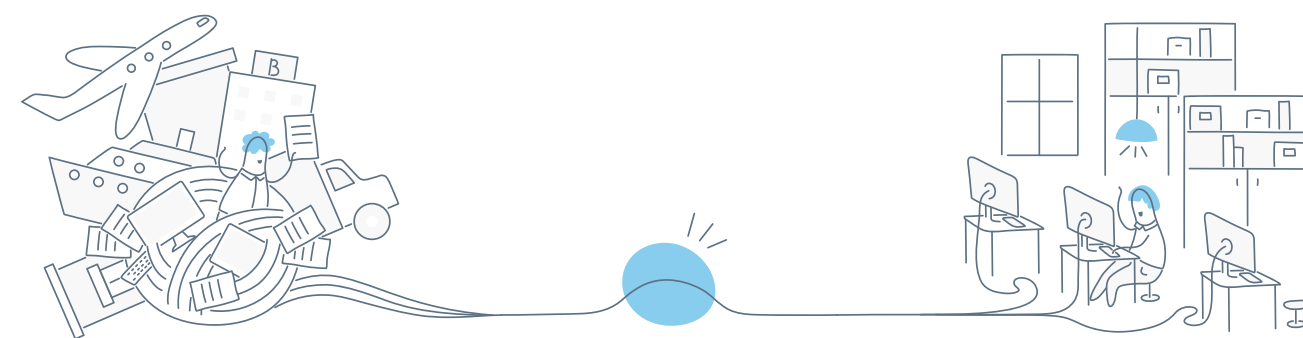
The suppliers that we have already contracted with and who are related to a range of a private brand, are visited at every order so we could have constant control over the quality of the product. All products must pass the check of the Quality Control Department before they are placed on the market.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

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]

In 2021, M SAN only had one product non-compliance incident within the Republic of Croatia. The proceedings before the Administrative Court are ongoing and, in accordance with the outcome of the proceedings, this item shall be addressed in the 2022 report. M SAN has also had a product non-compliance incident related to the standards of the Hungarian legislation, considering that Hungary applies stricter standards for certain products than the rest of the EU, where our product has been sampled as compliant. Due to the above-mentioned, an action was imposed to recall the non-compliant product from the Hungarian market, as well as a prohibition to place it on the Hungarian market.

RESPONSIBLE PRODUCT MANAGEMENT AND CUSTOMER SUPPORT

In order to be more available to users of our products, we made it possible to have direct contact through social networks and forms on websites of our brands. Our sales partners often times forward the inquiries of end users and we always respond as soon as possible to them. However, the communication with the largest scope with the end users of our products is through the servicing support. We provided servicing and technical support on more levels. .

The largest volume of servicing and technical support activities for our products is related to MR Servis, however, we also organised a wide network of service partners with the support of whom we cover all locations in Croatia. We continuously increase the number of our service partners in order for our servicing network to be as efficient as possible. Every year, we organise the VIVAX Cool Day for our partners and authorised servicing centres in order to present and bring them closer to new products, as well as to provide solutions related to technical issues.

For certain product groups from the range of our brands, such as VIVAX air conditioners and appliances, we ensure and keep key spare parts for a minimum of five years, thus prolonging the period of use of the product. In order to highlight our dedication to the quality of the product and care for end users, we extended the duration of the warranty from two to five years for products such as air conditioners, refrigerators, and freezers.

RESPONSIBLE PARTNER COMMUNICATION POLICY

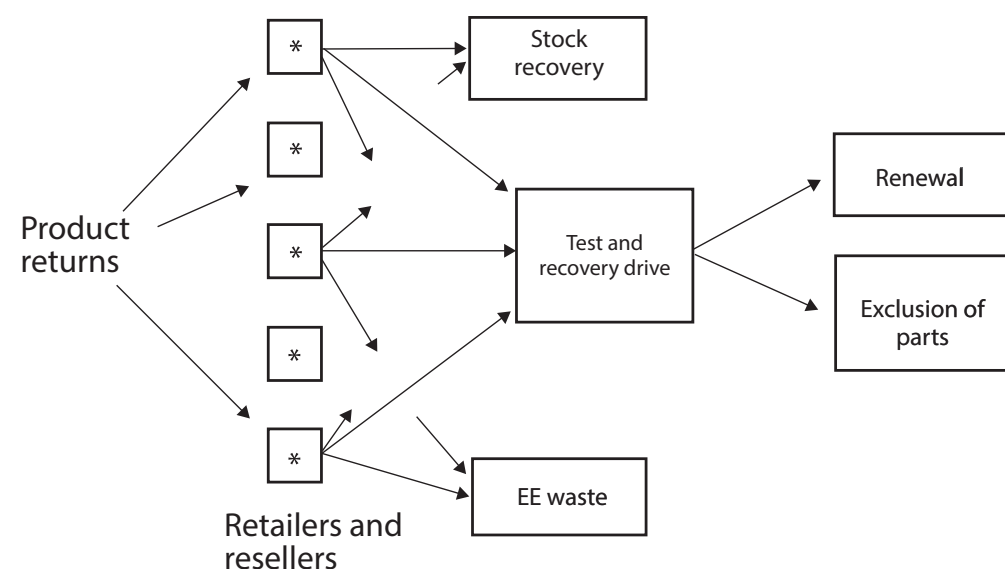
Each of our sales partners (customers) has an assigned sales representative to whom he/she can always directly contact. We share the range of products, specifications, images, energy labels, and safety data sheets with our partners. We also provide them with administrative, technical, and financial support, 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. e.



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.

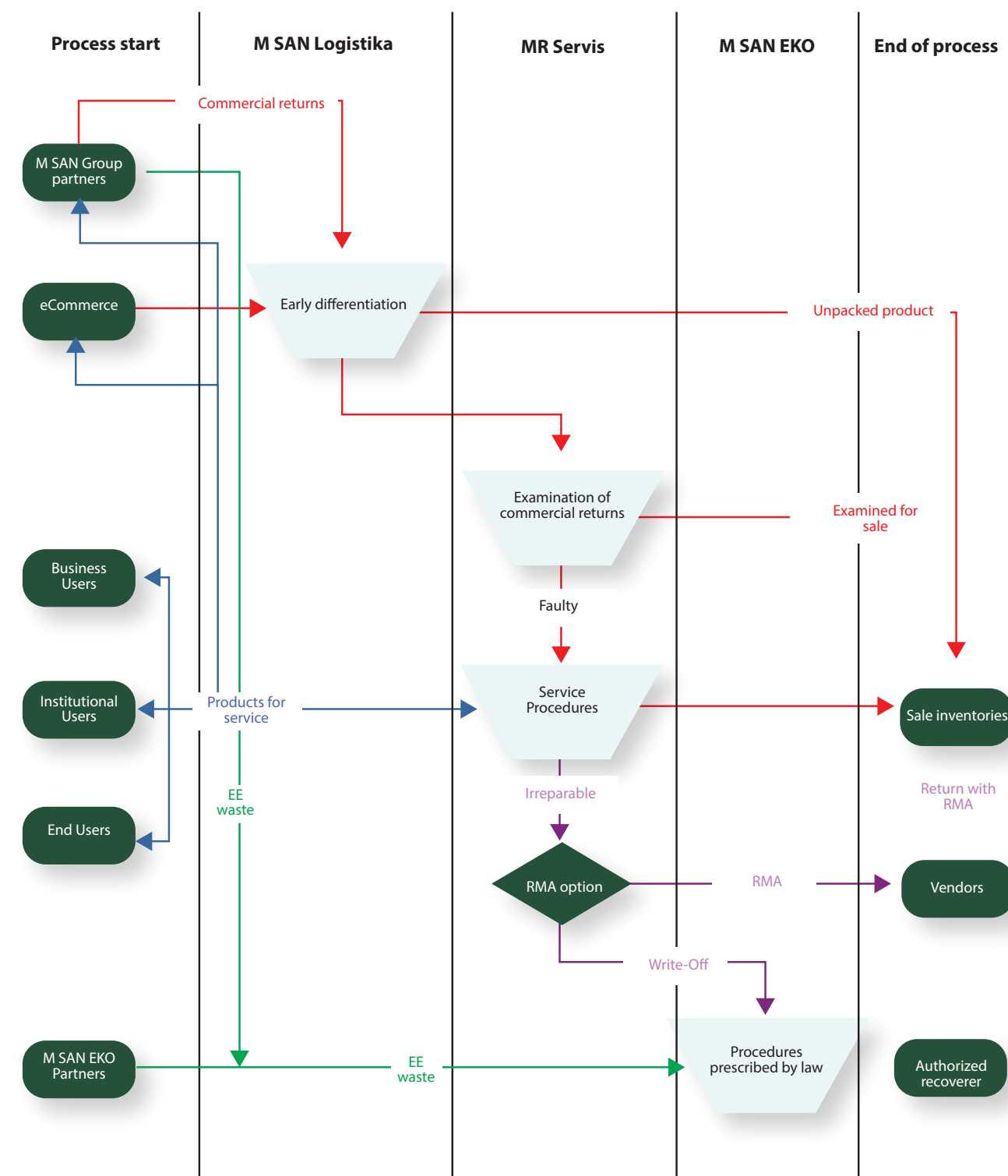


General model - decentralised, responsive, and reverse supply chain

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:

- commercial returns
- products for servicing
- 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 2021 AND LAUNCHED INNOVATIONS

Tijekom 2021. godine fokusirali smo se na proizvode „zelene energije“. Znatno smo uložili u promociju MS. Over the course of 2021, we focused on “green energy” products. We have invested significantly to promote the MS Energy brand (electric bicycles, electric scooters, and other products). MS Energy is a well-known brand on the market, and we believe there is additional space for growth in this category. As regards the social campaigns, we organised an event in collaboration with one of our customers where we presented electric scooters and electric bicycles. The goal of the promotion was to present our range to a wider public and to acquaint them with the benefits of electric vehicles.

Solar systems are a novelty in our range. They represent a field in which we constantly educate ourselves and learn. By expanding on the market and connecting with a large number of partners and suppliers, we acquire useful information. At this moment, we still do not have our own technology, however, we plan larger investments and the development of our own products in the future.

Our goal is to grow in the following categories:

- e-mobility (electric bicycles, electric scooters, electric motorcycles)
- solar systems (panels, inverters, batteries).



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.

CUSTOMER SATISFACTION

Owing to COVID-19 and a series of earthquakes (market circumstances), we were unable to conduct a customer satisfaction survey in 2021, however, we would like to emphasise that it will be conducted in the future and that new information will be presented in the Sustainability Report for 2022. The last survey has been conducted in 2020 and 93 partners participated in it, which makes up for 63% of partners. Topics that were addressed were the range of products, collaboration with sales, logistics and MR Servis, B2B web-shop, habits of buying from M SAN, and communication channels. The partners have rated the following areas with the highest possible grade:

- the wide range and diversity of brands in relation to other suppliers
- satisfaction with the communication and the speed of responding to sales representative's inquiry, i.e., the assigned Key Account Manager, Account Manager, Project Manager, or sales assistant.
- the satisfaction with the speed and accuracy of product delivery
- the satisfaction with the collaboration with M SAN Logistika.

The partners highlight that everyday delivery is an advantage of M SAN Logistika, while 85% of them uses mentioned services. When buying M SAN products, 39% of partners start their purchase by getting into contact with the Key Account Manager and the Account Manager. 52% of partners prefer purchasing through the B2B web-shop.

Pursuant to the conducted survey and analysed answers by our respondents, we conclude that there is room for further progress and improvement in some of the categories of our business. Considering that almost 53% of the partners were not informed of the possibility of collecting electronic waste through M SAN Logistika, we intend to make more efforts in that area over the next year. In addition, we intend to work on the communication of our customer support in MR Servis and the services of MR Servis in order for the total satisfaction of our partners to be as high as possible over the coming years.

COMMUNITY HELP

In 2021, the Group focused on responsibility and health awareness as a member of the community. It was a year in which we mostly focused on the safety and health of our employees who have, as always, been at the centre of our focus, particularly during the COVID-19 pandemic and a series of earthquakes. In difficult moments that all of us found ourselves in, we made the maximum effort possible to ease newly arisen situations and have prepared useful Mindfulness materials for our employees on how to behave in stressful situations and how to maintain mental fortitude in those moments.

SOLIDARITY FUND AND CALORIES BURN CHALLENGE

Following numerous earthquakes that marked 2021, we strived to provide our employees with the maximum help and support possible. Immediately after the earthquake, we telephoned all of our employees in affected areas in order to check how could we help them. Very soon, as part of the project to help employees whose assets were destroyed in the earthquakes, a task force was created to coordinate the help to employees of the Group in the local community in the Petrinja area. The primary goal was to gather information and start initiatives, followed by the organisation, preparation, and distribution of resources in order to help those who were hurt. Furthermore, we established a Group Solidarity Fund through which funds were collected in the form of employee and company Management Board donations with the aim to help colleagues whose homes were affected during the earthquakes in Zagreb and Petrinja.

As part of the Fund, we also organised the Calories Burn Challenge, i.e., a sports challenge in which all of the Group's employees had the opportunity to participate. The goal of the challenge was to raise the quality of life of the Group's employees and to raise additional funds for the Solidarity Fund. The idea was to include as many employees as possible in the challenge itself and, through any form of workout, to burn as many calories as possible with joint efforts. Even though the challenge was primarily of a charitable nature, in order for us to make it even more interesting and to have as many

employees participating as possible, numerous prizes were provided for the most successful participants. Of course, the goal was to burn as many calories as possible over a period of 30 days. The calories were measured by a mobile application. A participation fee of 100 HRK per person was set to participate in the challenge and it was paid directly to the Solidarity Fund's account. In the Calories Burn Challenge, during the thirty-day-long activity, 66 employees burned 671,822 calories and they won numerous prizes.

The Solidarity Fund collected a total of 660,700 HRK, 160,700 HRK of which was collected through employee donations and 500,000 HRK through the donation made by the decisions of the Group's Management Boards. The Solidarity Fund project ended in September by distributing the collected funds.



COMMUNITY SUPPORT

We also provided necessary support to the local community in the Petrinja area and the members of the community whose assets were destroyed or damaged during the earthquakes. We donated 57 units of VIVAX air conditioners, 288 pieces of CyberPower electricity extension cords, 200 units of VIVAX electric plinth heaters with a power of 2 kW, and 100 small household appliances.



There is an internal system for community help initiative management within M SAN. Initiatives arise through a bottom-up approach, where initiatives are presented to the Management Board and are very often accepted and approved, but also through a top-down approach, i.e., through initiatives launched by the Management Board. The Group has a very open organisational culture and is always ready to participate in the launch of new initiatives and ideas, irrespective of the fact where or from whom do they come and their financial amounts.



STUDENT SUPPORT

We believe that young people are the future of our world, therefore, we support young people through various programmes. M SAN EKO is open for collaboration and provides the possibility to work there during their student and expert praxis. Collaboration has been established with the University of Zagreb, namely, the Faculty of Chemical Engineering and Technology, primarily with the course Eco-engineering, however, we are open to all other courses. During their expert praxis work, we strive to educate the students and introduce them to the world of business. When the praxis ends, they submit their student journal that is validated by their faculty mentor. More and more students apply every year, while mentors have recognised our company as a dependable partner.

M SAN Logistika, as the partner of the Polytechnic Velika Gorica, offers student praxis to the students of the course of Logistic Management and support and help in the drafting of their master's thesis. In order to further ease the situation for them, every student was assigned a corresponding mentor who is also available to them during the drafting of their masters' theses. By providing student praxis, we enable the students to gain an insight into how we manage logistics processes and systems as one of the leading distributors in Croatia. As part of field classes, the students also have the opportunity to visit M SAN Logistika and we also plan to expand our collaboration.

In 2021, we established an apprentice programme called M SAN STARTER. M SAN STARTER is a system of rotation in which the apprentice goes through all company departments within three months with the aim of focusing on the development of his/her own talent. In this manner, we wanted to provide equal opportunity to apprentices of economic and technical profession, i.e., to give them an opportunity to prove themselves and further perfect their knowledge and skills. The system of rotation is also a great opportunity for the organisational unit directors and managers to find great members for their teams. During the reporting period, we employed two apprentices who shall be included in the mentioned programme, while we already have approximately ten of them in the current year.

Before the COVID-19 pandemic, MR Servis regularly admitted high school students from technical schools for their mandatory school praxis.

I.A. – former student, current employee of M SAN Logistika

"My story in M SAN Logistika did not start such a long time ago but when I turn back the time a little, I could describe this experience as dynamic and encouraging. I personally used one of the numerous opportunities that was offered to me on the position of an apprentice warehouse worker at M SAN Logistika where, thanks to the opportunities and the support of my colleagues, I was promoted to the position of an expert logistics associate. Through my further progress, I reached the current position of the customs declarant."

I was familiar with M SAN since my early days, and it was even a part of my master's thesis. Therefore, after getting to know M SAN Logistika and other members in theory, I have had the opportunity to really become a part of M SAN, where I have decided to learn and develop my business skills and knowledge."

ABOUT THIS REPORT [102-50] [102-52] [102-53] [102-54]

With its first Sustainability Report, M SAN Grupa presents the economic, social, and environmental results to its stakeholders and the wider public for the financial year starting on 1st January and ending on 31st December 2021.

The report contains non-financial information regarding the sustainable business and impact of M SAN Grupa and its affiliates on key stakeholders, the community, and the environment and it has been prepared based on the internationally renowned framework for non-financial reporting, "GRI Standards: Core Option." These guidelines provide a framework for a consolidated approach to reporting, while maintaining the highest level of transparency and consistency. The standards enable the reliability and usefulness of information for the markets and the company. All presented information has been collected internally and verified, first by the employees responsible for certain areas of our business and then, they were verified by the management of the Group in order for them to be updated and accurate.

In its next Sustainability Report for 2022, the Group plans to include key stakeholders who make for an important pillar of our business and with their help, we will identify material topics and determine priorities within the materiality matrix. We also plan to include initiatives for achieving the UN's sustainability goals (SDG) related to economic, social, and environmental activities in the mentioned report. In order to achieve our ambitions related to sustainable business, the contribution to environment protection, and creating better conditions for our employees, as well as taking care of the community that we work in, the Group plans to draft a Sustainable Strategy

The report has been prepared in printed and PDF form, and is publicly available on the website: the link to the website

We invite the stakeholders to read the report and in the case of any questions, advice, or comments, please feel free to contact us on the e-mail address: e-mail

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. In addition, a relevant topic in 2021 is the COVID-19 pandemic and its consequences.

List of material topics:

1. Our response to the COVID-19 pandemic
2. Governance, ethics, and compliance
 - Core values, mission, and vision
 - Risk management
 - Collaboration and communication with stakeholders
3. Our employees
 - A work environment in accordance with the values
 - Employee development and satisfaction
 - Health and safety
- 4 Impact of the business on environment protection
 - Our responsibility towards the environment
 - Circular economy
 - Green investments
5. Supply chain and customers
 - Responsible resource management and partnership with the suppliers
 - Responsible products and services– quality and security
 - Better shopping experience
6. Community help



APPENDIX

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2.				Strategy
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3.				Ethics and integrity
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102-50	Reporting period	116		
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MATERIAL TOPICS

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Material topics			
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GRI standard	Name of the indicator	Page number	Note
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GRI standard	Name of the indicator	Page number	Note
Material topics			
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LIST OF ABBREVIATIONS

List of abbreviations	
Abbreviation	Description
B2B	Business-to-Business
BiH	Bosnia and Herzegovina
CE	Consumer Electronics
CO2	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

List of abbreviations	
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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