



PODRAVKA GROUP



# SUSTAINABLE DEVELOPMENT REPORT

2015 ANNUAL REPORT

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## I. GENERAL STANDARD DISCLOSURES

### 1.1. MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

For more than 80 years, Podravka has successfully adapted to the challenges it has faced. The foundation for this success stems primarily from the values we hold above all: creativity, trust, passion, excellence, and customer and consumer satisfaction. We have found our greatest support and stimulus in the local community with which we have grown, and without which we would not have survived.

***The future of this region depends on Podravka, and Podravka depends on the people of this region.***

We are just one generation involved in the building and development of Podravka, something we are well aware of. We wish to leave it a little better than we received it. Today, like always until now, we are faced with serious challenges. Continuing successful operations and development in the demanding economic, environmental and social circumstances is no easy task. We have concluded that this can only be achieved through balanced sustainable development, which will fulfil the expectations of all our stakeholders. This is the only guarantee for long-term business success.

***As always until now, we have set demanding but feasible goals.***

Our intent is take firm steps towards sustainability. Our intentions have never been stronger, because we know that we are creating yet another value for the company. We want our consumers and buyers to be satisfied, our employees to be motivated, and our financial results to be optimal. The local community is sure to support our efforts to sustainably and responsibly invest in our common future.

***Working together, knowledge and hard work guide our development and business practices.***

To Podravka, sustainable development represents a balance of economic priorities, strengthening society, and environmental protection. As in previous decades, we are dedicated to maintaining the highest standards of ethical conduct and responsible corporate management. We are proud of the integrity and dedication of our employees, managers and management board. Our products are a synonym of quality, through which we have built and sustained consumer trust. The safety and health of consumers are our top priority. Mutual respect, trust and cooperation form the foundation of our strong relations with suppliers and business partners. With our products, we aim to minimize our consumption of natural resources and waste generation, and we take particular care of our environment.

***Podravka's Sustainable Development Report is presented to you here.***

This report gives a clear and concise outline of the most important material aspects that are significant for us and for our stakeholders. Together we have established what is most important for the responsible and sustainable operations of Podravka. We hope that in reading this report, you will receive clear insight into our approach to sustainability, by

which we aim to align our business interests with the interests and needs of all our stakeholders.

Chairman of the Management Board

Zvonimir Mršić

## 1.2. ORGANISATIONAL PROFILE

### 1.2.1. COMPANY NAME AND SEAT

The Podravka Group is a food and pharmaceuticals company seated in Koprivnica, Croatia. It is one of the leading food companies in Southeast, Central and Eastern Europe.

The company Belupo d.d. is under 100% ownership of the Podravka Group. In terms of its market share, Belupo is the second largest pharmaceutical company in Croatia. This is a modern company that keeps in step with the high technological, market and development standards of the pharmaceutical industry.

### 1.2.2. MAIN BRANDS AND PRODUCTS

#### 1.2.2.1. Podravka brands and products

Thanks to the faith of our consumers, Podravka has become the no. 1 food brand, not only in Croatia, but throughout the region. Our brands are recognizable and are loved on the Croatian and foreign markets. Their high quality is guaranteed by excellent raw materials, modern technological processes, and knowledge. In addition to quality, they are known for their practicality and safety.

Podravka's products are quick and easy to prepare, while also leaving room for culinary creativity. Through the ongoing expansion of product lines, we adapt to market and consumer needs. Combining tradition with the most contemporary creative methods and technological accomplishments, we have set high standards and created many new trends.

The Podravka product line consists of the following brands:

#### ***Vegeta***

Thanks to its quality, innovations in production, products, communications and monitoring the newest nutritional trends, Vegeta is recognizable worldwide on all five continents. Vegeta has won, and continues to win over, the hearts of consumers, by listening to their dietary needs and preferences, and fitting in with different national cuisines. With its premium and continuous quality, confirmed by numerous prizes and recognitions, Vegeta is also an inspiration and a product that every kitchen must have. As the unwavering market leader, it leaves many domestic and global brands behind. In 2015, Vegeta expanded its product line with Vegeta special grill seasonings. These products and their high quality ingredients and recipes ensure excellent flavour of grilled dishes.

#### ***Podravka soups***

The homestyle flavour is the key value of Podravka soups. The best loved soups are easy to prepare, while still leaving room for the chef's own creativity. Enriching Podravka soups with fresh ingredients creates a homestyle soup that is quick and easy to prepare. Podravka soups continually follow the newest dietary trends, and



clear or cream soup lovers are sure to find their favourite flavours within the broad and diverse product line. The newest additions to the Podravka soup product line are the cream soups developed in the Podravka laboratories without flavour enhancers or artificial colouring, which contributes to the natural and irresistible combination of flavour and aroma.

### ***Lino***

Lino children's food provides all the ingredients necessary for a child's growth and development, while at the same time being a beloved treat. The gentle, diverse flavours and mild consistency of purees make these products acceptable and delicious food for babies, easy to swallow and perfect for introduction to solid foods. The Lino children's food line has been expanded with the Lino fruit purees. These purees contain a high ratio of fruit and vitamin C, and are gluten free.

### ***Dolcela***

The Dolcela product line offers high quality products enabling the quick and simple preparation of desserts, from the simple desserts we offer our family during the week, to demanding cakes that are the crown of any grand celebration. The Dolcela products make dough lighter, and make creams creamier and longer lasting. The Dolcela line has been expanded with decoration products that allow consumers to be creative in the final decoration of desserts and cakes.

### ***Eva***

Eva is the widest range of fish products prepared from the highest quality fish, rich in high value proteins containing essential amino acids and minerals. Tasty, healthy and natural meals based on Mediterranean cuisine contribute to the health of consumers, enabling creativity in the preparation of fishes, and the enjoying of the best that nature and the sea have to offer.

### ***Fant***

The wide selection of Fant seasonings is sure to enrich all culinary arts, while substantially reducing preparation time, leaving free time to spare. The ideas provided by Fant will encourage consumers to prepare dishes they previously believed to take too much time or skill.

### ***Podravka tomato products***

Tomatoes are the fruit of paradise: in addition to their full flavour and delicate, creamy texture, their true wealth lies in their unsurpassable nutrition. Processed tomatoes are a better source of lycopene than fresh ones, since they are more easily utilized by the body. Thanks to this exceptionally rich and diverse product line, the Podravka tomato products have become a mandatory ingredient in the modern diet.

### ***Podravka fruit products (jams, compotes, honey)***

Carefully prepared from high quality, fresh and fruit at the peak of freshness, these products stand out for their characteristic aroma, flavour and colour,

without the addition of artificial colouring or sweeteners. Podravka plum jam is a product of recognizable quality that bears the mark “Originally Croatian”, and the high fruit content with small added sugar content gives this jam a pronounced and rich flavour.

#### ***Podravka vegetables***

Produced from strictly controlled fresh vegetables using recipes based on traditional flavours, Podravka vegetable products make delicious salads and side dishes to a wide range of dishes.

#### ***Podravka condiments***

As a natural and high quality addition to any meal, Podravka’s tasty and aromatic condiments are a mandatory product in every kitchen, and ajvar (pepper relish), mustard, ketchup and horseradish are the perfect accompaniment to so many dishes. They are often used as ingredients in the preparation of many meals.

#### ***Podravka teas***

Podravka teas are produced from carefully selected ingredients, with strong and recognisable herbal and fruit flavours. The tea product range was expanded in 2015 with a line of special purpose teas.

#### ***Podravka meat products and ready-made meals***

With the wide range of traditional and modern flavours, our pâtés, ready-made meals, meat sauces and cold cuts make a delicious meal at any time. Each product is enriched with special blends of spices to give it a characteristic and recognizable aroma, for the best enjoyment of the gourmet flavours. The pâté product line was expanded during 2015 with a line of delicacy pâtés.

#### ***Kviki***

The Kviki product line is produced exclusively from plant ingredients, all products are roasted and not fried in fat, to ensure fullness of flavour and recognizable high quality. Podravka’s tradition of salty snack product dates back to 1975, and with the carefully selected ingredients and frequent controls of finished products, is a guarantee of quality.

#### ***1001 CVET***

1001 CVET has been a beloved regional brand for half a century. Only the best quality, natural ingredients are used to prepare a range of tea blends that can be enjoyed all day long.

#### ***Gorenjka***

The Gorenjka chocolate products have been delighting chocolate lovers since 1922. The wide range of products is sure to meet all the chocolate lovers’ needs, since the Gorenjka product line includes milk and dark chocolate, mini rolls and squares, chocolate with puffed rice and cooking chocolate.

### ***Zlato polje***

Rice, pasta, oak flakes, grits, cereals... Zlato polje is a synonym for contemporary cuisine. The Zlato polje rice line offers a wide range of products that are sure to enrich all types of dishes, from the traditional and homestyle dishes, to the exotic. These products stand out for the top quality of only the best rice varieties, which are always a tasty and healthy choice. The Zlato polje pastas are produced from natural, proven and tested ingredients - from the best durum wheat, which have a higher protein, mineral and vitamin content than traditional wheat.

### ***Šumi***

Caramels, jelly candies, filled candies - both children and adults will enjoy the Šumi candy line. These candies stand out for the high ratio of natural fruit juice, vitamins and minerals. They contain no artificial colours or flavours.

### ***Maestro***

The Maestro line includes spices, spice blends, seasonings and seasoning mixtures for food preparation, used to achieve a harmonious flavour in the tasty meals you will serve to family and friends at your table.

#### **1.2.2.2. Belupo brands and products**

The Belupo pharmaceutical products are represented in 12 groups of the anatomical/therapeutic/chemical classification system. In Croatia, Belupo is the leader in the cardiovascular and dermatological segments, with the two best selling drugs: a drug to treat high blood pressure and a drug to prevent cardiovascular disease.

Belupo is the market leader in subgroup D07 (topical corticosteroids) in Croatia, and a mandatory partner on targeted foreign markets where it has begun to export these products.

In response to market needs and increased awareness of the need to preserve health and implement prevention therapy, Belupo expands its over-the-counter (OTC) product line every year, including products that are available without a prescription and herbal and dietetic products. Belupo is among the leading pharmaceutical companies on the Croatian OTC market. Among the ten best-selling OTC products in Croatia, the first two spots are held by the Belupo products Neofen and Lupocet. The OTC programme also includes many well-known brands such as: Ginkgo Belupo, Maxi Omega 3, Silymarin, Urosal, Herplex, Belodin, Hederan and many others.

Belupo's product portfolio was increased by 17 new products in 2015. Seven completely new brands were introduced. In the segment of prescription drugs, these are: Docetaxel in the oncology segment, Amofin for the treatment of fungal infections of the nails, Takrolimus in the immunosuppression segment, and Levetiracetam as an antiepileptic. The OTC segment was enhanced with the addition of the brand Rinil, for the alleviation of cold symptoms by reducing the causes of inflamed nasal membranes, Gastrobela for the prevention and alleviation of heartburn symptoms, and Belcura spray for the regeneration and

protection of skin. In addition to these completely new brands, several existing brands received new dosages (Eminens sr, Alopurinol, Neofen) or forms (Floceta, soft gel Efilipt, paediatric inhalation cream). During 2015, very active efforts were made to introduce new sources of active compounds.

### 1.2.3. NUMBER AND NAMES OF COUNTRIES IN WHICH THE COMPANY OPERATES AND HAS SIGNIFICANT OPERATIONS

Podravka Group is a multinational group operating in more than 30 countries worldwide, on five continents (Europe, North America, Asia, Africa and Australia). The key region for operations is the Adria region, and the most important countries for Podravka Group operations are Croatia, Bosnia-Herzegovina, Russia and Poland. Belupo is present on 16 European pharmaceutical markets.

### 1.2.4. OWNERSHIP STRUCTURE AND LEGAL FORM

Podravka d.d. is a joint stock company registered as such in 1993, following its transition from the former form of a social enterprise. The stocks of Podravka d.d. were first listed on Quotation I of the Zagreb Stock Exchange on 7 December 1998, and have been traded via the Zagreb Stock Exchange since 8 December 1998.

The ownership structure of Podravka d.d. as of 31 December 2015 was as follows:

SHAREHOLDERS	NO. OF SHARES	RATIO
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OMF CATEGORY B (1/1)	895,953	12.58
HYPO ALPE-ADRIA-BANK D.D./ PBZ CO OMF - CATEGORY B (1/1)	764,274	10.73
STATE ASSET MANAGEMENT OFFICE (0/1) /CROATIAN PENSION INSURANCE FUND (1/1)	727,703	10.22
STATE ASSET MANAGEMENT OFFICE (0/1) / REPUBLIC OF CROATIA (1/1)	674,461	9.47
SOCIETE GENERALE-SPLITSKA BANKA D.D./ ERSTE PLAVI OMF CATEGORY B (1/1)	665,166	9.34
ZAGREBAČKA BANKA D.D./JOINT CUSTODY ACCT. FOR UNICREDIT BANK AUSTRIA AG	547,341	7.69
HRVATSKA POŠTANSKA BANKA D.D./ CAPITAL FUND D.D. (1/1)	406,842	5.71
HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN OMF CATEGORY B (1/1)	375,448	5.27
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ PROFIT VOLUNTARY PENSION FUND (1/1)	115,779	1.63
ZAGREBAČKA BANKA D.D./STATE STREET BANK AND TRUST COMPANY, BOSTON	79,849	1.12
Treasury account	177,511	2.49
Other	177,511	2.49
TOTAL:	7,120,003	100.00

#### 1.2.5. MARKETS WHERE THE COMPANY OPERATES

The operations of the Podravka Group take place in two strategic business areas (SBA), i.e. in two industrial sectors: Food and Pharmaceuticals.

The SBA Food operates on international markets divided into four groups of markets based on geographic region:

- Adria region - including Croatia and the countries of Southeast Europe (Slovenia, Serbia, Macedonia, Montenegro, Kosovo, Albania, Greece),
- Europe region - including the countries of Central (Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria) and Western Europe (Germany, Austria, Switzerland, France, Great Britain, Italy, Scandinavia, Benelux and other European countries),
- Russia, Commonwealth of Independent States (CIS) and Baltic region - includes Russia, Ukraine, Kazakhstan, Commonwealth of Independent States, and the Baltic countries,
- New markets region - which includes North America, Australia and New Zealand, African countries (East Africa, West Africa, Central Africa) Middle East and North African states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Iraq, Iran, the Levant nations and northern Africa), and Asian countries (India, China and other Asian countries).

The SBA Pharmaceuticals is geographically divided into two organizational units: Croatian market and International market. The International market of the SBA Pharmaceuticals is divided by regions as follows:

- Southeast Europe: including Bosnia-Herzegovina, Serbia, Macedonia, Kosovo and Albania,
- Eastern Europe: including Russia, Ukraine and Kazakhstan,
- Central Europe: including Czech Republic, Slovakia, Slovenia and Poland,
- New markets: including Turkey.

Users of Podravka products are divided into buyers and consumers. Buyers are distributors, retail chains (wholesale and retail), drug wholesalers, drug stores, pharmacies, hotels, restaurants and catering (HoReCa channel) and institutional buyers. Consumers are persons of various age groups, gender, religion and preferences worldwide, i.e. the end users of the stated sales channels.

#### 1.2.6. SIZE OF THE PODRAVKA GROUP

##### 1.2.6.1. Total number of business activities and employees

During 2015, the Podravka Group was registered for the performance of 62 business activities (according to the excerpt from the court register of the

Varaždin Commercial Court), and as of 31 December 2015, the Group employed a total of 5510 persons.

#### 1.2.6.2. Net sales revenues

The net sales revenues of the Podravka Group in 2015 amounted to 3.77 billion kuna. The revenues trends over the past three-year period is provided in the following table:

Net sales revenues of the Podravka Group			
(in million HRK)	2013	2014	2015
SBA FOOD	2774.7	2662.4	2971.6
SBA PHARMACEUTICALS	851.3	840.3	805.7
<b>PODRAVKA GROUP</b>	<b>3626.0</b>	<b>3502.6</b>	<b>3777.2</b>

Following the restructuring process, a decision was made in June 2013 to exit the unprofitable business programmes of fresh meat, frozen foods, baked goods and beverages. Since beverages were classified in the restructuring process as a programme up for sale, the extent of its operations was reduced, which resulted in lower net sales revenues in 2013 in comparison to 2012.

At the end of 2013, the company exited the unprofitable business programmes of fresh meats and frozen foods, and in early April 2014, exited the baked goods segments. Together with reduced scope of operations in the beverage segment, this affected a decrease in net sales revenues in 2014 in comparison to 2013. The beverage segment is still up for sale, and the company is actively seeking a buyer for this business segment.

In 2015, the Podravka Group achieved the largest acquisition in its history, purchasing the Slovenian food company Žito Group. Since the Žito Group was consolidated into the Podravka Group in the fourth quarter of 2015, this had a positive impact on net sales revenues in 2015.

#### 1.2.6.3. Total capitalization

The total capitalization of the Podravka Group in 2015 and the two years preceding, analysed in terms of share of capital in fund sources, shows that the company is continually increasing the share of its own capital in total fund sources, with the aim of retaining low indebtedness, as follows:



Total capitalization of the Podravka Group, analysed according to share of capital in fund sources			
(in thousands of HRK)	31.12.2013	31.12.2014	31.12.2015
Own capital (including minority stakes)	1,691,390	1,785,262	2,817,757
Total funding sources	3,458,158	3,508,570	4,945,751
Share of own capital in funding sources	48.9%	50.9%	57.0%

#### 1.2.6.4. Quantity of produced food and pharmaceutical products

In the SBA Food, a total of 170,314 tonnes of food products were produced in 2015, representing an increase of 2465 tonnes, or 1.5% in comparison to 2014. In SBA Pharmaceuticals, a total of 35,684,399 boxes of pharmaceutical products was produced, representing a drop of 1,045,238 boxes or 2.8% in comparison to 2014.

A review of the quantities of food and pharmaceutical products produced by the Podravka Group in the period 2013 to 2015 is shown in the following table:

Production quantities by Podravka Group	2013	2014	2015
Food products produced (in tonnes)	182,527	167,669	170,314
Pharmaceutical products produced (in boxes)	33,826,909	36,729,577	35,684,339

#### 1.2.7. SIZE AND ANALYSIS OF LABOUR FORCE

##### 1.2.7.1. Size and analysis of labour force by type of contract, employment and gender

All workers of the Podravka Group, a total of 5510, have concluded labour contracts and are considered employees in accordance with the labour laws of the country in which their labour relations were established.

In terms of the type of labour contract, the Podravka Group employs workers on limited time contracts or on unlimited contracts. At the end of 2015, there were 5021 workers (91%) employed on unlimited contracts and 489 workers (9%) employed on limited time contracts. In terms of gender in the total number of workers employed on limited and unlimited time contracts, women and men are equally represented, with 2832 men (51%) and 2678 women (49%).

In terms of the type of employment, the Podravka Group employs workers in full-time and part-time positions. At the end of 2015, all workers, male and female, employed on unlimited contracts (5021 persons, 91%) had the status of full-time workers. In the Republic of Croatia, all workers in the Podravka Group are employed on a full-time basis.

Following from the above, the analysis of the labour force of the Podravka Group, by type of labour contract, employment and gender, as of 31 December 2015, is shown in the following table:

No. of workers in PODRAVKA Group	WORKERS ON UNLIMITED CONTRACT			WORKERS ON LIMITED			TOTAL
	MEN	WOMEN	TOTAL	MEN	WOME	TOTAL	
Podravka d.d. Koprivnica	1790	1395	3185	131	72	203	3388
Podravka branch office, Kiev	1		1				1
Podravka branch office Moscow				2	2	4	4
Podravka branch office, Priština	1	6	7	1		1	8
Podravka branch office, Bucharest	5	4	9	4	1	5	14
Podravka branch office, Sofia	2	1	3				3
Podravka branch office, Riga	1		1				1
Podravka Inc. Beijing	1		1	2		2	3
Podravka d.o.o Sarajevo	56	35	91		2	2	93
Podravka d.o.o. Beograd	29	15	44	11	3	14	58
Podravka d.o.o. Ljubljana	14	22	36		1	1	37
Podravka d.o.o. Podgorica	12	6	18		1	1	19
Podravka d.o.o.e.l. Skopje	18	6	24	16	10	26	50
Podravka Gulf- FZE	3	1	4	1	1	2	6
Podravka Int. Kft., Budapest	17	8	25				25
Podravka Int. Sydney	2	4	6				6
Podravka Int.s.r.o. Bratislava	12	24	36		3	3	39
Podravka Lagris a.s. Lhota Luhačovic	69	50	119	23	16	39	158
Podravka Polska sp.zo.o. Kostrzyn	39	26	65	16	13	29	94
Podravka d.o.o. Moscow				10	10	20	20
Konar GmbH Geretsried	1	3	4				4
Podravka International USA	1	1	2				2
Vegeta Podravka limited Tanzania	1		1	5	2	7	8
Belupo d.d. Koprivnica	318	497	815	23	42	65	880
Belupo branch office, Alma Ata		3	3	1	2	3	6
Belupo branch office, Belgrade	3	8	11				11
Belupo branch office, Kiev	1	3	4				4
Belupo branch office, Moscow	33	125	158				158
Belupo branch office, Poland	3	1	4	3	3	6	10
Belupo branch office, Prague	1	1	2	4	3	7	9
Belupo branch office, Priština		1	1				1
Belupo branch office, Sarajevo and Banja Luka	3	6	9		1	1	10
Belupo branch office, Skopje	2	2	4	3	2	5	9
Deltis pharm pharmacy	4	39	43		4	4	47
Belupo d.o.o. Bratislava	3	12	15	1	3	4	19
Belupo d.o.o. Ljubljana	3	6	9				9
Belupo d.o.o.e.l. Skopje				1	1	2	2
Farmavita d.o.o. Sarajevo	50	61	111	15	17	32	143
Mirna d.d. Rovinj	60	90	150		1	1	151
<b>TOTAL PODRAVKA GROUP</b>	<b>2559</b>	<b>2462</b>	<b>5021</b>	<b>273</b>	<b>216</b>	<b>489</b>	<b>5510</b>

### 1.2.7.2. Size and analysis of labour force by region and gender

The workers of Podravka Group are distributed into four regions. At the end of 2015, the Adria Region consisted of 4916 workers (89%), Europe region of 375 workers (7%), Russia, CIS and Baltic Region of 194 workers (3%) and New markets region of 25 workers (1%). By gender, in each region, there was an equal number of male (51%) and female (49%) workers.

From this, an analysis of the labour force of the Podravka Group by region and gender as of 31 December 2015 is shown in the following table:

Region	Total no. of women	Total no. of men	Total no. of workers
Adria	2352	2564	4916
Europe	172	203	375
Russia, CIS and Baltic	145	49	194
New markets	9	16	25
Total workers by region and gender	2678	2832	5510

### 1.2.7.3. Workers legally considered to be self-employed

Workers legally considered to be self-employed or freelancers (work contract, author's fees) do not perform a significant share of the work in Podravka Group. Due to the specificity of operations, the exception is Belupo d.d., where this type of worker has made up about 20% of all workers in the past two years. In Podravka d.d., the share of these workers is about 1%, while the share in the remainder of the Podravka Group in Croatia is less than 1%. Following from the above, the overview of workers in the Podravka Group in Croatia that are legally considered to be self-employed, for the period 2013 to 2015 is shown in the following table:

No.	Name of company/ type of contract	No. of self-employed workers	2013 Total employed and self-employed 31.12.2013.	%	No. of self-employed workers	2014 Total employed and self-employed 31.12.2014.	%	No. of self-employed workers	2015 Total employed and self-employed 31.12.2015.	%
<b>Podravka d.d.</b>										
1.	author's fees	29			19			19		
2.	work contract	10			19			23		
<b>Total:</b>		<b>39</b>	<b>3206</b>	<b>0.01</b>	<b>38</b>	<b>2878</b>	<b>1.32</b>	<b>42</b>	<b>3430</b>	<b>1.22</b>
<b>Danica d.o.o.</b>										
1.	author's fees				1					
2.	work contract	0			0					
<b>Total:</b>		<b>0</b>	<b>567</b>	<b>0.00</b>	<b>1</b>	<b>496</b>	<b>0.20</b>			
<b>Belupo d.d.</b>										
1.	author's fees	349			209			207		
2.	work contract	15			14			11		
<b>Total:</b>		<b>364</b>	<b>1220</b>	<b>0.30</b>	<b>223</b>	<b>1085</b>	<b>20.55</b>	<b>218</b>	<b>1098</b>	<b>19.85</b>

#### 1.2.7.4. Oscillations in the number of employees

There are no significant oscillations in the number of employees in Podravka Group. Seasonal workers are continually hired to perform tasks of a seasonal character in the Production sector, and as needed for logistical tasks and sales operations tasks. Seasonal workers do not include the workers with university qualifications employed on limited time contracts.

#### 1.2.7.5. Employees covered by collective agreements

The collective agreements cover 100% of the total number of employed workers of the Podravka Group in Croatia. The provisions of the collective agreements apply to all employed workers, the Management board, and management.

### 1.2.8. SUPPLY CHAIN

#### 1.2.8.1. Organisation and characteristics of the supply chain

The supply chain of Podravka Group is organized on the principles of Supply Category Management, i.e. procurement categories run by Supply Category Managers. These managers cover the entire Group, lead the category strategy, negotiate, contract, develop main contracts and following their execution.

The procurement portfolio includes the procurement of raw materials, packaging and repromaterials for production, product outsourcing, trade goods, technical materials, services, investments and investment maintenance. Considering the wide spectrum of goods, materials and services that make up

the procurement portfolio of the Podravka Group, equal efforts are invested in working with the labour-intensive and high-tech sectors, as with individual manufacturers.

Managing supplier relations is of strategic importance for the Podravka Group. Suppliers are segments according to their strategic importance, i.e. according to their added value for the company. Defining relations with key suppliers (e.g. for packaging: AFP, Vetropack, Bilokalnik, Glud&Marstrand; for raw materials: Cerere, Viro, Agragold, ...) is conducted in line with the strategic objectives of the Podravka Group.

#### **1.2.8.2. Activities in the supply chain**

For all procurement categories, tenders are issued, or offers are requested from targeted potential partners, based on market research and following the competition, depending on the type of good, in the immediate area or from around the world. In line with the results obtained, the scope of the procurement is divided among the selected suppliers.

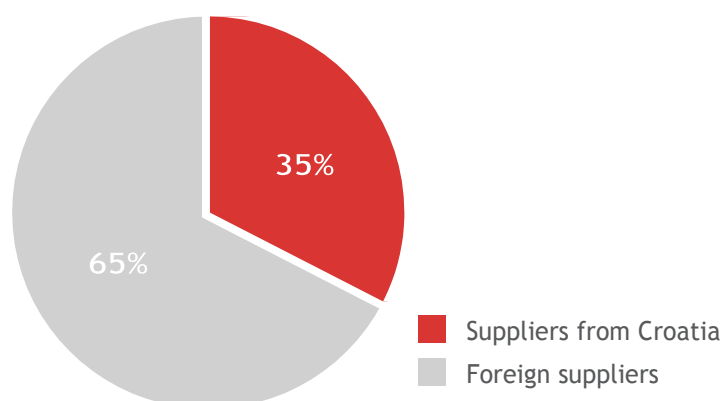
For all procurement categories, efforts are made to ensure there are at least two suppliers, one of which is usually larger, and the second is a challenger. For this reason, as a rule, suppliers are given general contracts without an expiry date, and every year, the new quantities and prices for that year are defined in an annex, following the tender procedure.

Through the implementation of a series of activities that include the integration of individual suppliers into strategic processes, the use of knowledge and innovation of the supplier for the purpose of developing new products, risk assessment and financial analysis of each individual supplier, the procurement function of the Podravka Group has an impact on the successful management of the supplier portfolio, and on reducing risks relating to primary procurement functions.

#### **1.2.8.3. Number and locations of suppliers in the supply chain**

In 2015, at the level of Podravka Group, trade was achieved with 8746 suppliers, of which 3051 were domestic (35%) and 5695 foreign (65%), as shown in the following graph:

#### SUPPLIER STRUCTURE BY LOCATION OF SEAT



In abiding by the high-quality standards for incoming raw materials, the company achieves a significant portion of its trade with suppliers with local producers, and primary manufacturers in this way contribute to the development and stability of the local community.

The Podravka Group achieves trade with suppliers from over 60 countries around the world, of which the majority of total trade in procurement is achieved on foreign markets. In the import structure, the majority of suppliers are from the EU, while most of the trade with non-EU countries is with producers from the region (Bosnia-Herzegovina, Serbia and Macedonia), and with Switzerland, Turkey and Russia, as shown in the following table:

Country	No. of suppliers	%	Trade in mil. HRK	%
Croatia	3051	35%	1411	46%
Bosnia- Herzegovina	758	9%	209	7%
Poland	998	11%	179	6%
Czech Republic	712	8%	149	5%
Slovenia	453	5%	122	4%
Serbia	546	6%	115	4%
Italy	81	1%	106	3%
Germany	211	2%	100	3%
Austria	65	1%	83	3%
Hungary	119	1%	61	2%
Other countries	1752	20%	510	17%
Total	8746	100%	3046	100%



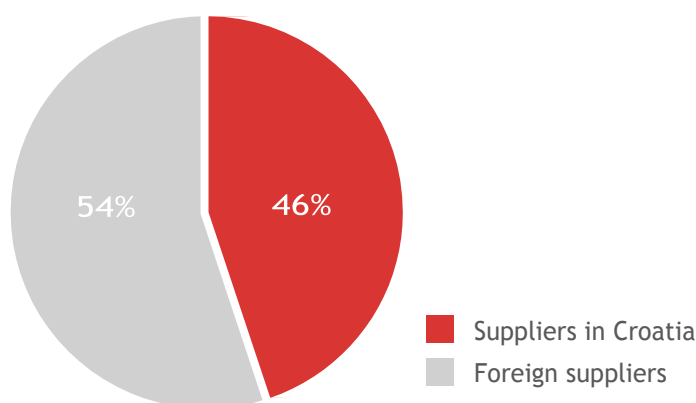
#### 1.2.8.4. Types of suppliers

By type of supplier, the Podravka Group cooperates with producers, primary producers, subcontractors, distributors, wholesalers and consultants.

#### 1.2.8.5. Monetary value of payments to suppliers

The total trade with external suppliers (i.e. monetary payouts to suppliers) in 2015 was HRK 3.046 billion, with 46% of this going to Croatian suppliers, and 54% to foreign suppliers. The structure of the monetary value of payouts to suppliers, by seat of the supplier, is shown in the following graph:

STRUCTURE OF THE MONETARY VALUE OF PAYOUTS TO SUPPLIERS BY SEAT



#### 1.2.9. SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

##### 1.2.9.1. Changes to the site of operations or activities

During 2015, the Podravka Group expanded its operations through two associated companies and one branch office, as shown in the following tables:

Name of associated company	Address	Share of Podravka d.d. in equity
VEGETA PODRAVKA LTD.	Dar es Salaam, Tanzania	85.00%
ŽITO d.d.	Ljubljana, Slovenia	86.80%

Name of branch office	Address	Share of Podravka d.d. in equity
Croatia PODRAVKA Inc. Beijing Representative office	Beijing, China	100.00%

Also, in 2015, the parent company Podravka d.d. annexed the company Danica meat industry d.o.o.

### 1.2.9.2. Changes to the equity structure

In 2015, there were no significant changes in the equity structure, as seen in the following table:

Changes to the equity structure of Podravka d.d. in 2013 to 2015			
Shareholder	31.12.2013.	31.12.2014.	31.12.2015.
State Asset Management Office (Croatian Pension Insurance Fund)	10.6%	10.6%	10.2%
State Asset Management Office (Republic of Croatia)	9.9%	9.9%	9.5%
Erste Plavi OMF category B*	9.5%	9.5%	9.3%
AZ OMF category B*	9.0%	9.0%	12.6%
PBZ CO OMF category B*	8.8%	8.9%	10.7%
Custodian account for UniCredit Bank Austria AG	7.9%	8.0%	7.7%
Kapitalni fond d.d.	5.9%	5.9%	5.7%
Other shareholders	38.4%	38.2%	34.3%

### 1.2.9.3. Changes in the supply chain

Considering the large number of suppliers that the Podravka Group cooperates with, changes in the supply chain occur on virtually a daily level. However, during 2015, there were no significant changes concerning the location of suppliers, structure of the supply chain, or in relations with suppliers.

## 1.2.10. OBLIGATIONS ENSUING FROM EXTERNAL INITIATIVES

### 1.2.10.1. Precautionary approach

The Podravka Group applies a precautionary approach for the purpose of environmental protection and for the purpose of resolving potential impacts on the environment. The precautionary approach is applied in operations as a measure to avoid all possible risks from the use of new technologies, until there can be complete knowledge and understanding of its impacts on the environment and human health.

The Management Board of the parent company Podravka d.d. adopted the Environmental Protection Policy which commits the company to achieving targets concerning environmental protection.

In order to avoid risks and threats to the environment, prevention measures for environmental protection are applied. These imply the use of best practices, the use of products, equipment and devices, and the application of production procedures and maintenance systems for the planned plant parameters that are most suitable for the environment.

#### **1.2.10.2. Charters, principles and other external initiatives**

During 2015, the operations of Podravka Group consisted of commitments towards the following external initiatives:

- Corporate Management Code of the Croatian Agency for the Supervision of Financial Services (HANFA);
- Corporate Management Code of the Zagreb Stock Exchange;
- Ethics Code of the Croatian Chamber of Economy (CCE);
- Biotechnical Foundation of the Faculty of Food Science and Biotechnology, and
- Foundation of the Croatian Chamber of Economy, Koprivnica County Chamber, for the financial support of pupils and students.

Furthermore, through its operations, Podravka Group also supports the following voluntary external initiatives:

- OECD Guidelines for corporate management;
- The United Nations Global Compact, as the largest global initiative for socially responsible operations;
- GMO-free food policy;
- Strategic plan to reduce excessive salt intake in the Republic of Croatia 2015-2019, and
- National Guidelines for the nutrition of pupils in primary schools.

#### **1.2.10.3. Membership in associations and interest groups**

An overview of the membership of the Podravka Group in associations (such as industrial associations) and national and international interest organisations is provided in the following table:

Membership in associations and interest organisations (alphabetical order)	Manner of participation
Centre for food innovation - INNOTECH d.o.o.	Position in the mgmt body
Koprivnica Chemical Technologists' Society(DKTK)	Position in the mgmt body
Eko-Ozra d.o.o.	Position in the mgmt body
Geopodravina d.o.o.	Position in the mgmt body
Economic Interest association of Croatian beverage producers	Position in the mgmt body
Economic interest association of vegetable producers and processors of Croatia	Position in the mgmt
Economic interest association for packaging and environmental protection	Position in the mgmt body
Croatian Chamber of Economy	Position in the mgmt body, membership deemed strategic
Croatian Association of procurement activities (HUND)	Position in the mgmt body
Croatian Employers Association	Position in the mgmt body, membership deemed strategic
Croatian Chef's Association	Position in the mgmt body
Croatian Business Council for Sustainable Development	Position in the mgmt body
State Office for Metrology (HZN)	Participates in projects or boards
Croatian Society of Chemical Engineers	Position in the mgmt body
Croatian Society of Food Biotechnologists and Nutritionists	Position in the mgmt body
National Foundation to support pupil and student standards	Position in the mgmt
Football Club Slaven Belupo	Position in the mgmt body
Handball Club Podravka	Position in the mgmt body
Association of Croatian Laboratories (CROLAB)	Participates in projects or boards
Croatian Exporters' Association (HIZ)	Position in the mgmt body
Society of drug manufacturers, before the Croatian Employers' Association	Position in the mgmt body, management deemed strategic
Firefighting Society of the Town of Koprivnica	Position in the mgmt body
Society for social corporate responsibility, before the Croatian Chamber of Economy (HGK)	Position in the mgmt body
Society for Environmental production in the economy, before the Croatian Chamber of	Position in the mgmt
Žitozajednica d.o.o.	Participates in projects or boards

### 1.3. IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

#### 1.3.1. ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL REPORT

The Podravka Group is comprised of the Company (Podravka d.d.) and associated companies in which the Company possesses a majority and controlling ownership share (over 50%).

The list of entities included in the consolidated financial report is publicly available on p. 136 of the document ‘Podravka d.d. and associated companies, Koprivnica, Annual report and consolidated financial report for 2015,’ available at the following link:

**<http://cdn.podravka.net/repository/files/e/c/ecbaf180948e5b0516928487c89d7014.pdf>**

#### 1.3.2. PROCEDURE TO DETERMINE THE CONTENT OF THE REPORT AND ASPECT BOUNDARIES

The procedure to determine the content of the report began with the inclusion of stakeholders of the Podravka Group, via a specially organized meeting held on 18 March 2016 at company headquarters in Koprivnica.

A total of 69 stakeholder representatives were invited from 49 different organisations from the business, public and civil sectors. The objective of the meeting was to open dialogue to learn about the expectations and interests of stakeholders towards sustainable development of the company, in order to identify their most important aspects, and to recognize the gap between the perceptions of the company and stakeholders.

##### 1.3.2.1. Identification and determination of boundaries for significant topics

The procedure to determine the content of the report was continued by the team appointed to compile the Sustainable Development Report of Podravka Group for 2105, following their appointment by virtue of a Decision of the Chairman of the Management Board of Podravka d.d.

The team members first considered the significant effects, in the broader scope of sustainability, associated with all activities, products, services and relations of the Podravka Group. On the basis of those considerations, the initial, broad list of “significant topics” for sustainable development of Podravka Group was drafted for potential consideration for their inclusion in the report. Following this, the team members linked important aspects of stakeholders with the significant topics on the broader list.

Finally, the broader list of significant topics was expanded to include those which could justifiably be considered important for depicting the important economic, environmental and social impacts of the company, or those topics that impact the assessment and decisions of stakeholders.

Following the identification of significant topics, the team members conducted an assessment of the impacts associated with each, and set the limits of the significant topics. In determining the limits of the significant topics, the influences

from both within and outside the Podravka Group were assessed.

#### **1.3.2.2. Determining priority aspects**

For the sake of simplicity, the identified “significant topics” are hereafter referred to as aspects.

The list of aspects was sent to all team members to assess the importance of their economic, environmental and social impacts and their significant influence on assessments and decisions of stakeholders. Accordingly, all team members assessed the importance of each aspect on a scale from 1 to 5, where the score 1 indicates the least, and the score 5 indicates the highest importance of the aspect. Then the team leader calculated the average assessment of the importance of all aspects and ranked them.

Parallel with this process, the team members sent the list of aspects to key stakeholders of the Podravka Group, in order to obtain their opinion on the importance of individual aspects, and the planned scope of aspects in the report. In addition to e-mail communication, the team members also communicated with key stakeholders by telephone and directly at meetings. Following from this, the valuable opinions of company stakeholders on aspects they deemed important were collected.

Furthermore, with the aim of identifying the material aspects of the Podravka Group, the team defined the thresholds making the aspects material. For “significance of economic, environmental and social impacts of the company”, the threshold for materiality was defined as a minimum average team score of importance of 4.00, while for “influence on stakeholder assessments and decisions”, the threshold of materiality was defined by the significance of the aspect for the key stakeholders, with regard to their expectations and interests.

Ultimately, in validating the principle of materiality and stakeholder inclusion, a separate workshop was held where the team discussed the importance of all aspects and determined their priorities.

#### **1.3.2.3. Determining the validity of the report content**

With the aim of determining the validity of the report content, the team members conducted an analysis of all the identified material aspects with regard to their area of application (scope of aspects encompassed in the report), aspect boundaries (description of the area in which the influence of each individual material aspect is achieved) and time (completeness of selected information with regard to the reporting period).

Furthermore, in order to finalise the determination of validity of the report content, the members of the team linked all the aspects important to stakeholders with GRI aspects encompassed by the guidelines.

Finally, through the consultation process, the list of material aspects was confirmed by the director of the service and director of the sector of the company.



### 1.3.3. IDENTIFIED MATERIAL ASPECTS

In the procedure to determine the content of the report, the following economic, environmental and social materials aspects were determined for the Podravka Group in 2015:

SUSTAINABILITY	IDENTIFIED MATERIAL ASPECTS
ECONOMIC	Economic performance Procurement
ENVIRONMENTAL	Materials Energy Water Emissions Wastewater Waste Compliance
SOCIAL	Employment Occupational health and safety Training and education Non-discrimination Freedom of association and collective bargaining Local community Health and product safety Product and Service Labelling Marketing communications

### 1.3.4. MATERIAL ASPECT BOUNDARIES

For each individual material aspect, the limits of the aspects within and outside the Podravka Group are listed as follows:

MATERIAL ASPECTS	ASPECT BOUNDARY WITHIN PODRAVKA GROUP	ASPECT BOUNDARY OUTSIDE PODRAVKA GROUP
Economic performance	All entities within the company	Local, regional and national community (town and country where company operates), all company stakeholders
Procurement practices	All entities within the company	Local community (town and country in which company has representative office and factories), local community, seat of suppliers
Materials	Podravka d.d., Belupo d.d., Farmavita d.o.o., Danica d.o.o., Studenac d.o.o., Mirna d.d.,	Local community (town and country in which company has factories),

	Lagris a.s., Podravka-Polska Sp.z o.o., Sana d.o.o., Žito d.d., Intes Storitve d.o.o., Šumi Bonboni d.o.o.	town of seat of large suppliers, and their local communities
Energy	All entities within the company	Local communities (town and country in which the company has representative offices and factories)
Water	All entities within the company	Local communities (town and country in which the company has representative offices and factories)
Emissions	Podravka d.d., Belupo d.d., Farmavita d.o.o., Danica d.o.o., Studenac d.o.o., Mirna d.d., Lagris a.s., Podravka-Polska Sp.z o.o., Sana d.o.o., Žito d.d., Intes Storitve d.o.o., Šumi Bonboni d.o.o.	Local community (town and country in which company has factories)
Wastewaters	Podravka d.d., Belupo d.d., Farmavita d.o.o., Danica d.o.o., Studenac d.o.o., Mirna d.d., Lagris a.s., Podravka-Polska Sp.z o.o., Sana d.o.o., Žito d.d., Intes Storitve d.o.o., Šumi Bonboni d.o.o.	Local community (town and country in which company has factories)
Waste	Podravka d.d., Belupo d.d., Farmavita d.o.o., Danica d.o.o., Studenac d.o.o., Mirna d.d., Lagris a.s., Podravka-Polska Sp.z o.o., Sana d.o.o., Žito d.d., Intes Storitve d.o.o., Šumi Bonboni d.o.o.	Local community (town and country in which company has factories)
Compliance with regulations	All entities within the company	Local, regional and national community (towns and countries where company operates),
Employment	All entities within the company	Local community (town and country in where the company operates)
Occupational health and safety	All entities within the company	Not applicable outside the company
Training and education	All entities within the company	Educational institutions and training companies in Croatia and abroad
Non-discrimination	All entities within the company	Not applicable outside the company
Freedom of association and	All entities within the company	Not applicable outside the

collective bargaining		company
Local community	All entities within the company	Local communities in all towns and countries where the company operates
Health and product safety	All entities within the company	Company markets, buyers and consumers
Product and service labelling	All entities within the company	Company markets, buyers and consumers
Marketing communications	All entities within the company	Company markets, buyers and consumers

All specific aspect boundaries within and outside the Podravka Group are listed as follows:

Specific aspect boundaries	Within Podravka Group	Outside Podravka Group
Energy	Central Energy Dept has no data on the management of this material aspect in entities outside of Croatia that have manufacturing as a core activity	The impact of energy consumption is not known
Water	Central Energy Dept has no data on the management of this material aspect in entities outside of Croatia that have manufacturing as a core activity	The impact of energy consumption is not known
Emissions	Ecology Dept has no data on the management of this material aspect in entities outside of Croatia that have manufacturing as a core activity	Considering the low level of emissions in the share of total emissions at the national level, impacts are not known
Wastewaters	Ecology Dept has no data on the management of this material aspect in entities outside of Croatia that have manufacturing as a core activity	Considering the low level of emissions in the share of total emissions at the national level, impacts are not known
Waste	Ecology Dept has no data on the management of this material aspect in entities outside of Croatia that have manufacturing as a core activity	Considering the low level of emissions in the share of total emissions at the national level, impacts are not known
Occupational health and safety	Podravka d.d. has no data on the legal regulations and implementation of measures for occupational safety in entities	No specific boundaries

	outside of Croatia	
Training and education	Education is conducted in line with needs in Croatia and in all countries where Podravka d.d. has entities	No specific boundaries
Non-discrimination	Though the principle of non-discrimination is applied in all entities, Podravka d.d. has no data on the legal regulations and rules pertaining to protection against discrimination in entities outside of Croatia	No specific boundaries
Freedom of association and collective bargaining	Podravka d.d. has no data on the membership of workers in unions in entities outside of Croatia	No specific boundaries
Compliance with regulations	Monitoring compliance of business activities and their impacts	Coordination of business activities within the company aimed at improving its effect

#### 1.3.5. POTENTIAL AMENDMENTS AND SIGNIFICANT CHANGES TO THE CONTENT OF THE REPORT

Considering that the Sustainable Development Report of the Podravka Group for 2015 is the first prepared in accordance with the G4 Guidelines of the Global Reporting Initiative, there is no effect on any possible amendments with regard to data from previous reports.

Following from this, this report contains no significant changes with regard to the area of application and aspect boundaries in comparison to previous reporting periods.

## 1.4. STAKEHOLDER ENGAGEMENT

### 1.4.1. LIST OF GROUPS OF STAKEHOLDERS INCLUDED BY THE COMPANY

For the purpose of preparation of this report, the Company informed various stakeholder groups, as listed in the following table:

Stakeholder groups	Name of engaged stakeholders
EMPLOYEES	Podravka d.d. labour council, Union for workers in the agricultural, food and tobacco industries and in water management (PPDIV Croatia), Independent union (HUS), Podravka worker's group union (SINPOD), Podravka d.d. Management board
BUSINESS PARTNERS	GKP Komunalac d.o.o., Koprivničke vode d.o.o., Koprivnica plin d.o.o., Vetropack Straža d.d., Viro tvornica šećera d.d., DC Smith Unijapapir Croatia d.o.o., Herbarium d.o.o. Pitomača, Croatiakontrola d.o.o., Konzum d.d., KTC d.d., Sloga podravska trgovina d.o.o., Koprivnički poduzetnik, Jozo Bozo d.o.o., Aquilonis d.o.o., Mentor d.o.o., Ericsson NT d.d., Selectio d.o.o., Moj posao d.o.o., Ing inspekt d.o.o., Zagrebinspekt d.o.o
LOCAL COMMUNITY	Town of Koprivnica, Koprivnica-Križevci County
NON-GOVERNMENTAL ORGANISATIONS	Potrošač-Croatian consumer protection society, Association of consumer protection societies of Croatia, Koprivnica branch of the Red Cross, Society of the Disabled Persons of Koprivnica-Križevci County, Drava Documentation Centre, Our Children Society from Koprivnica, Koprivnica Ecological Society, Better Tomorrow disabled persons' society, Ludens Theatre, Baobab Society, Terra Podraviana, Koprivnica Youth Society, Koprivnica Volunteers and Activists Initiative, Kopriva Society, Society for consumer protection of Koprivnica and Koprivnica-Križevci County
ACADEMIC, SCIENTIFIC AND EDUCATIONAL ORGANISATIONS	University of Zagreb, Faculty of Economics, Đuro Ester Primary School, Koprivnica, Braća Radić Primary School, Koprivnica, Antun Nemčić Gostovinski Primary School, Koprivnica, Tratinčica Preschool, Koprivnica, Smiješak Preschool, Koprivnica, Sveti Josip Preschool, Koprivnica, University of Zagreb, Faculty of Food Technology and Biotechnology, Koprivnica Secondary School, Fran Galović Gymnasium Secondary School, Koprivnica, Koprivnica Crafts School, University of Zagreb, Faculty of Pharmacy and Biochemistry, University North, Faculty of Electrical Engineering and Computation, IEDC Bled, Cotrugli, Prava formula d.o.o., Methodus d.o.o., Aspiria d.o.o., Transforma d.o.o., Edikon poslovno savjetovanje d.o.o., Verantus d.o.o., University of Zagreb, Faculty of Law, University of Zagreb, Faculty of Agriculture, Faculty of Organisational Management and Computation Varaždin, Đurđevac Vocational School, Higher Economic College in Križevci, Karlovac College
ASSOCIATIONS	Koprivnica Town Fire Brigade, Croatian Chamber of Economy - Association for Corporate Social Responsibility, Croatian Chamber of Economy - Koprivnica County Chamber, Croatian Business Council for Sustainable Development, Croatian Pharmacist's Chamber
FINANCIAL COMMUNITY	Zagrebačka banka d.d., Raiffeisen Bank Austria d.d., Erste&Steiermarkische bank d.d., Societe generale - Splitska banka d.d., EBRD (European Bank for Reconstruction and Development)
REGULATORY BODIES	Croatian Agency for Supervision of Financial Services (HANFA)
MEDIA	Glas Podravina i Prigorje, Poslovni Dnevnik, Podravski list, ePodravina.hr, Vecernji list, Radio Koprivnica, Moj Posal portal

STATE ADMINISTRATION	Koprivnica-Križevci County Police Administration, Ministry of Defence of the Republic of Croatia
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#### 1.4.2. BASIS FOR THE RECOGNITION AND SELECTION OF ENGAGED STAKEHOLDERS

The basis for recognizing stakeholder groups was the team's recognition of persons, groups or organisations that could influence, or which influence decisions, activities and business results of the Podravka Group.

The procedure of selecting stakeholders for inclusion was based on an assessment of stakeholder influence on the operations of the Podravka Group, and the assessment of their interests in company operations.

#### 1.4.3. COMPANY APPROACH TO STAKEHOLDER ENGAGEMENT

The Podravka Group included its stakeholders in the drafting of the Sustainable Development Report as part of the report preparation process.

Stakeholder engagement began with the initiation of the procedure to determine the content of the report and the aspect boundaries, with a special meeting held for all stakeholder groups at the company headquarters in Koprivnica on 18 March 2016. A total of 69 stakeholder representatives from 49 different organisations in the business, public and civil sectors were invited to attend. The objective of the meeting was to open up dialogue in order to determine the expectations and interests of stakeholders regarding the sustainable development of the company, so as to identify the (material) aspects important to them, and to identify gaps in perception between the company and stakeholders.

Following this, the Team members included the stakeholder groups through all the phases of the procedure to determine the report content and aspect boundaries, through individual meetings and communications via e-mail and/or telephone, in order to take their expectations and interests into consideration. As such, the stakeholders participated in the procedure of identifying and determining boundaries for important topics, determining the priority aspects, and determining the validity of the report content.

#### 1.4.4. KEY TOPICS AND INTERESTS ARISING FROM STAKEHOLDER INCLUSION

The inclusion of the stakeholder groups of Podravka Group raised the following key topics and interests, as listed in the following table:



STAKEHOLDER GROUP	KEY TOPICS AND INTERESTS
EMPLOYEES	Ongoing release of information on ecological topics on the intranet and in the company journal; Information and education of employees on the management and disposal of waste; Waste separation in the workplace
BUSINESS PARTNERS	Rational water use; Stimulating consumers and employees to use recyclable materials, including glass packaging. Focus on ecological and economic interests; Share and use of recycled materials by type and packaging materials for products; Types and quantities of waste generated by Podravka as a manufacturer, with planned and preferred disposal methods; Environmental and social components of operations; Caring for employees; Caring for the Environment; Ties to the community; Informing and educating employees on sustainable development
NON-GOVERNMENTAL ORGANISATIONS	Social responsibility; Range of HRN EN ISO certifications; Organising campaigns and cooperation concerning donating blood; Public kitchens and social food shops
ACADEMIC, SCIENTIFIC AND EDUCATIONAL INSTITUTIONS	Proper disposal of packaging waste of varying origin - cardboard, glass, metal, frying oil, after procurement and consumption of goods; Improving the health habits of all pupils; Holding useful lectures for patients to raise awareness of the importance of a healthy and balanced diet; Care to encourage a healthy lifestyle and engaging in sport, and sponsoring the valuable sports project 'Lino athlete'; Activities directed towards the community aimed at improving the quality of life of all citizens; the influence of Podravka on the quality of education; Nutrition studies; Educating consumers about the management and proper disposal of packaging waste from food products; Cooperation with secondary schools
ASSOCIATIONS	Protection and corporate security of the Podravka Group; Role of the company in the life of the local community; Ongoing development of methods to include stakeholders so as to adapt the report content to the expectations of stakeholders and to develop their quality and relevance; Constant proactive approach to finding solutions to reduce negative impacts on the environment and society, and to strengthen positive impacts; Tabling a larger number of sustainability topics on the agenda of the management board and creating better visibility of the ties of the management board with corporate social responsibility and the responsibility of the management board with non-financial influences; Evidence that the management board participates in defining the content of the sustainability report; Active participation in Podravka in the HR PSOR and contribution to activities, development of knowledge and documenting and disseminating good practices in the field of corporate social responsibility.
FINANCIAL COMMUNITY	Environmental and social sustainability; Respecting the

	rights of workers and the affected local population, regardless of the country of operations; Activities designed and implemented in compliance with the valid legal regulations and examples of good practices pertaining to environmental protection, social sensitivity and rights; With respect to economic issues, the objective is to ensure constant contribution to continuous operations, to lead the company on the principles of good stewardship, and to perform operations with due care and efficiency.
MEDIA	Working to create better living conditions for the local community; How Podravka affects the creation of a more positive business environment; Investments in local sports; Reporting on specific projects within the local community; Media presentation of business successes of the Podravka Group
STATE ADMINISTRATION	Protection and corporate security of the Podravka Group: inspection tasks to oversee fire protection and to oversee security activities, measures to prevent criminal acts (theft, corruption, computer fraud), measures and actions to protect the intellectual property of Podravka

The Team considered all the key topics and interests as raised by the included stakeholders, and prepared proposals for the further development of operations of the Podravka Group for higher management and the Management Board.

## 1.5. REPORT PROFILE

### 1.5.1. REPORTING PERIOD

The reporting period for the information provided in the Sustainable Development Report of the Podravka Group for 2015 pertains to the 2015 calendar year.

### 1.5.2. DATE OF THE LAST PUBLISHED REPORT

The last Sustainable Development Report of the Podravka Group was published in December 2008, and was prepared in compliance with the G3 Guidelines of the Global Reporting Initiative (GRI) on sustainability.

### 1.5.3. REPORTING CYCLE

The reporting cycle for reporting on the sustainable development of the Podravka Group is always annual.

#### 1.5.4. CONTACT CONCERNING THE REPORT

For any questions concerning the report or its content, please contact:

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**Sustainable Development manager**

PODRAVKA d.d.

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#### 1.5.5. INDEX OF THE CONTENT OF THE GRI

##### 1.5.5.1. Alignment options

The Sustainable Development Report for the Podravka Group for 2015 has been aligned with the Guidelines for Sustainability Reporting GRI G4 - core option.

##### 1.5.5.2. Index of the content of the GRI for the selected alignment option – Core option

The table below outlines the index of the contents of the GRI for the Core option of preparation:

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## 1.5.6. VERIFICATION

### **1.5.6.1. Company practice regarding the submission of requests for external report verification**

The Podravka Group has submitted a request for external verification of the report to the Croatian Business Council for Sustainable Development (HR PSOR). HR PSOR is a non-profit, private sector organization. The Council consists of 39 members who are representatives of the Croatian economy, bringing together knowledge, innovation and responsibility, in seeking development paths that balance business success, social welfare and environmental protection.

### **1.5.6.2. Scope of obtained external verifications**

The obtained external verification by HR PSOR encompasses the written report that is a public document and contains the opinions or conclusions on the quality of reports and information contained within, and on the systems or procedures of drafting the report. The written report also contains a description of the responsibilities of persons drafting the report and those verifying it, and explains the nature of verification that is provided in the verification report.

### **1.5.6.3. Relationship between the company and the verification body**

The parent company Podravka d.d. is a regular member of HR PSOR, but does not have a representative in the governing body, the Executive Council. The verification body is a three-member committee of the HR PSOR that is formed individually for each sustainable development report. The committee is comprised of regular members of the Executive Council who are independent of the company, and therefore able to provide an objective and unbiased opinion or conclusions concerning the report, and to publish their findings.

### **1.5.6.4. Engagement of senior management in the submission of the request for report verification**

Senior management was engaged in the submission of the request for verification of the Sustainable Development Report of the Podravka Group for 2015 via the director of the corporate service, Corporate Quality and Sustainable Development.

## 1.6. GOVERNANCE

### 1.6.1. GOVERNING STRUCTURE

Pursuant to the provisions of the valid Statute of Podravka d.d. (hereinafter: the Company), the Company organs of Podravka d.d. are:

- Management Board
- Supervisory Board, and
- General Assembly.

#### 1.6.1.1. Management Board

The Management Board consists of four members appointed by the Supervisory Board. The Chairperson and members of the Management Board must have university qualifications and a minimum of five (5) years of work experience in management. The Management Board is appointed for a term as established by the Supervisory Board, to a maximum of five years, with the possibility of reappointment.

If the Chairperson and individual members of the Management Board are appointed in the course of the duration of the mandate of the existing Management Board, their mandate shall last until the expiry of the mandate of the Management Board as a whole. The start of the mandate is calculated from the date of appointment of the Management Board, unless otherwise stipulated in a decision of the Supervisory Board.

The Chairman and members of the Management Board are appointed by the Supervisory Board. Each member of the Management Board is authorised to individually and independently represent the Company. All other Company tasks are managed by the Chairman and members of the Management Board individually and independently on the basis of the division of work between members of the Management Board for specific areas of operation or for a specific scope of work. The manner of work of the Management Board and the division of tasks among members of the Management Board is governed by the Rule Book on the work of the Management Board, which is adopted by the Management Board. The Management Board, as the highest governing body, has no separately formed committees responsible for decision-making concerning the economic, environmental and social impacts.

The members of the Management Board of Podravka d.d. during 2015 were:

No.	Name	Function	Mandate
1.	Zvonimir Mršić	Chairman of the Board	24.2.2012.
2.	Olivija Jakupec	Member of the Board	24.2.2012.
3.	Miroslav Klepač	Member of the Board	24.2.2012.
4.	Hrvoje Kolarić	Member of the Board	20.12.2012.



### 1.6.1.2. Supervisory board

The Supervisory Board has nine members, eight of whom are elected by the shareholders at the General Assembly by a three-quarter majority of votes cast, while one member of the Supervisory Board is appointed by the Worker's Council of the Company, in the manner and by the procedure pursuant to the provisions of the Labour Act.

Members of the Supervisory Board are elected or appointed to a four-year term. The start of the mandate for each member of the Supervisory board is calculated from the date of election, unless otherwise determined by a decision on election.

The Supervisory Board oversees the governing of Company tasks, and decides on issues from its area of competence in accordance with the law, the Statute of Podravka d.d., and the Rule Book on the work of the Supervisory Board.

The members of the Supervisory Board of Podravka d.d. during 2015:

No.	Name	Function	Mandate
1.	Dubravko Štimac	Chairman of the Supervisory Board	24.2.2012.
2.	Mato Crkvenac	Deputy Chairman of the Supervisory	24.2.2012.
3.	Ivo Družić	Member of the Supervisory Board	23.2.2012.
4.	Ivana Matovina	Member of the Supervisory Board	6.7.2012.
5.	Petar Miladin	Member of the Supervisory Board	7.9.2010.
6.	Dinko Novoselec	Member of the Supervisory Board	7.9.2010.
7.	Milan Stojanović	Member of the Supervisory Board	6.7.2012.
8.	Petar Vlaić	Member of the Supervisory Board	7.9.2010.
9.	Ksenija Horvat	Member of the Supervisory Board	1.7.2015.

### 1.6.1.3. General Assembly

Shareholders - those holding shares with the right to vote - achieve that right and decision-making at the General Assembly within the framework of competency as stipulated by law. Shareholders achieve the right to vote at the General Assembly in person or via a proxy.

The right to participate and achieve the right to vote at the General Assembly is held by shareholders, and shareholder proxies, under the condition that the shareholders are registered in the database of the Central Clearing Depository Agency (SKDD) and that they register their participation at the General Assembly to the Company a minimum of six days prior to the holding of the General Assembly.

## **1.7. ETHICS AND INTEGRITY**

### **1.7.1. Company system of values and ethical principles**

The Podravka Group conducts its operations, in its corporate value system, on the principles of modern corporate government, with the application of the provisions of the Corporate Management Code of the Croatian Agency for the Supervision of Financial Services (HANFA) and the Zagreb Stock Exchange and its rules.

Accordingly, with regard to ethics and integrity, the company has accepted the fundamental ethical principles and guidelines of ethical conduct of the Business Ethics Code, in the content and text as confirmed and adopted by the Assembly of the Croatian Chamber of Economy (HGK). Pursuant to the recommendations from the accepted HGK Business Ethics Code, the Company also adopted its own Business Ethics Code at the level of the Podravka Group, based on which Podravka d.d. and all its associated companies in Croatia and abroad have developed their own ethical principles - based on the principles of modern corporate governance.

The Code of Ethics of the Podravka Group contains the traditional good business practices of the company, and promotes new standards in line with the best business practices, with the aim of retaining a strong reputation in all areas of operation. This Code is based on the principles of conscientious business conduct and a corporate set of values that are applied by the Management Board, management and all employees of the Podravka Group - for the purpose of creating and maintaining a recognisable company identity in comparison to the competition, creating consumer loyalty and trust among investors, business partners and the public as a whole.

### **1.7.2. Principles of operation of the Podravka Group**

The fundamental business principles by which the Podravka Group abides in its operations are legality and transparency of operations, work professionalism and objectivity, the importance of public relations, significance of the stance towards the environment and towards the social community, clearly defined procedures for the work of the Supervisory Board, Management Board and General Assembly, avoiding conflicts of interest, effective internal control, and a responsibility system.

In the stance towards the environment, the company invests particular care, both on the environment and in the sustainable development of the community as a whole, and makes ongoing investments in environmental protection. Therefore, all employees are obliged to abide by ecological standards and the valid regulations in their work, and to properly and responsibly deal with all types of waste and to ensure the rational use of all raw materials.

In relations towards the social community, in its growth, the company has traditionally aligned its interests with those of the local community, always

considering the interests of the community and supporting the significant development of numerous charity associations, sports clubs, scientific institutions and similar organisations. Furthermore, the company regularly participates and supports projects of the social community aimed at improving education, the environment, health and social standards in the area where it operates, with significant encouragement for the participation of the Podravka Group and its employees in all charity organisations, sports clubs and similar organisations.

With regard to conflicts of interest, all employees and particularly managers are expected to give their complete loyalty to Podravka Group, and participation in any activity, particularly those of a commercial or financial nature, that could cause a conflict of interest of an employee with the interests of the company are not permitted. Nor is it permitted for employees to perform activities that compete with the company operations.

Nor is the dual holding of positions acceptable within the Podravka Group, and any employees holding managerial positions should avoid being members of the Supervisory Board of Podravka d.d. If there is a case of a potential conflict of interest, the employee must immediately inform his direct superior and/or the Management Board in writing thereof without delay. Employees who perform activities in other organisations, civil societies and similar institutions, in addition to their work at Podravka Group, may not use their position by extorting or demanding donations or sponsorships.

Every employee of the Podravka Group is entitled to inform their direct supervisor (authorized person) in writing of any possible or committed violations of these values - and no sanctions or any discrimination in their future work may be imposed against them.

The procedure following the submitted report is stipulated in detail in the provisions of the Code of Ethics of the Podravka Group, with a listing of sanctions by authorized persons for those committing violations of the Code provisions.

## II. SPECIFIC STANDARD DISCLOSURES

### 2.1. ECONOMIC CATEGORIES OF SUSTAINABILITY

The economic categories of sustainability of the Podravka Group pertain to the effects of the company on the economic situation of stakeholders and on the economic systems at the local, national and global levels.

#### 2.1.1. ASPECT: ECONOMIC PERFORMANCE

The Podravka Group is a profit organization, and for that reason, the economic impact is a material aspect. The company achieves an economic impact (directly generated economic value), distributed via salaries and compensation to employees, payments to the state, payments of operative and financial expenditures, and payments to other stakeholders in direct or indirect ways. In order for the company to distribute this economic value, it must achieve a positive financial result.

The company governs the economic impact by creating a plan of operations each year for the following year, and then monitoring its execution at the monthly level. During the year, at least one additional assessment of operations is performed on the basis of the newest data and information. The plan and assessment of operations serve for the planning of future to achieve the economic (financial) indicators, and for identifying and eliminating the impacts that could arise by failing to execute the plan.

The entire company participates in the drafting of the plan and assessment, since each department is required to give an assessment of costs and revenues to be achieved in the next year. All included departments receive deadlines for the submission of data. The Controlling Sector finally sums all the estimates into a single report that represents the business plan for the following year.

As stated, an assessment of the achievement of results is performed at least once per year, and more often as required. The objective is to see whether the achieved results are aligned with the business plan prepared the previous year. If the assessment shows derogations, attempts are made to identify and remove the impacts that could lead to non-fulfilment of the plan.

##### 2.1.1.1. Directly generated and distributed economic values

Following from the above, the table below outlines the directly created and distributed economic value of the company, in the period from 2013 to 2015:

Directly generated and distributed economic value of the Podravka Group for 2013 - 2015			
(in thousands HRK)	2013	2014	2015
Directly generated economic value*	3,635,600	3,519,830	3,936,119
Employee salaries and compensations	805,204	796,896	820,739
Payments to state**	37,719	30,343	28,039
Operating costs	2,663,091	2,546,318	2,640,076
Net financial costs	61,209	51,328	44,000
Retained economic value***	68,377	94,945	403,265

\*Total revenues, \*\*Taxes and contributions independent of business results, profit tax, \*\*\*Net profit

In 2015, the Podravka Group successfully closed the largest acquisition in its history, with the purchase of the Slovenian food company, Žito Group. Considering that the Žito Group was consolidated into the Podravka Group as of the fourth quarter of 2015, this had a positive impact on the directly generated economic value in 2015.

With the acquisition and consolidation of the Žito Group, the number of employees of the Podravka Group was increased at the end of 2015 by the 1147 employees of the Žito Group, which resulted in increased salaries and compensations to employees. Payments to the state were reduced in 2014 and 2015 due to the use of tax losses in previous periods. In 2013 and 2014, operating costs declined due to more favourable trends in the prices of raw materials and materials, and on the positive impacts of the restructuring process, where savings were achieved in certain types of operating costs, while in 2015 these costs were higher due to the consolidation of the Žito Group. The net financial costs recorded losses over the last three years, which is associated with the payment of part of credit obligations, and the refinancing of credit obligations in early July 2014 at more favourable commercial terms.

In 2015, record levels of retained economic value were achieved, and it should be noted that this is largely due to the effects of the consolidation of the Žito Group, and of the delayed tax revenues of the Belupo Group after receiving a subsidy for the construction of a new pharmaceutical factory.

The restructuring process for the Podravka Group is a process that will be continually implemented, as the competition and technological progress demand ongoing adaptations to contemporary trends. While the focus in previous years was on company restructuring, in the forthcoming period, the emphasis will be placed on transforming the company into an efficient, international food and pharmaceutical company, seated at Koprivnica.

## 2.1.2. ASPECT: PROCUREMENT PRACTICES

The aspect Procurement practices is material for the Podravka Group, as the annual planning of procurement includes the financial planning of raw materials and materials, packaging, technical materials, services and investments for all entities within the company. Ordering and the receipt of all procurement categories is

defined in the process of ordering and receipt, with the aim of maintaining optimal levels of stocks, both in terms of quantity and value.

Managing relations with suppliers is carried out according to their strategic importance, i.e. in line with the added value for the company. Defining the relations with key suppliers is conducted in accordance with the strategic goals of the Podravka Group, and centralized management of suppliers with regard to quality is performed in line with strict criteria of the evaluation process and approval of suppliers.

The process of evaluating and selecting suppliers defines the monitoring and research of the supply market, setting criteria for the selection of new suppliers and ongoing evaluation of approved suppliers. The goal and purpose of evaluating and selecting suppliers is defined by the list of selected suppliers, i.e. the list of suppliers meeting all the defined needs and requirements pursuant to the assessment of their cooperation with the Podravka Group in the preceding period. The defined activities that are carried out include: supply market research and the collection of bids, decisions on verifications of suppliers, testing samples, supplier audits, registration of new suppliers to the list and assessment of existing suppliers. In the selection of suppliers, direct producers are preferred. In cases where, due to the nature of the business, the company cannot have a direct supplier (small quantities, commodities, goods from transoceanic countries, etc.), intermediaries may be used and are also selected in the most favourable bid procedure.

The fundamental criterion for monitoring the assessment of the approach to managing this sector is the coverage of all procurement requests with order forms in SAP and, with regard to receipts, the number of non-compliant receipts in the Quality Management module of SAP. Monitoring assessments is performed via SAP at the monthly level. The defined criteria monitor the measurement of the capability of a process to achieve the planned results. If the results are not achieved, certain corrections and corrective actions need to be made.

#### **2.1.2.1 Share of expenditures on local suppliers in significant operation areas**

In abiding by the high-quality standards for all procurement categories, the Podravka Group achieves a significant share of trade with local suppliers and primary producers. In this way, the company contributes to the stability of local communities in which it has significant operations, and directly enables additional investments into the local economy.

Pursuant to the above, and overview of the percentage of the procurement budget for the Podravka Group for the period 2013 to 2015 spent on local suppliers in significant operation areas is shown in the following table:

	2013	2014	2015
Share of expenditures on local suppliers in significant operation areas of the Podravka Group in 2013-2015 (%)	68.3	66.0	66.0

The geographical definition of “local” in the Podravka Group implies domestically seated suppliers in countries in which the company has a registered company/representative office. “Significant operation areas” are those in which the Podravka Group has production and/or a registered company or representative office.

## **2.2. ENVIRONMENTAL CATEGORIES OF SUSTAINABILITY**

The environmental category of sustainability of the Podravka Group pertains to the impacts of the company on the biotic and abiotic natural systems, including the soil, air, water and ecosystems.

### **2.2.1. ASPECT: MATERIALS**

The Materials aspect is material for the Podravka Group for the reason that the consumption of usable materials has a significant role in the costs of finished products that the company produces, and is subject to the effects of price changes on the food and pharmaceutical products markets.

Governing this material aspect in the Podravka Group is directed, via the Category/Management, at reducing risks ensuing from market changes, or primarily, avoiding negative impacts. In situations of pronounced volatility on the food and pharmaceutical product markets, the management of this aspect is aimed at mitigating negative effects, and improving the existing positive effects. By consolidating procurement volumes, through the full use of Commodity Risk Management, by implementing tenders and the use of new import regimes, the Podravka Group acts to reduce material costs, and in so doing manages this material aspect.

In the Podravka Group, close cooperation with suppliers is aimed at adapting and optimizing all materials used (raw materials, auxiliary materials, packaging), so as to obtain the best quality and most suitable finished product for the end customer. Following from this, suppliers themselves occasionally suggest new, lighter or more environmentally friendly materials. Furthermore, using raw materials with beneficial impacts on the human body and the development of functional products, ensures care for consumer health. Furthermore, the optimization of production processes is aimed at developing products that directly or indirectly result in savings in materials, energy and water, which will systematically reduce the consumption of resources in production. Above all, Podravka’s experts are dedicated to reducing the share and mass of packaging materials used to make finished products.

The methods and mechanisms of monitoring the efficacy of management of this aspect include regular verifications of quality control of all materials, ongoing evaluation and assessment of relations with suppliers delivering the said materials, managing the main information on materials, specifications of materials, and analysis of price trends and achieved savings. Monitoring efficacy is conducted at the daily, weekly, monthly and annual levels, and the responsibilities and authorities are clearly defined in the responsibility matrix for each individual process and monitoring method.



### 2.2.1.1. Materials used

The total consumption of materials used in the production and packaging of products of the Podravka Group in the period from 2013 to 2015, by the use of non-renewable and renewable materials, is shown in the following table:

Materials used in the Podravka Group	2013	2014	2015
Use of raw materials, in tonnes	131,403	130,364	131,545
- non-renewable raw materials, in tonnes			
- renewable raw materials, in tonnes	131,403	130,364	131,545
Use of auxiliary materials, in tonnes	11,071	8,326	7,095
- non-renewable auxiliary materials, in tonnes	385	649	382
- renewable auxiliary materials, in tonnes	10,687	7,678	6,713
Use of packaging, in 000s	1,036,394	1,037,677	1,228,774
- non-renewable packaging, in 000s	669,946	690,603	833,583
-renewable packaging, in 000s	366,448	347,075	395,190

### 2.2.1.2. Use of recycled entry materials

In the Podravka Group, there is the possibility of using recycled input materials in the segment of product packaging. As such, the company helps to reduce demand for new raw materials and contributes to the conservation of global resources. The initiative to use recycled packaging materials primarily comes from the Packaging Development service, however, the experts from the sectors Research and Development, Marketing, and Production are also actively involved.

Following from this, the percentage of recycled input materials used in product packaging in the Podravka Group in the period from 2013 to 2015 is shown in the following table:

Percent of recycled input materials in packaging segment	2013	2014	2015
Cardboard packaging	93%	93%	93%
Corrugated cardboard	70%	70%	70%
White glass	20%	20%	20%
Green glass	50%	50%	50%
White metal	72%	72%	72%

### 2.2.2. ASPECT: ENERGY

The Energy aspect is material for the Podravka Group as this aspect significantly reflects on the economic, environmental and social impacts of the company. The energy sources used by the company are: electricity, natural gas, compressed gas and technological steam. Through continuous improvements to energy efficiency and more rational use of individual energy sources, the

company achieves a better economic impact and ensures its responsible conduct towards society and the environment.

The Podravka Group does not possess a specific written procedure for energy management, instead performs management at the level of the Central Energy Department, based on an internal procedure consisting of planning, verification and corrections. One of the main activities of Central Energy is the production of technological steam (from natural gas) and compressed air (from electricity), such that energy management differentiates the external costs of electricity and natural gas from the internal costs of technological steam and compressed air. With regard to external costs, the final confirmation of spent quantities is the invoice of the supplier of the energy source, and the information on the invoice must coincide with the information in the internal monitoring of energy consumption.

The internal procedure of Central Energy Department is the management and assessment of the approach to energy management, and comprises the following components:

- Energy planning (daily, monthly, yearly) - the objective of production planning and/or energy consumption is to remain within the limits of  $\pm 10\%$  of the planned amounts;
- Verification - supervision (daily readings of measurement devices; analysis of production / consumption) - the objective is to raise awareness of employees to ensure more rational use of energy, i.e. to use only the necessary amount;
- Corrective and preventative actions - aimed to protect employees, reduce costs and avoid possible disasters;
- Verification of success (verifying whether levels are within the expected limits with regard to production / energy consumption) - overview of results submitted to superiors on a monthly basis - key indicators are effects for steam and compressed air.

#### 2.2.2.1. Energy consumption within the company

An overview of the energy consumption within the Podravka Group in the Republic of Croatia for the period 2013 to 2015, is shown in the following table:

Energy consumption with the Podravka Group in Croatia (MWh)	2013	2014	2015
Total consumption of fuel from non-renewable resources	103,981	95,861	98,864
Natural gas	103,981	95,861	98,864
Extra light heating oil	0	0	0
Total consumption of fuel from renewable resources	0	0	0
Consumption of electrical energy	40,747	39,411	41,194
Consumption of electrical energy (re invoiced to Carlsberg Brewery)	6,494	5,879	6,362
Total energy consumption	144,718	135,272	140,058

With the merger of the Mirna Rovinj d.d. fish processing plant into the Podravka Group, a new energy source, extra light heating oil (ELHO) was made available as an energy source for the production of heat energy.

In a comparison of the total energy consumption in 2014 with 2013, a 7% decrease was seen in the total consumption of energy. However, an increase of 4% was recorded in 2015 over 2014, due to the merger of the Mirna d.d. Rovinj fish processing plant. Without the addition of energy consumption in Mirna d.d. Rovinj, the total energy consumption in the Podravka Group in Croatia would have remained at the same level as in 2014.

Within the Podravka Group, heat energy is used for production processes, heating and heating water for use. Considering that the production processes, heating and hot water are prepared using heat energy from the central boiler facility, there is no measurement limitation on the spent heat energy for production processes, heating and hot water. Limitations of consumption of heat energy can be assumed on the basis of the analysis of consumption of heat energy in the summer and winter period, which is not the case in this report. This report encompasses the overall spent heat and electrical energy.

The consumption of electrical energy within the company is measured on electricity meters, and readings are recorded and subsequently checked at the time of verification of invoices for electrical energy. Invoices list the readings by the distributor, thereby reducing any risks of incorrect meter readings.

### 2.2.3. ASPECT: WATER

The Water aspect is material to the Podravka Group as it has a significant impact on the economic, environmental and social effects of the company. Water is used in the company for various purposes: for drinking water, sanitation, technological processes and product line. The largest share of water consumption pertains to production processes.

Water, as an important company resource, is managed rationally. The Podravka Group does not possess a separate, written procedure for water management. Instead, water is managed at the level of the Central Energy Department, according to internal procedures that include planning, verifications and corrections. With regard to external costs, the final confirmation of spent quantities of water is based on the supplier's invoice. The information on the invoice must coincide with the data from internal monitoring of water consumption. Following from this, the company has implemented an ESCO model at its headquarters in Koprivnica. Its primary objective, aided by the remote supervision of water consumption, is to reduce total water consumption and to raise employee awareness of the need for rational water use.

The internal procedure of the Central Energy Department for the management and assessment of the water management approach consists of the following components:

- Planning water consumption (monthly, annual level) - the objective of planning production and/or water consumption is to hold consumption within the limits of  $\pm 10\%$  of planned levels;
- Verification - supervision (daily/hourly reading of meters; analysis of production/consumption) - the objective is to raise employee awareness to ensure that water is used more rationally, i.e. that use is limited to the actual required quantities;
- Corrective and preventative actions - aimed at protecting employees, reducing costs and avoiding disasters;
- Checks of success (checking whether consumption is within the expected limits with regard to the production/consumption of water) - an overview of results is submitted to superiors on a monthly basis, outlining key indicators of effects for water.

### 2.2.3.1. Water supply by source

The Podravka Group receives water from the following sources:

- Surface waters
- Ground waters (own wells), and
- Local water supply.

An overview of the water supply by source for the needs of the Podravka Group in the Republic of Croatia, for the period 2013 to 2015, is shown in the following table:

Water supply by source for the Podravka Group in Croatia (m <sup>3</sup> )	2013	2014	2015
Surface water	47,616	35,196	38,373
Ground water	179,053	147,463	151,743
Local water supply	577,386	575,897	589,561
<b>Total water supply</b>	<b>804,055</b>	<b>758,556</b>	<b>779,677</b>

A comparison of total water supply in 2014 with 2013 shows a reduction in the total water supply by 6%. In a comparison between 2014 and 2015, there was an increase of 3% in the water supply, due to the addition of data for water supply for the needs of the Mirna d.d. Rovinj fish processing plant which entered into the Podravka Group in that year. Without the added water needs for the Mirna d.d. Rovinj plant, the total water supply for the company in Croatia would have recorded a 2% drop.

### 2.2.2.4. ASPECT: EMISSIONS

The Emissions aspect is material for the Podravka Group due to the direct impacts on the environment and the local community, and the indirect impacts

on the financial impacts of the company.

Managing the Emissions aspect is based on the corporate Environmental Protection Policy, which contains the obligation to manage greenhouse gases. Through its internal approach to environmental management, the company aims to reduce its negative impacts by reducing greenhouse gas emissions.

The assessment of the approach to managing the Emissions aspect in the Podravka Group is performed through monitoring and comparison of results with those of previous years, and the efficacy of the management system and the achievement of objectives is verified via external audits.

On 1 January 2013, the headquarters of the Podravka Group in Koprivnica and the entity Danica d.o.o. in Koprivnica became parties to Phase III of the European Union Emissions Trading System (EU ETS), and abides by all commitments ensuing from the ETS Directives. On 1 October 2015, Danica d.o.o. was annexed to Podravka d.d. (ceased to operate as a separate private entity and now operates as the Danica factory), and the limits for plants included in the ETS were expanded to the entire site of the Danica industrial zone, i.e. there was a change in the limits of plants in the way that the limits of plants include the Danica factory, and the Soup and Vegeta factory, and the Children's food and cream spreads factory which uses natural gas in its laboratories. For that reason, there were no changes in the total quantities of CO<sub>2</sub> emitted for the Danica industrial zone in 2015.

The EU ETS commitments include constant monitoring of CO<sub>2</sub> emissions, verification and submission of units and ongoing consideration of ways to improve processes and equipment with the aim of reducing emission units.

#### 2.2.4.1. Direct greenhouse gas emissions

The Podravka Group uses natural gas as the main fuel in all its technological processes, and greenhouse gas emissions generated by combustion are regularly monitored pursuant to the legislation.

Direct greenhouse gas emissions, including CO<sub>2</sub> emissions from stationary sources generated primarily from the combustion of natural gas (since 2013 total emissions also include emissions generated from the combustion of heating oil at the Kalnik factory in Varaždin). At the company headquarters in Koprivnica, the emissions budget includes natural gas, diesel fuel and acetylene, while the CO<sub>2</sub> emissions budget for the entity Danica d.o.o. also include emissions generated from the combustion of alternative sources, such as heating oil.

An overview of the direct greenhouse gas emissions of the Podravka Group in the Republic of Croatia in the period from 2013 to 2015 is shown in the following table:

Direct greenhouse gas emissions of the Podravka Group in Croatia* (t)	2013	2014	2015
Direct gross greenhouse gas emissions in CO <sub>2</sub> equivalent tonnes	20,566	18,466	19,362
Gases included in the calculation	CO <sub>2</sub>	CO <sub>2</sub>	CO <sub>2</sub>

\* Includes CO<sub>2</sub> co-emissions for Podravka d.d. (Koprivnica, Lipik, Umag, Varaždin and Zagreb), Belupo d.d. (for 2013 also includes Belupo Ludbreg) and Danica d.o.o. 2015 data include the entity Mirna d.d. as Podravka Group became the majority owner of Mirna d.d. Rovinj during 2015.

All CO<sub>2</sub> emissions pertaining to the Podravka Group headquarters in Koprivnica and with Danica d.o.o. were obtained in calculations based on fuel consumption, from the formula: F1 emissions (source flow - natural gas) [tCO<sub>2</sub>] = fuel consumption [Sm<sup>3</sup>] x lower heating value [TJ/Sm<sup>3</sup>] x emission factor [tCO<sub>2</sub>/TJ] x oxidation factor. The quantity of CO<sub>2</sub> emissions for other locations was obtained in calculations of CO<sub>2</sub> emissions from combustion as defined in Annex A (release into air) of the Handbook for keeping air pollution registers.

Gas flow meters measure the consumption of natural gas under standard conditions, and have been installed pursuant to the manufacturer's specifications. Fuel consumption, the quantity of standard cubic metres of natural gas are recorded in line with the supplier's invoice, based on which the emission budgets are calculated. The lower heating value (LHV) and the emission factor value (EF) are taken from the National Greenhouse Gas Inventory, the NGGI (value from the newest version of the NGGI, as published on the website of the Croatian Environment Agency for the year for which the report is compiled).

The methodology of budgeting direct greenhouse gas emissions of the Podravka Group, and the Monitoring plan for greenhouse gases, encompasses emissions from all flow sources.

#### **2.2.4.2. Emissions of ozone-depleting compounds**

For the needs of cooling goods and facilities, the Podravka Group uses equipment that uses freon as a cooling agent. Through regular maintenance of devices by authorized service persons, all the legally stipulated requirements are met. Also, Podravka received the decision of the Ministry of Environmental and Nature Protection on the right to perform servicing activities and the exclusion of the use of cooling and air-conditioning devices.

The company results in respect of the gradual withdrawal of such compounds from use are seen in the development of the company's technology and its competitive position on the products and services markets. A reduction in the quantity of freon in the reporting period was due to the replacement of freon R-22 with the more ecologically acceptable R134A and R-422D and/or due to the exclusion of devices from use with the termination of certain activities and the closure of factories.

In 2016, plans are in place to continue the removal of Freon R-22 from cooling devices and their replacement with ecologically more acceptable compounds, or devices still containing R22 will be replaced with devices containing compounds that do not deplete the ozone layer.

Facilities for computer and telecommunications equipment are equipped with fire protection systems based on the ecological gases FM-200 (83.5 kg) and MFC 227 (240 kg), which do not have a detrimental ecological effect on humans and the environment, nor on equipment.

An overview of the emissions of ozone-depleting compounds in the Podravka Group in the Republic of Croatia in the period 2013 to 2015 is shown in the following table:

Emission of ozone-depleting compounds at the Podravka Group in Croatia (kg)*	Freon R-134A	Freon R-22	Freon R-404A	Freon R-407C	R-410A	R-422D
2013	1329	1254.8	1333.3	176.6	45.1	
2014	1429	1041.8	1280.3	176.6	45.1	30
2015	1429	891.8	1688.8	276.6	45.1	30

\* Pertains to Podravka d.d. (including factories Studenac Lipik, Umag vegetables, Kalnik Varaždin, Osijek warehouse), Belupo d.d., Danica d.o.o. In 2014, the company Ital-Ice d.o.o. Poreč was merged to Podravka d.d. and data for 2015 also contain those data. 2015 data also include data for the entity Mirna d.d. as the Podravka Group became the majority owner of Mirna d.d. Rovinj during 2015.

## 2.2.5. ASPECT: WASTEWATERS

The Wastewater aspect is material for the Podravka Group due to the direct impact on the environment and the local community, and the indirect effects on the company's financial impacts.

Management of the Wastewater aspect is based on the corporate Environmental Protection policy, which contains the obligation to manage wastewaters. Through the internal approach to environmental management, the company aims to reduce its negative impacts through ongoing improvements to quality and the reduction of wastewater emissions.

The assessment of the approach to managing the Wastewater aspect in the Podravka Group is performed by monitoring and comparing results with previous years, and the efficacy of the management system and achievement of targets is verified via external audits.

### 2.2.5.1. Release of wastewaters by location and quality

For the Podravka Group, maintaining water quality is a requirement for life and development, and a national and international commitment. This is ensured through a series of policies, legal and sociological procedures and measures, planning and management, with the application of scientific methods and technological procedures.

Technological wastewaters of factories at the site of the Danica Industrial zone in Koprivnica are generated during regular production, washing of machinery, plants and vehicles, and are run through a sediment tank and separator prior to pre-treatment at the Podravka mechanical and biological wastewater treatment plant. Following pre-treatment, wastewaters are released through control shaft 2 into the public sewage system, which is then sent for final treatment in the city wastewater treatment plant. Other sites of the Podravka Group use physical procedures for the treatment of wastewaters.

An overview of the volume of wastewaters released by the Podravka Group in the Republic of Croatia, by site in the period 2013 to 2015 is shown in the following table:



<b>Volume of released wastewater by the Podravka Group in Croatia by site (m<sup>3</sup>)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Podravka Group HQ, Koprivnica	182,704	180,000	120,017
Danica Industrial zone*, Koprivnica	308,595	235,833	216,426
Studenac factory, Lipik	52,165	42,783	34,320
Vegetable factory, Umag	79,963	71,457	55,805
Kalnik factory, Varaždin	99,306	123,288	135,185
Mirna d.d.**, Rovinj			38,761
Total volume of wastewater released by site	<b>722,733</b>	<b>653,361</b>	<b>600,514</b>

\*Danica industrial zone includes the Children's food and cream spread factory, Soup and Vegeta factory, Transport Danica d.o.o. and Belupo d.d.

\*\*Data for 2015 include data for the entity Mirna d.d. Rovinj as the Podravka Group became its majority shareholder in 2015.

The data on the release of wastewater by the Podravka Group in the Republic of Croatia by site clearly shows a decrease in wastewater emissions at all sites in the period 2013 to 2015, with the exception of the Kalnik factory in Varaždin. This trend is the result of rational water use and a reduction in the number of employees. The increase in the volume of wastewaters at the Kalnik factory in Varaždin is the consequence of an increase in production volume.

Pre-treatment and treatment of the wastewaters of the Podravka Group, analytical testing of wastewater samples (taken from control shafts) by an authorized laboratory, and their frequency, is carried out in accordance with the valid legal regulations and water use permits for each site. An overview of the quality of released wastewaters of the Podravka Group in the Republic of Croatia, expressed through total pollution as COD in the period from 2013 to 2015, is shown in the following table:

<b>Quality of released waterwuters of the Podravka Group in Croatia, expressed as total pollution as COD* (mg/l)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>MPC**</b>
Podravka Group HQ, Koprivnica	161.67	93.33	236	700
Danica industrial zone, Koprivnica	39	22	61	700
Studenac factory, Lipik	42.5	93	209	700
Vegetable factory, Umag	235.5	364	590	700
Kalnik factory, Varaždin	167	57.25	37.25	700
Mirna d.d., Rovinj			2298	125

\*COD represents the chemical oxygen demand, i.e. total quantity of oxygen consumed to break down organic matter.

\*\* MPC is the maximum permitted concentration according to the Water use permit and the site.

The results of the wastewater analysis of the Podravka Group met the requirements from the water use permits for release into public sewage systems and are compliant with the valid legal regulations. Derogations over

the MPC are seen only in the COD values for the Mirna d.d. Rovinj factory, and in 2015 a project was initiated to relocate the factory to a new location. Implementation of this project is envisaged to begin in 2016.

## 2.2.6. ASPECT: WASTE

The Waste aspect is material for the Podravka Group due to the direct impact on the environment and on the local community, and the indirect impact on the financial effects of the company.

Management of the Waste aspect is based on the corporate Environmental Protection policy, which contains the obligation of waste management. Through the internal approach to environmental management, the company aims to reduce its negative impacts through the ongoing reduction of all types of waste.

The assessment of the approach to the management of the Waste aspect in the Podravka Group is carried out through the monitoring and comparison of results with those of previous years, and the effectiveness of the management system and achievement of goals if verified by external audits.

### 2.2.6.1. Quantity of waste by type and disposal method

In order to reduce the total quantity of waste generated at the Podravka Group, waste is sorted at the site of generation by type, temporarily stored and handed over to the authorized person for the collection, transport, processing, use or disposal of waste.

The systematic management of waste has led to a declining trend of non-hazardous waste, thanks to the ongoing education and increased awareness of employees on the proper sorting of waste by type at the site of generation.

An overview of the quantity of waste by type in the Podravka Group in the Republic of Croatia for the period 2013 to 2015 is shown in the following table:

Quantity of waste by type in the Podravka Group in Croatia* (t)	2013	2014	2015
Hazardous waste	85.76	65.35	81.14
Non-hazardous waste	4241.61	5475.16	3853.87
Total quantity of hazardous and non-hazardous waste	4327.37	5540.51	3935.01

\*Quantity of waste by type provided by waste collectors. Processed data pertain to Podravka d.d. Croatia, Belupo d.d. and Danica d.o.o. Data for 2015 include data for Mirna d.d. as the Podravka Group became the majority owner of Mirna d.d. Rovinj during 2015.

In 2015, there was a significant reduction in the quantity of non-hazardous waste for the reason that part of the biodegradable waste was used as value added (byproducts) and delivered to biogas plant, which uses it as a raw material in its technological processes. This led to a reduction in the quantity of waste delivered for composting, as the byproducts are used in the biogas plant. This resulted in a reduced load of non-hazardous waste on the

environment, and the company actively implements the European Union guidelines concerning the Circular Economy.

An overview of the quantity of waste of the Podravka Group in the Republic of Croatia, by disposal method, in the period from 2013 to 2015, is shown in the following table:

Quantity of waste of the Podravka Group in Croatia by disposal method* (t)	2013	2014	2015
Recycling	1689.46	2852.25	1813.56
Composting	1188.2	1564.68	327.16
Use	41.63	136.01	359.11
Incineration	250.75	96.05	141.62
Disposal	1157.34	881.59	1074.82

\* Data on method of processing and disposal of waste obtained from waste collectors, while data for 2014 and 2015 partially determined on the basis of experience data and activities of authorized collectors and disposal of waste.

The increased quantity of waste sent for disposal and incineration in 2015 is the result of the inclusion of data for Mirna d.d., as the Podravka Group became the majority owner of Mirna d.d. Rovinj in 2015.

#### 2.2.7. ASPECT: COMPLIANCE WITH REGULATIONS

The Compliance with regulations aspect is material for the Podravka Group, as by ensuring compliance to laws and regulations, the company avoids the financial risks that arise directly from monetary fines and non-monetary sanctions or indirectly through the effects on the company image. Compliance with the laws and regulations reduces risks of negative consequences on the environment that directly affect the local community, and a degradation of the company's reputation directly impacts all the significant stakeholders.

The laws and regulations in the area of environmental protection are systematically applied with the aim of reducing negative impacts on the environment, while prevention activities are taken so as to reduce all economic and environmental negative impacts to the greatest possible extent, or to fully eliminate them.

For the purpose of timely information of employees of the obligations ensuing from the laws and regulations in the area of environmental protection, the Podravka Group continually follows and systematically updates the List of laws and regulations, which monitors all legislative amendments in the area of environmental protection. All obligations ensuing from the valid laws and regulations in the area of environmental protection are implemented in the existing internal system of environmental management.

The efficacy of implementation of the laws and regulations in the area of environmental protection is measured on the basis of the reports of inspection supervisions, external audits and any citizen complaints.

### **2.2.7.1. Penalties and sanctions for the non-compliance of laws and regulations in the area of environmental protection**

The Podravka Group, as a socially responsible company, implements all prescribed activities in accordance with the valid national and international laws and regulations in the area of environmental protection, and according to international standards and guidelines.

In the period from 2013 to 2015, inspection supervisions were performed in the Podravka Group by the National water use inspection service and the Ministry of Environmental and Nature Protection, and no irregularities were found concerning compliance with the law and regulations in the area of environmental protection. Following from this, there were no significant monetary fines or non-monetary sanctions due to non-compliance with laws and regulations from the area of environmental protection.

## **2.3. SOCIAL CATEGORIES OF SUSTAINABILITY**

The social categories of sustainability deal with the impacts the Podravka Group has on the social systems in which it operates. This category of sustainability within the company consists of the following subcategories:

- Labour practices and decent work
- Human rights
- Society, and
- Responsibility for the product.

### **2.3.1. SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK**

The aspects from the sub-category Labour relations and dignified work are based on internationally accepted general standards.

#### **2.3.1.1. ASPECT: EMPLOYMENT**

The Employment aspect is material for the Podravka Group. In order to secure the necessary human resources to achieve its business goals, plans are made for specific profiles and necessary numbers of implementers for individual organizational units, and the annual costs for new recruitment.

Recruitment is planned at the annual level for the entire Podravka Group by the Central service that coordinates the process and manages recruitment in accordance with the Recruitment process of the Podravka Group. In the recruitment and selection process, a psychologist is always included to carry out the selection testing procedure and interviews. Each step of the selection process has been defined, as have the persons involved in individual steps of the selection process. The procedure is structured and transparent and closely follows the company's need in terms of the number of new recruits and expertise. The recruitment and

selection process is run by the Human Resources Department, and includes the person/sector that will be responsible for the future employee. Long-term recruitment is defined in the Strategy of the Podravka Group.

The recruitment process in the Podravka Group is standardized and described in the official document Recruitment process of the Podravka Group. The document Recruitment process of the Podravka Group precisely defines the authorities, responsibilities and procedures in hiring. The Annual Plan for recruitment provides a detailed outline for the current year and reflects the long-term strategy to fill work posts. Long-term recruitment planning is defined by the Strategy of the Podravka Group, which pertains to the main determinants in planning the number of employees, depending on the development of individual sectors and markets. In addition to information on the requested profile and number of implementers, the department and work post in question, approximate expected date to fill the work post, the plan also includes information on annual expenses. The recruitment plan is linked with the financial plan associated with labour costs - personal earnings, benefits and more are listed. The plan is developed per employee and is drafted for the calendar year in cooperation with the sectors Controlling and Corporate accounting and taxes, and is approved by the Management Board.

For individual groups of employees, the ways to assess the approach to managing the Employment aspect are defined. For trainees, this is the assessment of the trainee examination, for seasonal workers the assessment by their supervisor, and for all new recruits, the assessment of their supervisor.

#### 2.3.1.1.1. New recruitment and fluctuations of employees

An overview of the total number and rate of new recruitments in the Podravka Group in the Republic of Croatia in the period from 2013 to 2015 is shown in the following table:

Number and rate of new recruitments in the Podravka Group in Croatia*	Number of new recruits in 2013	Number of employees as of 31 Dec 2013	Rate of new recruitment (%)
Belupo d.d.	27	856	3.15
Deltis Pharm pharmacy	4	49	8.16
Podravka d.d.**	463	3167	14.62
Danica d.o.o.	19	567	3.35
Mirna d.d.			
Podravka inženjering d.o.o.	0	5	0.00
Ital-Ice d.o.o.***	11	11	100.00
Lero d.o.o.	0	2	0.00
Total number and rate of new recruitments	524	4657	11.25

Number and rate of new recruitments in the Podravka Group in Croatia*	Number of new recruits in 2014	Number of employees as of 31 Dec 2014	Rate of new recruitment (%)
Belupo d.d.	28	862	3.25
Deltis Pharm pharmacy	1	44	2.27
Podravka d.d.**	406	2840	14.30
Danica d.o.o.	2	495	0.40
Mirna d.d.			
Podravka inženjering d.o.o.			
Ital-Ice d.o.o.***			
Lero d.o.o.			
Total number and rate of new recruitments	437	4241	10.30

Number and rate of new recruitments in the Podravka Group in Croatia*	Number of new recruits in 2015	Number of employees as of 31 Dec 2015	Rate of new recruitment (%)
Belupo d.d.	53	880	6.02
Deltis Pharm pharmacy	6	47	12.77
Podravka d.d.**	990	3388	29.22
Danica d.o.o.	18	0	0.00
Mirna d.d.	1	151	0.66
Podravka inženjering d.o.o.			
Ital-Ice d.o.o.***			
Lero d.o.o.			
Total number and rate of new recruitments	1068	4466	23.91

\* Data shown in the table pertain to persons employed in the Podravka Group in the Republic of Croatia.

\*\* Number of new employees in Podravka d.d. in 2015 includes the 487 workers transferred to this company during the process of integration of Danica d.o.o.

\*\*\* Number of new employees in the company Ital-Ice d.o.o. in 2013 shows the number of workers that entered into labour relations upon returning from the interim labour relations in Podravka d.d., at the vegetable factory in Umag.

In 2015, the Podravka Group conducted the third wave of recruitment of a larger number of trainees with university qualifications, under the programme SHAPE your future with heart. A total of 29 highly educated trainees were hired in various company units through the structured training programme for a 10-month term, to get to know the company, to work on various group and individual tasks, and to become more independent for their future work in the field. During 2015, a total of 61 highly educated persons were employed. Employment of persons with secondary school qualifications is most often seen in the units Production, Logistics and the Croatian market, where the emphasis is on seasonal employment, and where, depending on the production and sales plans, a large number of seasonal employees are hired.

At the proposal of the PPDIV Union, the largest union represented in the Podravka Group, in 2015 the Management Board of Podravka passed a decision to continue the implementation of the programme to care for surplus workers with the payout of stimulative severance packages. Surplus workers were cared for in a humane and socially sensitive way, and those workers deciding to leave the company as part of the care programme received a stimulative severance payment of HRK 5000 for each year of uninterrupted service in Podravka, which is above the amount stipulated by law.

An overview of the total number and rate of fluctuations of employees in the Podravka Group in the Republic of Croatia in the period from 2013 to 2015 is shown in the following table:

Fluctuations of employees in the Podravka Group in Croatia*	Number of employees who left in 2013	Number of employees as of 31 Dec 2013	Rate of fluctuation (%)
Belupo d.d.	46	856	5.37
Deltis Pharm pharmacy		49	0.00
Podravka d.d.**	291	3167	9.19
Danica d.o.o.	53	567	9.35
Mirna d.d.			
Podravka inženjering d.o.o.	5	5	100.00
Ital-Ice d.o.o.***	26	11	236.36
Lero d.o.o.		2	0.00
Total number and rate of new recruitment	421	4657	9.04

Fluctuations of employees in the Podravka Group in Croatia*	Number of employees who left in 2014	Number of employees as of 31 Dec 2014	Rate of fluctuation (%)
Belupo d.d.	15	862	1.74
Deltis Pharm pharmacy	1	44	2.27
Podravka d.d.**	252	2840	8.87
Danica d.o.o.	125	495	25.25
Mirna d.d.			
Podravka inženjering d.o.o.			
Ital-Ice d.o.o.***	3		
Lero d.o.o.			
Total number and rate of new recruitment	396	4241	9.34

Fluctuations of employees in the Podravka Group in Croatia*	Number of employees who left in 2015	Number of employees as of 31 Dec 2015	Rate of fluctuation (%)
Belupo d.d.	67	880	7.61
Deltis Pharm pharmacy		47	0.00
Podravka d.d.**	98	3388	2.89
Danica d.o.o.	16	0	
Mirna d.d.	1	151	0.66
Podravka inženjering d.o.o.			
Ital-Ice d.o.o.***			
Lero d.o.o.			
Total number and rate of new recruitment	182	4466	4.08

\* Data shown in table pertain to workers employed in the Podravka Group in the Republic of Croatia.

Pursuant to a decision of the Management Board, stimulative severance packages were paid out to workers for each completed year of service in all companies within the Podravka Group, in the following amounts:

- 2013: 4000 and 4500 kuna
- 2014: 5000 kuna
- 2015: 5000 kuna.

The surplus employee care programme marked a continuation of the necessary restructuring process, aimed at optimizing costs and increasing the efficacy of operations, so as to ensure sustainability of the remaining work posts.

#### 2.3.1.2. ASPECT: OCCUPATIONAL HEALTH AND SAFETY

The aspect Occupational Health and Safety is material for the Podravka Group. In order to reduce the number of injured workers and to ensure a secure working environment, the Podravka Group abides by all legal regulations and provisions of the Collective Agreement pertaining to occupational safety. All injuries are reported and analysed and the Independent office for occupational safety establishes the circumstance surrounding the occurrence of the injury, and proposes measures to reduce risks or remove the cause of the injury. The page Occupational Safety has been created on the company Intranet.

Internal control is performed continuously over the application of occupational safety rules, and in cases when certain shortcomings are observed or injuries occur at work, solutions are proposed for the aim of reducing risks or removing the causes of injury, accident or disturbances to work processes, etc. Work means, work equipment and the work environment are tested, measured and inspected at the prescribed intervals, and training is provided to all staff. The business processes in the service have been redefined and standardized, and the result is an easier monitoring of the periodical obligations, simpler,



safer and clearer keeping of data, ensuring all data are up-to-date, for faster and easier communication of all participants in the occupational safety system. With the creation of the occupational safety page on the Podravka Intranet, access to documents has been made possible for all interested parties in the Company, with direct reporting and consultations.

Pursuant to the Ordinance on drafting risk assessments, risk assessment is conducted in accordance with the Risk assessment matrix, in line with the general criteria of risk levels (likelihood, consequences). Risk assessment is a fundamental act in the area of occupational safety which, among other things, prescribes the use of personal protective gear by work station, determines the work posts with special working conditions, etc. The overall system of enabling workers for work in a safe manner for specific jobs and tasks is regulated in the internal normative document, Training programme. The employer appoints members of the board by organizational units, in which the chairperson of the board is the authorized employer, i.e. director of that organizational unit. In line with the valid regulations in Podravka d.d., a procedure was carried out to elect an employee representative for occupational safety. Sessions of the occupational safety board, as an advisory body to the employer, are held four times per year.

When a safety incident occurs, after the worker receives medical care, the direct supervisor and the affected worker inform the occupational safety office and the occupational safety officer. The Independent occupational safety service confirms measures aimed at reducing risks or removing the causes of injuries. Injury data are regularly analysed over a five-year period, and reports are submitted to the sessions of the occupational safety board.

#### **2.3.1.2.1. Injuries, occupational diseases, lost days, absences and cases of death associated with work-related injuries, by gender**

An overview of the type and rate of injuries, occupational diseases, lost days, absences and cases of death associated with work-related injuries in the Podravka Group in the Republic of Croatia by gender in the period from 2013 to 2015 is shown in the following table:

No	Type of data	Podravka d.d.			Danica d.o.o.		
		2013	2014	2015	2013	2014	2015
1	Average no. of employees	3342	3012	3099	605	526	350
2	Average no. of male employees		1731	1785	0	276	183
3	Average no. of female employees		1281	1314	0	255	167
4	Total number of injured workers	42	55	39	10	13	7
5	Total number of injured male workers	22	37	31	9	5	3
6	Total number of injured female workers	20	18	8	1	8	4
7	Total number of minor injuries at work	39	46	35	10	12	6
8	Total number of serious injuries at work	3	9	4	1	1	1

9	Total number of deaths in the workplace	0	0	0	0	0	0
10	Number of workers who died from injuries sustained at the workplace en route to the hospital	0	0	0	0	0	0
11	Number of injuries to 1000 workers	12.37	18.26	12.58	16.53	24.71	20.11
12	Number of injuries to 1000 workers in economic branch	12.52	14.78	15.24	12.52	14.78	15.24
13	Share of no. of injuries in company in comparison to that in economic branch	1.00	1.24	0.83	1.32	1.67	1.31
14	Number of cases of professional disease to 10,000 workers in comparison to that in economic branch	0	0	0	0	0	0
15	Number of cases of professional disease	0	0	0	0	0	0
16	Number of cases of professional disease to 10,000 employees	0	0	0	0	0	0
17	Number of disturbances to work processes that could cause detrimental consequences to the health and safety of employees	0	0	0	0	0	0
18	Total number of lost work days due to injuries in the workplace	728	1478	1205	315	199	114
19	Number of lost work days due to minor injuries	393	1031	1056	315	193	104
20	Number of lost work days due to serious injuries	135	447	149	0	8	10

No	Type of data	Belupo d.d.			Delta Pharmis pharmacy d.o.o.			Mirna d.d.
		2013	2014	2015	2013	2014	2015	2015
1	Average no. of employees	862	859	861	47	46	46	168
2	Average no. of male employees	334	334	526	4	4	4	62
3	Average no. of female employees	528	525	335	43	42	42	106
4	Total number of injured workers	9	4	5	0	0	0	4
5	Total number of injured male workers	3	0	0	0	0	0	2
6	Total number of injured female workers	6	4	5	0	0	0	2
7	Total number of minor injuries at work	6	4	5	0	0	0	3

8	Total number of serious injuries at work	1	0	0	0	0	0	1
9	Total number of deaths in the workplace	0	0	0	0	0	0	0
10	Number of workers who died from injuries sustained at the workplace en route to the hospital	0	0	0	0	0	0	0
11	Number of injuries to 1000 workers	10.44	4.66	5.80	0	0	0	23.8
12	Number of injuries to 1000 workers in economic branch	13.77	14.78	15.24	0	0	0	15.24
13	Share of no. of injuries in company in comparison to that in economic branch	0.75	0.32	0.38	0	0	0	1.56
14	Number of cases of professional disease to 10,000 workers in comparison to that in economic branch	0	0	0	0	0	0	0
15	Number of cases of professional disease	0	0	0	0	0	0	0
16	Number of cases of professional disease to 10,000 employees	0	0	0	0	0	0	0
17	Number of disturbances to work processes that could cause detrimental consequences to the health and safety of employees	0	0	0	0	0	0	0
18	Total number of lost work days due to injuries in the workplace	427	272	106	0	0	0	166
19	Number of lost work days due to minor injuries	122	67	72	0	0	0	81
20	Number of lost work days due to serious injuries	305	205	34	0	0	0	85

\* Data pertain only to recognised workplace injuries in the Podravka Group in the Republic of Croatia.

The Independent occupational safety office, as an advisory body to the employer, cooperates with all participants in the occupational safety system (worker's council, unions, authorized persons, commissioners, workers), to implement measures and to apply the rules of occupational safety in order to contribute to the prevention of incidents in the Podravka Group. This is supported by the fact that the number of injuries in 2015 was significantly

lower than the number of injuries per 1000 workers in the economic branch the company belongs to (processing industry). This is certainly the result of many years of efforts of the employer, and particularly of the Independent occupational health office, whose activities have successfully influenced the improvement of working conditions in all areas.

#### 2.3.1.3. ASPECT: TRAINING AND EDUCATION

The aspect Education and Training is material for the Podravka Group. Training and education in the company is performed based on the expressed needs for worker education, and in accordance with the Education process. The Plan of education needs, Annual plan of education needs, and Annual plan and budget for education are drafted.

The structured development path in the Podravka Group begins from the trainee programme, entitled SHAPE. Through the application of expert knowledge, the development of skills, and participation in projects with the support of experienced mentors, trainees are prepared to work independently and to contribute to the company. The development of young people does not end with the end of the trainee programme, but continues through the SHAPE UP development programme, directed at developing self-management competencies and strengthening links and cooperation among young people. The development of employees with high potential and high work efficiency is detected and developed through the programme 'Recipe for Excellence', which encompasses the internal MBA programme. Through project work, participants are able to strengthen their business knowledge and experience.

The internal sales academy, entitled SCORE, develops sales competencies among sales staff, and builds a proactive culture in which the consumers are in the focus, and further cooperative relations are developed.

Significant attention is focused on the internal transfer of knowledge, through two programmes - 'We know, we share, we grow', where staff share professional knowledge and skills from their field of expertise, and 'Knowledge on a platter', intended for the development of personal skills of employees.

Every two years, employees may be sent, in a transparent manner, to expert study programmes. Throughout the year, the best among them are recognized and rewarded.

For management functions within the company, the development of management skills is important, and feedback is received through the tools Zaokret 360 and through annual performance reviews. In order to ensure a competitive edge and to monitor new trends in the industry, experts are continually encouraged to attend professional seminars and conferences, in Croatia and abroad.

The education process includes all forms of education and situations in which there is a need for worker education (internal or external education) in all organizational units and companies of the Podravka Group, in accordance with the Podravka Group strategy. The process regulates the definition and planning of education needs, the submission of applications, education process,

monitoring workers and the course of the process, and reporting on education results. In the associated companies of the Podravka Group in Croatia and abroad, the organization units are responsible, where the process unfolds in line with the strategy of the Podravka Group, according to the same principles as in the parent company, abiding by the legal regulations of the country in which the company operates.

The education process implies the adoption of three plans:

- Plan of education needs - this is a document drafted by the sector director for the specific business areas for which they are responsible, based on the development needs for employees in that unit, e.g. based on the assessment of success and potential of employees. It contains specific information on the education needs in the forthcoming year (type of education, type of programme, number of attendees).
- Annual plan of education needs - is a document drafted in the organization unit Human Resources Management, on the basis of the data contained within the Plan of education needs for individual business areas and the HR plan based on the needs for employee development and organizational units as detected by the HR department itself. This plan contains specific information on the education needs at the level of the Podravka Group in the forthcoming year (type of education, number of attendees, education costs).
- Annual education plan and budget - is a document drafted by the Human Resources Management department pursuant to the Annual Plan of education needs (type of education, attendees, total education budget), and is adopted in its entirety by the Management Board, making this an official document by which education is actualized throughout the year.

The education process prescribes the methods and criteria for process monitoring. The responsible persons are required to monitor the criteria, and accordingly, where necessary (large derogations or other irregularities occurring), to take the necessary corrective and/or prevention activities, and to keep the necessary records.

#### **2.3.1.3.1. Average number of employee training hours per year, by gender**

An overview of the average number of employee training hours per year, by gender, in the Podravka Group in the Republic of Croatia in the period from 2013 to 2015 is shown in the following table:

Average number of hours of employee training per year, by gender in the Podravka Group in Croatia*	2013		2014			
	Podravka d.d.	Belupo d.d.	Podravka d.d.	2014/2013	Belupo d.d.	2014/2013
Average number of training hours per employee	12.81	16.11	14.20	10.85%	18.61	15.52%
Average number of training hours per woman	13.53	21.02	19.06	40.87%	23.26	10.66%
Average number of training hours per man	12.27	9.36	10.46	-14.75%	12.19	30.24%

Average number of hours of employee training per year, by gender in the Podravka Group in Croatia*	2015			
	Podravka d.d.	2015/2014	Belupo d.d.	2015/2014
Average number of training hours per employee	15.56	9.58%	33.96	82.48%
Average number of training hours per woman	21.76	14.17%	41.58	78.75%
Average number of training hours per man	16.05	53.44%	26.79	119.77%

\* The company Podravka d.d. includes data for the associated companies in Croatia - Podravka d.d., Danica d.o.o., Ital-Ice d.o.o., Lero d.o.o., Podravka Inženjering d.o.o., Mirna d.o.o. The company Belupo d.d. includes data for associated companies in Croatia - Belupo d.d., Deltis Pharm pharmacy.

The Podravka Group places great importance on the training and education of its employees, which is seen in the increase in the annual average number of training hours per employee and by gender from year to year.

### 2.3.2. SUBCATEGORY: HUMAN RIGHTS

The subcategory Human Rights includes the scope of conducted procedures in the Podravka Group, cases of violations of human rights, and changes in the opportunities of stakeholders to enjoy and achieve their human rights.

#### 2.3.2.1. ASPECT: NON-DISCRIMINATION

The aspect Non-Discrimination is material for the Podravka Group. Following from this, in 2014, Podravka d.d. adopted the Ordinance on the procedures and measures to protect worker dignity, which stipulated the procedure and measures, including preventative measures, to protect worker dignity, with the aim of ensuring recruitment and working conditions in which no one is exposed to discrimination, sexual harassment or other forms of harassment.

Two commissioners are responsible for the implementation of the Ordinance on the protection of worker dignity, one man and one woman, who are appointed by a

decision of the employer. Each worker is authorized to file a complaint against discriminatory behaviour, sexual or any other form of harassment to the employer or authorized person. Harassment containing elements of criminal acts, harassing workers for their race, religion, gender, sexual orientation, age, faith, nationality or physical or mental difficulties, is a particular grave violation of the obligations from the labour relations.

The Ordinance prohibits all discrimination, or actions that result in an unfavourable position in comparison with other persons in a similar situation for a person seeking conclusion of a labour control or a worker on the basis of their race, skin colour, gender, sexual orientation, marital status, familial obligations, age, language, faith, political or other affiliation, national or social origin, financial status, birth, social position, membership or non-membership in a political organization, membership or non-membership in a union, and physical or mental difficulties. All harassment is prohibited, i.e. undesirable behaviour caused by one of the discriminatory criteria, that aims to or represents a violation of the dignity of persons seeking employment or of workers, and which is caused by fear or hostility, a denigrating or offensive environment.

Furthermore, the Podravka Group dedicates special care to protecting the standards of workers whose work capabilities are reduced over their working life, and are distributed to less valuable jobs. In order to avoid the discrimination of such workers, the Collective Agreement lays down the right to retain the same level of pay the worker held prior to the assignment to the lower valued job, if they meet specific criteria of age and years of service.

#### **2.3.2.1.1. Cases of discrimination and corrective measures taken**

In 2015, no cases of worker discrimination were recorded in the Podravka Group, and as such, no corrective measures were required.

By the end of 2015, the salary calculation for protection of workers' standards according to the Collective Agreement was applied for only one worker, since all other workers entitled to the protection of the workers' standard expressed their preference to end the labour relations with the payout of a stimulative severance package.

#### **2.3.2.2. ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

The aspect Freedom of association and collective bargaining is material for the Podravka Group. There are three unions active in the company: The Croatian Union of workers in agriculture, food industry, tobacco industry and water management (PPDIV), the PODRAVKA-HUS independent union, and the PODRAVKA-SINPOD workers' union. The Podravka Group respects the right of workers for the freedom of association and collective bargaining, and the Collective Agreement of the Podravka Group was adopted pursuant to an agreement between the employers and all three unions, and applies to all workers of Podravka d.d., Belupo d.d. and Danica d.o.o., regardless of whether they are union members or not, while Mirna d.d. has its own Collective Agreement.

The joint session of the Workers' Council, representatives of the unions having members in the Workers' Council, occupational safety commissioner and

the Podravka Management Board with associates is held once a year. At this session, the operations and business results, socioeconomic position of workers, implementation of the Labour Act, Ordinance on Labour, and Collective Agreement are discussed, and the number and type of labour disputes and employment trends are analysed. A press release is released or a press conference is held after the joint annual session (either together or by individual participants).

The Collective Agreement of the Podravka Group regulates the rights and responsibilities in the area of labour relations, protection of worker privacy, education and training of trainees for independent work, work hours, rest and vacation time, salaries and compensation for workers, material and other rights of workers, innovations and technical advancements, cessations of the labour contract, exercising the rights and obligations from the labour contract, conditions for the work of unions, rights and responsibilities of contracting parties and means of dispute resolution, conclusion of agreements, submission of agreements to the relevant ministries, and public release of agreements.

Workers' rights are continually improved through talks with unions on amendments to the Collective Agreement. Through the Labour Council, the unions participate in the adoption of business decisions that could impact the socioeconomic position of workers, and the conditions for the work of the Labour Council are regulated under the Agreement concluded between the employer and the Labour Council.

#### **2.3.2.2.1. Number of workers who are union members and their share in the total number of employees**

An overview of the number of workers who are union members and the share in the total number of employees in the Podravka Group in the Republic of Croatia for the period 2013 to 2015 is shown in the following table:

Number of workers - union members in total number of employees in Podravka Group in Croatia	Total employees on 31 Dec 2013	2013					
		HUS		PPDIV		SINPOD	
		No. members	%	No. members	%	No. members	%
Belupo d.d.	856	91	10.63	305	35.63	7	0.82
Podravka d.d.	3167	479	15.12	1317	41.59	183	5.78
Deltis pharm d.o.o. pharmacy	49	0		0		0	
Mirna d.d.							
Danica d.o.o.	567	40	0.07	250	44.09	87	15.34
Podravka inženjering d.o.o.	5	0		0		0	
Ital-ice d.o.o.	11	0		2	18.18	0	
Lero d.o.o.	2	0		0		0	
Total number of worker - union members and share in total number of employees	4657	610	13.10	1874	40.24	277	5.95



Number of workers - union members in total number of employees in Podravka Group in Croatia	Total employees on 31 Dec 2014	2014					
		HUS		PPDIV		SINPOD	
		No. members	%	No. members	%	No. members	%
Belupo d.d.	862	105	12.18	315	36.54	11	1.28
Podravka d.d.	2840	445	15.67	1146	40.35	154	5.42
Deltis pharm d.o.o. pharmacy	44	0		0		0	
Mirna d.d.							
Danica d.o.o.	495	54	10.91	205	41.41	80	16.16
Podravka inženjering d.o.o.							
Ital-ice d.o.o.							
Lero d.o.o.							
Total number of worker - union members and share in total number of employees	4241	604	14.24	1666	39.28	245	5.78

Number of workers - union members in total number of employees in Podravka Group in Croatia	Total employees on 31 Dec 2015	2015					
		HUS		PPDIV		SINPOD	
		No. members	%	No. members	%	No. members	%
Belupo d.d.	880	109	12.39	325	36.93	12	1.36
Podravka d.d.	3388	528	15.58	1344	39.67	231	6.82
Deltis pharm d.o.o. pharmacy	47	0		0		0	
Mirna d.d.	151	0	0.00	133	88.08	0	0.00
Danica d.o.o.							
Podravka inženjering d.o.o.							
Ital-ice d.o.o.							
Lero d.o.o.							
Total number of worker - union members and share in total number of employees	4466	637	14.26	1802	40.35	243	5.22

Membership in the unions in Podravka Group is voluntary, and the employer executes the service of payment of the union membership via deductions from the worker's salary.

### 2.3.3. SUBCATEGORY: SOCIETY

The subcategory Society pertains to the impacts the Podravka Group has on society and the local community.

#### 2.3.3.1. ASPECT: LOCAL COMMUNITY

The aspect Local Community is material for the Podravka Group, as the company conducts its with social responsibility in the local communities in which it operates. It actively supports and carried out various social programmes, via: educational articles in the Podravkin list and Glasilo Belupo journals, on the internet, organizes public meetings, Belupo's school of health, various health care campaigns, etc.

Furthermore, the Podravka Group is also the initiator and organizer of Tomato Days in Umag, Vegetable Days in Koprivnica, and Wheat Field Days in Hlebina, which directly influences the development and advancement of agricultural production in these local areas, so as to support the survival of agricultural producers in the local environment and enable the placement of their products.

These events are primarily of an educational and promotional character, aiming to provide the local population with professional assistance in production, and to promote their products, which are used as ingredients in the making of Podravka's processed food items.

Attempts to include as many ingredients of agricultural origin from domestic products, through professional assistance in production, good organization of purchasing, and timely payments for purchased products, helps the local agricultural population to survive in rural areas.

There is increased interest of the local population for cooperation with the Podravka Group, resulting in an increased share of domestically produced agricultural products in the total company needs for raw materials of agricultural origin.

##### **2.3.3.1.1. Inclusion of the local community, assessment of impacts, and development programmes**

The Podravka Group actively includes the local community, and assesses the impacts and development programmes in all activities that enable sustainable economic, environmental and social impacts.

The company aims to secure the greatest possible amount of raw materials of agricultural origin through the organization of agricultural production near to the processing facilities (Koprivnica, Varaždin, Umag), which has a significant impact on the economic development of the local rural areas. In terms of value and quantity, the organized production of vegetables, grains and fruit is most important for the local community, encompassing several hundred family farms.

The Agricultural development service works to improve the agricultural production intended for processing: by educating farmers, performing soil analysis and giving fertilizing recommendations, selecting adequate varieties,

developing contemporary production technology and ensuring environmentally friendly plant protection to ensure that organized production is as environmentally friendly as possible, while also as economically beneficial for the production, and from the view of processing, results in the highest quality for Podravka.

This is evident in the quantity of locally produced vegetables processed in the Podravka factories in 2013 to 2015.

An overview of the quantity of locally produced vegetables processed in the Podravka factories in the Republic of Croatia in the period from 2013 to 2015 is shown in the following table:

Quantity of locally produced vegetables processed in the Podravka factors in Croatia (t)	2013	2014	2015
Kalnik factory Varaždin	5153	5972	6507
Umag vegetable factory	7033	7179	10,223
Total quantity of locally produced vegetable processed in Podravka factories	12,186	13,151	16,730

Education of producers is performed via regular annual meetings prior to the start of the production season, with tours of established production during the vegetation season, and the organisation of Field days.

In modernly equipped laboratories for the analysis of soil and plant materials, and the laboratory for quality control and seed health of the Agricultural development department, local farmers have the services necessary for modern production at their disposal.

By participating in projects to preserve and sustain the use of genetic plant sources, the Agriculture development department is directly engaged in the collection and evaluation of autochthonous germplasm, that aims to preserve these native varieties in their original form as protected varieties (chilli) or to be used in crosses in the process of creating new varieties (peppers) which forms the basis for processing-intended production.

For the purpose of improving production and the use of processed tomatoes in Umag, the site of the majority of production and the only Croatian tomato processing plant, for the past 18 years, Podravka has been organizing Tomato Days prior to the start of the processing season, as an educational and promotion event with a charity character as well.

An overview of the charity campaigns and amounts of funds collected during Tomato Days in the period from 2013 to 2015 is shown in the following table:

Year	Charity campaign	Collected and donated (HRK)
2013	Treatment of young girl, Melissa Končar	29,085
2014	Procurement of a neurofeedback device	28,030
2015	Treatment of a young girl, Larisa Jurišević	28,000

For the past four years, Podravka has organized the Wheat Days in Hlebine, for the purpose of improving the production of wheat in the local area. Each year, a larger number of local farmers takes part in this professional gathering and tour of experimental and production lands under wheat crops.

For the past nine years, the pharmaceutical part of the company, Belupo d.d. has traditionally organized a public health event in April, health month, to measure health on the main square in Koprivnica. The primary objective of the activity is to promote a healthy lifestyle, to show the importance of prevention, and of timely treatment, which directly contributes to the culture of protecting the health of citizens and the community in which we live and work.

In the Belupo five mini doctor's offices, the citizens of Koprivnica can have their blood pressure, blood sugar and blood triglycerides measures, have their risk of osteoporosis assessed, measure their eye pressure and check their skin during the 180 minutes of the campaign. A thousand patients have passed through the doctor's offices in these years. The medical staff, physicians and pharmacists have all agreed that the interest for these health measurements increases from year to year, and the people of Koprivnica are becoming healthier, thanks to Belupo's public health campaigns, aimed at raising awareness of the importance of prevention and timely treatment. There is also an increased number of young Koprivnica residents that understand the importance of prevention.

#### 2.3.4. SUBCATEGORY: PRODUCT RESPONSIBILITY

The aspects within the subcategory Responsibility for product pertain to products and services that directly affect stakeholders, especially customers.

##### 2.3.4.1. ASPECT: CUSTOMER HEALTH AND SAFETY

The aspect Customer Health and Safety is material for the Podravka Group. The company has a responsibility to ensure the products it places on the market are safe and meet health suitability requirements for the end consumer. Podravka abides by national and international regulations in the area of food safety, which since 2000 have continually improved and become more stringent. Market globalization has created the obligation to implement norms and standards of the food safety market, which Podravka does, working constantly to improve management systems. This is an integrated management system that covers the ISO 9001, FSSC 22000, IFS, BRC, HACCP, NSF, Halal, Kosher, GMP and elements of ISO 14001. The integrated system is dependent on the type of food market safety standard or norm, and is periodically verified and certified.

The material aspects include all the food safety requirements, from ongoing improvement programmes for requirements such as storage and transport conditions, means of implementing cleaning of production lines and areas, and pest protection, to investments in new technologies in production processes. The aspects of sustainable development are considered when selecting suppliers, developing products and packaging materials, quality control and the production process.

A mandatory precondition for the efficient management of food safety is the clearly prescribed means of ensuring traceability. Traceability for each Podravka product is quickly and efficiently ensured through the good establishment of a food safety management system, which is facilitated by the use of the SAP R/3 information system.

Traceability has been established at all levels, from the field to the table. For suppliers and the producers of primary agricultural products, a soil fertility control system has been put in place, and special attention is placed on the use of plant protection compounds, to assess the threshold of potential harmfulness, and compounds with the least negative impact on the environment and consumer health are selected. Food safety procedures continue to be implemented in all phases of production, processing and distribution of food.

An efficient traceability system, in the case of product withdrawals or market recalls, ensures the rapid, effective and complete withdrawal of products. The actual product recall procedure represents a significant financial risk, due to damages incurred to the company's reputation, up to the costs of disposal of the product in question. Therefore, the prescribed food safety procedures are continuously implemented to prevent these potential risks.

In the establishment of a food safety system, this does not imply only the mere meeting of legal regulations and standards. For the company, this is an important tool in combatting product counterfeiting and brand protection, right up to the right of consumers to be informed about the products they are consuming.

Podravka has adopted the concept of risk-based thinking through its integral company management system, aimed at removing or mitigating potential risks to the greatest possible extent. Financial resources have been invested in preventative actions, which has positively influence the company's business results.

#### **2.3.4.1.1. Product assessment to improve impacts on health and safety**

The Podravka Group performs ongoing assessments of all significant product categories, to improve the impacts on health and safety.

In following the contemporary recommendations for protecting health and contributions to changing poor dietary habits, in 2014, the Podravka Group developed the Nutrition Strategy for the period 2014 to 2024, which aims to reduce the use of salt, sugar and trans-fatty acids in its products.

The Nutrition Strategy represents the system of managing the nutritional quality of the brands and product lines, by which the consumer is offered products that meet their needs, which will help them improve their diet, and which will be in compliance with the national and global health guidelines.

Following from this, the company continually works to set up its own nutritional criteria for all product categories, taking account of their contribution to daily meals, and in consideration of the national and international public health recommendations.

#### 2.3.4.2. ASPECT: PRODUCT AND SERVICE LABELLING

The aspect Labelling products and services is material for the Podravka Group, as the company provides transparent and true information on the product composition and on the composition of the packaging for the product. Adequate product labelling also reduces financial risk that might arise due to inadequate or non-transparent product labelling, the inability to export products to certain markets, returns of consignments from markets, or due to negative inspection reports.

The company labels all its products on the market pursuant to the law and regulations and interpretations of individual legislative institutions. It is transparent in labelling, as shown by the reports of external audits (IFS, BRS, HALAL) that show that the information listed on the product are unambiguous, true and reliable.

The approach to managing the aspect Labelling products includes the following determinants:

Ongoing monitoring and systematic updating of the List of laws and regulations in the segment of product labelling and their amendments, for both the domestic market and export markets.

Establishment of a coordination model for Podravka staff in the field with legislative bodies of individual new markets due to the specificity of requirements for equipping and launching products on specific markets.

Constant interactive communication with consumers and validating their input and comments, to ensure that the information on the packaging is understandable to the average consumer.

The assessment of the approach to managing this aspect is measured on the basis of inspection reports, internal and external audits, and consumer complaints.

The Podravka Group performs ongoing customer satisfaction measurements via market research in order to assess and maintain customer satisfaction. This is performed at bimonthly to yearly intervals, for all significant categories and markets where the company operates. There is also ongoing internal practice of reporting on consumer complaints that is issued in the monthly reports.

The mechanisms for obtaining buyer feedback are based on research by external, specialized agencies, including continuous research on customers, and surveys conducted on customers purchasing in shops (shop panels and household panels). Furthermore, an important mechanism for obtaining feedback from buyers on a daily basis is the toll-free consumer telephone, e-mails and contacts via social networks.

#### 2.3.4.2.1. Types of product information and product labelling

An overview of the types of product information and product labelling of the Podravka Group is shown in the following table:

Type of product information and product labelling of the Podravka Group	2015
a. Organisation of procedures for information and product labelling requires the following product information (YES/NO):	
Listing the source of integral parts of the product or service	YES
Content, particularly in terms of matter that can impact the environment or society	YES
Safe use of products or services	YES
Disposal of product and impact on environment/society	YES
b. Percentage of significant categories of product that are encompassed by these procedures, and for which an assessment of their compliance with these procedures has been carried out	100%

#### 2.3.4.3. ASPECT: MARKETING COMMUNICATIONS

The aspect Marketing Communications is materials for the Podravka Group so as to ensure the continued communication of the Podravka brands towards consumers. The annual marketing plan outlines all the planned activities for the following year, and plans the Marketing budget. The process of planning, development and implementation of marketing activities in the Podravka Group is defined by the document entitled Planning, development and implementation of marketing activities. Marketing communications that are developed in the Podravka Group and are sent towards consumers via the media must be true, timely, accurate and educational.

Pursuant to the defined strategy, the category and plans of activities are compiled in a creative brief for the development of communications tools (TV and radio spots, ads, etc.). Based on the assessment of complexity of the requirements from the creative brief, a decision is made whether the requirement will be directly assigned to a specific agency, or whether the agency is selected via a tender. The entire process is aimed at ensuring the best financial bid and the development of such communications solutions that will be understandable and communicate the advantages of the Podravka brand to consumers in an educational way.

The document Planning, development and implementation of marketing activities precisely defines the authorities, responsibilities and procedures tied to marketing communications. On the other hand, the Marketing programme for individual categories and markets is a detailed document for the current year and outlines all the activities tied to marketing communications, listed by time intervals and budget. The long-term development planning for Podravka brands defines the strategy that encompasses the strategic guidelines for communications.

The document Marketing investments monitors the expenditures of the marketing budget on a monthly basis, and compares this with planned amounts.

If there are derogations, clear and precise explanations are needed. Only the implementation of marketing activities that unfold via various media are monitored in documents submitted by the agency that drafts the Media plan. This includes all activities, classified by time intervals and funds spent. The efficacy of marketing communications is monitored by market research, where the observed activities are tracked. The sales documents are also important indicators of whether the activities were carried out in line with the given plans.

#### **2.3.4.3.1. Non-abidance with the regulations and voluntary codes concerning marketing communications**

During the reporting period, no cases of non-abidance of the regulations and voluntary codes concerning marketing communications, including advertising, promotions and sponsorships, were recorded in the Podravka Group.



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The Reporting Team is comprised of representatives of all sectors in the Podravka Group, and was appointed directly by the Chairman of the Management Board of Podravka d.d. The Team leader for drafting the report is the head of the Sustainable Development sector in the Podravka Group.

## V. IMPRESUM

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## **VI. EXTERNAL VERIFICATION OF THE COMMITTEE OF THE EXECUTIVE COUNCIL OF THE CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT**

The Committee of the Executive Council of the Croatian Business Council for Sustainable Development (HR PSOR\*) is very pleased to announce that eight years after its last report, Podravka has again published a Sustainable Development Report, in accordance with the G4 guidelines of the Global Reporting Initiative, Core option. The report has been examined with due care, particularly due to the strong understanding of the tradition and role of Podravka in the local community, which increased the expectations from the results presented.

Podravka has shown that it is certainly capable of integrating the GRI guidelines, and of recognizing the most sensitive areas and ensuring their careful application. As a consequence, the cooperation process with shareholders and the selection of the material aspects and the manner in which they are described in the report are the best and most thoroughly considered processes to date. With this report, Podravka has demonstrated that it takes the obligations ensuing from the reporting guidelines very seriously. Also, in the part outlining specific data, the information is very detailed and correct, and all derogations from trends have been explained, thus giving a very transparent overview of the impacts and reasons for certain impacts.

The assessment of the quality of Podravka's Sustainable Development Report is not only in showing that the company has responded to the minimum number of indicators required for a certain level of reporting. The assessment of the report's quality is in seeking evidence that the conflicting interests in the issues of sustainable development have been successfully considered, and that the processes for their consideration and conciliation are in effect. For that reason, we propose that Podravka should additionally develop the overview of the processes of managing non-financial impacts.

The report abounds in positive activities. We point out the reductions of quantities of non-hazardous waste in 2015, achieved by submission of a share of biodegradable waste to the biogas plant, where it is used as a raw material in technological processes. We also emphasize the public health activities for health measurements organized by Belupo, while expanding activities in rural areas and education on preserving health could add additional beneficial impacts.

In the following reporting period, we propose an improvement in the description of the approach to managing aspects, particularly those in economic categories, as there is a need for clearer description of the influence of aspects on stakeholders and the environment, at least in the measure as shown for Podravka. It is also very important to show that the selection of suppliers and materials in their processes includes an assessment of impacts on the environment and society, which is a means of managing the impacts of Podravka outside the boundaries of its own production processes. We recommend as many graphs as possible to increase readability, and more information on the members

of the Group outside the Republic of Croatia.

The Report of the Podravka Group for 2015 is of satisfactory quality and reporting level. We hope that Podravka will continue to develop this successfully started process.

\*HR PSOR is a non-profit organization founded by the leading Croatian entrepreneurs so as to accelerate the transition to sustainable development in Croatia and the application of corporate social responsibility (CSR). Its task is to stimulate entrepreneurs to make changes that contribute to sustainable development, and to promote those who have already applied such a practice. The members are companies that understand sustainable development and actively implement it through their business plans and investments. In addition to being the leading CSR organization in Croatia, HR PSOR is also a member of the international initiative World Business Council for Sustainable Development (WBCSD), a member of CSR Europe, and a partner of the International Global Reporting Initiative (GRI). Membership in HR PSOR provides members with the possibilities of cooperation with these leading European and global institutions.

Always from the  
*Heart*  
  
PODRAVKA