



Sustainability report 2022



This report is Klimaoprema's first Sustainability report. With this report, we are publicly committing and fulfilling our responsibility to communicate transparently on "how we do business" and the impact we deliver on the environment and society. This report can be considered as a starting point in our sustainability journey, the data and ESG topics which we will continue to supplement in the coming years.



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Note: Data and information presented in this Report do not cover full list of material topics and their relevance for Klimaoprema's business operations. Double materiality approach will be conducted in 2023 and thus will be disclosed in our next Sustainability Report.

LETTER FROM THE CEO

Dear reader,

for almost half of century, Klimaoprema is supplying products for many projects in Europe and around the globe – thus enriching society, enhancing the quality of life, and having a positive impact on the environment and the technological standards of the industry.

We started as a local business - investing, employing, and manufacturing locally. But we operate globally. Today, we are present in more than 45 countries of the world. While doing so, sustainable operations are always in the heart of all our efforts. We care about the environment we live and work in, our people and the community.

This Report presents our first public commitment to our work toward sustainable future. This is reflection of our efforts done for managing waste, energy, carbon issues, but also standing point regarding the safety and well-being of our people.

With this sustainability report, we created transparency regarding our operations but also identified what we need to do better. Our work on sustainability strategy will continue in 2023, with the aim to develop comprehensive inventory on our environmental and social impacts, including the climate change. We will also develop targets and measures to framework our efforts around sustainable tomorrow.

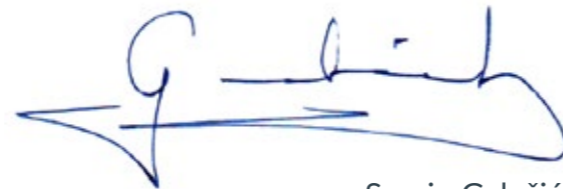
Our sustainability report builds around three cornerstones – Environment and impact we have with our operations, People as our driving force and most valuable asset, and Governance as framework for our core values and principles, ethics and integrity but also the foundation on which we will build future ES(G) commitments.

As we are company whose products and services are used in the civil engineering, we are fully aware of our responsibility in that area. Engineering and construction are undergoing significant changes, as this sector accounts for around half of all extracted material and is main generator of greenhouse gas emissions. Strategy for a Sustainable Built Environment, new Circular Economy Action Plan and the new Industrial Strategy for Europe, as part of the European Green Deal, will have significant and transforming impact on our business operations. We are aware that this transformation will bring great challenges for us, but also, I have full confidence that we will make it into opportunity.

Thus, our future will be green and Klimaoprema is heading in that direction. This makes me optimistic about the forthcoming, but also proud to contribute to better future for all.

In the name of the Board of Directors, I would like to thank all employees for their effort, hard work, dedication, and exceptional performance without which we wouldn't be able to produce and deliver extraordinary projects and extraordinary Company.

Samobor, September 2023



Sergio Galošić,
Chief Executive Officer



THIS IS KLIMAOPREMA

With our passion and commitment to work, courage for breakthrough and care for our employees, we design and manufacture high-quality HVAC equipment and cleanroom technology providing turnkey projects for some of the most advanced industries in the world – from pharmaceutical and health industry to microelectronics and automotive industry.

Technology has always been at the heart of our company. Ever since the beginning in 1975, we have been creating technology that impacts people's lives and makes their working and living environment healthier and safer, as well as stronger future.

Today, Klimaoprema is one of the global leaders in HVAC, Cleanroom Solutions, and CAPEX engineering in Pharma and Healthcare, operating in more than 45 countries worldwide. We supply our clients with high-quality products, solutions, and support in the project implementation process.

With more than 700 employees and 45.000 m² of production, warehouse and office space, we meet global standards and tap into worldwide networks.

Klimaoprema is a joint-stock company, privately owned, with registered office and headquarters in Samobor, Croatia. Production facilities are located in Gradna/Samobor and Nova Gradiška, whereas design and engineering office is located in Sv. Nedelja.



HQ/Production
Gradna/Samobor



Engineering
Sveta Nedelja



Production
Nova Gradiška



OUR NUMBERS (2022)



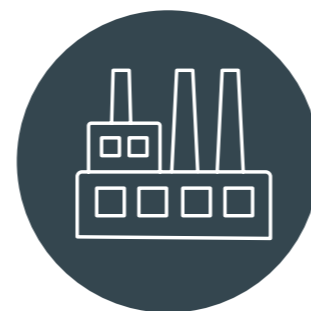
708

employees



> 4 500 000

delivered products



45 000

square meters of production and
warehouse space



47

countries in our reference list



91.5

percent of revenue outside Croatia



200

engineers within the company



47

years of experience



90 000

square meters of produced cleanroom
panels



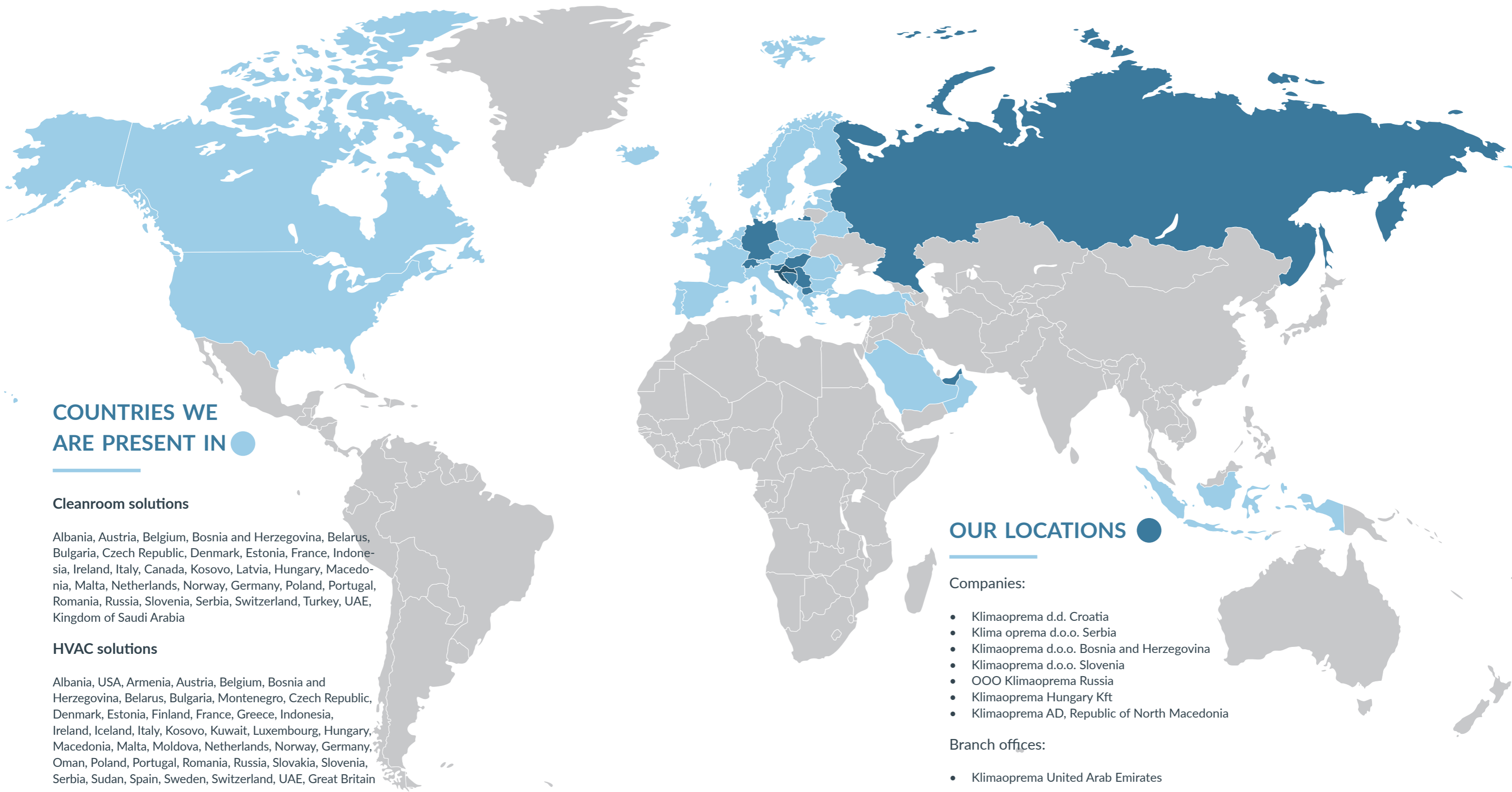
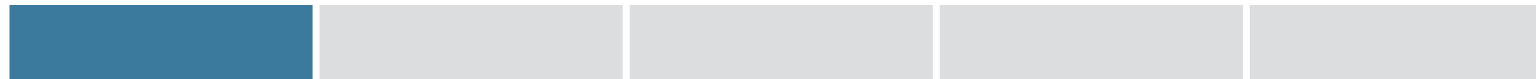
300

types of products



72 | 18

share of net sales by business area
Cleanroom engineering | HVAC



COUNTRIES WE ARE PRESENT IN ●

Cleanroom solutions

Albania, Austria, Belgium, Bosnia and Herzegovina, Belarus, Bulgaria, Czech Republic, Denmark, Estonia, France, Indonesia, Ireland, Italy, Canada, Kosovo, Latvia, Hungary, Macedonia, Malta, Netherlands, Norway, Germany, Poland, Portugal, Romania, Russia, Slovenia, Serbia, Switzerland, Turkey, UAE, Kingdom of Saudi Arabia

HVAC solutions

Albania, USA, Armenia, Austria, Belgium, Bosnia and Herzegovina, Belarus, Bulgaria, Montenegro, Czech Republic, Denmark, Estonia, Finland, France, Greece, Indonesia, Ireland, Iceland, Italy, Kosovo, Kuwait, Luxembourg, Hungary, Macedonia, Malta, Moldova, Netherlands, Norway, Germany, Oman, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Serbia, Sudan, Spain, Sweden, Switzerland, UAE, Great Britain

OUR LOCATIONS ●

Companies:

- Klimaoprema d.d. Croatia
- Klima oprema d.o.o. Serbia
- Klimaoprema d.o.o. Bosnia and Herzegovina
- Klimaoprema d.o.o. Slovenia
- OOO Klimaoprema Russia
- Klimaoprema Hungary Kft
- Klimaoprema AD, Republic of North Macedonia

Branch offices:

- Klimaoprema United Arab Emirates

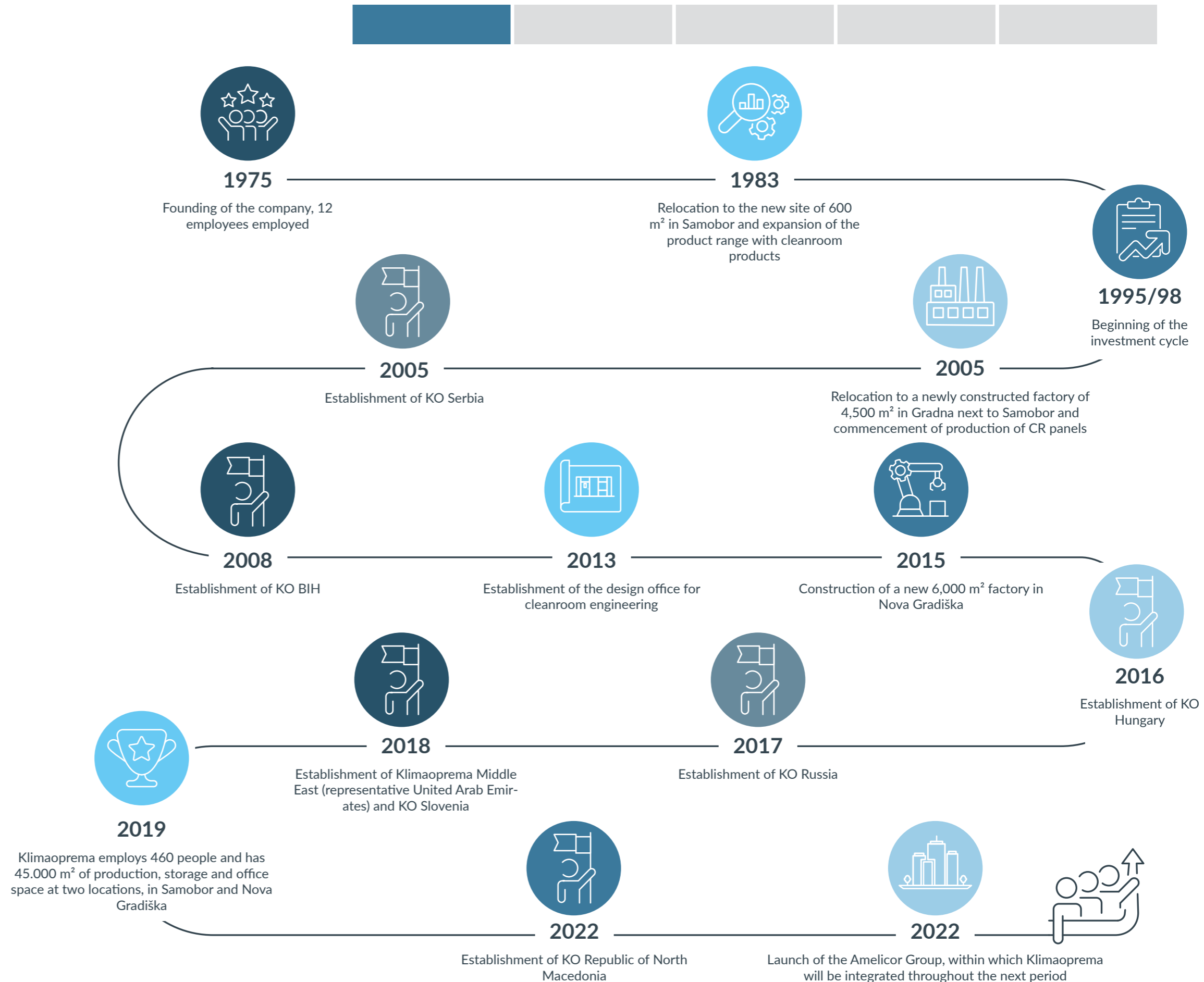
OUR HISTORY

Founded in 1975, Klimaoprema started as a small manufacturing facility with 12 employees, producing ventilation grilles for the needs of the local market. For the last 47 years we have been learning, investing, developing, expanding, and producing HVAC systems and cleanroom technologies, in order to become one of the leading companies in this area.

Exponential expansion to global markets with the cleanroom technologies in the last decade has not only boosted raise of the company, but also enabled us to work with the largest pharmaceutical and healthcare industries and to provide our service and products for the protection and welfare of larger community. Such activities are our driving force that give us a sense of contribution and fulfillment, as in doing so we impact the well-being and health of the society as well.

Today Klimaoprema employs more than 700 people, our products and services are present in more than 45 countries and we are becoming the part of an even bigger family – Amelicor Group.

We are a future-oriented company, where employees are satisfied, where our work contributes and affects the well-being of the environment and people's lives.



OUR VALUES

We are a private company steered by a long-term vision, of international character, and driven by a strong culture built on our values. Our values define who we are and what we stand for. They are embedded in everything we do and in each step we take on our journey towards a more sustainable and innovative future.



Our employees are the driving force of our success

We are aware that each individual contributes with their performance to the overall successful realization of large scale projects that become part of the greater world good.



We value and respect each other

Mutual respect is the basis of our common success and collaboration. It is fundamental to create a pleasant and stimulating working atmosphere in order for employees to be satisfied.



We care about the development and motivation of our employees

We encourage our employees on a regular basis to continue with their personal development and participate in education and trainings, thus enabling them to further expand their knowledge and acquire new skills. We care about their motivation for a creative approach in coming up with new solutions.



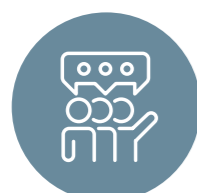
We build trust and encourage team spirit

Mutual trust is the basis of good collaboration. If there is trust, the employee can give her or his best. We encourage people to set an example with their actions and behaviors directed towards common interests and the well-being of the team, based on mutual respect and trust.



We communicate clearly and resolve conflicts

We are aware that employees can accomplish their work goals only if they are well informed. On our communication, we provide clarity and orientation. We act to resolve the conflicts that may arise, thus encouraging a good working atmosphere and team spirit.



Client satisfaction is our top priority

We adapt our activities and operations to the market and our clients' requirements. We strive for continuous business improvement and development of products and services.



Reliability and result orientation

Our work is focused on achieving results and agreed goals. Our clients and partners can rely on our agreements and services that meet the highest quality standards - because we always put our words into practice and deliver our promises.



Innovativeness

We are following latest technology trends and innovations, constantly adapting our operations and activities to those advancements.



Passion and courage

Our employees are talented individuals driven by enthusiasm and the desire to offer something new and different to the market. With their expertise, they bravely confront new challenges and push the limits.



Modesty

Although as a company we are expanding exponentially, we do not take anything "for granted". There are always new challenges to face and embrace. We are dedicated to a continual pursuit of enhancing both our products and services, as well as nurturing the growth of our knowledge and competencies.

Awards

Croatian Exporters Association – Golden Key, Most innovative exporter 2022
Croatian Managers' & Entrepreneurs' Association (CROMA) – Sergio Galošić, Manager of the year 2022
Croatian Chamber of Economy – Golden Kuna, 2022 for the best large company
MBA Croatia – Sergio Galošić, Manager of the year 2021
Croatian Chamber of Economy – Golden Kuna, 2020 for best business results
Croatian Chamber of Economy – Golden Kuna, 2018 for best business results

Membership

Croatian Chamber of Economy
Croatian Employers' Association
Association U4 HR
Croatian Chamber of Electrical Engineers
Croatian Chamber Of Mechanical Engineers
Croatian Chamber Of Civil Engineers

Certificate	Category	Service provider
HRN EN ISO 9001: 2015	Quality management systems	TÜV
HRN EN ISO 45001: 2018	Occupational health and safety management systems	DNV
HRN EN ISO 14001: 2015	Environmental management systems	TÜV
HRN EN ISO 50001: 2018	Energy management systems	TÜV
HRN EN ISO 13485: 2016	Medical devices – Quality management systems– Requirements for regulatory purposes	TÜV



OUR VALUE CREATION MODEL - HVAC SOLUTIONS

We specialize in the design, production, and servicing of ventilation and air-conditioning equipment. Our commitment to excellence is reflected in the following:

- We supply our clients with high-quality products and comprehensive solutions, offering support throughout project implementation.
- Our dedication to technical excellence is underpinned by thorough documentation and rigorous testing in our in-house development laboratory.
- We foster strong partnerships with distributors and contractors, sharing knowledge, information, and ensuring adherence to quality standards and contractual obligations, all backed by exceptional after-sales support.

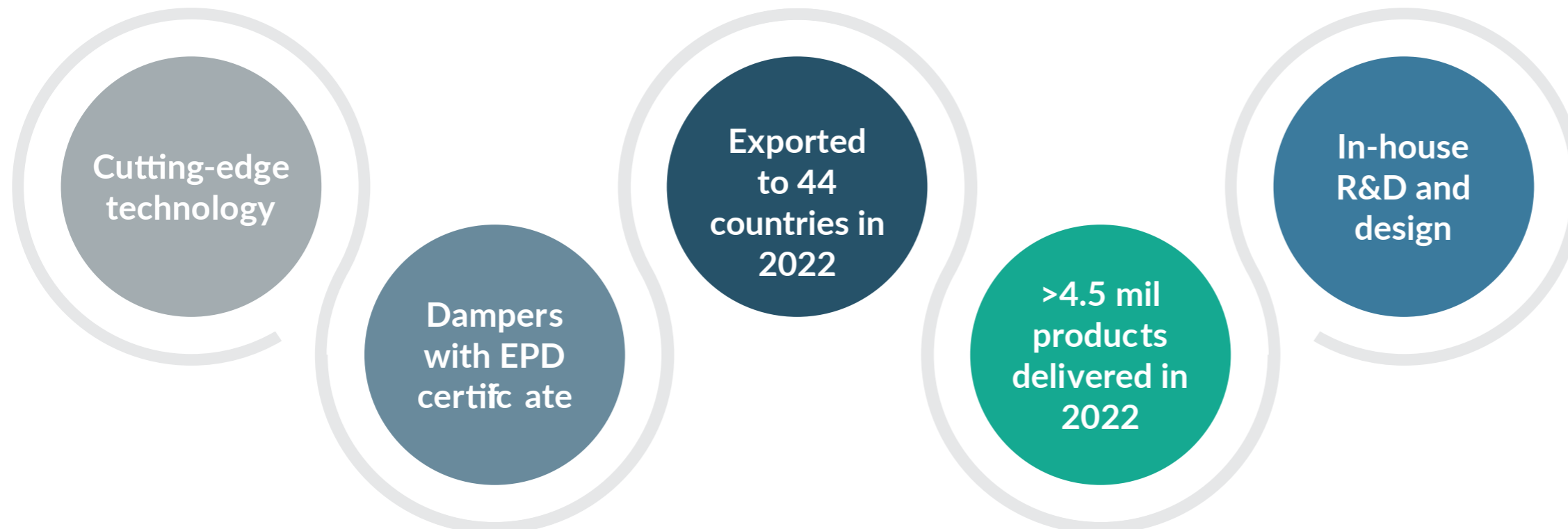
Our production operations take place on two locations, in Samobor(Gradna) and Nova Gradiška, both in Croatia, EU. Our cutting-edge production lines are a testament to collaboration between our experts at Klimaoprema and renowned European manufacturers. These lines are powered by highly efficient, robotized production systems and precision CNC machines, delivering the shortest possible manufacturing times while consistently upholding international quality standards.

One remarkable feature of our production process is its seamless flow. We've designed our production lines so that raw materials, primarily sheet metal in rolls, move swiftly through individual operations without the need for internal transport. This optimized setup ensures remarkably short manufacturing times and minimizes waste generation.

Both manufacturing facilities accommodate area of approximately 45.000 square meters. This expansive facility also includes a newly constructed, large high-rack warehouse, ensuring that our manufacturing capabilities can readily meet the most demanding customer requirements.

When it comes to distributing our HVAC solutions, we primarily work directly with construction companies and ventilation installers. Additionally, a portion of our HVAC products is exported under our own brand name to HVAC dealers or marketed under the brand names of our wholesale partners.

We strive to be a leader in the industry of development and production of fire dampers and air flow control devices, establishing ourselves as a vital supplier to the leading distributors of HVAC equipment in the industry.



Product category



Fire-dampers



Air-regulation dampers



Air distributors (grilles & diffusers)



Heat recuperation units



Sound attenuators



Kitchen hoods



Air-treatment units

OUR VALUE CREATION MODEL - CLEANROOM SOLUTIONS

Our journey starts at the project definition phase where the client's idea is developed to a detailed design guided by the knowledge and expertise of our engineering team, forming the foundation for the creation of energy-efficient and high-tech facilities.

We continue on our journey by carefully and strategically selecting suppliers and contractors. Additionally, we employ integrated project management services to carefully plan and execute project timelines. This ensures the timely delivery of projects with precision and transparency, facilitating swift, safe, and on-schedule construction of facilities. It also ensures a seamless transition into the commissioning, qualification, and handover phases.

The integrated project delivery approach is the one that brings additional value by providing better transparency and visibility and reduces risks for our customers as well as our suppliers and contractors.

Taking control and responsibility at every stage of the project's lifecycle provides us with the chance to design and construct reliable and efficient facilities that uphold the highest quality standards, all while staying on schedule and within budget. Our involvement throughout the project's journey also allows us to continuously learn and spot areas for enhancement in each phase, helping us smoothly transition through project stages and uncovering opportunities for growth and improvement.

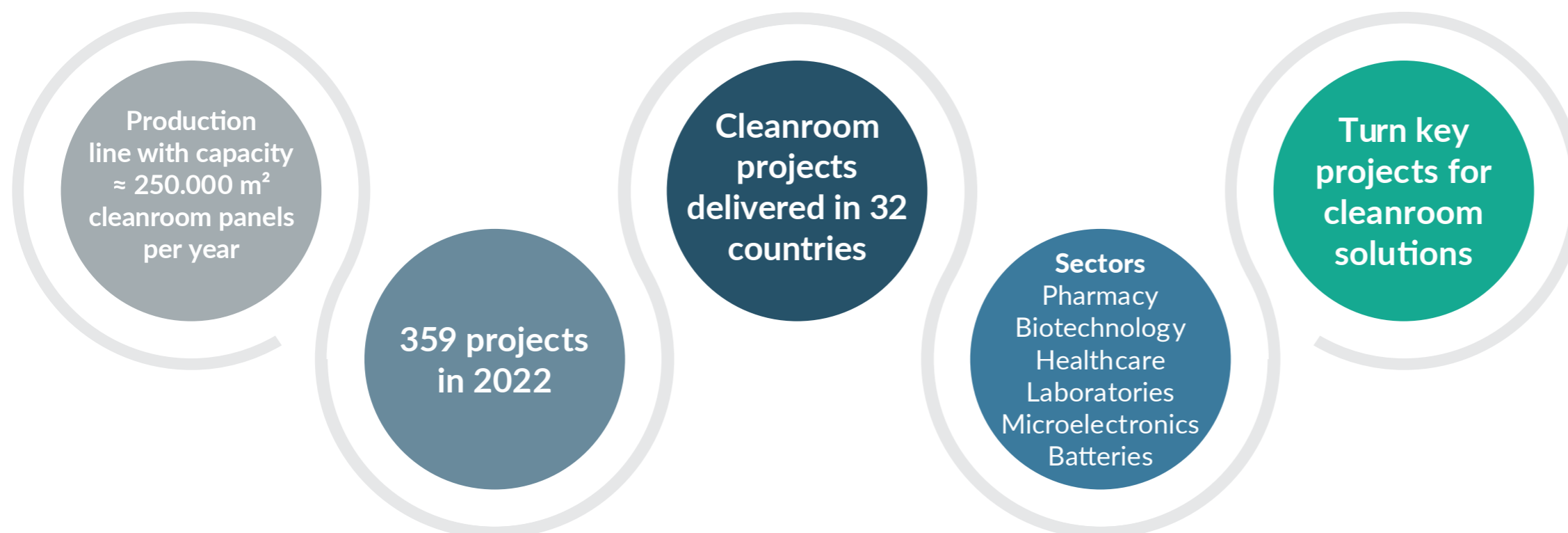
Our automated cleanroom system manufacturing process brings additional values to our projects. Harnessing the in-house knowledge and expertise of our research and development department, we can seamlessly channel these capabilities into customizing and enhancing our production facility. This strategic move not only enhances reliability, quality, and efficiency but also minimizes waste generation and reduces energy consumption, resulting in a more sustainable and optimized

operation.









Providing support to innovative ideas and actively listening to our clients' requirements plays a pivotal role in the development of novel products and technologies. This approach adds significant value to our projects and enables us to effectively address the needs of both our clients and the broader industry, aligning our solutions with market demands.

Our employees are our highest value, our driver to success and growth and the ones that are accountable for our success story and successful delivery of projects in variety of industries like healthcare, life science and microelectronic.

Success in meeting our customers' expectations and ability to contribute to making the world a healthier and more sustainable place for generations to come is what drives our employee's success and continuous improvement.



Product category

	Doors
	Wall and ceiling panels
	Raster ceiling
	Weighing booths
	Laminar flow devices
	Microbiological safety cabinets
	Pass-through boxes and Air/Mist showers
	Cleanroom filtration devices



WE OFFER ONE STOP-SHOP SOLUTIONS FOR PROJECTS



Design

Cleanroom Design and Engineering in pharmaceutical, medical, electronic and other industries



Procurement

Procurement management and contracting



Production

Production, assembly, quality control and packaging



Installation & EHS

Infrastructure installation and EHS Management



Validation

Commissioning, qualification and validation

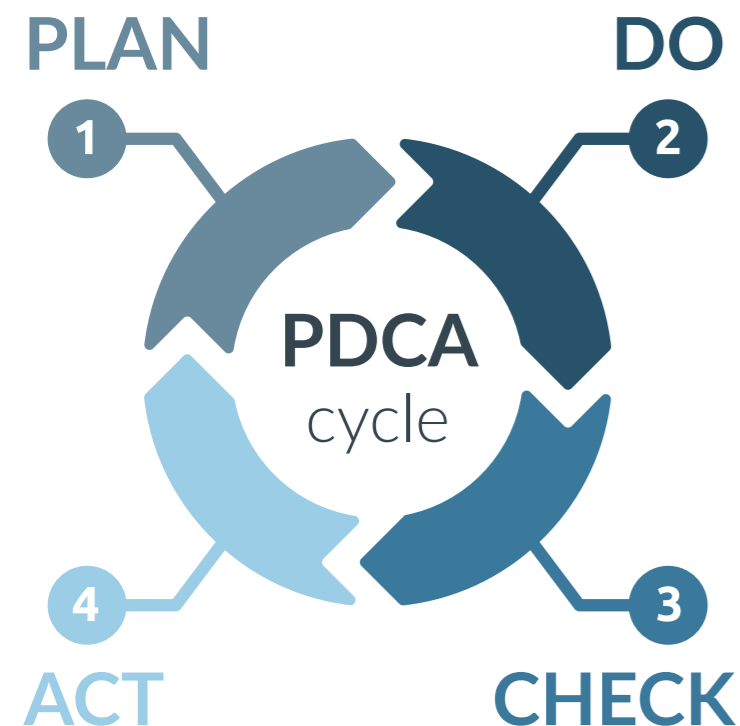


QMS

Klimaoprema Quality Management System (QMS) is a process-oriented, integrated management system that ensures requirements specified in ISO 9001. Our QMS is the connection and interaction of people, processes and documentation - a glue that binds these things together.

Through the implementation and compliance with the QMS requirements, we make sure that our products and services are in line with customer expectations, regulatory requirements and the company's own standards at all times.

Our quality approach is based on the Plan-Do-Check-Act (PDCA) cycle and allows for continuous improvement to both the product and the QMS.



RESEARCH AND DEVELOPMENT

Our research and development department brings new products in the area of cleanroom, ventilation and electronic solutions. Through continuous study, testing and examination of latest developments and industrial innovations, our R&D department identifies new trends and technologies and applies them in our business to keep competitive edge.

The research and development team works to optimize existing processes within the company, which achieves greater efficiency and cost reduction. They also conduct testing and analysis to ensure the safety, compliance and quality of products or services. Significant share of their effort is dedicated to innovation of our products and services, resulting in improved quality and new functionalities.



COOPERATION WITH SCIENTIFIC INSTITUTIONS

As a company that is focused on the future, we constantly pursue new opportunities and innovative solutions. We support and encourage originality and creativity of our people, thus leading to development of latest technology advanced Cleanroom and HVAC solutions.

We have a long-standing cooperation with the Faculty of Mechanical Engineering and Naval Architecture and the University of Rijeka Faculty of Engineering. Klimaoprema is also partner in several EU funded projects centred around transforming basic scientific discoveries into a products and services.

We are the company that always looks to generate new ideas, find fresh perspectives, and evaluate and produce effective solutions.



OUR SUPPLY CHAIN

On an annual basis, Klimaoprema cooperates with more than 1.000 suppliers from different countries of the world. Procurement is one of the leading horizontal business areas in Klimaoprema, focused on the continuous development of our supply chain.

The annual procurement value of subcontracted works, services and raw materials is over EUR 100 million, mainly dominated by the European suppliers (90%). As we are production company, main bulk of our supply chain activities relates to the (raw) material purchase. Those suppliers are also our strategic partners, with whom we cherish long-term relationships based on trust and responsibility.

For our projects in cleanroom area (engineering projects - cleanroom design and construction), we consume project-based procurement. Suppliers are more diverse and depend on the country of operation (where project is implemented) and/or client specification or instructions. We adhere to strict codes of conduct and make sure our process meets the client's needs.

While developing and managing our supply chain, we always keep in mind the importance of short supply chains - either for development of local sources of supply / local communities or for reducing the CO2 footprint. Around 50% of our supply chain is from local market.

All supply chain partners are subject to an annual review and approval process, guaranteeing that main source partners are trustworthy in terms of quality, standards (certificates) and support. This helps us to continuously work on the enhancement of quality and competitiveness of our own products.

HOW WE COMMUNICATE AND DELIVER VALUE TO OUR STAKEHOLDERS

Klimaoprema is a dynamic organization whose main guiding principle is based on continuous improving all areas of work. While doing so, we have transparent, ongoing, and mutually supportive communication with our stakeholders. We listen to their needs and strive to provide perfect solution to their problem, often custom made.

Our dialogue with stakeholders is both structured and ad hoc, through face to face meetings, social media, internal surveys and different feedback techniques that provide us with facts and remarks regarding our products and projects (impact of our products).



In the delivery of our projects, we work closely with our clients and supply chain partners, enabling the development of turnkey solutions while providing the best value for our clients.

At Klimaoprema, we treat suppliers as partners towards the common goal of achieving the highest level of quality in the products and services we provide.

We create financial value for our stakeholders, by generating revenue and making a sustainable profit.

We create value for our people, through training and career development in a positive and creative working environment. We offer a fair reward to our employees.

In communities where we operate, we provide support to local employment and enable financial assistance to different charity projects.

Our main business partners: Novartis, Lonza, JGL, Pliva, Belupo, Bionorica, Pfizer, GSK, Braun, Bosch, Sandoz, Teva, Hamapharm, Lonstroff, Takeda, France Air, Sanofi, Gedeon Richter, Yasenka, Dechra, AirTrust, Micro Matic, RRT Cleanrooms



United Nations Sustainable Development Goals (SDGs) were adopted by the UN General Assembly in 2015 as a global plan of action for people, planet and prosperity.

Global Goals are a collection of seventeen interlinked objectives designed to serve as a “shared blueprint for peace and prosperity for people and the planet, now and into the future”.

The Global Goals cannot be achieved without businesses. In today’s closely connected global environment, companies often wield more power and influence than any other social, political, or economic entity.

Raising awareness on long-term sustainability, globalization and accelerated change, protection of human health and the environment, ethics and business practices - all represent new commitments and moral obligations in the life of an enterprise. Companies have a crucial role to play in accelerating progress towards the Goals.

We believe that every business and every employee can make a vital contribution to creating a more peaceful, equitable and prosperous future.

Thus, in this Report we emphasize SDGs that relate most closely to where we believe we can make the greatest impact. Klimaoprema is strongly focused in the areas of:

Goal 3: Good health and well-being for all at all ages



Klimaoprema employees are committed to working safely. This involves the prevention of accidents and injuries, a continuous risk analyses with derived measures, as well as proactive health promotion at the workplace. We support our team members to balance work and family and ensure wellbeing of all our employees. Their health, safety and well-being is our priority.

Goal 4: Quality education



We promote workforce development by offering training and skills enhancement programs for our employees. We’re proud of the learning culture at Klimaoprema and strive to improve the overall workforce’s capabilities and contribute to local economic development. We invest in our people and their careers and will continue to do so.

Goal 7: Affordable and Clean Energy



At Klimaoprema, we are committed to continuous improvements in energy efficiency. That’s why we’re implementing energy efficiency targets across our enterprise and switching to renewable energy for our operations.

Goal 8: Decent work and economic growth



We recognize that our people are fundamental to our performance both today but also driving force for the future. We strive to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9: Industries, innovation and infrastructure



Goal 9 is about creating action to build resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation. Supporting this goal is crucial for sustainable development and economic growth. Klimaoprema adopted sustainable production practices – we implement environmentally friendly and resource-efficient production methods, minimize waste, and reduce energy consumption. We invest in research and development in order to improve production processes, products, and services and embrace new technological advancements.

SDG 12: Responsible Consumption and Production



Klimaoprema is adapting to sustainable practices and integrating sustainability information into our reporting cycle. We are striving to reduce waste through reduction, recycling and recovering. Environmentally sound management of chemicals and all wastes throughout their life cycle is embedded in everyday operations.

Goal 13: Climate action



Decarbonization in Klimaoprema started with the purchase of new electric vehicles and installation of photovoltaic plant on our production facility. In 2022 we started work on the GHG inventory and will continue in 2023 with the setting up of decarbonization goals. We will further work on the clean energy and other actions to reduce our climate impact.

CLIMATE AND ENVIRONMENTAL PROTECTION

As a manufacturing company, we are aware that our operations have an impact on the environment. At Klimaoprema, we are committed to sustainable business practices with the aim of protecting the environment by reducing the impact of our manufacturing activities, products and services.

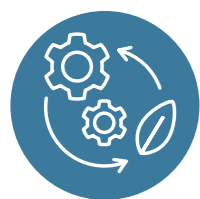
We use all resources in our business environment as efficiently as possible. Our policies, management systems and measures for handling energy, waste and water were developed to meet this demand.

We have integrated energy and environmental issues as a key focus within our company strategy. This focus extends to the highest levels of governance of the company, up to our CEO who verifies annual improvement goals and objectives, supporting them with the resources needed to meet actions and targets.

Klimaoprema mitigate environmental risks by implementing ISO 14001 Environmental management system and ISO 50001 Energy management system in both of our factories. Team of people is dedicated to pursuing environmental and energy issues, policies, targets and a rolling action plan.

Reducing waste, emissions and energy consumption all play key part in achieving sustainable manufacturing operations.





ENERGY

Energy drives economies and sustains societies. Energy production and use is also the single biggest contributor to global warming. At Klimaoprema, we believe that sustainable energy presents an opportunity to transform economies while safeguarding the planet.

In 2019 we started thinking on switching to renewable energy sources. We have done operational plans, calculated costs, and secured funds for the photovoltaic plant. In 2022, we launched decarbonization project of our factory in Nova Gradiška, with the aim of covering cca 73% of energy needs from solar. Our plan is to go further and enable green electricity for the manufacturing plant in Samobor in the upcoming years.

Also, we invested into new energy efficient (production) equipment, enabling energy savings in the amount of 40,538 kWh, i.e. 77% in comparison to the old machinery.

Secondly, we worked on the awareness raising campaign among our people. All our locations were covered with the stickers that remind us on energy efficiency (including the need to preserve the gas and water). We publish leaflets with practical tips for saving electricity, gas and water, available at receptions and notice boards at all Klimaoprema locations.

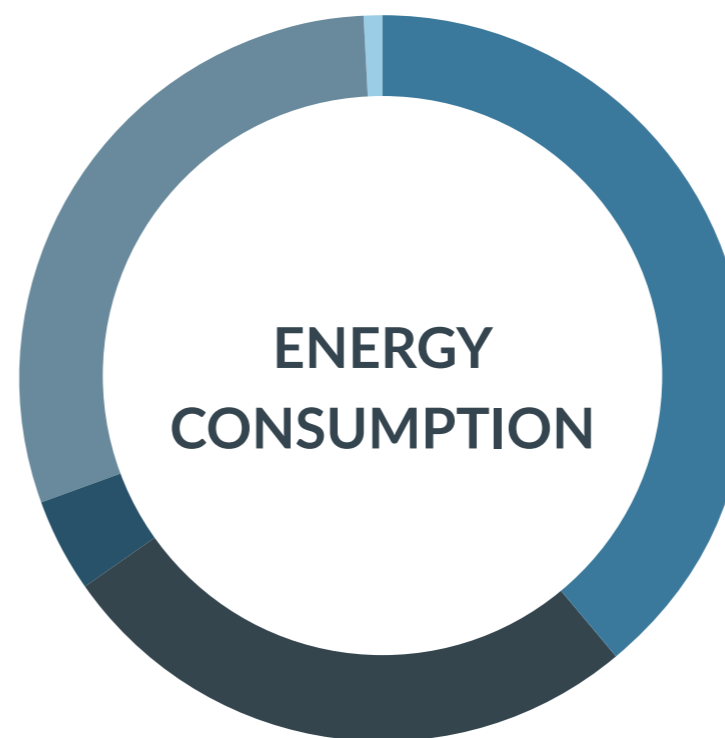
Main energy sources in our everyday operations count for natural gas (for heating and production), electricity and transport fuel (diesel). We measure

and report our energy use on a monthly basis into a centralized data tool, that is then analyzed by our Energy manager. This information forms the basis for reduction goals and investment projects planning to achieve major improvements in energy efficiency and other areas.

Data presented are incomplete in terms of fuel/energy consumption by our branch offices and daughter companies outside Croatia due to the lack of data.

Data for our operations in Croatia (including for the assets under operational lease) were collected based on actual consumption figures extracted from internal systems, all monitored on the monthly basis.

In 2022 we did not consume fuel from renewable sources.



Total fuel consumption from non-renewable sources, per fuel types used	kWh
Natural gas	2.784.111
Diesel	2.038.045
LPG	52.257
Total consumption:	kWh
electricity	2.106.837
(district) heating	58.228
Total energy consumption	7.039.478

Implementation of corporate Energy policy is the responsibility of everyone who works at Klimaoprema and applies to all our locations.

Energy management policy in Klimaoprema was introduced in 2020, accompanied with the certification of our both production plants according to the ISO 50001: 2018 (Energy management systems).

Energy management is direct responsibility of Energy Management Team, within the Department for the Integrated Management System.

In 2021 we defined Energy Performance Indicators (based on electricity, gas, water and fuel / per different indicators of production capacities) which we regularly monitor.



EMISSIONS

In 2022 we decided to prepare our GHG inventory for the Scope 1 and 2 and calculate our base year, with support of our external partner, Faculty of Mechanical Engineering and Naval Architecture. Instead of choosing single year approach, we opt to calculate GHG based on the average emissions sources from the years 2020, 2021 and 2022. Each of the mentioned years was challenging in the number of ways, thus making single year's data unrepresentative of the Klimaoprema typical emissions profile.

Multi-year average target base year was chosen to present our reference point for further actions. Our GHG emissions from Scope 1 and 2 are presented in the table below.

We used equity share approach to establish organizational boundary, as the simplest and most straightforward accounting method.

Following GHG Protocol Guidance, leased assets that fall outside of the Klimaoprema's organizational boundary are not presented in the data (only wholly owned assets and financial lease are shown in the figures below).

Emissions from leased facilities (offices for administration) and vehicles (operational lease) are outside of organizational boundaries and thus will be presented in Scope 3 calculations in the upcoming period.

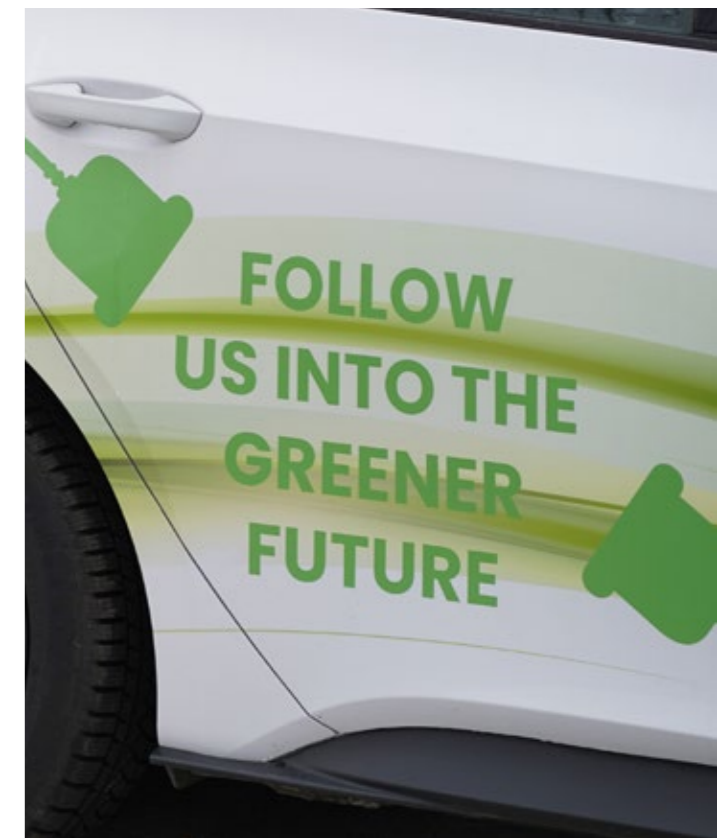
Scope 2 is reported against location-based approach. Emission factors used are provided by Ministry of Economy and Sustainable Development of Republic of Croatia, available at: <https://mingor.gov.hr/UserDocsImages/KLIMA/Vodic%20o%20metodologiji.pdf>

Fuel heat values and densities have been acquired from Agency for Environmental Protection of Republic of Croatia and INA, European oil company.

Baseline (2020-22)		GHG emissions (tonnes CO ₂ e)
Scope 1	Direct emissions (e.g. emissions from stationary and mobile sources, including own/financial lease vehicle fleet)	939
Scope 2	Indirect emissions (e.g. electricity)	299
Total Scope 1 and 2		1238



In 2023 we plan to set up reduction targets for greenhouse gas emissions within the Scope 1 and 2, and in the mid-term to calculate our Scope 3 GHG.





DECARBONIZATION EFFORTS

Klimaoprema started with decarbonization efforts back in 2021. At that time, we decided to invest in electric vehicles that are used for the daily trips between our production plants in Samobor and Nova Gradiška.

Another significant effort toward the decarbonization of our production was done during 2022, with the investment in solar panels settled on the roof of our factory in Nova Gradiška.

The solar power plant with a capacity of 500 kWh should reduce the consumption of electricity from conventional sources, with aim to cover approximately 73% of the factory annual energy consumption. Commissioning of green power plant is expected at the beginning of 2023, so our first CO₂ reduction data from RES will be presented in the Sustainability Report 2023.

In 2022, we also invested in energy-efficient machinery, reducing 207,65 tCO₂ from equipment usage.

Our energy management system plays a vital role in identifying opportunities for reducing consumption and enhancing efficiency monitoring, ultimately leading to a reduction in carbon emissions.

Currently, various management teams are responsible for overseeing transport, energy, and

environmental matters, encompassing risk assessment, opportunities, action plans, and daily operations. Despite our long-standing commitment to addressing energy and environmental concerns, we have not yet established a centralized management structure dedicated to oversight overall decarbonization efforts, particularly in relation to greenhouse gas emissions from Scope 1-3 and their related inventory.

However, it's noteworthy that in 2022, greenhouse gas emissions resulting from both our direct and indirect business activities (Scope 1 and 2) were specifically highlighted and discussed within our business and management discussions.

We intend to continue developing and emphasizing GHG topic throughout 2023, with the aim of setting up reduction targets in line with Science Based Targets Initiative (SBTi).

In just one year (2022), Klimaoprema electric cars went for more than 62.000 km, saving approximately 4t CO₂e or compensating around 159 trees.





MATERIALS

Among other issues, the quality of the final product is defined by material choice. We, in Klimaoprema, choose quality materials and technology that ensure safety, durability and other superior products characteristics.

In accordance with ISO 9001, we have internal procedures on materials and their use, which, in addition to the technological requirements of the product, also ensure minimal amounts of hazardous materials in the product itself.

Selection of the materials, their quality, testing, inspection and verification is regular operational activity. This issue is dealt daily by different departments within the company in order to manage quality cycle for all products. The results of the control and testing are taken into account in the annual assessment of suppliers.

The most important materials (quantitatively) refer to metal (sheet metal, aluminium), that can be further fully recycled. Metal remains from the production process are sold to specialized companies.

Currently, while we do not fully utilize recycled materials in our production processes, it's worth noting that a portion of our raw materials, such as mineral stone wool, does contain a percentage of recycled content.

Regarding our packaging materials, our primary choices include plastic foil, cardboard, and wooden pallets. Our finished products are packed in

large quantities and dispatched to our customers in cardboard packaging, which is then further protected by foil wrapping and securely placed on durable wooden pallets to ensure their resilience against external influences.

Materials used in production	Total weight (kg)
Metal sheet	3.180.000
Aluminum	71.550
Silicate board	267.000
Mineral stone wool	18.000
Powder for powder coating	17.250

Associated process materials	Total weight (kg)
Grease oil	466
Nitrogen	66.000

Semi-manufactured goods/parts that are part of the final product	Pieces / Meter
HEPA filters	866 pcs
Seals	530.000 m
Laminar devices	233 pcs
Actuators	379.000 pcs

Materials for packaging purposes	Total weight (kg)
Cardboard	57.000
Plastic	8.300
Wood pallets (equivalent to 5.300 pcs)	116.600





WASTE

Waste management is important part of our environment management system. We started with the separation of waste back in 2014, each year providing additional efforts to separate different types of waste.

In all our production facilities (including offices) we have containers placed for various types of waste. Also, we done significant effort in raising employee awareness on the importance of proper waste separation and continuous improvements of the separation system. In 2022 we invested in software to electronically manage all papers related to the waste collection and separation, including the (waste) transport-collection services.

Today, most of our useful technological waste ends up with processors, used for the (1) further recycling/reuse (metal waste), (2) other recovery procedures or for (3) energy recovery, with approximately 1/3 of waste finishing on landfill (mixed construction waste and bulk waste).

At the end of 2022, we separated in total 26 different types of waste. We track and report data on our waste output from operations to national Agency for Environmental Protection (Environmental Pollution Register) yearly. For all type of waste, we have arrangements with authorized third-party providers (companies possessing a permit for waste management) which take away the waste which was first sorted within our facilities. Depending on the type of waste, discarded material is further processed by the

specialist company for the extraction of usable materials.

In total, we incurred 1.595 tonnes of waste in 2022, broken down per category as seen in the table.

Recycled metal (kg)

Metal for recycling	951,687
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Non hazardous waste (kg)

Paper for recycling	86,020
Plastic for recycling	13,612
Wood for recycling	5,580
Glass for recycling	2,906
Isulation material and mixed construction waste (partially recycled)	399,530
Bulk waste	1,974
Municipal waste	94,000
Other type of waste	8,988

Hazardus Waste (kg)

Oil waste	686
Electrical and elctronical waste	1,274
Other type of toxic waste	28,810

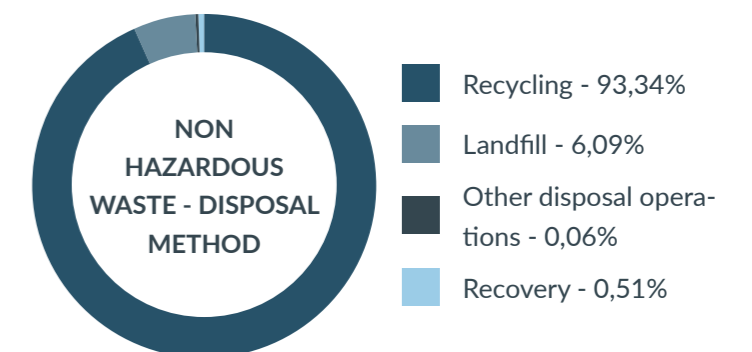
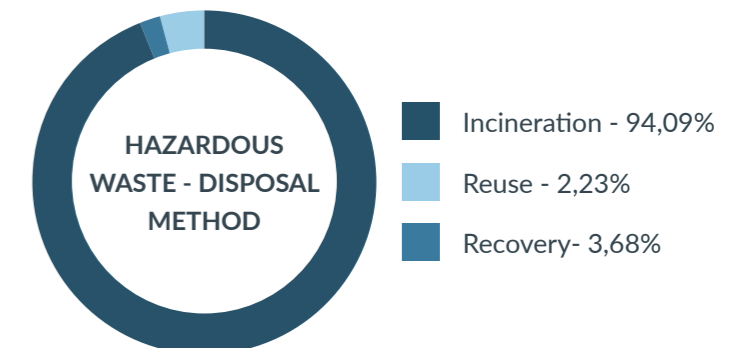


We generate revenue from metal waste, as it is sold to specialized metal-using companies. In the case of paper and cardboard, our expenses are limited to the take-away service, with no additional charges based on material weight.

In 2022 we had exceptional increase in the mixed construction waste that was due to the reconstruction of our offices in Sveta Nedjelja.

Hazardous waste is at low quantities, representing only 1,93 % of our waste (manly related to the filters and rags, without of any significant chemicals, and without spills that occur in the environment). Hazardous waste is sent to authorized companies where all produced quantities are materially recovered or incinerated for energy use.

Waste management and annual improvements are responsibility of our Environment, Health and Safety Department. Each year we provide additional efforts in managing waste responsibly, in line with the national regulations, striving to improve our systems. Head of EHS reports directly to Chief Executive Officer, who is ultimately responsible for sustainable environment operations of Klimaoprema.



PEOPLE

We realize that our people have been fundamental to our performance. Klimaoprema's core principle is that **"Our employees are the driving force of our success"**.

We are committed to investing in their training, providing them with opportunities to grow and develop, and rewarding them fairly. With excellent working conditions and appealing career opportunities, we have a vision of becoming the most desirable employer in our industry in the region.

Our Human Resource Department is responsible for the management and day-to-day operations regarding our employees, such as recruitment and onboarding of new colleagues, organization of trainings in cooperation with other departments, securing benefits, communication and administration, including measurement of the organization pulse.

Head of HR is responsible directly to our Chief Executive Officer and they meet weekly. All open questions are communicated directly and with priority. Our workforce is our most valuable asset, and it is their abilities, competencies and experience that can't be replaced.

Therefore, it is our job to provide them with the best working conditions and positive corporate culture that will help boost employees' wellbeing and performance.





OCCUPATIONAL HEALTH AND SAFETY

Safety of our people is our top priority.

We view safety as both an individual and collective responsibility where providing safe work environment is a commitment shared by all our employees.

Safety at Klimaoprema starts at the top, with our CEO, overseeing the company's Occupational Health and Safety Management System (OHS Management System).

Environmental, Health and Safety (EHS) Department is in charge for the everyday management and continuous improvements of our safety protocols and work instructions, including the compliance with the new safety regulations. We strive to go above and beyond regulations.

The department is led by the authorized occupational safety expert, who holds bachelor's degree in safety and security engineering and has a title of occupational safety expert of 2nd degree. He is also an authorized fireman and a person for alcohol testing, environmental protection specialist and internal auditor according to ISO standards 9001, 14001, 4500.

Together with our Head of EHS, we have around 40 employees in management positions authorized to organize and implement occupational safety, all of them professionally trained for OHS.

Klimaoprema's OHS management system has been implemented in accordance with relevant national legislations and certified according to the ISO 45001:2018 Occupational health and safety management systems.

All workplaces are screened for the risk assessment based on which special measures and plans are developed.

We have joint management-worker Health and Safety Committee, composed of Human Resources Expert, Head of Integrated Management System, Occupational Safety Expert, Workers Representative and Occupational Medicine Specialist.

Safety committee is Klimaoprema's advisory body that meets at least twice a year, mutually committed to improving health and safety conditions, acts as a problem-solving group to help identify and control hazards and concerns, and helps resolve safety and health issues.



In September 2022, at the project in Visp, Switzerland, the Klimaoprema team was proclaimed the team with the greatest contribution to safety on the construction site. In daily exposure to high risks and deadlines, safety is key, which is the top priority for our team.

Our team was awarded with the DPR Safety Award.



We consistently review and enhance our Occupational Health and Safety system, actively seeking opportunities for ongoing improvement to ensure safety of our employees. This commitment underlines our dedication to maintain a safe and healthy work environment, while pursuing best practices and evolving safety standards.

Health and Safety (H&S) is the joint responsibility of management and workers. Management is accountable in case of non-compliance. In addition to internal audits, occupational safety is continually checked and evaluated at yearly audits within the ISO 45001 reviews.

All our employees are trained to work in a safe manner for the position they perform, whereas employees for the special working positions are regularly checked up for the psycho-physical ability. Some workplaces require additional professional training, which is organized by the HSE department as needed.

We use a hierarchy of control approach, always seeking to eliminate the hazard wherever reasonably possible and thereafter to reduce risk to as low a level as reasonably practicable. For workers who are not employees but work in our environment (controlled by Klimaoprema), arrangements are made so they can conduct business without risk for themselves or others.

With consistent efforts to prevent injuries, illnesses, and incidents, we continuously reduce the number of incidents per employee, year by year. Although we invest heavily in occupational safety, the incidents nevertheless occur.

In 2022, 6 injuries were recorded in production process, 5 of which were categorized as "less severe" injury (injuries related to thumb / palm / foot or hand).

Klimaoprema has never recorded a fatality situation.



In 2022 we have purchased Safety Glasses with Dioptre for all our workers who work with safety glasses but also have an eye problem.



Total manhours worked	1.144.859
Total No. of reportable accidents	6
Total No of lost days	167
LTCR (Lost Time Case Rate)	1,05
LTIF (Number of LTI cases x 1 000 000 / Quantity of manhours worked)	5,24
No of Statutory / Enforcement notices received from the Regulatory Authority	0

HEALTH AND WELL-BEING

From 2019, we have provided voluntary health insurance for our permanent contract employees, covering specific medical and specialist tests and examinations, up to the annual amount covered by the health insurance. In 2022 we continued with the promotion of preventive medical check-ups, reminding our employees quarterly on the importance of self-care. All our employees can opt to purchase a supplementary health insurance plan for their family members on more favourable terms than those offered to other insurance buyers.

As part of the corporate benefits, Klimaoprema offers Multisport card to all our employees. Multisport is an employee benefit program that grants access to hundreds of different gyms, studios and swimming pools throughout Croatia.

Each April, in cooperation with Multisport team, our HR organize health-care event where we provide lecture on healthy nutrition, organize group exercise, and provide individual detail body-mass analysis.

As we continue to grow, we maintain the focus on remaining a safe, diverse, and responsible employer by paying attention to employee feedback and continuously working on being better.

EMPLOYER BRANDING

In 2022 we continued with the employer branding activities - we worked on our systems and processes for recruiting, branding, training, evaluation and communication.

Our Department of Human Resources conducted numerous internal and external activities - we intensified promotional activities among existing and future employees, strengthened communication channels, and generally raised the employer brand, which is now highly established among our most sought-after personnel - engineers and production workers.



PERSONAL DEVELOPMENT

As we grow, our people grow with us.

We are company who believes in learning philosophy, as we have been learning and continuously developing for the last 40 years and we still didn't reach our full potential. This is for the years to come.

With the same motivation, we offer to our employee's different learning opportunities. Each year, top management in consultation with the Board members, dedicates part of the budget to educational and training activities - according to the work requirements and preferences of individuals. Educational activities cover different learning objectives - from management skills, legislation and compliance to the technical skills.

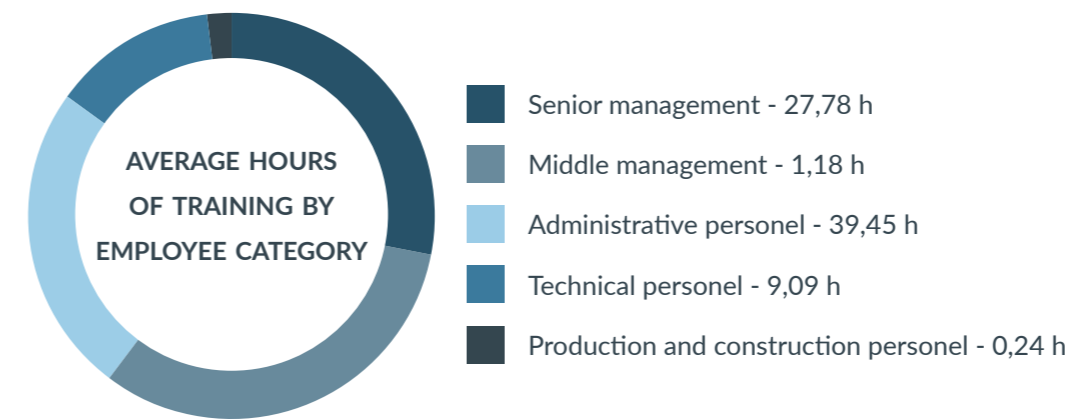
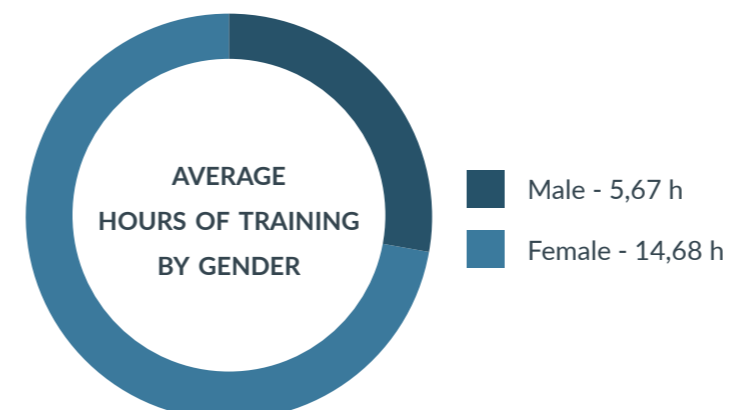
In 2022 we had approximately 1000 hours dedicated to work-instruction training within the

production personnel and 4725 hours of education on management and leadership, quality and technical skills, human resource development, risk management, media coverage to audit curricula.

In 2022, we done a step further. We started our own internal Academy of Knowledge with the aim of upskilling done by the older and more experienced peers. This year more than 150 persons attended Academy of Knowledge on 7 educational topics.

Apart from formal education, we pay lot of attention to informal training - through mentoring and on-the-job development. New hires in production have on-the-job training for minimum one month before they start to work on production lines, whereas colleagues from the engineering have mentors for their first 6 months in Klimaoprema.

Average of 7,01 hours of training per employee

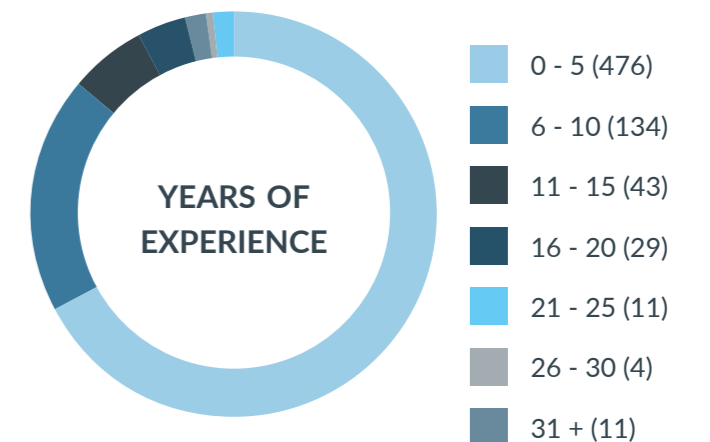
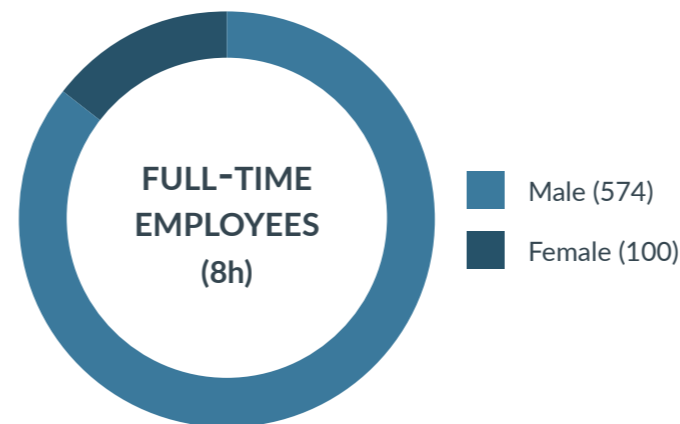
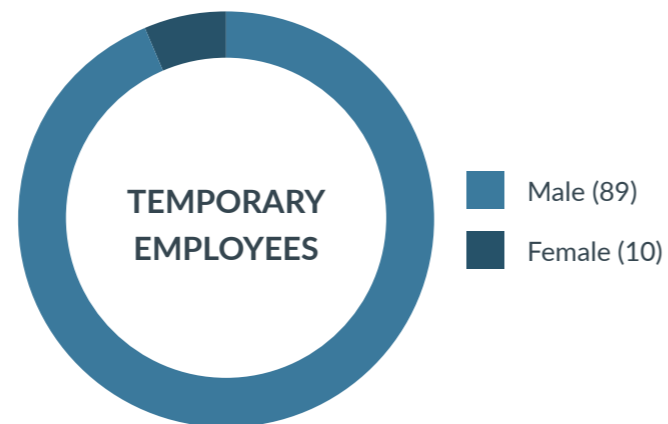
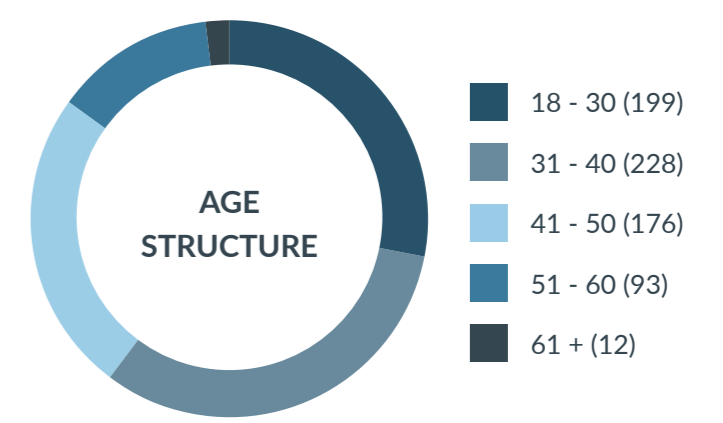
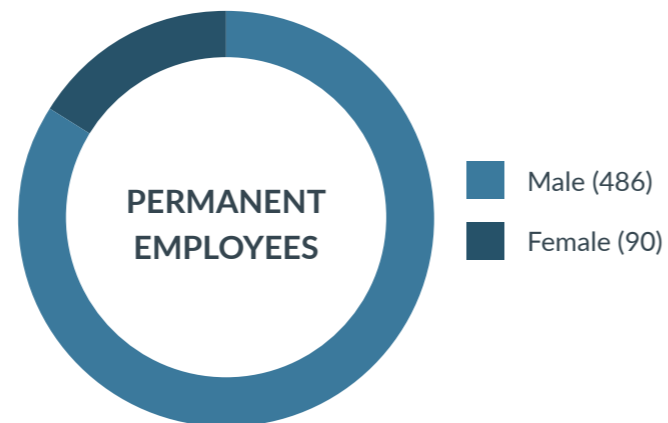
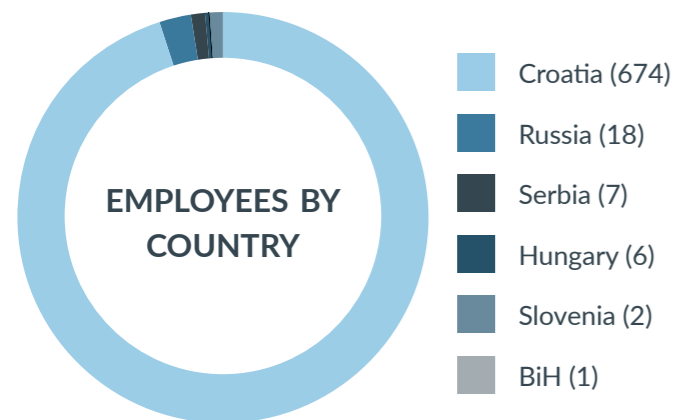
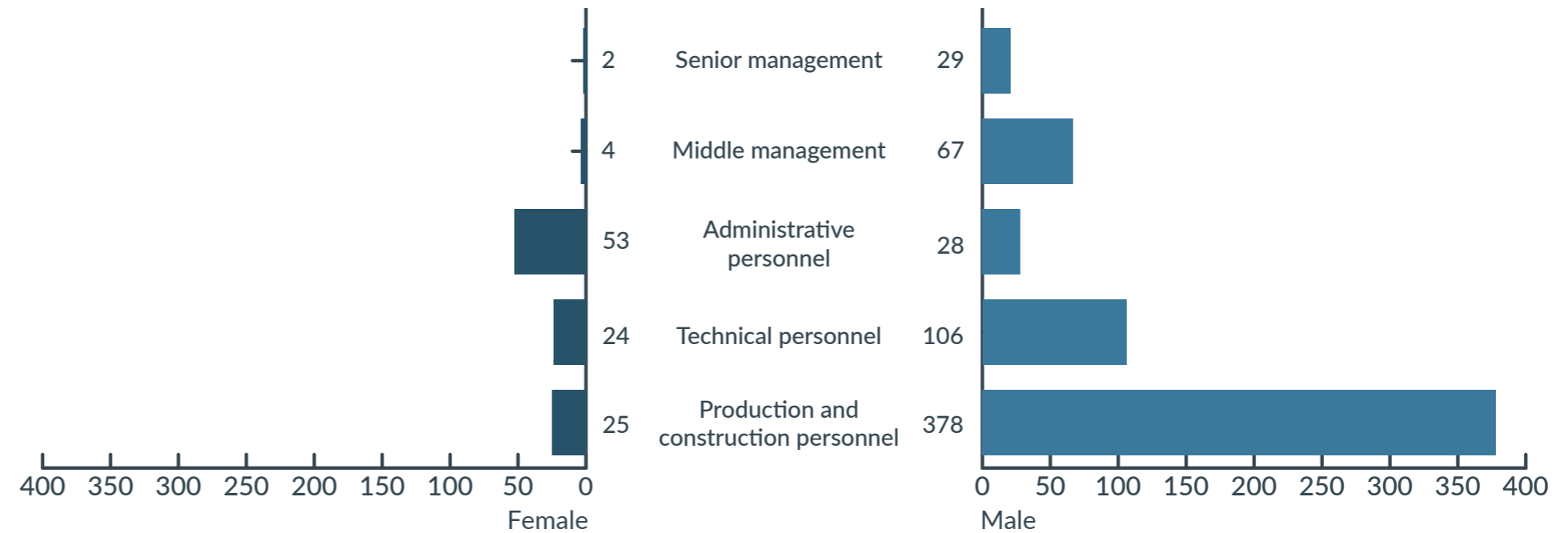


WORKFORCE BREAKDOWN

For the purpose of this part of the Report, we defined “senior management” as those persons who are either members of the highest governing body or executives of specific operational business divisions. Middle management are operatives one line below with lower management functions, whereas technical personnel relate to engineers and other professional expertise members within the core business functions. Production personnel relate to the production and construction workers and administrative employees are workers in the shared services and supportive business functions.



Workforce balance across gender



ONBOARDING

Everyone who joins Klimaoprema takes part in our onboarding program with introductory orientation, familiarizing with the company's history and culture, and understanding its goals and principles.

As we are growing fast and dislocating on more locations (in 2022 part of our colleagues moved to rented offices in Zagreb), from 2022 Human Resources Department introduced additional event for all newcomers – OnBONDing day.

Approximately every 6 months, all new employees are invited to bonding event where they meet each other, talk about their history and experience, and have a tour through our production facilities in Gradna. On-boarding/bonding events serves to enhance the new colleagues comfort level in the team and Klimaoprema's workplace as well as to encourage their engagement from the very beginning.

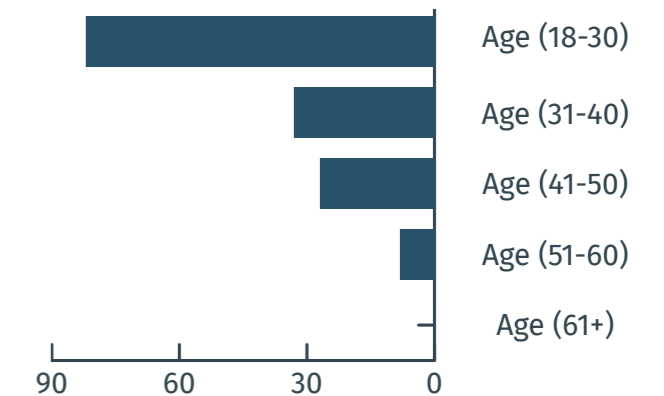
FLUCTUATION RATE

As shown in previous figures, Klimaoprema provides all employees with the environment and resources to support their professional development. Our goal is to empower all employees to maximise their potential and develop their skill set.

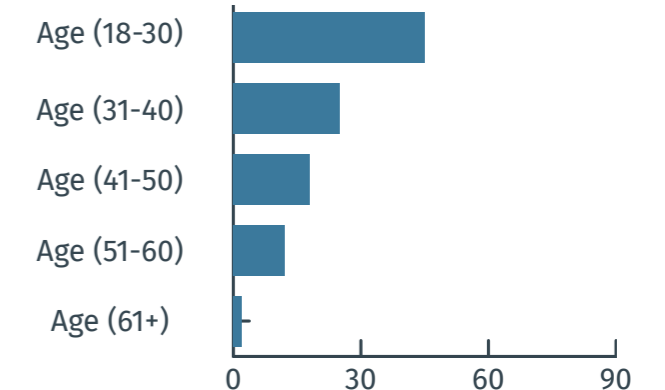
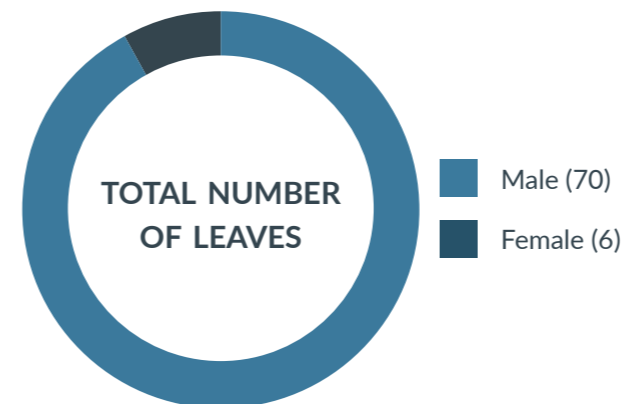
However, we must state that fluctuation rate in 2022 was above the average (11,27%) which was due to the re-allocation of one of our production lines. It was emotional moment for all of us since the production of ventilation grilles was our initial manufacturing line with which Klimaoprema started back in 1975 in Samobor. Minor part of the employees who had been working on this production line were relocated to another working posts at the same site. 16 of them went to early retirement with additional financial bonuses from Klimaoprema and a thank you note for long service.

Additionally, part of the fluctuation rate is due to the reallocation of employees to new companies that had been founded under the Amelicor brand name.

New employee hires



Total number of leaves



Fluctuation table

Note: data presented in the table show figures for only the Klimaoprema d.d.

CORPORATE CULTURE

Corporate culture is important part of our identity. We talk, we learn, we communicate clearly and transparently, we value and respect each other. The way we do things in Klimaoprema is important to us, and we are increasingly focused on our “why” and value agenda.

We are listening to employee feedback and challenging ourselves to do better. In 2022 we conducted Employee Satisfaction Survey in order to receive feedback on our culture, level of satisfaction with the company, communication and overall management performance. Results received showed us where we have room for improvement and what we need to do better. We share the results of survey with all employees, acknowledging their voice and taking action to address shortcomings.

The survey analyzed work organization, leadership, attitude towards the employer, career development opportunities, satisfaction with working conditions, balance between professional and private life, as well as the level of connection with Klimaoprema’s

mission and vision.

In general, our people were satisfied with the corporate culture, however, communication and cooperation among the different departments was challenged. This was understandable since 2021 and 2022 were the years of structural changes within the company (establishment of new brand name and company - Amelicor, initiating changes to the Group structure). Both years accommodated accelerated employment activities that challenged everyday communication (in 2022 we were employing 12,5 people / month at average).

Another focus in the survey was performance reviews. Detail analysis of results enable us to translate them into insights and actions. All managers had access to the results for their teams, and are equipped with tools and resources to take meaningful action. This helped us to contribute to the skills management and development of human capital within the organization.



Since 2020 we have been publishing LJUPKO – internal Klimaoprema’s newspaper issued quarterly.

In the era of e-news, e-mails, e-meetings, we decided to go for “old fashioned” newspaper and provide good-old-hard-copy material to read. Each edition features the news on the level of Group, accomplishments of individual teams and plans for the next period.

Each edition contains a portrait of several different team members within our organization – their professional and personal self, things they love and admire and insight in their daily routine.

...allowing all of us to connect to each other on a more personalized level.

We are strong

We are one of the largest exporters with the which you have no concern about tomorrow.

We grow

We push our limits with large-scale international projects.

We lead

We utilize cutting-edge technologies and create innovative solutions.

We respect

We foster a healthy working environment and provide advancement opportunities and career development to every employee.

We care

We take pride in being at the forefront of the economy and making the world a healthier and safer place.

CORPORATE CULTURE

In order to up-lift the communication on everyday activities within the organization, in 2022 our own corporate social network Yammer was introduced. The idea was to connect and engage across the organization and transparently communicate daily changes in the company. Yammer is our place to celebrate individual accomplishments and congratulate different teams on their projects. This is also our inner bazaar, where employees can sell/offer/ask for different items on the internal marketplace.

Covid-19 time was especially challenging as we couldn't reach to each other in live in everyday communication. Teams were separated at home offices, with most contact in production being minimalized. Our team gatherings were also called off.

In 2022, after the COVID-break, we re-opened live events and started spending time together. We organized our second Family Day and united all our production sites in one place.



The office is the place where we spend the greatest part of our life. From Monday to Friday, from morning till evening, our days pass here among desks and colleagues. Who thus become a second family to us. On our Family Day we manage to connect, at least for just one day, our real life family with the corporate one.





In 2022, as the Klimaoprema team, we ran for those who can't.



CREATING A CULTURE OF RECOGNITION

Each year, team members nominate their coworkers for the best employee award. Award, including a financial bonus, is awarded by our management on the end-of-year celebration dinners.



In autumn 2022, we had big live event for our clients and employees on the celebration of launching the Amelcor Group. Amelcor is a new brand name under which the Klimaoprema will perform engineering services in domain of cleanroom.



PARTNERSHIPS FOR WORK EXPERIENCE

Klimaoprema has long-term cooperation with numerous educational and scientific institutions, offering students different insights into world of business – from new technologies, R&D facilities to the understanding of organization system and coordination of production chain. They learn about the workflow, production techniques, quality control, and industry standards.

We regularly host numerous student associations in our production facilities, as well as provide student internships.

In the reporting period, 33 scholars went through Klimaoprema apprenticeship / internship (11 scholars in school year 2021/22, and 22 in 2022/23). Unfortunately, due to the (remaining) COVID issues, in 2022 we did not host any undergraduates for internship. However, we strongly believe and will continue to support partnership for work experience, as internship in a production facility provides a holistic learning experience that goes beyond the classroom and can significantly contribute to a student's personal and professional growth.

In 2022 we participated on a number of career fairs in high schools and colleges (Nova Gradiška Industrial School, Sjever University, Technical Faculty Rijeka, Faculty of Mechanical Engineering and Naval Architecture). We are regular members of panel discussions on topic of employment opportunities.

Each year, we organize competition „Innovation and creativity“ at the Faculty of Mechanical Engineering and Naval Architecture where we present a (production/technological) challenge and invite students to solve the problem. Best ideas are financially awarded, and students often become Klimaoprema employees.

BENEFITS AND COMPENSATION

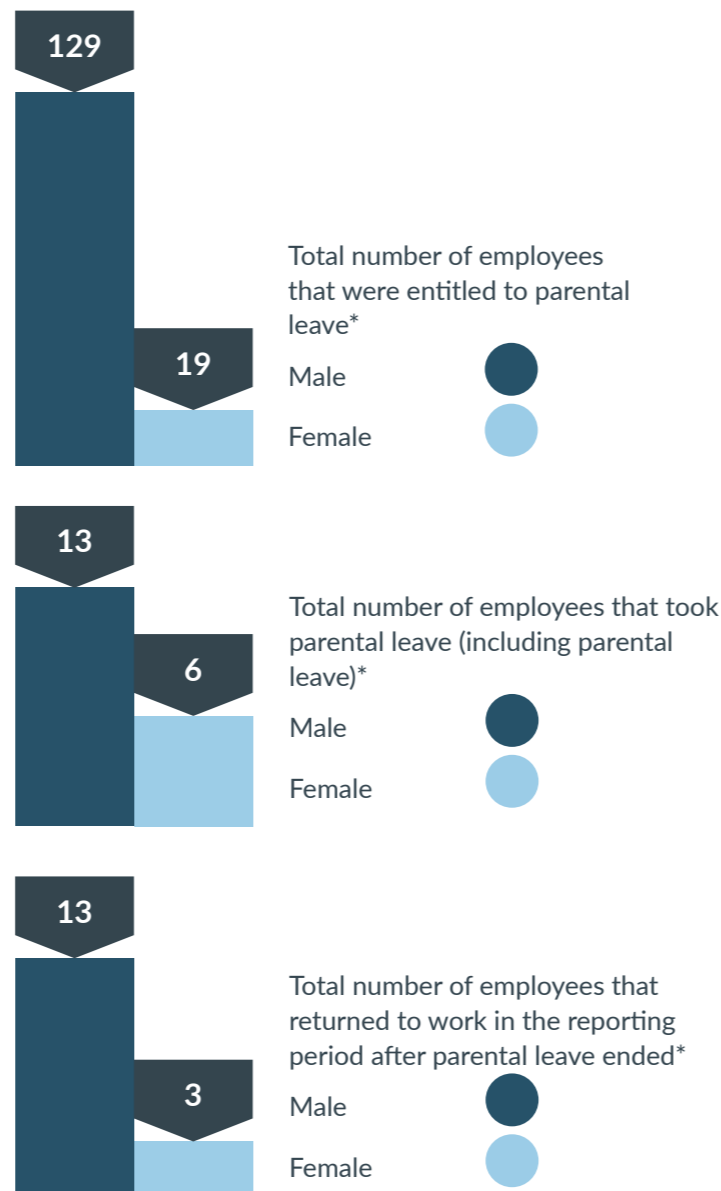
Along with a regular salary in line with market rates, additional benefits/compensations are available to all our permanent employees.

In addition to standard salary, we provide Christmas and Easter bonus, including so-called Holiday pay (bonus paid before the summer leave). All our people receive additional compensation in the case of family separation (i.e. in cases where employee needs to work at location that is not their permanent address), per diems for field work, and paid employee commuting costs. Children of our employees receive Christmas gifts on St Nicolas Day.

Other than mandatory pension and health insurance contributions prescribed by the national legislation, we offer our permanent employees voluntary pension schemes. Voluntary pension scheme (called Pillar 3 of national Pension System) is based on individual capitalized savings, with incentives from the state. Payments to Pillar 3 are calculated by the employer and withheld from the employees' gross income.

Klimaoprema also provides jubilee award for our long-term employees. In today's fast paced economy, celebrating employees for the length of time they have been with us is more important than ever. Jubilee award is given on traditional Klimaoprema's Christmas dinner and in 2022 we awarded 22 employees.

All our employees are entitled to parental leave in accordance with national legislations and are expected to return to work after the parental leave ends. Also, we offer paid leave in the events of marriage, childbirth and serious illness or funeral of a family member in accordance with national legislations.



Compensation structure and benefits

- Voluntary pension scheme
- Gift for kids
- Family separation allowance
- Jubilee award
- Free voluntary health insurance
- Reimbursement of employee commuting costs
- Easter bonus
- Multisport card
- Summer bonus
- Christmas bonus



CORPORATE GOVERNANCE

Klimaoprema's governance structure aims to ensure an appropriate management and control framework as well as efficient, ethical and sustainable business operations.

Excellence in business operations, together with the transparency and ethics are essential values of our governance, and key elements to build up and maintain trust relationships with all our stakeholders.



CORPORATE GOVERNANCE

Klimaoprema is governed by the Board of Directors (hereinafter "Board") consisting of two members (M), one of which is Chief Executive Officer (CEO) and President of the Board. President of the Board is also the president of the Metal Industry Association at Croatian Employer's Association and member of Economic Council at Faculty of Mechanical Engineering and Naval Architecture.

The Board of Directors is appointed by the Board of Advisors, which consists of 5 members representing the shareholders. The Board of Advisors convenes a minimum of four times annually with the primary purpose of overseeing and advising the Board of Directors., including the review of annual accounts and business reports. The company's General Assembly is convened at least once a year, to review the previous year's financial report and determine the allocation of profits.

Board of Directors were appointed based on their professional qualifications, appropriate personal qualities, their vision, ethics and their compatibility with the values of the company. Their performance is evaluated yearly by the Board of Advisors, based on the number of factors, such as company performance & culture, employee satisfaction and overall contribution to the company.

The Board of Directors is the highest governance body responsible for the overall management and development strategy of Klimaoprema. Our internal business processes are streamlined to comprehensive and continuous improvement and innovation, including awareness on specific ESG concerns. The Board receive feedback and input on these aspects from discussions with various stakeholder groups.

The Board is responsible for overseeing sustainability practices and ensuring that risk management includes most significant ESG issues. Ultimately, this encompass adopting business plans and policies with regards to long-term Strategy and goals, including responsibility for economic, social and environmental topics.

Board is regularly informed about the new legislative requirements, including those related to the E-S-G topics and sustainability related disclosures. In 2022, our CEO was participant to several conferences and events, on a topic of industry trends and sustainability obligations.

The Board appoints senior executives for main business areas who are responsible for managing the affairs with their own business divisions. They are in day-to-day communication with Board members, with regular weekly. Management meetings include broad range of topics, from economic aspect and efficiency of business, production issues to various aspects of sustainability (safety and health of employees, energy issues, etc.). Each business function is responsible for identifying and reporting on possible risks and challenges, as well as improvements and action plans that are ultimately approved by the Board.

Klimaoprema's governance structure aims to ensure an appropriate management and control framework as well as efficient, ethical and sustainable business operations. Excellence in business operations, together with the transparency and ethics are essential values of our governance, and key elements to build up and maintain trust relationships with all our stakeholders.

Formal risk assessment and oversight of internal and external factors (including political, technological, economic, environmental and social risks) is done regularly under Environment Management System.

In addition, all departments/business areas are required to regularly monitor new laws and regulations and comply business processes in line with the enforcement of law and additional standards/norms/GMP, as case might be. Review of regulatory framework is checked at minimum twice a year.

During the reporting period, no irregularities were found and thus Klimaoprema was not subject to any monetary or non-monetary fines due to non-compliance with laws and regulations. Also, we did not have any labor related disputes.

Issues of special concern are regularly communicated with the management, regardless of the topic. Employees (from administrative, production, technical level to middle management) can express their concerns through various communication channels, and the senior executives of business divisions to which the concerns relate are obliged to consider, process and analyze them and do follow up activities if deem necessary.

Internal supervision is carried out by the controlling and internal audits, with the full disclosure on the findings to Board. The findings and recommendations from internal supervision aim to improve processes, proactively act on risks or reduce them to an acceptable level.

The authority, duties, and responsibilities of a Board of Directors are determined by corporate law and by-laws and the organization's own policies. Management contracts contain provisions on the prohibition of competition during and after the termination of the employment relationship in the company, as well as the obligation to business secret.

Following our Code of Conduct, Board Members are not allowed to make decisions based on their personal interests, i.e. must refrain from situations where their personal interest is confronted between the requirements of their function and their other personal or professional interests or responsibilities. Members of Board of Directors are appointed on a 4-year term of office.

Remuneration policy in Klimaoprema is based on the industry trends and rates. For top management, remuneration system incorporates bonuses tied to key performance indicators (KPIs) as well as factors like personal dedication to upholding the highest standards in daily operations.

Given that our annual performance indicators are rooted in a diverse range of business metrics, sustainability factors play a role in our performance evaluations. The annual KPIs, which are derived from the company's yearly performance, are collaboratively agreed upon and approved by our Board members.

CORPORATE POLICIES

At Klimaoprema, every employee is valued for his or her skill set. No discrimination, from the recruitment process to promotion to key positions, is tolerated. We actively look for and choose employees based on their experience and the value they bring to the company.

Our core values and principles are written in our Code of Conduct. Code of Conduct (CoC) ensures that we act with integrity and accountability in all our business dealings and relationships, in compliance with all applicable laws, regulations and policies. Our CoC sets out our principles and standards to prevent bribery and corruption, including conflicts of interest and the exchange of gifts and entertainment. The Code contains norms and standard regarding the protection of human rights, dignity and respect, protection of health and safety at work, and the principle of diversity and equal opportunities.

The Code defines obligation and procedure for reporting violations (potential or actual non-compliance with the company's principles), and directs employees to report issues directly to person appointed by the Board. All reports are treated as confidential.

Anti-Bribery and Corruption Policy specifies general principles to be followed in all our business dealings and relationships, and applies to all persons working for Klimaoprema or on Klimaoprema's behalf in any capacity (including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third party representatives and business partners). We are committed to foster a culture of integrity and maintain high ethical standards throughout the Company. Any concerns on this issue are reported directly to President of the Board.

Policy prescribes risk-based due diligence exercise to be undertaken in respect to Business Representatives in order to identify, assess and mitigate corruption risks. Ongoing relationships with Business Representatives are subject to continuous monitoring.

Following the new EU whistleblower directive, we introduced Whistleblowing Policy and appropriate communication channel for all employees to actively participate in observing the irregularities, including the violations of our Code of Conduct. The goal of this Whistleblower Channel is to ensure that all reports or concerns about improper, unethical, or illegal behaviour or circumstances involving Klimaoprema's property, personnel, suppliers, customers, or any other third parties associated with our activities are handled effectively, securely, appropriately, and in full compliance with the law.

The Board of Directors is informed about all whistleblowing reports and the associated investigations as well as initiated measures. During 2022 there were two cases of alleged harassment reported at our operating facilities. Both cases were appropriately assessed in accordance with internal acts and the relevant national legislation. After having conducted internal examinations, it was confirmed that in one case there was no harassment in the case in question, whereas in another case the employment contract was jointly terminated.

Responsible corporate governance and commitment to comply with applicable human rights standards and environmental protection for fairer and more sustainable economy is embedded in our organisation and formalised through Anti-Bribery and Corruption Policy; corporate Code of Conduct; Quality, Environment, Health and Safety Policy and

Energy Management Policy. Corporate governance documents apply to all organization activities. All policies, including Code of Conduct have been approved by the Board.

Description on how these policy commitments are embedded into organization structure and integrated in daily activities have been provided in respective chapters (Environment/People) of this Report.

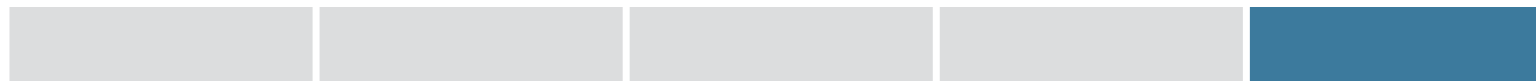
All our policies and standards are available at [Klimaoprema.com](https://www.klimaoprema.com).

Although we do not have centralized communication channel to voice external stakeholder concerns, any interested party can express their concern through the official e-mail address or request meeting with the responsible person within the organization.

Workers unions

A culture of open social dialogue within the Klimaoprema has been cultivated for many years. Klimaoprema's workers union goes back to 2000, with 129 employees being current members of the worker union. No collective agreement is signed, but we established and maintain the regular meetings between our Board and Worker Union (minimum twice a year). Employee representatives were regularly informed and involved in making important social decisions and material rights. These meetings are constructive and supportive for both sides, and we will maintain our relationship in years to come.





ABOUT THE SUSTAINABILITY REPORT

In 2022 we started developing our structure for sustainability reporting and management. We decided on our material topics based on the consultation and cooperation with stakeholders (primarily investors) and with reference to our greatest effect on the economy, environment, and people in our line of industry. As such, they are presented in this Report.

Full list of material topics and their relevance for our business operations (double materiality approach) will be conducted in 2023 and thus will be disclosed in Sustainability Report for the 2023.

Nevertheless, we perceive this Report as great opportunity and exercise to deep dive in the data collection and see what we can do better – in terms of awareness on some ESG topics, processes and management activities, including the data

identification and collection. We believe that with each reporting year we will be better and more comprehensive in terms of our material impacts, opportunities and risks to sustainable development.

In 2022 we did not have formal sustainability management structure, although all topics presented in this Report (deemed as material) are ultimate responsibility of our CEO. Operational responsibility for the management of individual topics was delegated to individuals within the top management with direct reporting to CEO. Those key persons within the Klimaoprema have responsibility for the development, implementation and monitoring of those issues.

Klimaoprema reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022, Core option. The present report

covers the entire Klimaoprema Group organisation and matches the scope of consolidation used for financial information in the consolidated annual report. Companies included are Klimaoprema d.d. Croatia, Klimaoprema d.o.o. Serbia, Klimaoprema d.o.o. Bosnia and Herzegovina, Klimaoprema d.o.o. Slovenia, OOO Klimaoprema Russia, Klimaoprema Hungary Kft., and branch offices Klimaoprema United Arab Emirates, Klimaoprema Republic of North Macedonia.

Sustainability Report 2022 was reviewed and approved by the Klimaoprema Board. This report was not externally assured.

For all questions regarding the Klimaoprema Sustainability Report 2022 and our on-going efforts in this area, please contact our Sustainability Manager, Jelena Festini, at jelena.festini@klimaoprema.com



GRI CONTENT INDEX

"Statement of use"	Klimaoprema has reported in accordance with the GRI Standards for the period 1st of January 2022 to 31st of December 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	N/A

GRI standard / Other source	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	pg 5 - 6			
	2-2 Entities included in the organization's sustainability reporting	pg 36			
	2-3 Reporting period, frequency and contact point	pg 36			
	2-4 Restatements of information	n/a			
	2-5 External assurance	pg 36			
	2-6 Activities, value chain and other business relationships	pg 5, 7, 11 - 15			
	2-7 Employees	pg 6, 27 - 28			
	2-8 Workers who are not employees	-	-	Information unavailable	Data not available. Klimaoprema needs to implement methods for measurement.
	2-9 Governance structure and composition	pg 34			
	2-10 Nomination and selection of the highest governance body	pg 34			
	2-11 Chair of the highest governance body	pg 34			
	2-12 Role of the highest governance body in overseeing the management of impacts	pg 34			
	2-13 Delegation of responsibility for managing impacts	pg 34			
	2-14 Role of the highest governance body in sustainability reporting	pg 34			
	2-15 Conflicts of interest	pg 34			
	2-16 Communication of critical concerns	pg 34			
	2-17 Collective knowledge of the highest governance body	pg 34			
	2-18 Evaluation of the performance of the highest governance body	pg 34			
	2-19 Remuneration policies	-	-	Confidentiality constraints	Employees' employment contracts, including remuneration clauses within, are protected as confidential information and their public disclosure is restricted accordingly.
	2-20 Process to determine remuneration	pg 34			
	2-21 Annual total compensation ratio	-	-	Confidentiality constraints	Employees' employment contracts, including remuneration clauses within, are protected as confidential information and their public disclosure is restricted accordingly.



GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	pg 4			
	2-23 Policy commitments	pg 35			
	2-24 Embedding policy commitments	pg 35			
	2-25 Processes to remediate negative impacts	pg 34 - 35			
	2-26 Mechanisms for seeking advice and raising concerns	pg 34 - 35			
	2-27 Compliance with laws and regulations	pg 34			
	2-28 Membership associations	pg 10			
	2-29 Approach to stakeholder engagement	pg 15			
	2-30 Collective bargaining agreements	pg 35			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	pg 36			
	3-2 List of material topics	pg 36			
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 18			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	pg 18			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 19 - 20			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	pg 19 - 20			
	305-2 Energy indirect (Scope 2) GHG emissions	pg 19 - 20			
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 22			
	306-2 Management of significant waste-related impacts	pg 22			
	306-3 Waste generated	pg 22			
	306-4 Waste diverted from disposal	pg 22			
	306-5 Waste directed to disposal	pg 22			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 23, 26, 28			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	pg 28	Data presented for Klimaoprema d.d.	Information incomplete	The data collection process needs to be enhanced
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	pg 32	Data presented for Klimaoprema d.d.	Information incomplete	The data collection process needs to be enhanced
	401-3 Parental leave	pg 32	Data presented for Klimaoprema d.d.	Information incomplete	The data collection process needs to be enhanced
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 24 - 25			



GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	pg 24 - 25			
	403-3 Occupational health services	pg 24 - 25			
	403-4 Worker participation, consultation, and communication on occupational health and safety	pg 24 - 25			
	403-6 Promotion of worker health	pg 24 - 25			
	403-9 Work-related injuries	pg 25	Data on work-related injuries for non-employees	Information unavailable	Data not available. Klimaoprema needs to implement methods for measurement.
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 26			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	pg 26	Data presented for Klimaoprema d.d.	Information incomplete	The data collection process needs to be enhanced
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 35			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	pg 35			
Diversity and Equal Opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	pg 35			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	pg 35			