



Central Distribution & Logistics Center,
Dobanovci, Belgrade, Serbia



Impressum

CONTINUITY, STABILITY, AGILITY

Sustainability Report 2020/2021

CONTINUITY, STABILITY, AGILITY
SUSTAINABILITY REPORT 2020/2021
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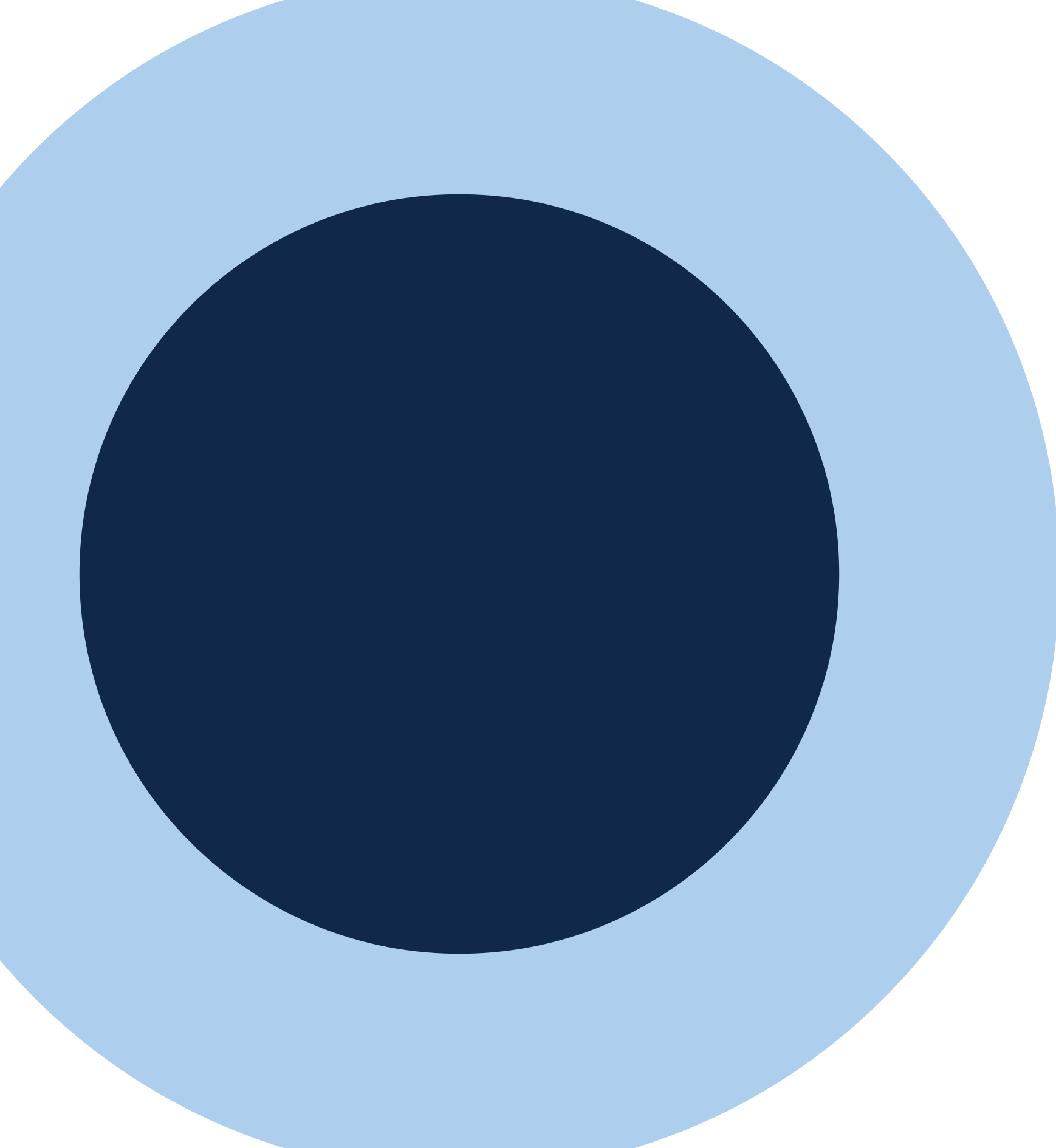
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The sustainable development of the Nelt Group is based on ethical business and desire to create a better environment for employees, partners and social community as well as provide better business results and high-level of environmental responsibility.

**SUSTAINABILITY FOR BUSINESS
CONTINUITY IN CHALLENGING TIMES**



Miloš Jelić,
Nelt Group CEO

Strategic acceleration for sustainable business

The last two years have been marked by professional, family and personal challenges. We have encountered changed business conditions, plentiful limitations and a sense of daily ambiguity. We stepped into the virtual worlds of communication and adopted them as our daily routine. We have learned to adapt quickly to change and, more than ever, to think and care about others - our family, friends, business partners, colleagues at Nelt.

The pandemic had a global impact on business. It was necessary to maintain consistent supply chains by applying preventive protection measures at all levels in order to protect the health of employees. At the Group level, we have adjusted our activities through business continuity protocols and thus maintained the continuous presence of our portfolios in all markets in which we do our business. On the other hand, at the management level, we have learned to work remotely, without being physically present.

Nelt's strategic decision is to transform towards digitalization. Extraordinary circumstances have significantly accelerated us in doing precisely that. We have been working on new digital products and process improvements that will enable us to be even more competitive in the market. In the middle of 2021, we started the Digital Delivery Note project, which optimized daily operations, significantly increased efficiency and achieved savings in printing of about 320,000 sheets of paper per month. We have started to develop omni-channel approach to working with customers more intensively, through the introduction of a call center and launching our personal B2B Nelt Market application. This application should enable intensive two-way communication and exchange of important information with customers in product, finance and marketing flows. In addition to communicating with customers, we also focused on Data Management, systematization of existing data and predictive analysis, as well as modernization of voice picking and routing.

In addition to digitalization, our strategic priorities are expanding our business to new markets, diversifying services and portfolios in logistics and distribution, with a new focus on our brands. We are fulfilling our goals together with our existing business partners, and we are establishing new collaborations with large companies, including Nestle in the Serbian market and Kraš in the markets of Serbia, Bosnia and Herzegovina and Montenegro. We have expanded our cooperation with Mars in Africa to the markets of Zambia and Mozambique. In Zambia we have entered into partnerships with Heineken and Lactalis, and in Mozambique we have started cooperation with Beiersdorf. With an investment of 20 million euros in Candy Factory in Angola, we have made a big step towards further strengthening the Nelt brands on the African continent. I expect that in the second half of 2022, we shall be ready to start production and distribution in Angola. In addition to the above, we expanded our operations to Croatia and Slovenia by opening the company Nelt Europe.

When I summarize the previous two years, I can conclude that we have done an extraordinary job. Employees lived our values. First of all, through care for the company and for associates. We achieved an excellent business result. Our revenues in 2021 exceeded one billion euros for the first time, which is an increase of 60 million compared to the previous year. This result is an indication that we are well on our way to realizing our vision to be the No. 1 company in providing complete solutions in distribution and logistics services.



OUR BUSINESS

We are considered one of the most successful business systems in the Western Balkans in the field of production, logistics and distribution of consumer goods, tobacco, pharmaceuticals and beauty products. Being an international group, we employ more than 4,000 people in 18 companies, in 12 markets in Europe and Africa. The leadership position and successes achieved during 30 years of business are the result of continual investment in the improvement of services, application of new technologies, investment in education and development of employees.

Our business is rooted in the principles of ethical, responsible and sustainable growth and it tends to contribute to the development of the local and wider community.



OUR VALUES

Values are what support the fulfillment of a vision and shape the corporate culture. They define the manner in which things are done, how employees treat each other, customers, partners, as well as the company itself. That is why in our work we rely on a **winning mentality, innovation, caring mentality, long-term perspective and ownership.**

We use modern technologies and build partnerships with global leaders from various business areas.



OUR VISION

„We are the NUMBER ONE in providing complete solutions in distribution and logistics services.“



NELT GROUP
IN NUMBERS

4.350

EMPLOYEES

18

COMPANIES

30

YEARS OF BUSINESS

2

CONTINENTS

12

MARKETS

1.300

VEHICLES

26.000

CUSTOMERS

80

PRINCIPALS

150.000m²

STORAGE SPACE

55.000

POINTS OF SALE



Cooperation with
business partners

The quality of service, knowledge and good market coverage makes us a leader in the field of distribution and logistics in the markets in which we operate. Cooperation with partners, large domestic and international companies, and synergy with their experience and knowledge, year by year brings growth and success to the Nelt Group.

For all sales programs we distribute, we guarantee availability of goods to final consumers at any time and in any place. We provide all types of logistics services to clients from different industries. Through faster processes, time savings, transparency, less administration, we provide optimization of logistics costs. In this way, we enable our clients to maximize effectiveness and minimize costs.

Principals

FMCG



Pharmaceutical and beauty products



Tobacco products





Logistics clients

Serbia



North Macedonia



Bosnia & Herzegovina



Montenegro





Important events 2020/2021.

2020.

The Nelt Group became the owner of the Baby brand

By signing a sales contract with the Atlantic Group, the Nelt Group became the owner of the baby food brand Bebi, which includes a wide portfolio of products for children and infants. The products of this brand have been placed on the market of Russia and other members of the Commonwealth of Independent States (CIS) for more than 35 years, where they represent a symbol of European quality in the segment of cereals for children.

The production of Bebi products sustained in the plants of the Baby Food Factory in Dobanovci, known for the Nutrino brand, where both brands are developing in parallel, while placing products on different markets. The expert teams of Nelt and the Baby Food Factory plan to modernize this brand, enrich it with a new range of products and start a new development cycle.

By this acquisition, the Nelt Group has confirmed its strategic commitment to long-term development and international expansion.

Investment in Candy factory in the African market

The development of production operations and own brands is one of the strategic priorities of Nelt's operations in Africa. The reason for this is the great potential of this market due to population growth, as well as the accelerated development of categories and consumption in these countries.

Spotting this potential, back in 2020, we started working on the project Candy Factory, a factory for the production of confectionery products based on sugar - lollipops, candies and chewing gum. For the needs of this project, during 2021, we completed the privatization process of the industrial complex ABSOR, which covers 25,000 m2 of land, 4,000 m2 of production and warehouse space and 600 m2 of utility premises, with all the accompanying infrastructure. The realization of this investment of 15 million euros, with the start of production and sales, is expected in the first half of 2022.



2021.

Kraš brands in the Nelt portfolio

Through establishing a partnership with the Kraš Group, one of the largest confectionery companies in the region, the Nelt Group has expanded its distribution portfolio with new products in Serbia, Bosnia and Herzegovina, Montenegro and Albania. With this, we have once again proved that we can efficiently and effectively distribute competitive portfolios and enable growth for all principals.

Nelt started distribution of Nestle products in Serbia

The business arrangement with Nestle company represents a continuation of the successful cooperation between our two companies in the field of logistics services, which started back in 2018, as well as many years of successful distribution of the Nestle Nutrition program for infants within Nelt Pharmaceuticals.

Nestle is the largest food company in the world, whose portfolio in Serbia includes numerous categories, from baby food, instant coffee, through culinary and confectionery programs, to pet food. The company operates in 189 countries with more than 2,000 global and local brands, and some of them are Maggi, NESCAFÉ, Dolce Gusto, Kitkat, Lyon, Nesquik, NAN, Fitness, After Eight, Purina.

Expansion of business to Croatia and Slovenia

Geographic business expansion is one of the strategic initiatives of the Nelt Group. During 2021, we founded based in Croatia the company Nelt Europe, with the intention of developing and providing distribution and logistics services to the markets of Croatia and Slovenia.

Increased capacities of our Intermodal Terminal

Our company in Serbia has invested two million euros in increasing the capacity of the intermodal terminal in Dobanovci, whose usable area has been expanded to 30,000 m2. The upgrades have opened the possibility for receiving and disposing of 1,500 full and 500 empty containers. By purchasing another Reach Stecker for container handling, the company has significantly increased the operability and efficiency of its operations.



OHI - Organizational Health Index

In 2021, the Nelt Group conducted its third organizational health survey, using the methodology of the consulting company McKinsey. The data obtained from the survey and interviews were analyzed and compared with over 2,000 of the world's largest companies. The survey has been conducted over 2,300 times globally and so far, more than 6 million employees from various global companies have participated in them.

The answers of all employees provided the foundation for further development of Nelt's organizational culture and the manner of leading the organization.

Employees expressed high confidence in expressing opinions about the state of our organization this way. As many as 7,700 comments were generated through this questionnaire.

The umbrella result confirms that the overall organizational health of the Nelt Group has improved by four index points compared to the results of the previous survey in 2019, which confirms that previous initiatives and activities have had an effect, but that much more engagement in new proposals and ideas is expected.

After a detailed acquaintance with the inputs provided by more than 80 percent of employees in the study, five key areas for development at the Nelt Group level were defined: communication, external orientation, motivation, attracting and retaining staff, leadership development. Organizational health research confirms the company's commitment to root the transformation and future development in the strong organizational culture and value system.



Awards and recognitions

SERBIA

- **“Person of the Year”** award to Goran Dulić, PMI Sales Division Manager, presented by PMI
- **Thank-you-note** for Nenad Rakočević, Nelt Group Operational Excellence Manager in Logistics, for supporting the SPIN 21 conference “Industry 4.0 - Opportunities, Challenges and Solutions for Digital Transformation of the Economy”
- **Recognition for donating food** to the most vulnerable ones
- **SES Charter of Excellence** awarded to the founders of Nelt

BOSNIA AND HERZEGOVINA

- **The First Lady of Mondelez** award in Bosnia and Herzegovina for Danijela Ujić, Trade Marketing Specialist
- **Top 1** the most desirable employer
- **Thank-you-notes from the Federal Civil Protection Headquarters** of BiH for special merits in the field of protection and rescue during 2020

MONTENEGRO

- **Thank-you-note** from the Red Cross to Neregeliya for fulfilling the humanitarian mission

Nelt awarded for donating food to the most vulnerable

At the CSR Forum “On the Road to Sustainability”, Nelt was awarded for donating food to the most vulnerable ones, contributing to the fight against poverty and achieving the goals of sustainable development in 2021. The Nelt Group continuously donates aid to the most vulnerable ones, and only some of the examples from last year are donations from our companies Neoplanta and Javna skladišta Subotica.

Neoplanta donated goods worth 50,000 euros as part of an aid action package for 173,000 Belgrade inhabitants over the age of 65 with the lowest pensions.

The company Javna skladišta Subotica handed over a donation worth more than 10,000 euros to the Home for Children with Developmental Disabilities “Kolevka”. Food for children and meat products were sent to the Subotica institution, all in order to make the children’s stay in the Home more pleasant.

SES Charter of Excellence awarded to the founders of Nelt

The founders and owners of the Nelt Group, Nebojša Šaponjić and Ranko Sočanac, are presented the Charter for Excellence in the field of economy of business and management for the year of 2020.

This charter is traditionally awarded by the Association of Economists of Serbia (SES) to the great people of the Serbian economic and business scene.

“By awarding prizes, SES strives to contribute to the popularization of economic science and profession pursuant to its basic goals, as well as the affirmation of individuals and the promotion of accomplishments in the field of economy,” said Aleksandar Vlahović, SES president. Ranko Sočanac and Nebojša Šaponjić are recognized as altruists and active participants in the social community, and Nelt as a standard for distribution and logistics services in Serbia and the region.



Awards of our principals

Goran Dulić winner of the “Person of the Year” award

The «Person of the Year» award, given by our longtime principal Philip Morris, was awarded to Goran Dulić based on his outstanding contribution to the cooperation between the two companies.

«In the past year, you have shown great commitment, professionalism and a desire to succeed. These values are exactly what characterize Philip Morris. Therefore, we want to express our satisfaction with our partnership and hope that it will continue to develop and grow», was stated in the official letter of the company Philip Morris.

Danijela Ujić winner of The First Lady of Mondelez award

At the annual meeting of Mondelez in Bosnia and Herzegovina, our colleague Danijela Ujić, Trade Marketing Specialist, was awarded the Golden Cup of The First Lady of Mondelez in Bosnia and Herzegovina.

With this symbolic award, Danijela received recognition for her long-term commitment, hospitable approach and achieved results.

Recognition of Philip Morris to Nelt employees in Serbia

Our longtime principal Philip Morris awarded the Stronger Together medal to Nelt for its contribution and support to business in 2020, which was marked by the crisis caused by the Covid-19 pandemic. In addition to this challenge, our two companies also found themselves in the process of changing the distribution model, when they switched from analog to digital.

In order to continuously supply the market, the cooperation and processes between PMI and Nelt have been refined and adjusted to suit the new circumstances.



Memberships in associations

The Nelt Group seats its business on providing top quality services in the areas in which it operates, maintaining good and professional relationships with its clients, customers, business partners, employees, as well as on active contribution and support to community development. The Nelt Group companies are com-

mitted to protecting and promoting human and labor rights, environmental protection and anti-corruption.

In addition, we actively participate in the work of several trustworthy business associations that promote positive business practices and high business ethics.

• NALED – National Alliance for Local Economic Development

• Serbian Chamber of Commerce and Industry

• AmCham Serbia

• AHK- German-Serbian Chamber of Commerce and Industry

• SSCC- Swiss-Serbian Chamber of Commerce

• Confindustria- Italian economic association in Serbia

• EFN- The European Food Network

• UNICEF- Council membership

• Serbian association of shipping societies and agents PU “Transport and logistics”

• Union of importers and distributors of medical devices

• Forum for Responsible Business

• Montenegrin Chamber of Commerce

• Montenegrin Employers Federation

• The Institute of Internal Auditors of Montenegro

• ICAM Institute of Certified Accountants of Montenegro

• AMM Association of Montenegrin Managers

• AmCham Montenegro

• AmCham Bosnia and Herzegovina

• FIC- Foreign Investors Council Bosnia and Herzegovina

• North Macedonian Chamber of Commerce



Nelt Serbia in the Forum for Responsible Business

Nelt joined the Forum for Responsible Business in 2021 by a unanimous decision of the existing members of this network.

Our company has earned its place in the Forum because of the business that leads to creating a better environment for partners, employees and the wider community. Caring for people, long-term perspective, innovation, personal responsibility and a winning mentality are the values on which relationships between employees, i the company, customers and partners are founded on. Nelt’s socially responsible activities also focus on investments in educational projects and cooperation with educational institutions. Through communication with young people and practice, the company strives to encourage the development of their skills and creative potential.

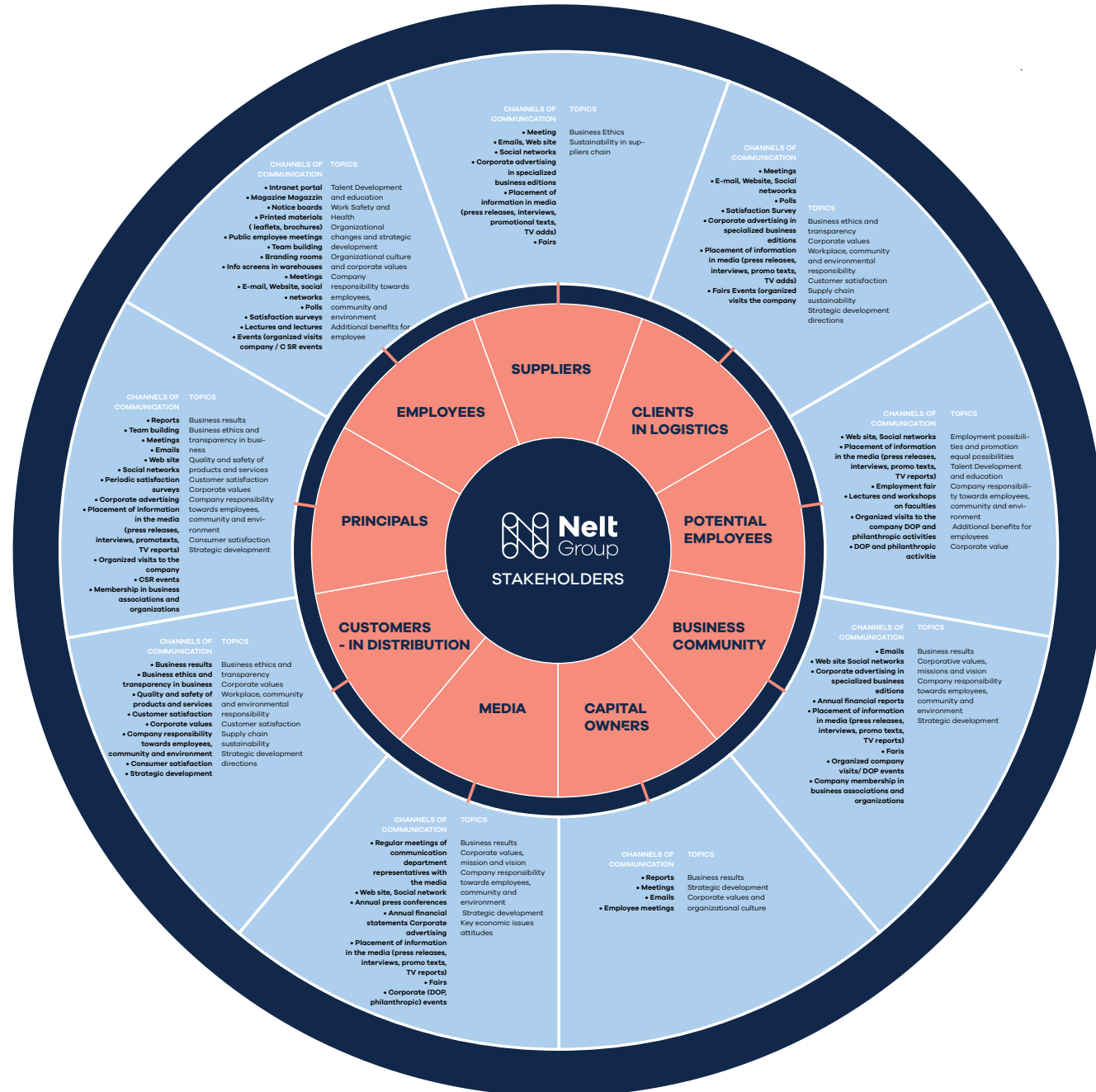
The Forum for Responsible Business brings together companies that operate in accordance with the principles of sustainability, responsibility and ethics and through their engagement contribute to the development of the society. The forum empowers companies to operate sustainably and responsibly, includes young people and students in educational programs, supports the development of small and medium enterprises, and corporate philanthropy that is in line with the needs of the community.

Among the members of the network of socially responsible companies are Nestlé Adriatic S, PepsiCo, Belgrade Airport, Al Serbia, Atlantic Grupa, B92, Bambi, Banca Intesa, Coca-Cola HBC, Deloitte, Delhaize, Delta Holding, Direct media, Erste bank, IKEA, LIDL, Manpower Group, NIN, Nordeus, Represent Communications, Telekom Srbija, Telenor, UniCredit Bank, Victoria Group.



Stakeholder involvement

The sustainability of the business largely depends on the company's ability to recognize the expectations and needs of stakeholders, while continuous dialogue is the tool for open and two-way communication.



Nelt Group's digital communications - now on Instagram

Digital communication channels are an important tool for informing stakeholders, as well as maintaining a positive reputation and image of the company.

We launched the Instagram profile "Life at Nelt" in 2021. We prepared it with special care and it was inspired by the daily activities of the Nelt Group employees. The concept of the account is such that the content is diverse and that the communications department creates it together with other colleagues.

In addition to Instagram, Nelt Group communicates with the general public through other social networks - Facebook (22,000 followers), LinkedIn (27,000 followers), YouTube. Content from all the Nelt Group companies is repeatedly published on these platforms.

When creating content for the social networks of the Nelt Group, we try to cover various topics tailored to the target groups, i.e., followers, on each of the networks. On the one hand, there we have current events from the company and corporate news, and on the other, authentic photos of everyday business from various sectors and companies. In between, there is a space for information on currently open positions, product recommendations, interesting facts from the countries where the Nelt Group operates.

All social networks are set up to direct followers and profile visitors to the Nelt Group website, as the primary channel of communication.

The nelt.com website presents the markets in which we operate and the services we provide. The content is available in five languages, while the site itself recognizes the location of the visitor and will first offer the page in the default language. Each content is accessed with a maximum of three clicks. Contacting a company representative is easy. The form allows you to choose one of the topics: Distribution, Logistics, Careers or Markets. In addition to the topic of the choice, visitors are also offered the option of choosing the market to which the inquiry relates. The site also has a special section for media representatives. With a selection of official photos, logos, data and videos, we make it easy to gather information about our business.

All of the Nelt Group's external digital channels are integrated on the Linktree page, which can be accessed by scanning the QR code.





OUR MARKETS



Today's success of Nelt in Serbia is based on the responsibility and trust we have built, during 30 years of dedicated and professional work, in all aspects of business. We have transferred our experience and expertise from the Serbian market to all markets in the Western Balkans, where companies within the Nelt Group's organizational system today operate independently.

Thanks to the professional attitude towards our stakeholders, as well as the ethical and strategic guidelines we are guided by, we are recognized as the first choice of global companies in providing quality services in distribution and logistics.



SERBIA

Company headquarters - Dobanovci, Belgrade



| | |
|---|-----------------------|
| Employees | 2,207 |
| Principals | 33 |
| Brands | 100+ |
| Customers | 11,000 |
| Logistics clients | 60+ |
| Points of sale | 26,000+ |
| Deliveries per day | 7,000 |
| Warehouse space | 104,000m ² |
| Delivery vehicles | 199 |
| Pullers | 5 |
| Semi trailers | 9 |
| Vehicles for field sales and business support | 780 |

Distribution and logistics network: central distribution and logistics center in Belgrade, regional centers in Novi Sad, Niš, Kraljevo, branch in Subotica and cross docks in Valjevo, Vranje, Zrenjanin, Požarevac, Šabac, Kragujevac, Pančevo, Zaječar and Užice.



BOSNIA AND HERZEGOVINA

Company headquarters - East Sarajevo



| | |
|---|----------------------|
| Employees | 444 |
| Principals | 16 |
| Brands | 40+ |
| Customers | 4,600 |
| Logistics clients | 20+ |
| Points of sale | 8,000+ |
| Deliveries per day | 1,000 |
| Warehouse space | 12,500m ² |
| Delivery vehicles | 62 |
| Pullers | 4 |
| Semi trailers | 4 |
| Vehicles for field sales and business support | 203 |

Distribution and logistics network: regional center in East Sarajevo, branches in Banja Luka, Bijeljina and cross docks in Mostar, Bihac and Tuzla.



NORTH MACEDONIA - NELT ST

Company headquarters - Ilinden, Skopje



| | |
|---|----------------------|
| Employees | 203 |
| Principals | 14 |
| Brands | 80+ |
| Customers | 2,530 |
| Logistics clients | 25+ |
| Points of sale | 4,200 |
| Deliveries per day | 370+ |
| Warehouse space | 10,450m ² |
| Delivery vehicles | 28 |
| Pullers | 2 |
| Semi trailers | 2 |
| Vehicles for field sales and business support | 91 |

Distribution and logistics network: regional center in Skopje and cross docks in Bitola and Strumica.



MONTENEGRO - Neregelia

Company headquarters - Podgorica



| | |
|---|---------------------|
| Employees | 225 |
| Principals | 25 |
| Brands | 90+ |
| Customers | 850 |
| Points of sale | 2,100 |
| Deliveries per day | 600 |
| Warehouse space | 7,500m ² |
| Delivery vehicles | 21 |
| Pullers | 1 |
| Semi trailers | 1 |
| Vehicles for field sales and business support | 80 |



MONTENEGRO - Montenomaks C&L

Company headquarters - Danilovgrad



| | |
|---|---------------------|
| Employees | 144 |
| Clients | 2,000+ |
| Customs clearance cases annually | 65,000 |
| Deliveries per year | 287,000 |
| Internationally transported deliveries per year | 27,000 |
| Warehouse space | 4,500m ² |
| Delivery and courier vehicles | 35 |
| Vehicles for field sales and business support | 20 |

The customs sector consists of 12 subsidiaries: 4 at the border crossings Dobrakovo, Debeli Brijeg, Božaj and Ilino Brdo, 6 within the internal customs offices in Podgorica, Nikšić, Danilovgrad, Tivat, Herceg Novi and Bijelo Polje, one branch near the Port of Bar and one near the Podgorica airport.



ALBANIA

Company headquarters - Tirana



| | |
|---|---------------------|
| Employees | 156 |
| Principals | 15 |
| Brands | 37 |
| Customers | 3,700 |
| Points of sale | 4,367 |
| Deliveries per day | 500 + |
| Warehouse space | 3,750m ² |
| Delivery vehicle | 62 |
| Pullers | 1 |
| Vehicles for field sales and business support | 41 |



„Wall Street by Nelt“,
an art installation
of 10 murals placed
in companies`
headquartered in
Belgrade

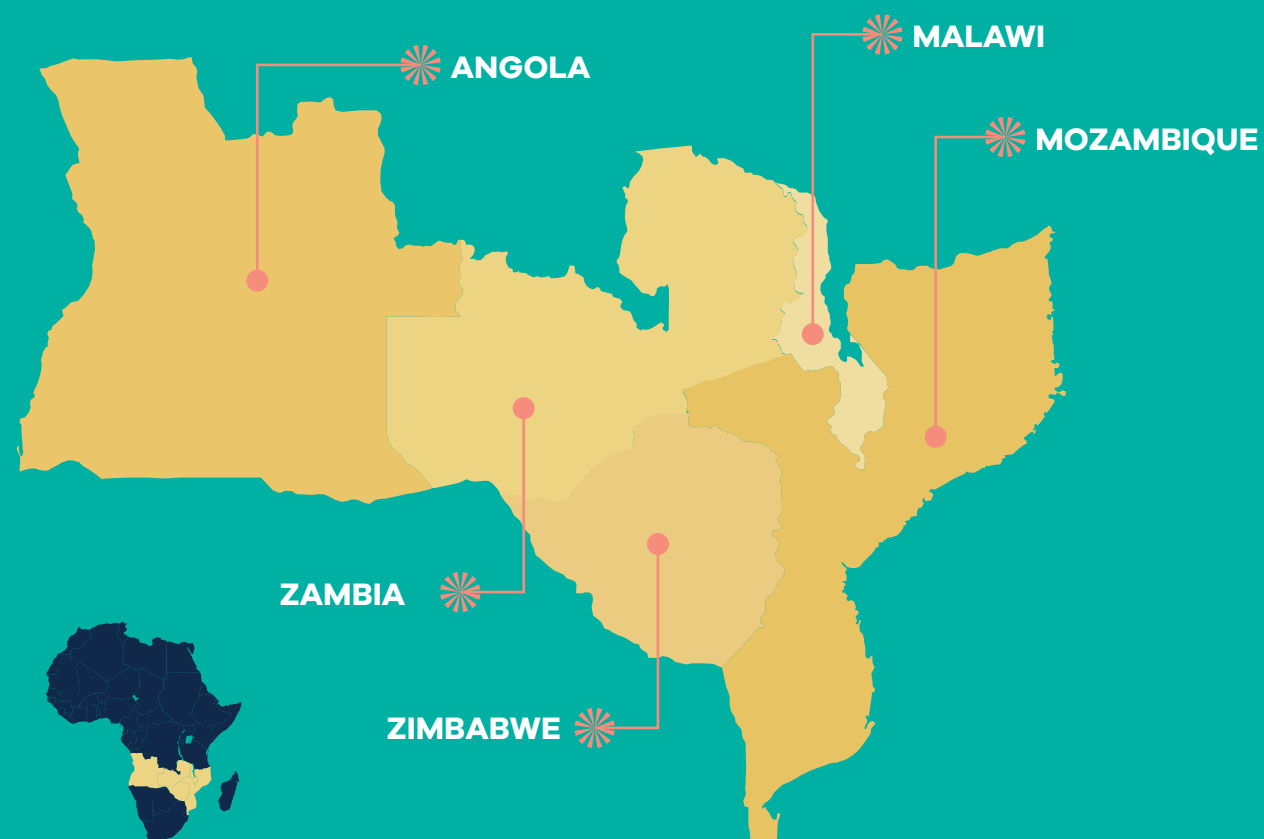


OUR BUSINESS IN AFRICA

Nelt's business operations in Africa began in Angola in 2011. Angola is a country with the biggest economic growth and potential in the region. All company departments in Serbia supported this business venture, as well as a specialized office for African operations.



OUR MARKETS IN AFRICA



As the leading distribution and logistics business system in the Western Balkans, Nelt Group has patiently and dedicatedly shared its knowledge in the field of distribution and marketing, offering the African market an international portfolio of high quality products at competitive and affordable prices.



MOZAMBIQUE

Company headquarters - Maputo



| | |
|---|---------------------|
| Employees | 135 |
| Principals | 5 |
| Brands | 30 |
| Customers | 2,205 |
| Points of sale | 3,751 |
| Deliveries per day | 10 |
| Warehouse space | 5,250m ² |
| Delivery vehicles | 11 |
| Vehicles for field sales and business support | 44 |



| | |
|---|---------|
| Employees | 62 |
| Principals | 10 |
| Brands | 32 |
| Customers | 1,840 |
| Points of sale | 1,970 |
| Deliveries per day | 85 |
| Warehouse space | 3,570m² |
| Delivery vehicles | 22 |
| Vehicles for field sales and business support | 11 |



| | |
|---|---------|
| Employees | 127 |
| Principals | 9 |
| Brands | 27 |
| Customers | 2,427 |
| Points of sale | 2,523 |
| Deliveries per day | 121 |
| Warehouse space | 4,972m² |
| Delivery vehicles | 10 |
| Vehicles for field sales and business support | 30 |



Leader in Distribution & Logistics

Thanks to their professional and partner attitude towards stakeholders, the Nelt Group companies are recognized as the first choice among global companies in providing services in the segment of distribution and logistics. Compliance with international regulations, applied standards, as well as the most successful business models have proven to be key in our development. In addition, continuity in the introduction of innovations provides us with a leading position when it comes to the use of advanced information technologies in the markets in which we operate.



Nelt - The Way of Distribution

Quality of service, process efficiency, knowledge and good market coverage make us a leader in the segment of distribution and logistics in the Western Balkans region. The goal is to achieve maximum coverage of sales channels and facilities, and to establish the highest standards.

We distribute consumer goods, tobacco, pharmaceutical and cosmetic products from Procter & Gamble, Philip Morris, Wrigley, Mondelez, Dr. Oetker, Neoplanta, Reckitt Benckiser, Sebapharma, Panacea, Sanofi, Johnson & Johnson...

As a special business segment, we have developed the distribution of medicines, medical devices, food supplements and cosmetics. In order for the products to be presented to the market in the best way, in addition to help at the point of sale, we continuously conduct trainings for doctors in health centers, pharmacists and medical staff at various professional gatherings.

We cooperate with all market-oriented national and international retail chains, wholesalers, small and large private shops, kiosks, pharmacies, cosmetic and make-up stores, gas stations and other retail facilities.

Omni- channel: customer experience improvement

The corona virus pandemic was the catalyst for us to move to an omni-channel approach in working with customers. This was important for us to continue regular communication and supply to customers, even when the epidemiological situation prevents our sellers from visiting them in person. Also, this way of working, gives customers additional flexibility and convenience in working with Nelt.

In 2020, after we became among the first markets in the world to successfully launch the Philip Morris digital ordering application on the Serbian market, the implementation of this platform in the Montenegrin market followed.

In the second half of 2020, we expanded the omnichannel approach to working with customers, through the introduction of a call center and the launch of our own B2B application Nelt Market. During 2021, we piloted this application with an even larger number of customers, and we used the experience and observations we gained during this pilot to continue working on the development of an even more advanced B2B omni-channel platform. We are currently working on the development of this platform, the implementation of which is planned for 2022.



Nelt - The Way of Distribution

E-Commerce as an indispensable part of the distribution chain

The e-commerce market in the region is growing rapidly year by year and is increasingly influencing distributors and retailers to adjust their strategy and pay attention to the new sales channel. Following innovations and listening to market demands, Nelt recognized the opportunity to be the first to integrate round-the-clock distribution into online services, adapting the distribution model to the specifics of the new sales channel.

The extensive network of our partners - web shops where we place products is growing every day. Together with them, we find the best ways of promotion and sales that correspond to product categories, always focusing on the tailor-made approach. In this way, we raise the purchasing experience for end consumers to the highest level, which is a basic condition for the development of e-commerce business.

One center for all E-Commerce services

Combining the best of Nelt's distribution practices and new technological solutions, we have opted for a "Full-service" approach to e-commerce business. This approach allows our principals to have one center through which they meet all the needs related to e-commerce sales, digital marketing and logistics services. It is through this synergy that we achieve the best results and high traffic growth year by year. Online business, in addition to traditional sales solutions, requires the use of new online sales tools that target the right consumers and the right time to sell. Through the optimization of digital marketing and the use of social networks, we give our principals not only sales value, but also a great additional benefit of building and improving their brands, thus ensuring long-term success. The whole process of online sales is covered from the beginning to the final step - sales and satisfied consumers.

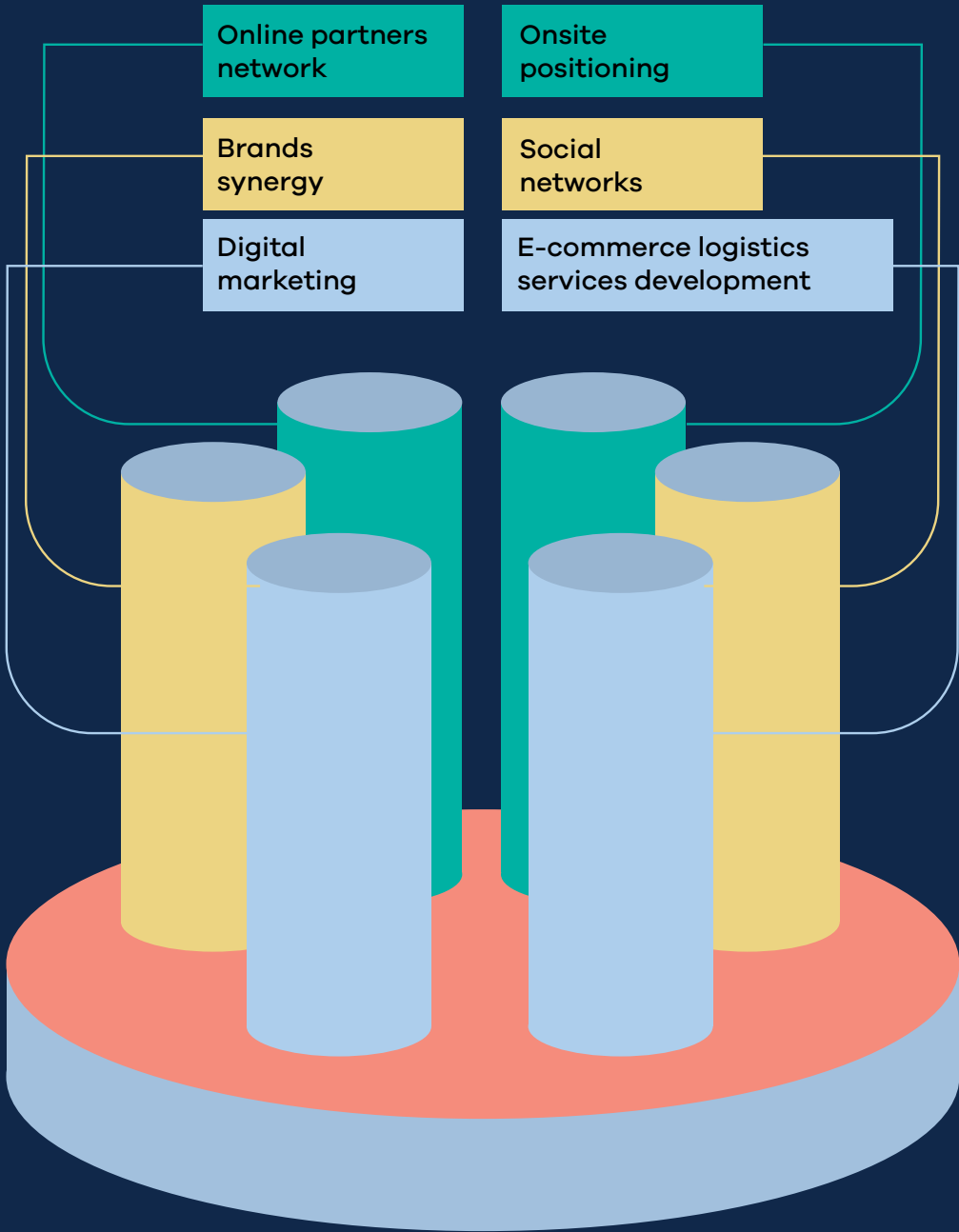
It's never fast enough

The speed of change in online business is forcing us to constantly accelerate and improve. We are continuously developing new e-commerce logistics services that will speed up the entire process of product delivery for B2B and B2C needs in cooperation with partner courier services. The speed required by today's e-commerce business is in fact real-time and there are many challenges for traditional systems to adapt to the new reality.

With the development of all online services and new fulfillment logistics centers, Nelt places itself in a high market position in the field of e-commerce business.



One platform for various online business models





Nelt - The Way of Logistics

In addition to distribution, Nelt has many years of experience in providing all types of logistics services to customers from various industries. Through faster processes, time savings, transparency, less administration,

we provide optimization of logistics costs. In this way, we enable our clients to maximize effectiveness and minimize costs. If necessary, complete logistics is created for clients according to their specific requirements.

100+

CLIENTS

72,000

CUSTOMS PROCEDURES ANNUALLY

10,000+

DELIVERIES DAILY

23,000+

FTL ANNUALLY

150,000m²

WAREHOUSE SPACE

10,000+

PRODUCTS



Storage and VAS

In the markets of the Western Balkans and Sub-Saharan Africa, we have 150,000 m2 of warehouse space, different temperature regimes, types of storage and storage technologies. We use the latest technologies and software to manage logistics processes, which allows us to be ready to respond to the requirements of our customers. Our business is compliant with international standards (ISO) from the 9000 group and the Codex Alimentarius food safety system (HACCP) for which we are certified.

Within the warehousing capacities, we have developed the VAS (Value Added Services) which includes finishing services (repackaging, marking) and customization (formation of specific commercial packaging, making promotional and promotional sets) of a wide range of consumer goods, food, pharmaceutical, technical products and advertising material.

Customs warehouse opened in Skopje

In North Macedonia, within the facility in Ilinden in Skopje, we have opened a new room for storage of goods under customs supervision, with a shelf life of up to 20 days. The room for temporary storage of customs goods (PPC) covers an area of 550 m2 with a height of 10 m. Capacity includes shelving with about 550 racks for pallets, additional floor storage space for oversized cargo, as well as open space for larger goods that do not require specific storage conditions. Special attention is paid to meeting HACCP standards. The room is also characterized by maintaining a temperature regime of +10 to + 25 ° C throughout the year.

Customs mediation

In Serbia, Nelt specializes in representing customs authorities in customs procedures related to consumer goods, food products, technical equipment and general purpose goods. We are transferring our experience from the Serbian market to companies in the region. Clients are provided with the service of obtaining the necessary certificates and attestations, as well as sanitary, veterinary and market certificates and permits.

Status of Authorized Economic Operator in customs procedures

As a result of many years of development of the customs mediation service, we specialize in representation before the customs authorities in customs procedures related to consumer goods, food products, technical equipment and general-purpose goods. Clients are provided with the service of obtaining the necessary certificates, attestations, as well as sanitary, veterinary and market certificates and permits. We received the status of Authorized Economic Operator (AEO) on the markets of Serbia, Montenegro and North Macedonia. We hereby declare ourselves as a reliable partner, having in mind the study verified that we meet the specific criteria of the standards of the World Customs Organization and equivalent local security standards of the supply chain. The main advantages of this system are the simplification of processes and customs procedures, fewer inspections and data entry. In this way, customers are provided with even faster and cheaper transport of goods, which raises the level of services and further improves the existing range of integrated logistics services.

Domestic and international transport

The goods are delivered by a fleet of over 450 vehicles with a carrying capacity of 2.5 to 11 tons, in different temperature regimes. All vehicles are equipped with GPS devices, and delivery routing for the entire fleet is done through dynamic routing software (Sky Track). Delivery route data is transferred via ERP (SAP) to warehousing software (WMS Gold) where further separation of goods is performed. Delivery vehicles are equipped with PDA devices that allow the delivery person to have a detailed overview of all parameters related to delivery, such as route details, overview of delivery notes, status of delivery tasks, navigation according to the delivery plan. The fleet of vehicles at our disposal for the needs of international transport enables us to realize over 23,000 complete loads per year - in all temperature and other modes of transport. We have our own vehicles for the transport of goods, but we also cooperate with other carriers throughout the region. In this way, we are able to organize road transport to any European destination, in the shortest possible time.

LOGISTICS REPORTING - smart reporting and predictive business management

In mid-2021, the Power BI platform was established as the first step in the development of a long-term logistics reporting project. This “smart tool” has enabled fast, comprehensive and easy reporting, and thus more efficient organization of the daily routine. The ability to manage business and make decisions based on up-to-date, logically connected and always available data has contributed to the establishment of advanced analytics and paved the way for the introduction of other advanced tools. In early 2022, the Power BI reporting was upgraded with the introduction of corrective document tracking tools. The new tool uses aggregated data from different supply chain information systems and visualizes them in a way that should help the sales and logistics organization improve its processes and make business decision making process faster. Confirmation that the reports represent a significant change in business came through usage statistics, as in a very short time they became one of the most reviewed Power BI reports in the company, as well as through positive user experiences.

Groupage transport

Our logistics services portfolio also includes groupage road transport service. This type of transport provides lower costs, higher security in the transport of goods, greater flexibility in shipping to different addresses and allows multiple services to be combined into one. Nelt’s company in Serbia provides a groupage road service transport on the routes Serbia - Montenegro and Serbia-North Macedonia. In Montenegro, our company Montenomaks, in cooperation with foreign partners, organizes transport from all European destinations. By organization seven regular assembly lines are provided to the shipment arrives quickly and safely at the desired address. Regular groupage lines from Serbia, Bosnia and Herzegovina, Austria, Croatia, Kosovo and Albania include 12 vehicles per week. From Western and Central Europe, direct lines are moving towards Montenegro three times a week, via platforms in Austria and Croatia. Over 2,500 transports are performed annually shipments.

Montenomaks ensured the functioning of international shipments during the pandemic

During the pandemic caused by the corona virus, companies came to the fore without which everyday life would be difficult. A special role was played by courier services, whose logistics enabled us to stay connected with those on the other side of the world. Along with FedEx and TNT, Montenomaks, as their licensed agent, daily justified the slogan that “today’s world knows no borders, only time zones.” With these two global giants, Montenomaks has provided users of its services with access to a combined network of services in one place, in more than 220 countries in Europe and the world. More flexible transport solutions are provided, worldwide delivery of shipments is guaranteed (regardless of size, weight and other specifics), the shortest delivery time around the world is provided via daily lines in export and import of shipments, the offer in international transport is completed and the best solution for every need of Montenegrin companies, real-time monitoring of the status of each shipment is provided, wherever in the world it is located.



Nelt's intermodal terminal in Belgrade - a dry port and logistics hub of the Western Balkans

Positioned in the distribution and logistics center in Dobanovci, thanks to its excellent location, efficient processes and technical and technological advantages, Nelt's Intermodal Container Terminal is recognized as a logistics hub in the Western Balkans. With the recent investment of two million euros, we have increased our capacities in order to provide optimal service to our clients. The usable area has been expanded to 30,000 m². The improvements opened the possibility for receiving and disposing of 1,500 full and 500 empty containers. The purchase of another Reach Stecker for container handling has significantly increased the operability and efficiency of operations.

The terminal is connected to the ports of Rijeka, Bar and Piraeus by regular railway lines. The E-75 and E-70 motorways intersect at a distance of 6 km from the terminal, while Nikola Tesla Airport is 10 km away. Within the Nelt logistics center, there is also a customs office with a warehouse, which allows full support and flexibility for various processes and goods flows. With warehouses of different temperature regimes covering an area of over 65,000 m² and a delivery fleet of over 250 vehicles - the location of Nelt's intermodal terminal is itself an integrator of supply chains in the region. Since the beginning of work in 2016, the intensity of intermodal flows is growing, and the company has established partnerships with the world's leading maritime and transport companies such as COSCO, CMA-CGM, Gefco, Maersk...

Nelt and Gefco started cooperation

With the arrival of the freight train from Bar, Montenegro to the Nelt intermodal railway terminal in Dobanovci on February 18, 2020, the cooperation between the companies Gefco and Nelt officially began. French Gefco, one of the global experts in supply chain solutions and a European leader in automotive logistics, has recognized Nelt's intermodal terminal in Belgrade as a logistics hub in the Balkans, thanks to its excellent location, technical and technological advantages. This cooperation opened a new route to the Serbian market from the direction of Bar. The benefits of this service are fast transport of goods, efficient communication and flexibility of service.

Emphasis on the safety of everyone in the supply chain

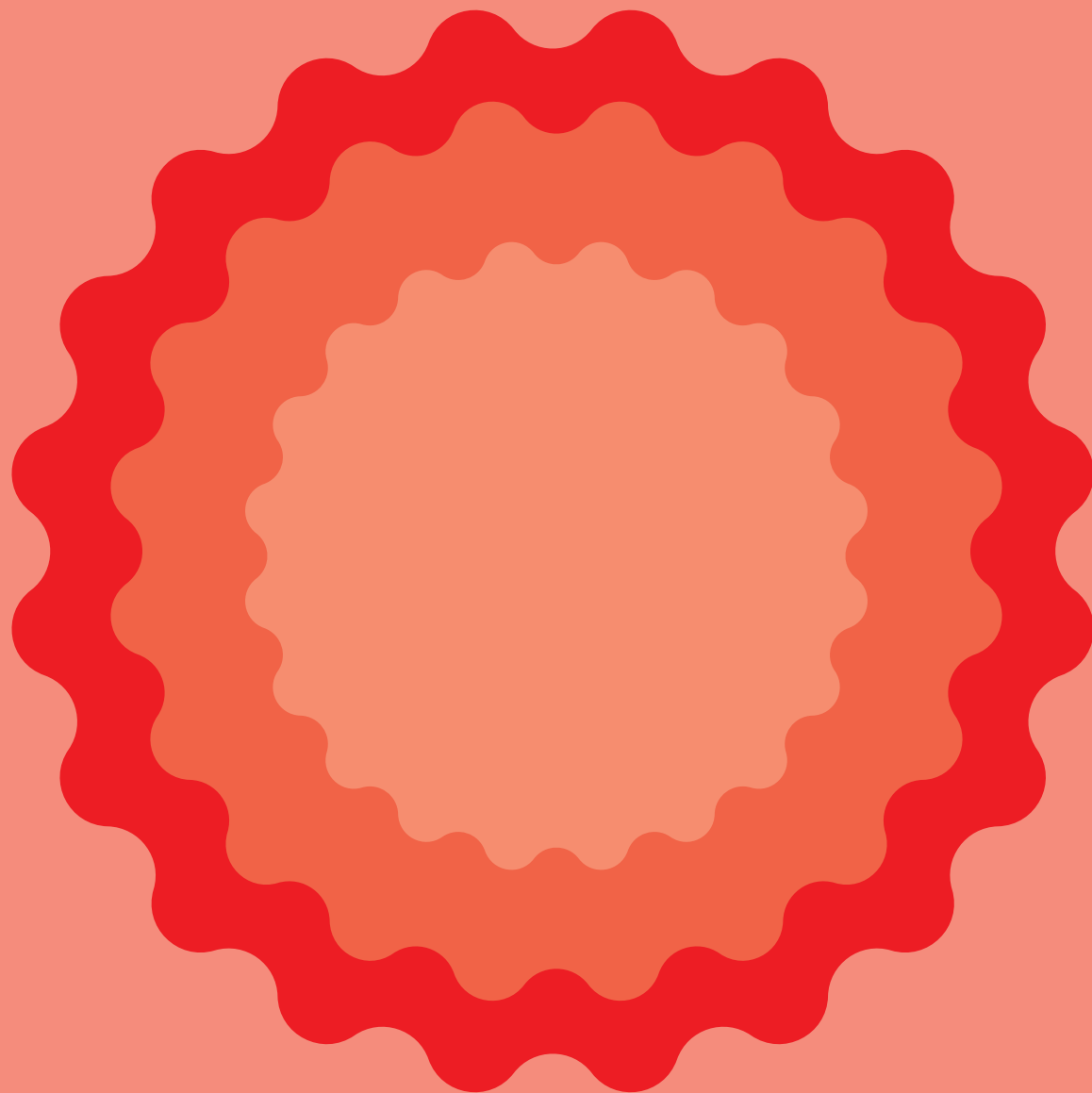
Sustainability and security of supply chains have become a burning issue of global proportions due to the current pandemic. There have been changes in the behavior of end users who are radically changing supply chains. At the same time, the emphasis on safety and security of all participants in the chain is growing.

Nelt's proactive attitude towards security challenges is part of the company's core values. It was created and built in cooperation with global brands we had the opportunity to learn from through cooperation. Nelt Group's security system is based on the protection of persons, businesses and property of all companies in the Nelt Group, as well as at the Nelt terminal. Since 2017, the company has been certified by the Customs Administration with the certificate of Authorized Business Entity for Customs Simplifications and Security and Safety. This global AEO-F standard speaks to our attitude towards this type of challenge. The choice of protection measures is made by risk analysis, application of standards and experience from good practice. Specifically, the terminal is within the fenced area, under the supervision of physical and technical security 24/7/365, with controlled access, adequate lighting and marked with traffic signalization.

SMART PARK in Nelt's distribution and logistics center in Dobanovci

As of October 2021, as a segment of improved freight traffic management, the SMART PARK system was initially implemented in Nelt. It is intended for truck traffic management. It includes a multifunctional software application and accompanying equipment - parking controller, terminals, automatic ramps, video surveillance equipment.

Since the distribution and logistics center in Dobanovci records hundreds of arrivals and exits of trucks daily, SMART PARK helps us reduce security risks, provide accurate records, timely and accurately send vehicles to their locations and monitor the load of warehousing operations.



Our response to the COVID-19 pandemic

The Nelt Group has proven to be an agile, sustainable and successful system that, during challenging times, has provided support to employees and their families, as well as institutions and establishments. We would like to thank the employees who showed a positive attitude, a high level of motivation, mutual trust and team spirit even in the conditions of the Covid pandemic.

During the Covid 19 pandemic, the Nelt Group companies ensured that the supply chain was not interrupted, and that all goods from the portfolio were delivered on time and in sufficient quantities at all points of sale. With responsible business and social responsibility, we have justified the importance of our role in all markets in which we operate.

The safety of employees and partners was our number one priority. We have carefully followed and implemented all the recommendations of the WHO, relevant ministries and relevant medical experts. We anticipated possible scenarios and adapted to the situation, striving to continuously continue our business and market supply. In all activities, security was and remains a priority.

We have created a Crisis Team at the Group level, and in each market, with the task of maintaining the continuity of our business in the segments of distribution and logistics. The team consisted of key managers and specialists whose goal was to harmonize and coordinate steps so that the company could continue to supply the market with products from our portfolio in a timely and best manner. Our warehouse workers, suppliers, sellers and exhibitors of goods were adequately protected and were in the field every day. They made us very proud with their responsible and dedicated work.

At the very beginning of the pandemic, all the Nelt Group companies adopted the Business Continuity Plan, in which we redefined the procedures and role of each segment of our organization. We are aware of our role in supply and we have worked hard to ensure that the supply chain is not interrupted, that we take care of our and our customers' stocks, that consumers are confident in the

supply of the entire market. There were enough goods from our portfolio at all points of sale all the time.

After the declaration of the state of emergency, a number of our colleagues were sent to work from home, vulnerable groups were sent on paid leave, all business trips were canceled and meetings with more than three participants were banned. We started to conduct intensive communication, all preventive protective and hygienic measures. However, a large number of our colleagues were on the field every day. All of them are informed about precautionary measures and equipped with the necessary means for protection and disinfection.

Covid-19 security service in Serbia

In September 2021, the Kovid Police Service began its work with the aim of improving preventive measures in the fight against the Covid-19 pandemic. Twelve Covid attendants monitor daily activities within the company. The basic motive of the service is to preserve the health of all employees. By directly visiting all warehouses and premises in our center in Dobanovci, 12 Covid attendants monitored the observance of the prescribed measures on a daily basis. They reminded their colleagues to keep their distance and, when necessary, put the mask back on their face. In the regional centers, the monitoring was carried out through video surveillance.

Cooperation with the World Health Organization in B&H

In cooperation with the World Health Organization (WHO), we have gone beyond the established business framework in the field of distribution and logistics. We were in charge of the logistics for 23 tons of medical equipment donated by the WHO to the public health sector in BiH. This was a moment that reminded us that in extraordinary circumstances, the responsibility is on all of us.



At Nelt Group, we strive to hire, develop and retain people with potential as well as create a pleasant and stimulating work environment that will inspire employees in their daily work. The activities we carry out in the local communities are focused on establishing strategic cooperation with faculties, through introducing students to the real sector, practical application of what they learned, as well as through organizing specialized programs for talented students.



CARING FOR PEOPLE IN
THE ORGANIZATION AND
LOCAL COMMUNITY



Employees

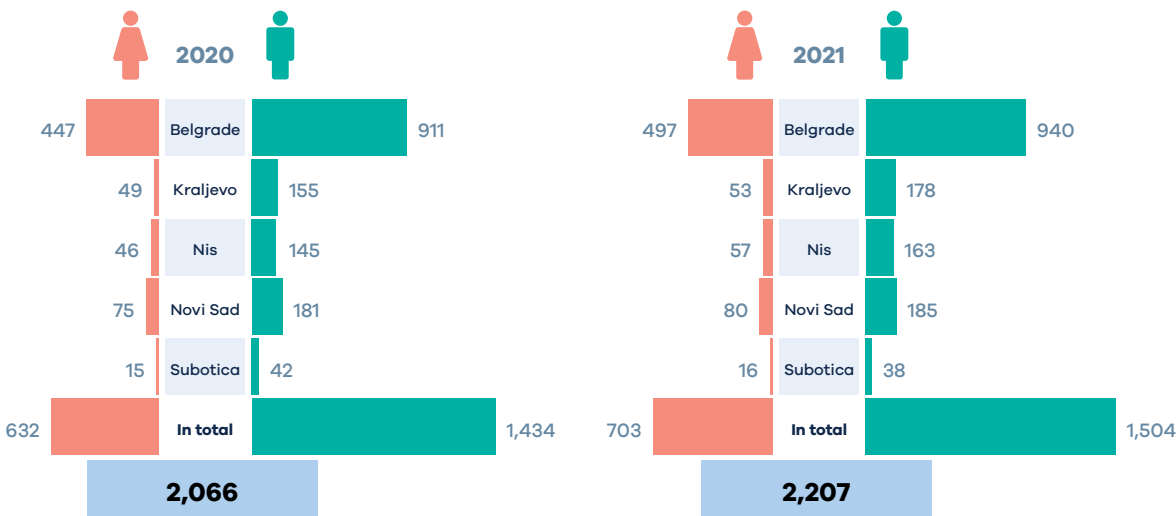
The success of the company is achieved by satisfied and motivated employees. That is why at the Nelt Group we strive to hire, develop and retain people with potential, as well as to create a pleasant and stimulating work environment that will inspire employees in their daily work.



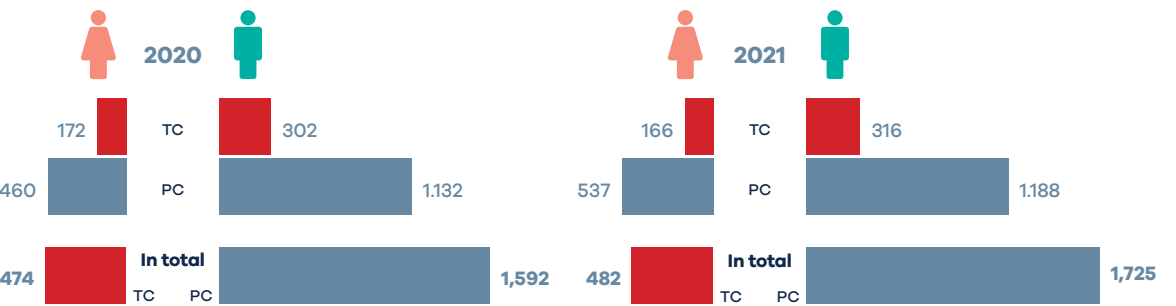
Employees

Serbia

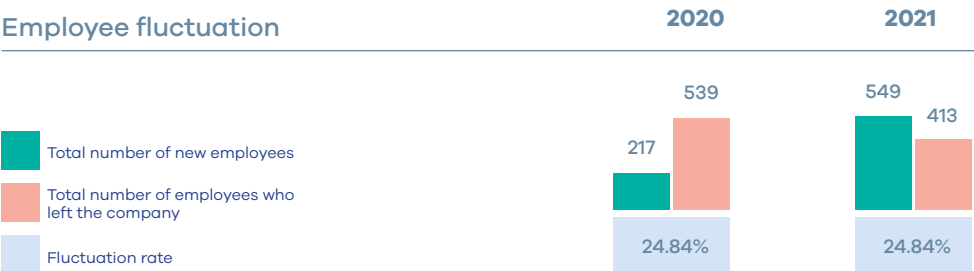
Total number of employees by location



Number of employees based on their contracts - Temporary contract (TC) Permanent contract (PC)



Employee fluctuation





Employees

Montenegro - Neregelia

Total number of employees by location (Neregelia)

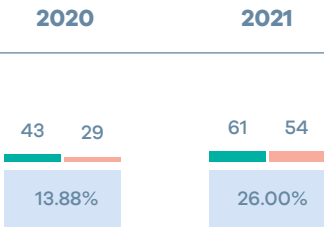


Number of employees based on their contracts - Temporary contract (TC)
Permantent contract (PC)



Employee fluctuation

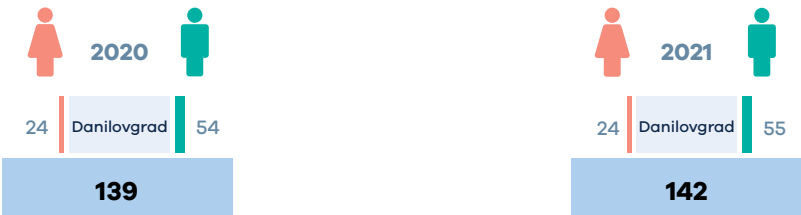
- Total number of new employees
- Total number of employees who left the company
- Fluctuation rate



Employees

Montenegro - Montenomaks

Total number of employees by location (Montenomaks)

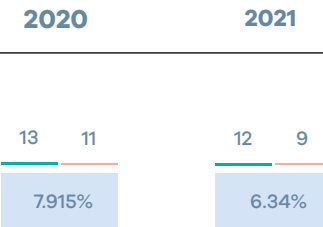


Number of employees based on their contracts - Temporary contract (TC)
Permantent contract (PC)



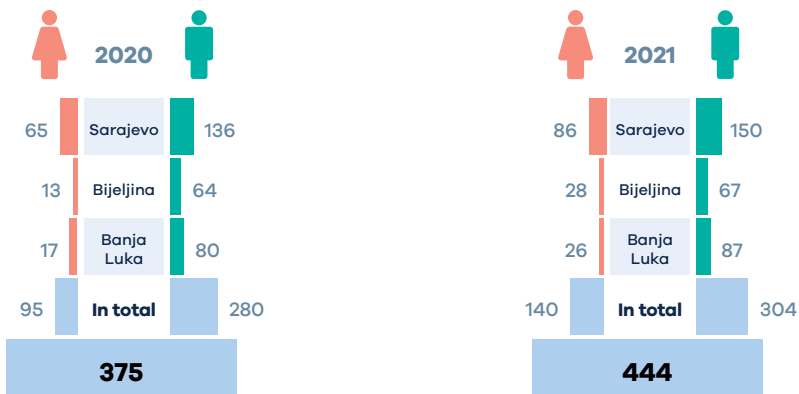
Employee fluctuation

- Total number of new employees
- Total number of employees who left the company
- Fluctuation rate

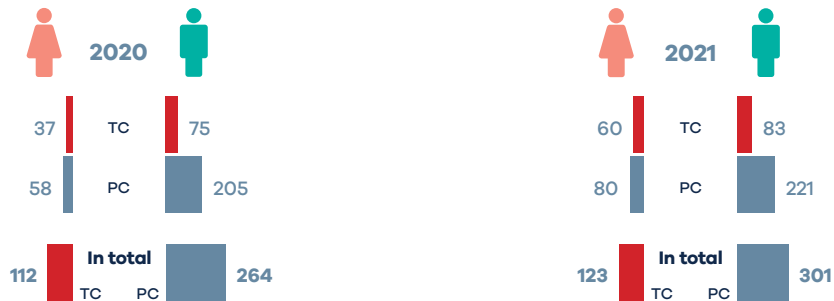


Bosnia & Herzegovina

Total number of employees by location

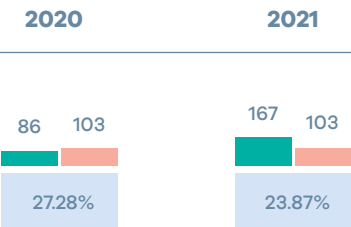


Number of employees based on their contracts - Temporary contract (TC)
Permantent contract (PC)



Employee fluctuation

- Total number of new employees
- Total number of employees who left the company
- Fluctuation rate



North Macedonia

Total number of employees by location

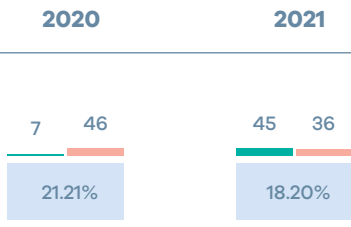


Number of employees based on their contracts - Temporary contract (TC)
Permantent contract (PC)



Employee fluctuation

- Total number of new employees
- Total number of employees who left the company
- Fluctuation rate

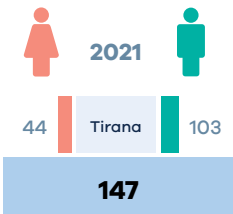
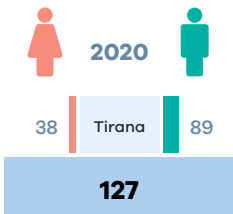




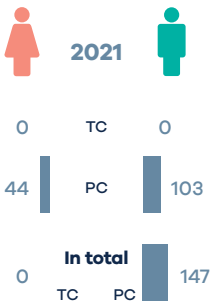
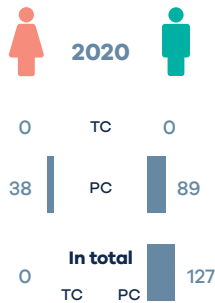
Employees

ALBANIA

Total number of employees by location

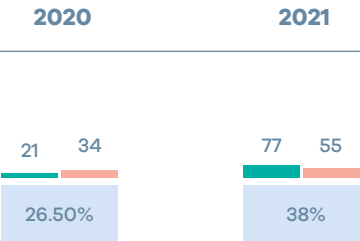


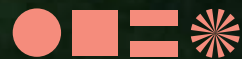
Number of employees based on their contracts - Temporary contract (TC)
Permantent contract (PC)



Employee fluctuation

- Total number of new employees
- Total number of employees who left the company
- Fluctuation rate





Responsibility towards employees

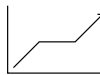
Genuine care for employees through structured development of people and regular two-way communication are our number one priority. By doing this, we strengthen motivation and support their ambition to achieve results. Without such a culture, there can be no personal development of employees, nor the development of the company.



Our organizational culture and values

Values support the fulfilment of the vision and shape the corporate culture. Values define the manner in which the matters are executed, how employees treat each other, customers, partners, and the company itself. In the past several years, we have dedicated ourselves in

a very structured manner to values - a winning mentality, innovation, personal responsibility, long-term perspective, caring for people. They are key factors in accomplishing our vision, and we want is to be the NUMBER ONE company to implement complete solutions in distribution and logistics services.



LONG-TERM PERSPECTIVE

The future begins today.
Because we want to be here for another 25 years.



INNOVATION

New ideas, new opportunities.
Because we must continue to apply new technologies, and approach challenges with up-to-date and efficient solutions.



WINNING MENTALITY

Always a step further..
Because we want to keep winning.



OWNERSHIP

The team begins with YOU..
Because each of us represents Nelt, wherever he or she may be. We want to promote a positive relationship between companies and responsible, domestic business..



CARING MENTALITY

One for all to stay number one.
Because we insist on respecting all people, wherever they work, in any position.



Our values

Jubilee employees of the Nelt Group

The greatest value of any organization is its people, and one of the special treasures of Nelt is the large number of jubilees - our colleagues who have been with the company for over 10, 20 or even 30 years. Through their many years of commitment, they have left a significant mark on our organization, and their great influence on nurturing the company's culture is reflected in the transmission of all Nelt's values to generations of new colleagues. We are proud that the number of jubilees has been constantly increasing over the years. They are the best witnesses of our development, so their experiences and experiences of Nelt are of immeasurable importance for creating a credible image of common successes.

"Praise a colleague"

The goal of this activity is to identify employees who are examples of corporate behaviour and values that the company wants to nurture. All employees are invited to praise colleagues whose behaviour and work motivate and encourage them. For the selection of the Best Colleague in 2020, about 4,000 completed ballots arrived at the level of the Nelt Group, while in 2021, as many as 6,500 ballots with praise from colleagues arrived. From year to year, our colleagues, nurturing a culture of praise, encourage team spirit and collegial relations.

| Market | The Best Colleague 2020. | The Best Colleague 2021. |
|------------------------------|---|---|
| SERBIA | Davor Todorov - Forklift Driver | Branislav Belostenac - Delivery Specialist |
| MONTENEGRO - Neregelia | Jadranka Vuković - CS Assistant | Maja Sekulić - Finance Manager |
| MONTENEGRO - Montenomaks C&L | Jelena Milidragović - Administrative Assistant in National Transport | Svetlana Radulović - Administrative Employee |
| BOSINA & HERZEGOVINA | Olja Lojović - Chief Consultant for Logistics - SAP Center of Expertise | Branimir Furtula - Delivery Man |
| NORTH MACEDONIA | Katerina Kirilova - CS Specialist | Despina Poposka - HR Specialist |
| ALBANIA | Elvira Boci - coordinator of financial operations | Elma Sulaj - KAM |
| KOSOVO | Andis Qerreti - Sales Agent | Qendresa Selmani - CS Operator Betim Berisha - CS Operator |
| ANGOLA | João Domingos Kapingana - Maintenance Coordinator | Bebiana Patricia Vieira Dias Quissanga Ribeiro - Administrative Assistant Firmino dos Anjos Kahossi - Delivery Man |
| ZAMBIA | Francis Chalita - Warehouse Worker Collins Chanda - Driver | Lakelo Banda - Finance Assistant, Lewis Mwambi - Delivery Man |
| MOZAMBIQUE | Augusto Dos Santos - KAM | Nilza Bila - VSR prodavac, Euliterio Muchai - Finance Assistant |



Communication with employees

Accuracy and timely exchange of information is extremely important for accomplishing business results, but also for strengthening team spirit, especially in a large, complex structure such as ours. Therefore, great attention is paid to the development and improvement of internal communication channels.

Every single employee receives information through various channels of communication, while the most important service information is forwarded by e-mail or SMS. There are bulletin boards and posters in visible places in the office and warehouse spaces, where you can find important notifications and invitations to internal events, and they are repeatedly updated and published.

INFONELT

InfoNelt is our internal portal where employees can get information about news from all the Nelt Group companies, find out about internal activities, receive service information and notifications.

PULSE

Since mid-2019, the Nelt Group employees have been able to give feedback to each other through a mobile and web application, regardless of position, function or market. The voice of every employee is equally important and every employee of the Nelt Group can give feedback, not only to his superior, but also to all colleagues in the organization. This application is particularly useful for the company and the employee. The process of annual evaluations and structured feedback management is one of the most demanding internal processes.

TOWN HALL- EMPLOYEE MEETINGS

We are very proud of the practice of organizing public meetings of employees. The goal of these meetings is to inform employees about the results, get acquainted with the challenges and learn more from the top management representatives about the company's plans for the future.

JUBILEE 20TH ISSUE OF THE NELT GROUP INTERNAL JOURNAL - MAGAZZIN!

Since 2013, we have written hundreds of inspirational stories, reports, educational texts, tips, interviews. At the very beginning, we loved reading One Day at Work, Hobbies, Presenting Principals, Impressive Settings, Reports from Africa, today our regular columns. Thanks to the constant exchange of information between different sectors and markets, we have expanded the range of topics and increased the number of sections and pages. Today, our Magazzin is published on more than 40 pages and is gradually following the growth of Nelt, with editions adapted to different language areas.



Our context

Picture in words

Marko Milanković,
Corporate Communications
Manager, Nelt Group



There is something in the paper. And in the scent of fresh print. And how it crunches under your fingers as you turn the pages. And when there is a little ink left on the fingers, it must be wiped with a tissue.

I remember, as a child, I liked to take from my grandfather a part of Politika daily newspaper that had a crossword puzzle and a column “Did you know?” It became a ritual that lasted for years, the final phase of which was always wiping black fingers on the pants, which mom and grandma have never been fond of.

The daily newspapers were our info websites, entertainers, weeklies and magazines, Instagram, picture albums, with the inevitable picture exchange, Facebook. During the 90’s, with the only quiet appearance of the Internet, printed publications were a polygon of the exchange of critical thought, the intersection of views and the exchange of insights into current, above all, political topics. Vreme, Naša Borba, NIN, Dnevni Telegraph, occupied a high position in creating the attitude of the nation that inevitably led to great social changes in the early 2000s.

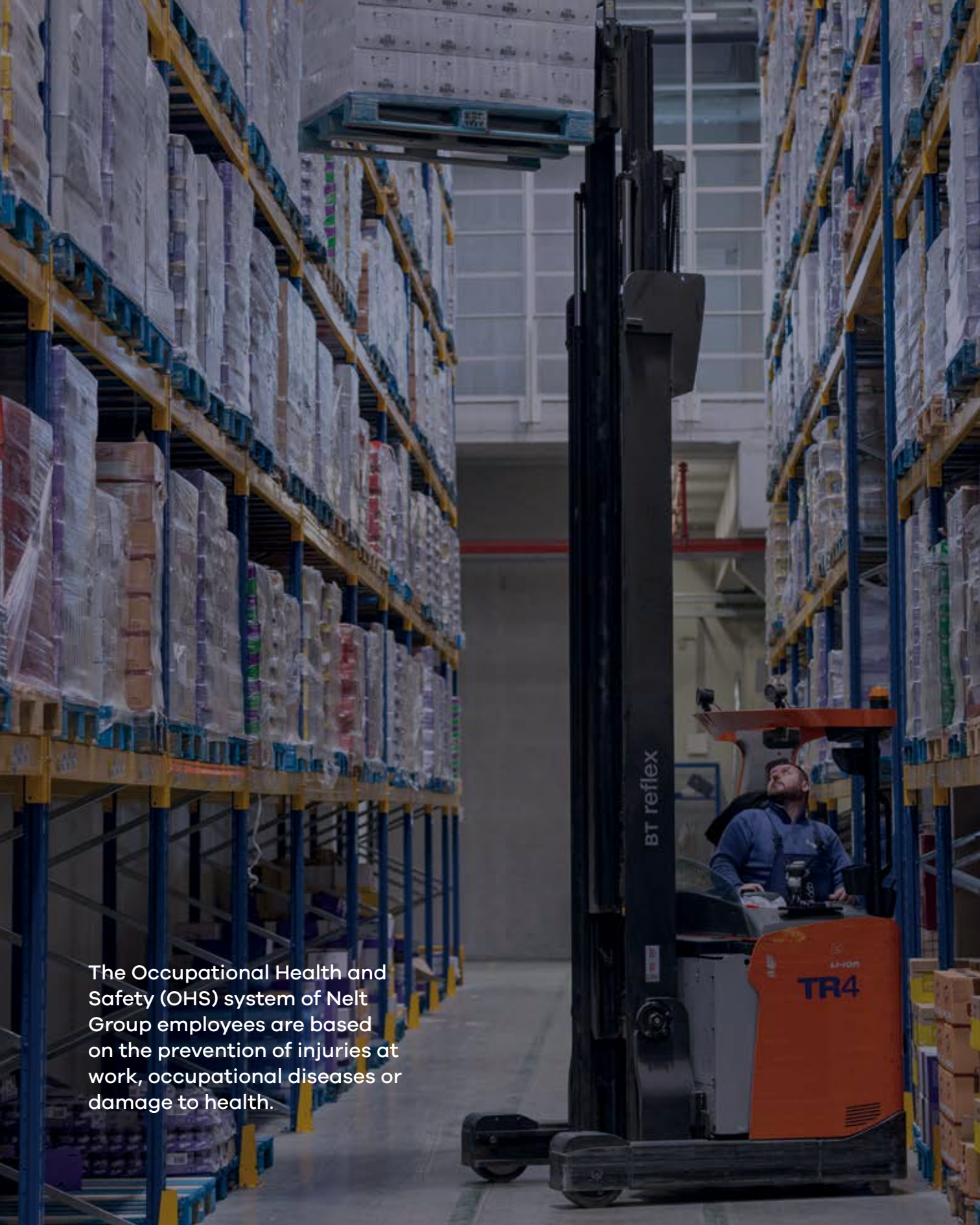
And then, the Internet began to dominate the space and time in which we live, slowly starting to push paper into green recycling bins - figurative speaking and for real. Now we are all online, we click, swipe, tilt, like. I am the first to do it, and I have nothing against that concept, as long as it

does not affect common sense and allows the user to get accurate, timely and true content.

The beginning of publishing an internal magazine in Nelt was greeted with scepticism, precisely because of the lack of trust in the power of the “printed word”. Even in one homogeneous organization, such as Nelt has always been. However, from issue to issue, from month to month, from, thank God, from year to year, a positive reputation of this edition was created, one more issue was sought.

It has become a matter of prestige to find oneself between the covers of the new issue of the Magazzin. With the generous help of many colleagues, especially the team from the so-called Comms Team, the communications sector has managed to create a respectable publication that provides employees with a realistic, value-based image of our organization and the people in it. “What do we need a printed magazine for? Today, everything should be digital.” - one of the company’s executives asked me just before the first issue of Magazzin back in 2014.

“To have people ink stain their fingers a little”, I’m thinking today, recalling that conversation, while writing this article for the press of our baby jubilee, the 20th issue of Magazzin.



The Occupational Health and Safety (OHS) system of Nelt Group employees are based on the prevention of injuries at work, occupational diseases or damage to health.



Health and Safety management system

The Occupational Health and Safety (OHS) system of Nelt Group is based on the prevention of injuries at work, occupational diseases or damage to health. It is carried out at the workplace and in the work environment. The OHS team consists of a coordinator, deputy and nine members, which is in line with legal regulations, best world practices and through close cooperation with various state bodies and inspections. The OHS system aims to create and improve employee relations, working conditions, a sense of security and job satisfaction, as important prerequisites for the development, productivity and competitiveness of the organization in the markets. Important activities are recording and analysing the application of preventive and corrective measures, the number and manner of injuries at work, hazards and hazards, and reporting with conclusions and suggestions for improvement. Employees have the opportunity at any time to communicate in person, by phone or e-mail with team members, in case they have suggestions and requirements regarding safety and health at work.

Forklift safety training

Professional forklift handling training of our colleagues from the warehousing and delivery sector is realized with the professional support of lecturers and instructors of partner companies specializing in this type of training and the OSH Team of our organization. The model of clarifying the correct and safe use of forklifts in everyday work, the approach to finding answers to many specifics of use and how to deal with the accompanying challenges and risks in work processes, has proven to be very effective.

Operation of the OHS system in conditions caused by the Covid-19 pandemic

In the complex conditions of the Covid-19 pandemic during 2020, the OSH system actively supported the definition and implementation of activities and measures aimed at preventing the occurrence and spread of infection. The team participated in determining the procedures and instructions on the application of measures for employees and third parties, information, reorganization of employment, as well as in the procurement and distribution of protective equipment. The established system of preventive measures, along with constant improvements, has significantly helped to combat viruses and ensure the continuity of business operations. The experiences gained during 2020 are the basis for further improvements in the conditions of new pandemic waves.



* Injury rate is the frequency of injuries per 100 employees in the reporting period . It is calculated by using the formula: total number of injuries / total number of working hours × 200,000.

** Lost days is the frequency of lost work days due to injuries per 100 employees. It is calculated by using the formula: total number of lost work days / total number of working hours × 200,000.

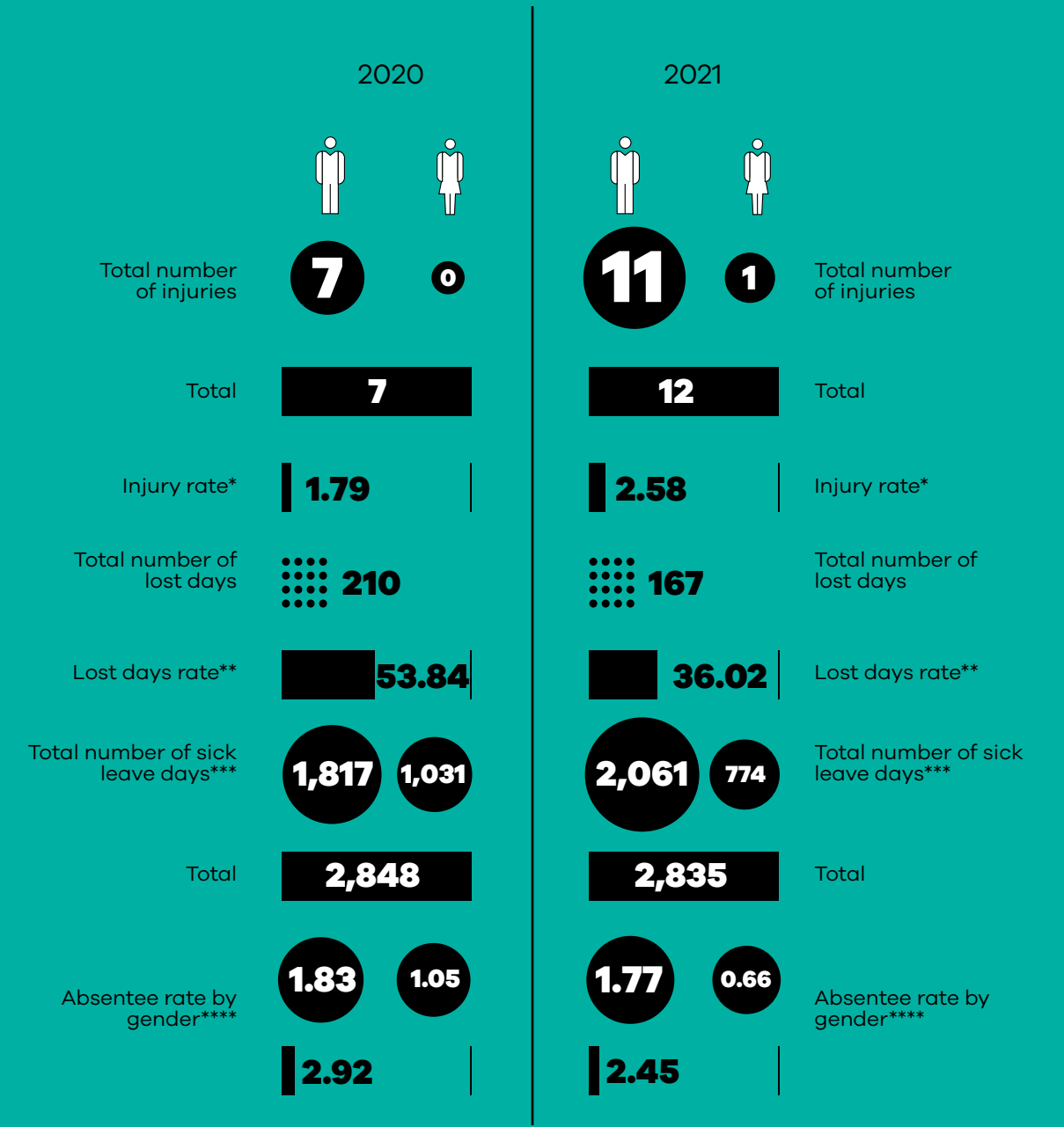


*** Sick leave excludes maternity leave

**** Absentee rate is the percentage of days lost as a result of absence. It is calculated by using the formula: total number of sick leave days / total number of working days of persons employed x 100



MONTENEGRO – Neregelia

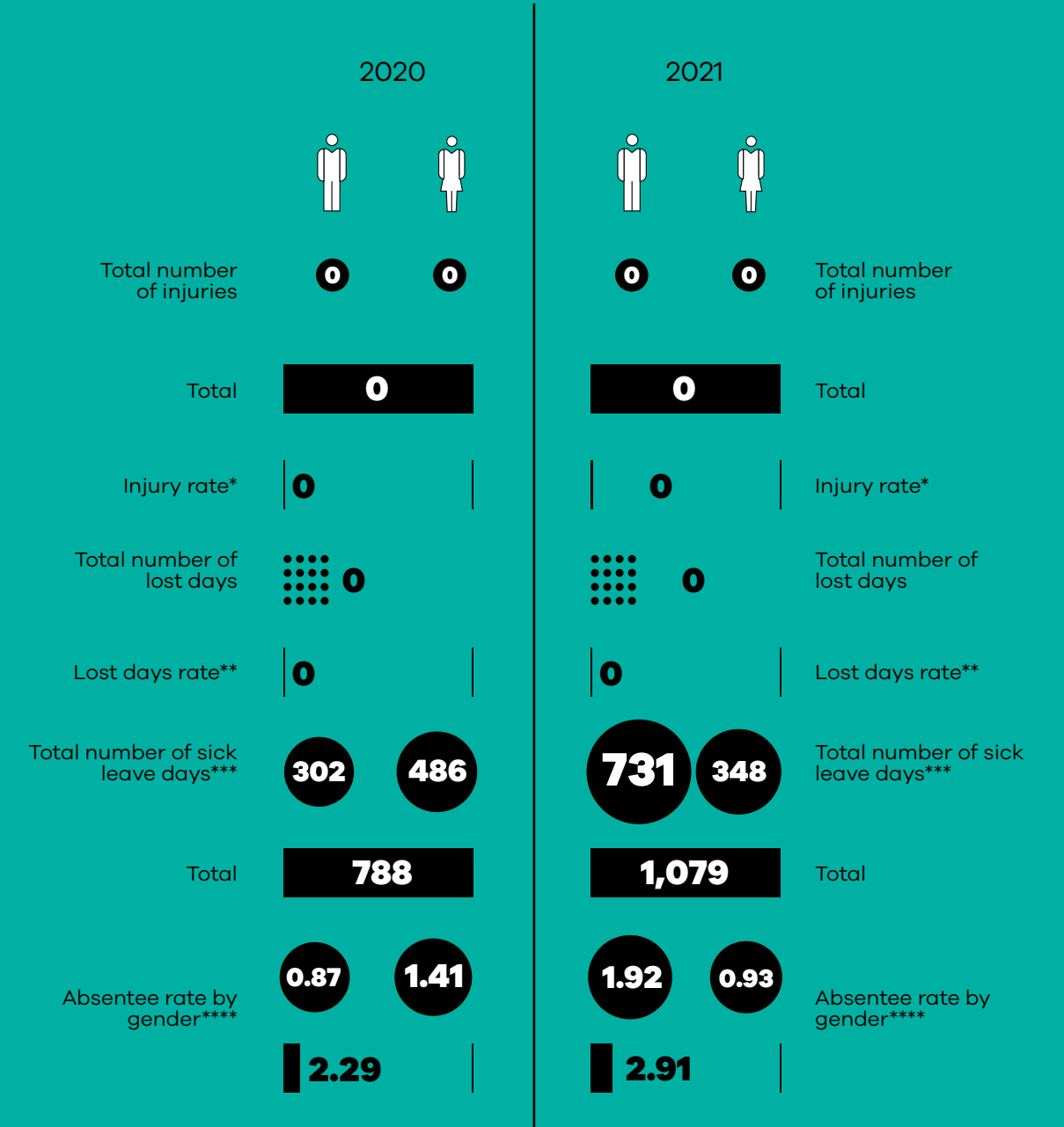


* Injury rate is the frequency of injuries per 100 employees in the reporting period . It is calculated by using the formula: total number of injuries / total number of working hours × 200,000.

** Lost days is the frequency of lost work days due to injuries per 100 employees. It is calculated by using the formula: total number of lost work days / total number of working hours × 200,000.



MONTENEGRO – Montenomaks

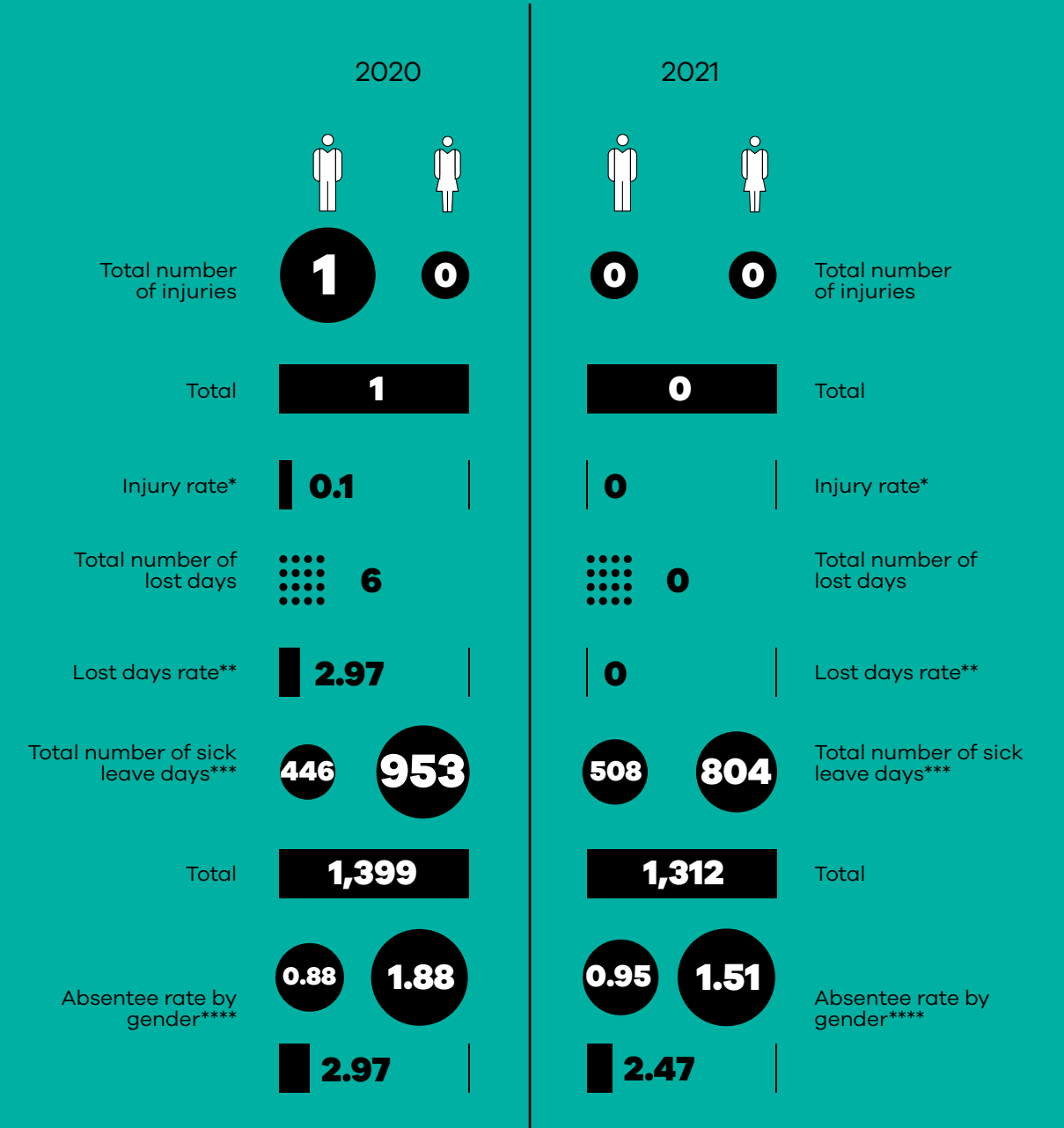


*** Sick leave excludes maternity leave

**** Absentee rate is the percentage of days lost as a result of absence. It is calculated by using the formula: total number of sick leave days / total number of working days of persons employed x 100



NORTH MACEDONIA

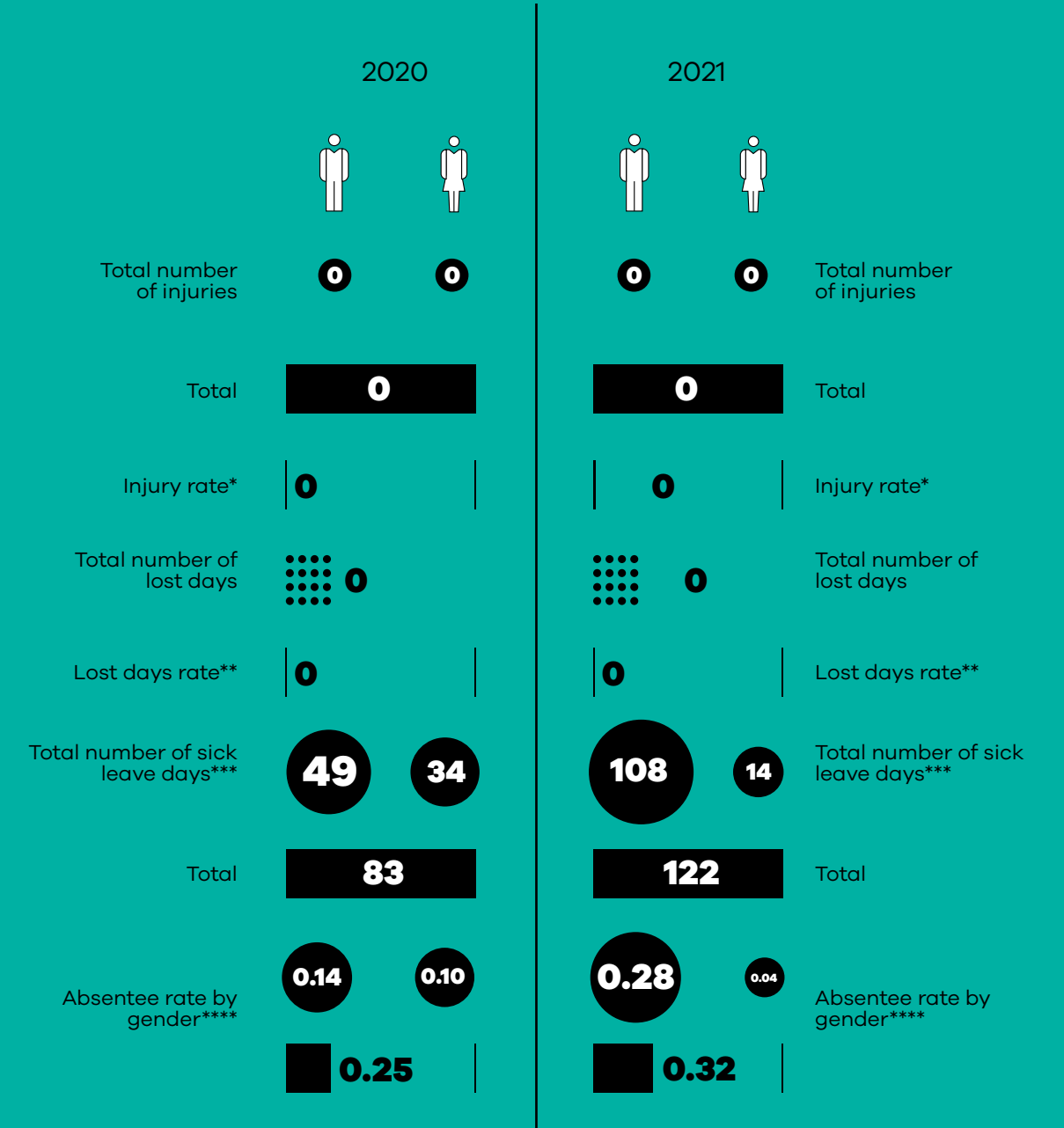


* Injury rate is the frequency of injuries per 100 employees in the reporting period . It is calculated by using the formula: total number of injuries / total number of working hours × 200,000.

** Lost days is the frequency of lost work days due to injuries per 100 employees. It is calculated by using the formula: total number of lost work days / total number of working hours × 200,000.



ALBANIA



*** Sick leave excludes maternity leave

**** Absentee rate is the percentage of days lost as a result of absence. It is calculated by using the formula: total number of sick leave days / total number of working days of persons employed x 100



Caring mentality is one of our primary values. During 2021 we paid special attention to the health of our employees. All employees, depends of contract type, have provided health care, the right to maternity leave and are insured against injuries and accidents during and outside working hours throughout the year. During the pandemic, the safety and health of employees were our priority.



Caring for employees during pandemic

Medical examinations for employees

Caring for people is one of our primary values, and the year of 2021 we dedicated to the employees' health, with special focus on this. In cooperation with MediGroup clinics, an initiative for medical examinations of all employees who wish to join was launched. There were executed more than 800 general and specialist check-ups from April until October 2021.

Medical examinations for employees have taken over the role of our "Company Doctor" campaign.

As a continuation of this initiative, the program of free examinations for employees has continued. This time we focused on the state of health in the period after infection with the Covid-19 virus.

Vaccination with company support

One of the activities we organized during the pandemic in order to protect the health and safety of our employees, is vaccination with the support of the company. For all employees who have expressed a desire to be vaccinated, appointments and transportation to vaccination points have been organized.

Education and information from relevant sources

Since the pandemic have been announced, the Crisis Team of the Nelt Group has been trying to inform the employees of Nelt's large organization in a timely and accurate manner. We carried out additional activities when it was necessary to discuss a topic in more detail or better understand the current situation. We organized online meetings and talked to expert virologists, infectious disease doctors, psychologists. We talked with our guests about the immunization process in Serbia, the importance of vaccination, credible sources, scientific facts, but also the harmful effects of misinformation. They provided answers to questions related to the immunization process in Serbia, pointed out the harmful impact of misinformation on the formation of public opinion and drew attention to the importance of relevant, scientific sources.

Distribution of fruits and vitamins for employees

Strengthening and preserving immunity during the epidemic is one of the key recommendations of doctors. In addition to all the precautionary measures, at Nelt we have continuously carried out an action of distributing fruits and vitamins to employees, above all, the most exposed - colleagues who work in the warehouse and delivery.



Employee satisfaction

Our goal is that our employees come to work with will and optimism. In that sense, we strive to provide a modern and pleasant working environment, in which everyone can accomplish results.

Support for mothers

This includes providing benefits for employees, through competitive earnings and rewarding personal and team contributions. We support the career aspirations of employees and flexibility in working on their assignments, in order to ensure a balance between work and private life. Caring for employees through regular two-way communication is the number one priority in order to motivate the desire to work and the desire to accomplish results.

All employees, regardless of the type of contract under which they are hired, are provided for the health care, the right to maternity leave and are insured against injuries and accidents during and outside working hours throughout the year. For employees who end their working life in one of the companies of the Nelt Group, upon retirement, severance pay is provided, and gift vouchers for those who are celebrating the jubilee year of work. Striving to support its employees even in the most difficult moments, the company provides compensation in case of illness and death in the families of employees.

Employees, in all countries of the Western Balkans in which we conduct our business activity, are provided with numerous benefits when purchasing theatre tickets, travel arrangements, membership fees in fitness centres, shoes, clothes in places where partnerships have previously been established.

At the Nelt Group, we provide support to all working mothers in the desire to enable the conditions in which it will be easier to establish a balance on a private and professional level. Employed mothers on maternity leave are paid the full amount of the agreed salary for a period of up to 12 months. During this period, all women employees, who earn part of their earnings through incentives, receive a six-month average of incentives received. In addition, it is possible to keep all the additional benefits that they achieve in their jobs in the company.

We take special care of the period when they return to work, and when the most important thing is to establish a balance between work tasks and parental responsibilities. Upon returning to work, employees have the opportunity to work 60% of working time in the first month and earn 100% of salary, while in the second and third month after returning they have the option to work 80% of working time for 80% of salary. These benefits also apply to employees who are currently on maternity leave for the remaining period of their leave.

“You are important to us, take care of yourself” in Montenegro

With the desire to point to the significance of the breast cancer prevention and to become an active participant in marking of the activity “You are important to us, take care of yourself”, our women colleagues from companies Neregelia, D Way, and Montenomaks, free of charge preventive medical check-ups in a specialized medical office have been provided. The aim of this activity is to encourage colleagues to perform preventive visits to doctor, at least once a year, and thus, to care for themselves and their health on time.



Participation in sports events

Our colleagues in Business Run races

Employees of our companies in the markets of Serbia and Bosnia and Herzegovina participated in this year’s business run races held in Belgrade and Sarajevo. The race in Belgrade was held under the slogan New Optimism. 2055 runners from more than 200 companies passed through the finish line. In Sarajevo, in a competition of 79 companies, Nelt took 10th place. Such events are of great importance for fostering team spirit and positive synergies between colleagues from different sectors. In the spirit of sports, in the desire to win, we approach everyday tasks and thus make a successful healthy organization.

B&H team of Nelt at the Born2ski alpine skiing competition

The Born2ski Business Race, an alpine skiing competition was held on the main trail of Bjelašnica. For the second year in a row, colleagues from Nelt in Bosnia and Herzegovina took part in the competition. Our team demonstrated true sports and team spirit on the track. The competition brings together teams that gather together employees from private and public sector companies.



Activities for the children of our employees

“Kids’ day” in Nelt Group

For the past nine years, Nelt Group has traditionally organized Children’s Day in all Nelt branches - in Belgrade, Novi Sad, Subotica, Nis, Kraljevo, Bor, Užice, Skopje, Podgorica, Banja Luka, Sarajevo. Children’s Day is a special opportunity for the youngsters to spend the day with their parents at work with socializing, educational and entertainment programs and workshops. The first day of the school for the starting school champions is a special day for Nelt companies in the entire region. The children of the employees in the Nelt Group, who start the first grade, are given presents with school supplies and sweets.

Celebration of the first day in school

The first day of the school for the starting school champion, is a special day for Nelt companies in the entire region. The children of the employees in the Nelt Group, who start the first grade, are given presents with school supplies and sweets.



Trainings for the Nelt Group employees

In order to achieve the goals, we set and maintain a leading position in a very demanding and changing market, it is necessary that employees are motivated and possess the necessary knowledge and skills. That is why we approach the development of employees in the Nelt Group in a pre-planned manner, through the organization of functional, professional and soft skills trainings. To this end, internal workshops and trainings are organized, but also participations in external thematic events are organized.

“Manage your career”

Our employee, regardless of the sector in which he or she works, are part of transformations and changes. When it comes to educating, developing and motivating employees, the role of HR is to help them adapt more easily to changes in the environment. The high specialization and complexity of the system influenced the reduced understanding of the functioning of the company as a whole, and we were faced with the challenge of how to change that. We have listened well to the needs of the organization and the areas that need to be improved in order to bring all this down to the real world of business.

Thus, the idea was born to launch a project whose goal shall be to provide employees with continuity in the learning process and acquire additional skills, create additional benefits in the context of employee

development and internal lecturers, create a greater sense of belonging within the company, achieve greater cross-sectoral connectivity and understanding.

The project lasts a year and comprises four modules that are closely tailored to the needs of employees. Each module contains several workshops in one area (soft skills, finance, logistics, distribution), and are open. The workshops last for 3 hours, and employees apply to participate in those they want to attend themselves.

During 2020, 94 workshops with as many as 2.177 attending employees were carried out. In 2021, we carried out 47 workshops with as many as 2.287 attending employees. Th workshops are held by our employees from various expertise fields, and over these two years even 80 of them found herself/himself in the role of an instructor.



Trainings for the Nelt Group employees

Trainings were carried out within the project Take your career in your own hands i koji su realizovanu u okviru projekta Uzmi karijeru u svoje ruke

Soft skill 2020/2021:

- Emotion management and emotional intelligence
- Presentation skills
- Management of remote teams
- Resilience and change management
- Stress management
- Project Management
- Conflict management
- Overcoming procrastination and self-motivation
- Communication skills
- Time management
- Giving Feedback
- Presentation skills
- EXCEL

Finance 2020/2021

- Basic financial statements
- Management reporting
- Budgeting process and cost-effectiveness analysis
- Commercial finance
- Taxes
- Smart financial management
- Budgeting process and management reporting
- Risks and insurance
- Connection of all sectors with finance

Logistics 2020/2021

- Warehousing
- Delivery
- LSP
- CRM
- Maintenance
- Digitalization of process, maintenance and delivery department
- Reporting in logistics, warehousing and delivery depart.
- Inventory planning
- Supply chain – function and significance

Distribution 2020/2021

- Basics of sales
- Trade marketing
- Negotiation skills
- Category management
- Commercial finance
- Sales analysis and Promo&Pricing
- Pharmacy
- E-commerce
- Long-term planning and significance of sales planning



Trainings for the Nelt Group employees

CHARGE YOUR LEADERSHIP

At the Nelt Group, we strive to recognize and nurture employee talent. That is why we have created a development program of leadership skills called “Charge your Leadership” for employees within the talent pool of the Nelt Group.

The goal of the program is to provide employees with the necessary knowledge in the field of leadership, soft skills, functional skills and business.

Within this program, employees have the opportunity to continuously learn, develop, acquire the necessary knowledge and skills for future positions. Education is fully tailored to the needs of the organization. The program is implemented at several levels - depending on the level of development, current roles and responsibilities and includes different topics.

Some of the topics covered during the program are: active listening, assertive communication, impact communication skills, EQ and SQ, stress management - techniques for responding properly in stressful situations, managing yourself in times of change, situational approach to leadership, defining and communicating goals, monitoring and implementation of plans, decision making, employee motivation, coaching approach to work, strategic thinking, cross-functional cooperation, ways of innovation, change management.

Over the year of **2020**, we had **39** program participating employees, **four modules (thematic sections)** were carried out, which is close to 120 hours of educational content and work – both individual and group. In **2021**, we expanded the program to larger number of positions, and in the current year we had **79 employees** included in the program, **2 program modalities** were carried out, **9 different modules**, which is close to 200 hours of educational and developmental content.

NELT SALES ACADEMY

Nelt Sales Academy represents a comprehensive and precise training program for employees in all positions within the distribution sector. By combining materials, exercises, best practices and knowledge of Nelt’s partners with knowledge and experience in the company, trainings are created that are interactive with examples and real situations that happen in working with customers.

The training programs are conducted by the Sales Capability Team, which consists of the Nelt Group Sales Manager, the Nelt Group HR Director and 16 internal trainers, employed in various markets and positions in the distribution sector.

Onboarding

– the goal of the training is that through the E learning platform new employees have the opportunity for basic training through one of our introductory programs - Induction Program that talks about our company, principals with whom we build partnerships, vision and mission of the company, quality control, our 2020 vision, our +1 Mentality.

Retail math

– training with a focus on improving business and financial skills, communication, sales mathematics, complaint resolution skills, building customer relationships and presenting our initiatives through sales figures.

Merchandising trening program and merchandising workshop

– created with the aim of improving the knowledge and skills of planning tours of sales facilities, better understanding and use of basic elements for quality positioning and strategic approach to sales promotion.





Trainings for the Nelt Group employees

Customer Training program

– aims to improve skills of planning and organization, communication, sales, activation in facilities, DPSM, SMART goal, resolving complaints and building customer relationships.

Leadership & on the job training program

– is intended for all employees who manage teams. The focus is on the importance of the role of development managers employees and the standard of assessing skills in the sales team and creating an action plan. Practical exercises are also being used to improve the standards of On-the-Job training.

Communication skills

– deals with the principles of effective communication, active listening, non-verbal communication, means of internal communication, assertive communication and resolving complaints.

Sales workshop

– aims to improve the skills of product promotion, communication, sales, activation in facilities, DPSM, SMART goal, resolving complaints and building relationships with customers.

Foreign trade

– It comprises of 14 training modules that have been specifically created and include units that should help in everyday work. The goal of the program is to improve skills in planning and organization, business finance (P&L), communication, sales, effective negotiation, activation in facilities, giving feedback, building customer relationships. The training includes practical exercises with real field examples from different markets.

Key account management training

– It comprises of 14 training modules that have been specifically created and include units that should help in everyday work. The goal of the program is to improve skills in planning and organization, business finance (P&L), communication, sales, effective negotiation, activation in facilities, giving feedback, building customer relationships. The training includes practical exercises with real field examples from different markets.

Successful selling skills training

– It consists of 5 training modules. The goals are to get acquainted with the company and the methodology of human development, to improve the way of positioning products in pharmacies, sales skills, resolving complaints in everyday work.



Trainings for the Nelt Group employees

Nelt Sales Academy in Africa

We have transferred the long-term practice of Nelt Sales Academy to the African markets where we do business. The skills of advanced planning, preparation, sales and realization of agreements with customers were worked on. These programs are extremely important because they provide insight into the basics of sales as the foundation of our sales organization and merchandising as one of the most important steps in the sales process.

E-learning, our educational platform

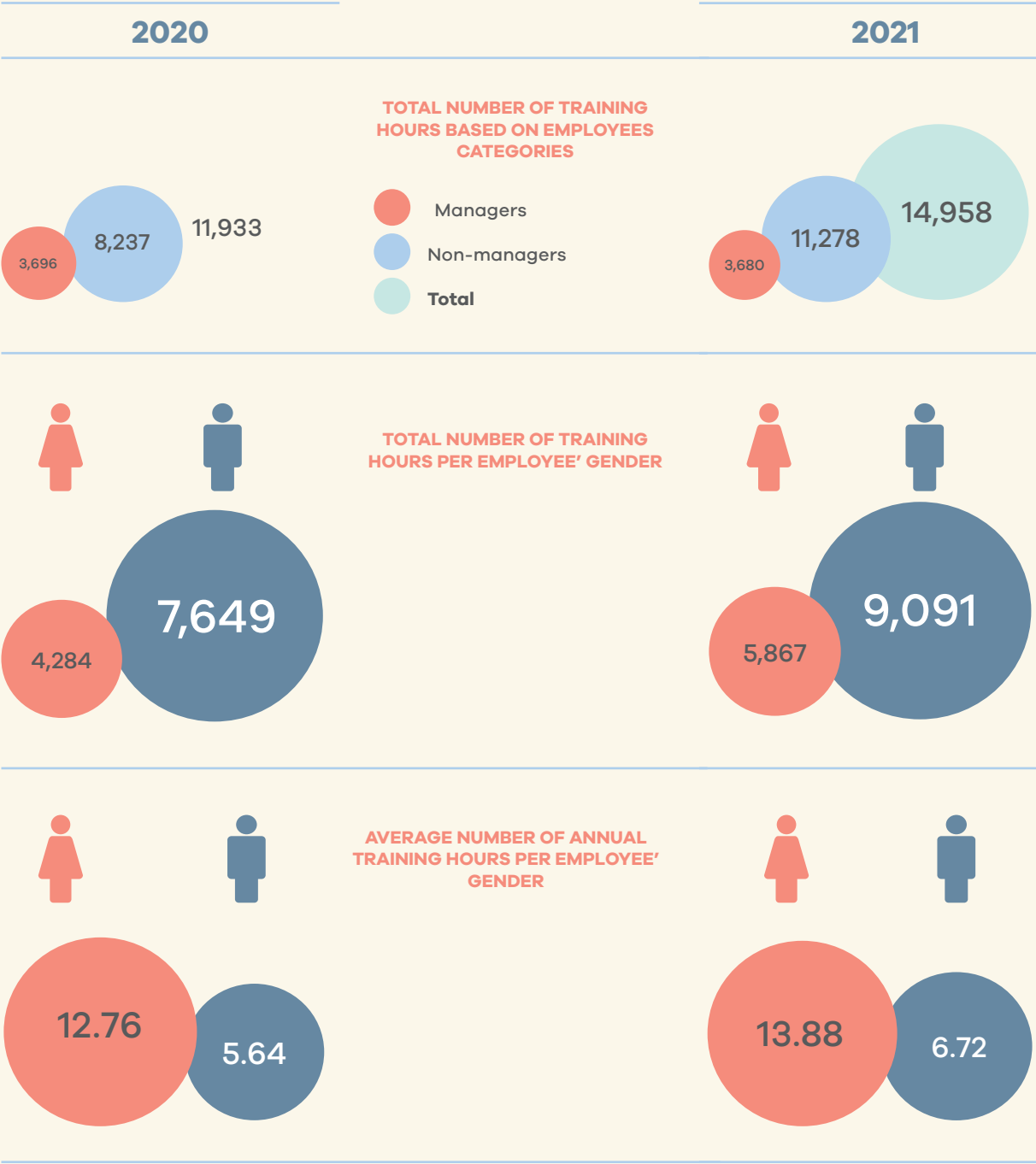
Within the Nelt Sales Academy, an e-learning program was created. E-learning contributes greatly to saving human resources, time and money, quickly improve knowledge, and provides timely information. E-programs are also easy to use and flexible since employees can perfect their knowledge through movies and other dynamic educational tools. Our principals helped us develop an e-learning platform and its training.

Super Seller – Nelt’s fun sales learning app

Launched in mid-2020, the educational application for smartphones “Super Seller” is designed for employees in our distribution sector. It is designed as a tool for simple, interactive and interesting acquisition and renewal of knowledge in the field of sales. Super Seller is an Android quiz application with a range of 150 questions, including 100 theoretical and 50 mathematical. The questions were taken from the training program of Nelt Sales Academy and additionally adjusted for the best possible user experience on the phone.



Total number of training hours





Local community

Support for the development of education and training includes strategic projects involving young people of different ages, educational and professional profiles, talented pupils and students. Direct cooperation with faculties is an indicator of our commitment to empowering young people and modernizing the environment in which we operate.

Different types of support to vulnerable social groups represent another, extremely important, area of social responsibility within which we carry out numerous activities.



Cooperation with Universities

Lecture by the Nelt Group general manager Miloš Jelić for the students of the Faculty of Economics

“The most important matter is people and the formation of teams that lead to success,” Miloš Jelić told students at the Faculty of Economics in Belgrade. On October 30, the CEO of the Nelt Group held an online guest lecture on “Business Management Indicators in Trade Management on the Example of Nelt”.

Jelić pointed out the importance of formal education of individuals for further career development. In addition to acquiring theoretical knowledge, he pointed out that it is necessary to work on basic programming, learning in databases, improving the English language, all with an indisputable desire for success.

Students of the Faculty of Economics visited Nelt and Baby Food Factory

Within the strategic cooperation with the faculties of the University of Belgrade and guided by the desire to support the young hopes of our society, we organize student visits to our distribution and logistics centre.

One example is the visit of a student at the Faculty of Economics in Belgrade. Key information about the business of the Nelt Group was presented to them by Darko Lukić, Executive Vice President of the Nelt Group and Ivana Stevanović, Sales Manager of the Modern Trade channel. Current internship programs were presented by Ivana Idei Todorčić, Supervisor for Selection and Recruitment. Marija Milošević, warehousing supervisor, and Radivoje Čalasan, warehousing operations improvement specialist, presented the logistical processes during a tour of one of the warehouses. At the end of the visit, the students visited the Baby Food factory where their presentation was given by Milica Đukić, Marketing Director.

Cooperation with the Faculty of Organizational Sciences

At the end of 2021, we made official the extension of cooperation with FOS by signing a new agreement. The goals of this cooperation are to connect students, associates and teachers of FOS and Nelt employees for joint activities on research and development and innovation projects based on a scientific approach and practical application.

Traditional cooperation with the Faculty of Transport and Traffic Engineering in Belgrade

Nenad Diković, sales and development manager of domestic logistics services, traditionally visited the Faculty of Transportation in Belgrade. Nenad Diković is a graduate from this faculty, he graduated in traffic engineering at the Department of Integral and Industrial Transport. For years, he has been cooperating with the Department of Logistics, striving to make a recapitulation of the study program for final year students, connecting the material with examples from practice. These lectures also aim to encourage young people at the beginning of their careers and give them answers to questions such as: “Will I know that when I start working?” and “Does what I learned in college apply in practice?”

The full-day lecture on the topic “Model design and simulation of the cost of complex logistics services” was attended by final year students of this faculty. They had the opportunity to get acquainted with the way in which the cycle of processes that create a proposal for a logistics client works in practice, from requirements analysis, analysis of goods flows, selection of warehouses and storage technology, selection of IT infrastructure, to cost predictions.

The Faculty of Transport and Traffic Engineering is one of the key educational institutions with which we cooperate, making contacts with potential candidates for internships and employment in positions of great importance for our business, in the supply chain and development of logistics services of Nelt.



The sixth generation of the Good start

The Good start was launched in 2015 in Serbia as a staff development program in various positions in the sales sector. It is intended for external candidates as well as Nelt employees who want to develop and advance to higher positions.

At the end of 2021, the students of the sixth generation successfully presented their final work. Their team task represents opportunities for the development of Baby Food Factory brands - Nutrino Lab and Nutrino Baby in alternative sales channels. The final work took three weeks to complete.

As a novelty in this development program, the participants had the opportunity to have a direct and constructive conversation with members of the top management, Miloš Jelić, General Manager and Darko Lukić, Executive Vice President of the Nelt Group.

“Miloš and I really wanted to meet the sixth generation of the Good Start in person. We were most interested to hear what their experiences and ambitions are, what their opinion is about the company, but also about the program in which they participate. In addition, this was a unique opportunity to talk with the young hopes of our team about the direction of Nelt, our strategy and plans for the future”, said Darko Lukić, Executive Vice President of the Nelt Group.

“A valuable experience for each of us! It is a great benefit that at the very beginning of our career we asked excellent businessmen in an informal conversation everything we are interested in. We received useful information, both in the field of company and expectations, and in the field of our self-improvement”, the attendees agreed.

At the end of the conversation, Miloš Jelić wished our Good start-ers to be constantly in search of knowledge and to always expect more and better for themselves: “I was pleased that I noticed the desire, great interest and willingness to persevere in their decisions. I call on young people to fight for their development and to use every opportunity they have.”



What they said about the Good start



Teodora Đorđević, Assistant in the program
Generation 2021

“I am a graduate student at the Faculty of Economics in Belgrade, where I heard about this program. I am very motivated to become part of the Nelt team. I work with mentors in the division that sells Neoplanta products.”



Saša Stevanović, Sales Assistant
Generation 2019

“This program allows you to play with “the great players”, stand side by side with colleagues you have heard are the best in their business. The most important thing is that each of them is open enough, available for any help and selflessly transfers knowledge.”



Milica Čorlija, Trade Marketing Specialist
Generation 2018

“Although sales are generally perceived as a man’s business, there are no divisions in Nelt. The team spirit is at a really high level. Everyone is collegial and ready to help.”



Miloš Sebić, Sales Manager for Key Accounts
GENERATION 2017

“I am still in love with trade. At Nelt, all procedures and processes are at a high level, which further motivated me to learn and progress.”



Marina Rackov, Stock Planner
GENERATION 2016

“The feedback we receive from the mentors is invaluable. They are there to point out everything that is good in our work so far, but also to improve our thinking, behavior and reactions in some situations.”



Jovan Grujić, Sales Supervisor
Generation 2015

“This development program is a real indicator that the company cares about people. By hanging out with other participants in the program, we made real friendships”



Donations and socially responsible activities in the local community

We donated more than 350,000 euros to fight the Corona virus

Nelt Pet Care at the Great Children’s Carnival in Belgrade

To support the countries in which we operate in the fight against the COVID-19 virus, the Nelt Group companies donated over 350,000 euros. Nelt in Serbia donated 240,000 euros to the Republic Health Insurance Fund for the purchase of 10 respirators for the treatment of the most severe forms of Covid 19 disease, while Neoplanta donated 50,000 euros as part of an aid package for 173,000 Belgraders over 65 with the lowest pensions. 30,000 mini packs of Sebamed baby soaps were donated to customers at Dr. Max and Benu’s pharmacies as part of Nelt’s national campaign for the distribution of medicines, medical devices, food supplements and cosmetics. The goal was to adequately, following the recommendations of experts, contribute to the regular maintenance of hand hygiene.

Neregelia and Montenomaks C&L, companies of the Nelt Group operating on the Montenegrin market, donated 20 thousand euros to the National Coordination Body for Infectious Diseases. The amount 20,000 euros each was donated to health institutions in North Macedonia and Bosnia and Herzegovina. In addition, 1,700 visas have been provided in North Macedonia for employees in retail outlets with which Nelt is cooperating. In Bosnia and Herzegovina, 800 face masks and Neoplanta products were donated to the Red Cross. In cooperation with the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, protective materials and disinfectants were donated to those who needed it most.

During the last weekend in September, Nelt’s Pet Care sales division provided partner support to the Great Children’s Carnival in Belgrade’s Tašmajdan Park.

The goal of the event was to promote family values, encourage the development of fine arts among the youngest, but above all, the emphasis is on developing a sense of social responsibility and solidarity. In this light, visitors had the opportunity to adopt pets from the shelter for abandoned animals Draževac, learn more about the products of the brands Whiskas and Pedigree and learn about proper animal care. Thanks to this festival, some dogs and cats have found their new home.



Donations and socially responsible activities in the local community

Nelt Serbia becomes a member of BELhospice

Montenomaks once more supported the activity “Let’s share, because together we can do more”

By donating hygiene products, as well as participating in the “Run and walk 4BELhospice” campaign, our company supported the efforts of the BELhospice Centre to help and empower cancer patients and their families and acquired the right to the golden membership in the BELhospice Sustainability Club.

BELhospice Club currently has 61 members.

There are no specialized institutions in Serbia that take care of terminally ill patients. BELhospice was founded in Belgrade on May 20, 2004 as the first centre for palliative care and palliative medicine.

Donation of products to the BELhospice Palliative Care Centre

Voluntary blood donation in Montenegro

On March 26, the Blood Transfusion Institute of Montenegro organized an action of voluntary blood donation, and employees from Neregelija and D-Way in Montenegro once again showed their humanity in action.

In this blood donation campaign, thanks to our employees, seven units of blood were provided for those who need it most.

Through the free distribution of packs with school supplies for the children from the socially endangered families our company in Montenegro, Montenomaks, has traditionally supported the action of the Association of Parents “Let’s share, because together we can do more”. About 650 children from socially endangered families received new notebooks, crayons, books and other accessories for a successful start to the school year.

Flowers by Neregelia and Montenomaks for the first flower carpet

Neregelia and Montenomaks donated seedlings for the first flower carpet in Montenegro on the occasion of Europe Day. The flower carpet, modelled on the famous carpet in Brussels, is made of 50,000 flower seedlings on 600m2 on Independence Square in Podgorica. This is the first time that Montenegro participated in such an event to celebrate Europe Day, which is celebrated on May 9. Among 15 companies that donated seedlings, there were also our companies, Neregelia and Montenomaks. This way we showed support for the values of the EU: brotherhood, solidarity, equality in diversity and, above all, anti-fascism.

Donations in B&H

Nelt in B&H donated money funds to the RS Solidarity Fund to fight the virus COVID-19 in 2020. During the reporting period we realized donations for Transfusion Institute, Village Medjugorje and local health facilities.



Joint actions with our partners

Donation of food to the shelter of abandoned animals

We are especially proud of the activity of collecting food for abandoned animals in cooperation with our principal Mars. Employees at the company's discount store donated food for dogs and cats, which was given to a selected shelter for abandoned animals in the vicinity of Belgrade.

As part of the same campaign, we shared inspiring stories with colleagues from our InfoNelt on the topics such as "How I Helped an Abandoned Animal". All participants were rewarded with pet food boxes by the Nelt Mars Division.

Mars products as a gift to the Red Cross

Our principal Mars donated 27.000 of its products to the Red Cross of Serbia. The donation worth more than 1.5 million dinars, the Serbian Red Cross forwarded to health workers as a sign of gratitude for their dedicated commitment in combating the pandemic.

Globally, Mars has set aside \$20 million of money and products as the support for the hundreds of communities where it operates, as well as the raw material communities most affected by the COVID-19 pandemic.

Help of Vitalia and Jacobs in fight against the Corona virus

In order to make it easier for doctors, nurses and other health professionals to fight the coronavirus epidemic day and night, Vitalia and Jacobs have made donations. Our principal Jacobs symbolically sent 1,000 boxes of coffee to the Hospital Centre "Dr Dragiša Mišović", the Infectious Diseases Clinic in Belgrade and the City Institute for Emergency Medical Aid of Belgrade. In addition to thanking all hospital employees for their dedication and expertise. In this manner immanent to Jacobs, it wanted to help the medical workers stay focused and awake during the daily battle for the lives and health of Serbian citizens.

Vitalia, a leading company in the Balkans and Eastern Europe in the production of healthy food, is also proactively supporting those most involved in the fight against the corona virus. For that purpose, the company donated functional packed boxes to medical workers and patients accommodated in the temporary COVID hospital at the Belgrade Fair, as well as new bedding to the Clinic for Infectious Diseases. Vitalia works intensively on its socially responsible engagements and is greatly focused on helping the community.



Our context

PEOPLE AT THE TOP OF THE NELT AGENDA

Robert Jenovai,
HR director, Nelt Group



Over three decades of operation, the Nelt Group has become the other word for a successful business system. With a vision and a clear strategy, our business is based on the trust of employees and on strengthening relationships with partners and clients, with a high degree of responsibility for the wider community.

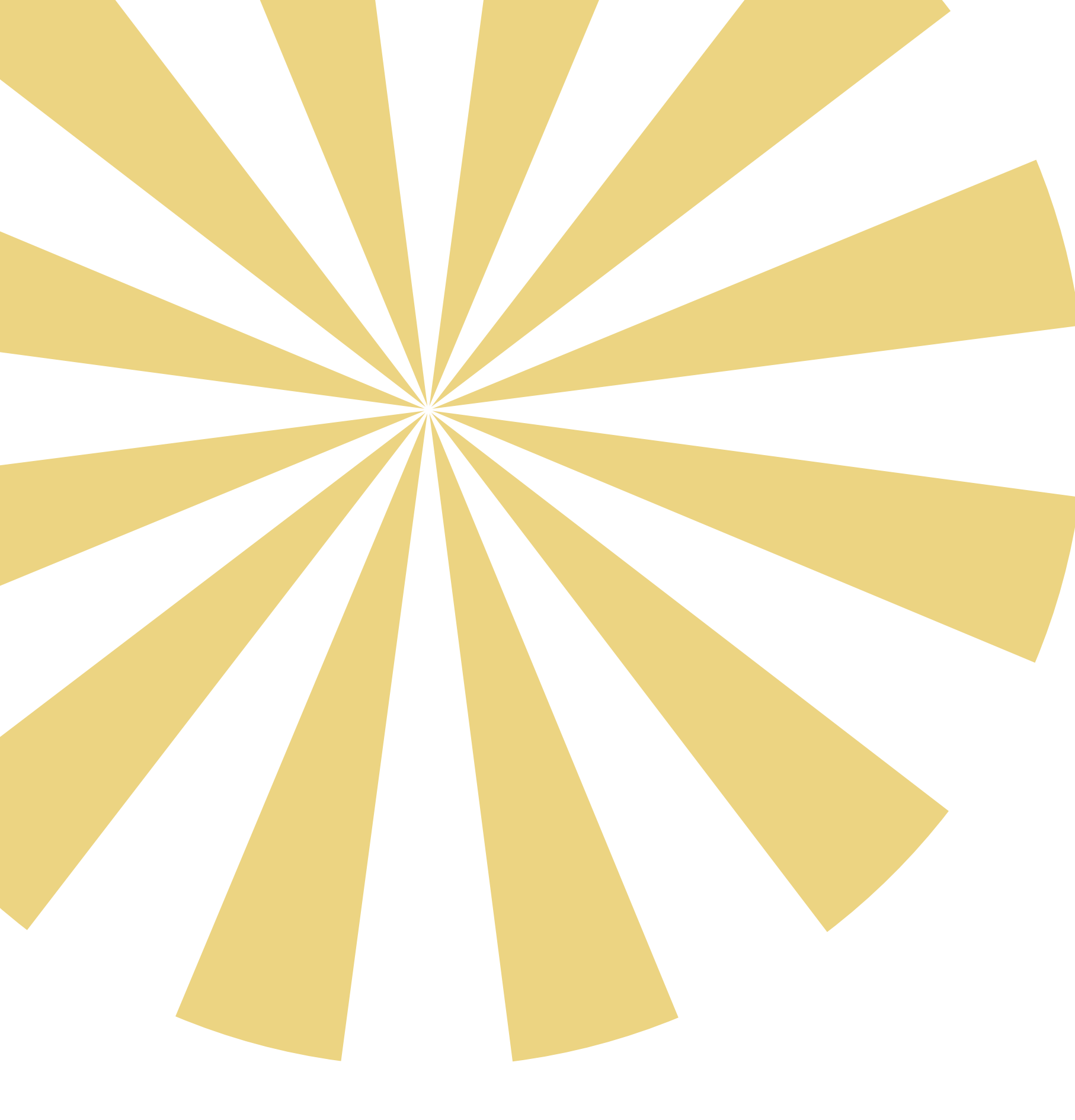
We are convinced that two factors are equally important for the long-term success of the company: financial capital and human resources. Therefore, especially in the last few years, we have dedicated ourselves to company values in a very structured manner - winning mentality, innovation, personal responsibility, long-term perspective, care for people. These values are key factors for the execution of our vision in the next 30 years of business. In order to make employees more tuned to them, we have translated these values into concrete behaviours that are visible and understandable to everyone in the company. Among all levels and sectors in the company, we create a community and a homely attitude towards business and build a culture in which everyone lives by their personal example to live the values of Nelt.

And then we come to the core: "...connect me with company values, vision and mission, provide me with a meaningful job and help me feel that I belong here...". Our goal is for employees to come to work with will and optimism. That is why we strive to provide a modern working environment, in which everyone can accomplish. This includes providing benefits for employees, through comparative earnings and rewarding personal and team contributions. At the company, we support the career aspirations of employees by providing flexibility in doing business that can provide a balance between business and private life.

Everyone is wondering how they should motivate their employees? Let's turn the story around. We need to stop demotivating them. We need a more flexible, more individual-focused approach, which is to focus on what motivates each employee. So, the essential care for employees through regular two-way communication should be the number one priority in order to motivate the desire to work, the desire to achieve results. If we manage employees in the right way and develop them, we shall fulfil the company's goals, as well as the personal aspirations of our people. Only such combination leads to long-term sustainable business, which is what we strive for.

The values we nurture have surfaced and become even more visible during the pandemic. The crisis has clearly shown us that employees really live the company's values, which shows that we did the right thing in the previous period. We have shown a winning mentality and the ability to adapt very quickly, organize and do our job, even in situations where it seems impossible. We organized the "Crisis Team", which all the time took care of the harmonization and timeliness of all activities, but also transparency in communication through the organization, which we gave special importance in this period. We provided full support to our colleagues who are "on the front lines", i.e., on the field, in order to alleviate the already difficult situation in times of emergency.

As a company, we have justified the importance of our role in all markets in which we do business. Thanks to the efforts of everyone in the Nelt Group, the shops are well supplied, and citizens have access to the necessary groceries.



In Nelt Group we recognizes environmental protection as our long-term strategic direction. Rational use of natural resources, using technology, equipment and materials that reduce negative effects on the environment, management and recycling of packaging waste, we are continuously working to reduce our "environmental footprint".

**WE CARE FOR
THE ENVIRONMENT**



Environmental protection is our strategic commitment

With the intention of fully aligning our business with the sustainability principles, we have recognized environmental protection as our strategic direction in the long run. We are continuously improving the environmental management system within the quality management system. We have defined our priorities in this area. Primarily these are the rational use of natural resources, as well as the use of technology, equipment and materials that reduce negative impact on the environment. Having in mind our primary impacts realized through transport, we have implemented a number of initiatives to reduce harmful emissions.

Special attention is focused on waste care and promotion of this subject within the relevant business associations.



Transport optimization

The greatest impact on the environment is realized through transport - international or domestic, given the nature of our core business. The transport of goods is carried out by the means of a fleet of over 450 delivery vehicles, with different temperature regimes and loads. All vehicles are equipped with GPS devices, and the organization, control and monitoring of entire transport and delivery routes is performed using a modern software solution for the organization and optimization of transport. Since January 2022, we have implemented a new software solution for optimizing delivery and sales routes. Over the course of 2021, our multifunctional project team together with our partner INFORA, worked on the development of a software solution that should enable us to be more efficient in optimizing sales and delivery routes. The project started on January 31, 2022. With this process automation, which the new solution provides, we strive to achieve greater efficiency, optimization and rationalization of time and other resources in order to increase the quality of service.

In domestic transport, the dynamic routing system transfers delivery route data via ERP (SAP) to WMS (Gold) warehousing software, where further separation of delivery goods is performed.

"Our Eco drivers"

We are continuously working on initiatives aimed at reducing the impact on the environment. One of the initiatives is the Eco Driving project, which includes rewarding drivers with the most economical driving style on quarterly basis. The data that are being monitored are damage to official vehicles, traffic rules violations, mileage, speed, fuel consumption, ECO Drive. The goal of the award is to promote those employees who have shown responsibility towards the vehicles they drive as ambassadors of Eco driving and conscientious behaviour in traffic.

In Serbia, 8 drivers are awarded - 4 from the transport sector and 4 sales agents, and in Bosnia and Herzegovina 6 drivers - 3 from the goods transport sector and 3 for the segment of passenger and non-vehicles. In Macedonia and Montenegro, 4 drivers are rewarded - 2 from the goods transport sector, 2 for the passenger and off-vehicle segment.

Delivery vehicles are equipped with PDA devices that allow the driver a detailed overview of all parameters related to delivery, such as route details, review of delivery notes, status of delivery tasks, navigation according to the delivery plan. In order to reduce fuel consumption, the route optimization software provides a plan for optimal vehicle routes. The program gives a proposal for the arrangement of goods in the vehicle consistent with the established routes (last in - first out). This directly affects the length of the distance travelled and the number of delivery vehicles to be minimal.

When it comes to international transport, our fleet includes different types of transport vehicles - 13 tractors and 16 semi-trailers, carrying capacity of up to 24 tons. Clients are provided with accurate and timely supply to their customers in Central and Southeast Europe. All vehicles are equipped with GPS devices, and the organization, control and monitoring of entire transport and delivery routes is performed using a modern software solution for the organization and optimization of transport.

At Nelt Group, we are constantly informed about alternative fuels available on the market. In order to be integrated into the system, the new facility needs to support the existing performance of the vehicle, while at the same time being cleaner, safer and cost-effective. There exist several vehicle propulsion technologies currently available. Some are still in their infancy and almost experimental in use. One of the solutions more favourable than the use of petroleum products is compressed natural gas (CNG). Although it is a fossil fuel, it represents the cleanest fuel. The products of natural gas combustion, the largest percentage of which is methane, are carbon dioxide and water vapor, unlike petroleum products, where significant amounts of carbon, nitrogen oxides and sulphur dioxide occur, which all damage the Earth's atmosphere much more.



Transport optimization



Transport optimization

Petroleum consumption
per market (GJ)

| 2020 | Petrol | Diesel | LPG | CNG | TOTAL |
|----------------------|--------|---------|--------|-------|---------|
| Serbia | 7,475 | 55,621 | 30,265 | 1,086 | 94,447 |
| Montenegro | 61 | 13,482 | — | — | 13,543 |
| Neregelia | 44 | 8,894 | — | — | 8,938 |
| Montenomaks | 17 | 4,588 | — | — | 4,605 |
| Bosnia & Herzegovina | 512 | 16,556 | 2,101 | — | 19,170 |
| North Macedonia | 534 | 8,064 | 1,135 | — | 9,732 |
| In total | 8,643 | 107,205 | 33,501 | 1,086 | 150,435 |

| 2021 | Petrol | Diesel | LPG | KPG | TOTAL |
|----------------------|--------|---------|--------|-------|---------|
| Serbia | 7,445 | 55,707 | 27,835 | 1,013 | 92,000 |
| Montenegro | 67 | 14,124 | — | — | 14,191 |
| Neregelia | 62 | 9,363 | — | — | 9,425 |
| Montenomaks | 5 | 4,761 | — | — | 4,766 |
| Bosnia & Herzegovina | 1,031 | 19,478 | 2,523 | — | 23,031 |
| North Macedonia | 553 | 7,462 | 1,326 | — | 9,342 |
| In total | 9,163 | 110,895 | 31,684 | 1,013 | 152,755 |

Nelt Group is constantly monitoring the market of vehicles with alternative drives and assessing its potential performance on company goals regarding the environment. In 2015 in Serbia, the implementation of vehicles using Compressed Natural Gas (CNG) began in order to test this alternative fuel and thus secure cleaner, safer and cheaper transport. Even though it is a fossil

fuel, it is the purest type of fuel. The usage of Liquid Petroleum Gas (LPG) since 2004 for all field sale vehicles proved effective in the reduction of carbon imprint of the company. That is why since 2018 this type of fuel is tested for delivery vehicles as well- with the conversion of the diesel engine to dual drive engine.

Rational consumption of non-renewable energy sources is an integral part of the strategy of all Nelt Group companies. In addition to transport, significant energy consumption comes from the use of natural gas for heating, as well as electricity consumption.

Consumption of natural gas for heating

| | amount (m³) | amount (m³) | GJ | GJ |
|----------|----------------|----------------|--------|--------|
| Location | 2020 | 2021 | 2020 | 2021 |
| Belgrade | 336,361 | 380,735 | 12,782 | 14,468 |
| Kraljevo | 16,908 | 18,161 | 643 | 690 |
| Niš | 37,661 | 36,707 | 1,431 | 1,395 |
| Novi Sad | 1,400 | 1,400 | 53 | 53 |
| Subotica | 5,108 | 5,259 | 194 | 200 |
| Total | 397,438 | 442,262 | 15,103 | 16,806 |

Through implemented SCADA system, we contribute to the optimization of gas use, and thus to the overall reduction of energy consumption. In order to further optimize and improve these processes, new smart devices and sensor have been added to the SCADA system over time, contributing to new reductions in the company’s carbon footprint impact. The elements of the system, which independently monitor the internal and external temperature and decide when certain systems should be activated have been interconnected. This has led to a reduction in energy consumption for heating, cooling and ventilation in warehouses. It has been perfected to the extent that, if necessary, outdoor air is used to provide the desired conditions in the warehouse space. Temperature and humidity sensors which the system can report in the form of a tabular overview of measured quantities have also been installed. It has also become possible to send notifications via SMS to the responsible persons in the Nelt Group in case of any events that may require urgent response.

Efficiency of energy managers in action

Through a three-year training within the EUREMnext project organized by the Serbian Chamber of Commerce, participants from 17 medium and large companies in Serbia, including Nelt’s representative Jožef Vidali, acquired knowledge and skills in the area of energy management.

They dealt with all areas related to various technologies and energies, heating systems, energy production, lighting, energy efficiency of buildings, air conditioning, ventilation ... The organizers of the program estimated that energy managers, with consistent application of the proposed measures, should achieve in their companies a total annual savings of 15 million kilowatt hours of energy from all energy sources, including renewables, which will reduce annual costs by about 940 thousand euros.

The program is primarily intended for medium and large companies, whose annual energy consumption is more than 4,000 MWh and it tends to improve the knowledge and skills of employees who already have experience in the field of energy, so they can identify opportunities for optimizing energy processes in their companies and set specific goals, whose realization will benefit the reduction of business expenses. After completing the training, the participants were in a position to make informed decisions based on the analysis of the current state of the energy balance in order to improve energy efficiency or the implementation of renewable energy sources. More than 6,000 participants in 30 countries where the program was implemented were trained.

Firewood Consumption for heating - Bosnia & Herzegovina

| | kWh | GJ |
|------|---------|-------|
| 2020 | 593,761 | 2,138 |
| 2021 | 669,592 | 2,411 |

A heating system with a drive on more energy efficient fuel - pellets was designed and built for the needs of heating the new smart hall, put into operation in the second half of 2019. At the same time, the existing hall is

Petrol Consumption for heating - North Macedonia

| | kWh | GJ |
|------|-------|----|
| 2020 | 2,949 | 11 |
| 2021 | 5,258 | 19 |

connected to a new heating system, which, by changing the energy source, reduces the impact on the environment with better energy potential of pellets compared to wood, as well as lower CO₂ emissions.

Electricity Consumption

| Nelt Group | kWh | kWh | GJ | GJ |
|----------------------|------------|------------|--------|--------|
| | 2020 | 2021 | 2020 | 2021 |
| Serbia | 7,315,309 | 7,532,268 | 26,336 | 27,117 |
| Montenegro | 670,671 | 719,947 | 2,414 | 2,592 |
| Neregelia | 448,713 | 475,318 | 1,615 | 1,711 |
| Montenomaks | 221,958 | 244,629 | 799 | 881 |
| Bosnia & Herzegovina | 1,248,231 | 1,485,883 | 4,494 | 5,349 |
| North Macedonia | 507,113 | 549,492 | 1,826 | 1,978 |
| Total | 10,411,995 | 11,007,537 | 37,484 | 39,628 |



Energy Consumption

| Serbia | 2020 (GJ) | 2021 (GJ) |
|--------------------------------|------------|------------|
| Petroleum products - petrol | 7,474.94 | 7,444.89 |
| Petroleum products - diesel | 55,620.83 | 55,707.35 |
| Petroleum products - LPG | 30,264.98 | 27,835.15 |
| Petroleum products - CNG | 1,086.44 | 1,012.92 |
| Petroleum products for heating | — | — |
| PETROLEUM PRODUCTS - TOTAL | 94,447.19 | 92,000.31 |
| Natural gas for heating | 15,102.63 | 16,805.97 |
| Firewood for heating | — | — |
| Electric energy | 26,335.85 | 27,116.92 |
| Electric energy - sold | -8,477.00 | -8,682.00 |
| Heating energy - sold | -10,413.24 | -11,632.98 |
| Total | 116,995.42 | 115,608.22 |

| Bosnia & Hezegovina | 2020 (GJ) | 2021 (GJ) |
|--------------------------------|-----------|-----------|
| Petroleum products - petrol | 512 | 1,031 |
| Petroleum products - diesel | 16,556 | 19,478 |
| Petroleum products - LPG | 2,101 | 2,523 |
| Petroleum products - CNG | — | — |
| Petroleum products for heating | — | — |
| PETROLEUM PRODUCTS - TOTAL | 19,170 | 23,031 |
| Natural gas for heating | — | — |
| Firewood for heating | 2,138 | 2,411 |
| Electric energy | 4,494 | 5,349 |
| Electric energy - sold | 625 | 448 |
| Heating energy - sold | — | — |
| Total | 26,426 | 31,239 |



Energy Consumption

| Montenegro - Neregelia | 2020 (GJ) | 2021 (GJ) |
|--------------------------------|-----------|-----------|
| Petroleum products - petrol | 44 | 62 |
| Petroleum products - diesel | 8,894 | 9,363 |
| Petroleum products - LPG | — | — |
| Petroleum products - CNG | — | — |
| Petroleum products for heating | — | 62 |
| PETROLEUM PRODUCTS - TOTAL | 8,938 | 9,425 |
| Natural gas for heating | — | — |
| Firewood for heating | — | — |
| Electric energy | 1,615 | 1,711 |
| Electric energy - sold | — | — |
| Heating energy - sold | — | — |
| Total | 10,553 | 11,136 |

| Montenegro - Montenomaks | 2020 (GJ) | 2021 (GJ) |
|--------------------------------|-----------|-----------|
| Petroleum products - petrol | 17 | 5 |
| Petroleum products - diesel | 4,588 | 4,761 |
| Petroleum products - LPG | — | — |
| Petroleum products - CNG | — | — |
| Petroleum products for heating | — | — |
| PETROLEUM PRODUCTS - TOTAL | 4,605 | 4,766 |
| Natural gas for heating | — | — |
| Firewood for heating | — | — |
| Electric energy | 799 | 881 |
| Electric energy - sold | — | — |
| Heating energy - sold | — | — |
| Total | 5,404 | 5,647 |



Energy Consumption

| North Macedonia | 2020 (GJ) | 2021 (GJ) |
|--------------------------------|-----------|-----------|
| Petroleum products - petrol | 534 | 553 |
| Petroleum products - diesel | 8,064 | 7,462 |
| Petroleum products - LPG | 1,135 | 1,326 |
| Petroleum products - CNG | — | — |
| Petroleum products for heating | 11 | 19 |
| PETROLEUM PRODUCTS - TOTAL | 9,743 | 9,360 |
| Natural gas for heating | — | — |
| Firewood for heating | — | — |
| Electric energy | 1,826 | 1,978 |
| Electric energy - sold | — | — |
| Heating energy - sold | — | — |
| Total | 11,569 | 11,339 |

| Nelt Group | 2020 (GJ) | 2021 (GJ) |
|--------------------------------|-----------|-----------|
| Petroleum products - petrol | 8,582 | 9,096 |
| Petroleum products - diesel | 93,723 | 96,771 |
| Petroleum products - LPG | 33,501 | 31,684 |
| Petroleum products - CNG | 1,086 | 1,013 |
| Petroleum products for heating | 11 | 19 |
| PETROLEUM PRODUCTS - TOTAL | 136,903 | 138,583 |
| Natural gas for heating | 15,103 | 16,806 |
| Firewood for heating | 2,138 | 2,411 |
| Electric energy | 35,069 | 37,036 |
| Electric energy - sold | -7,852 | -8,234 |
| Heating energy - sold | -10,413 | -11,633 |
| Total | 170,947 | 174,969 |

The Hour for the Planet

The Hour for the Planet was first held in 2007, and today it is one of the largest movements for environmental protection and inspiration to individuals, organizations and companies in more than 140 countries around the world. Among them are Montenomaks and Neregelia, who have been participating in this global activity for years.

In addition to the fact that Montenomaks has an implemented environmental management system and is the holder of the ISO 14 001 certificate, in this way, too, our companies clearly show their commitment to continuous improvement of the business system, environmental management and the well-being of the whole community.



Direct gas emissions

Greenhouse gases (GHGs) heat the Earth by absorbing energy and slowing the rate at which energy is released into space. The Global Warming Potential (GWP) has been developed to allow comparisons of the effects different gases have on

global warming. GWP compares the amount of heat trapped by a given mass of gas with the amount of heat trapped by a similar mass of CO2. The higher the GWP, the more a certain gas heats the Earth compared to CO₂.

Serbia

| 2020 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|--------|
| M1 | 14,246 | 0 | 0 | 14,253 |
| M3 | — | — | — | — |
| N1 | 37,947 | 1 | 2 | 38,426 |
| N2 | 24,532 | 0.23 | 0.05 | 24,553 |
| N3 | 13,081 | — | — | 13,084 |
| Manipulation equipment | 2,537 | — | — | 2,537 |
| TOTAL | — | — | — | 92,853 |

| 2021 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|--------|
| M1 | 15,141 | — | — | 15,148 |
| M3 | — | — | — | — |
| N1 | 38,158 | 1 | 1 | 38,613 |
| N2 | 23,858 | — | — | 23,875 |
| N3 | 9,595 | — | — | 9,597 |
| Manipulation equipment | 3,646 | — | — | 3,647 |
| TOTAL | — | — | — | 90,880 |

Bosnia & Herzegovina

| 2020 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|--------|
| M1 | 2,110 | — | — | 2,111 |
| M3 | — | — | — | — |
| N1 | 5,737 | — | — | 5,741 |
| N2 | 9,272 | — | — | 9,277 |
| N3 | 2,769 | — | — | 2,769 |
| Manipulation equipment | — | — | — | — |
| TOTAL | — | — | — | 19,897 |

| 2021 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|--------|
| M1 | 2,595 | — | — | 2,597 |
| M3 | — | — | — | — |
| N1 | 6,940 | — | — | 6,944 |
| N2 | 10,514 | — | — | 10,519 |
| N3 | 3,768 | — | — | 3,769 |
| Manipulation equipment | — | — | — | — |
| TOTAL | — | — | — | 23,828 |



Direct gas emissions

Montenegro
Neregelia

| 2020 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|-------|
| M1 | 1,126 | 0.00042 | 0.00084 | 1,127 |
| M3 | — | — | — | — |
| N1 | 4,760 | 0.00336 | 0.00509 | 4,761 |
| N2 | 2,669 | 0.00093 | 0.00156 | 2,670 |
| N3 | 1,090 | 0.00012 | 0.00018 | 1,090 |
| Manipulation equipment | — | — | — | — |
| TOTAL | — | — | — | 9,648 |

| 2021 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|--------|
| M1 | 1,320 | 0.00043 | 0.00088 | 1,320 |
| M3 | — | — | — | — |
| N1 | 5,043 | 0.00314 | 0.00472 | 5,044 |
| N2 | 2,690 | 0.00071 | 0.00106 | 2,691 |
| N3 | 1,115 | 0.00013 | 0.00019 | 1,115 |
| Manipulation equipment | — | — | — | — |
| TOTAL | — | — | — | 10,170 |

Montenomaks

| 2020 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|-------|
| M1 | 585 | 0.00064 | 0.00048 | 585 |
| M3 | — | — | — | — |
| N1 | 2,602 | 0.00179 | 0.00196 | 2,602 |
| N2 | 1,533 | 0.00039 | 0.00058 | 1,534 |
| N3 | 259 | 0.00012 | 0.00018 | 259 |
| Manipulation equipment | — | — | — | — |
| TOTAL | — | — | — | 4,980 |

| 2021 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|-------|
| M1 | 499 | 0.00033 | 0.00034 | 499 |
| M3 | — | — | — | — |
| N1 | 2,731 | 0.0023 | 0.0024 | 2,731 |
| N2 | 1,645 | 0.00040 | 0.00060 | 1,646 |
| N3 | 246 | 0.00011 | 0.00010 | 246 |
| Manipulation equipment | — | — | — | — |
| TOTAL | — | — | — | 5,122 |



Direct gas emissions

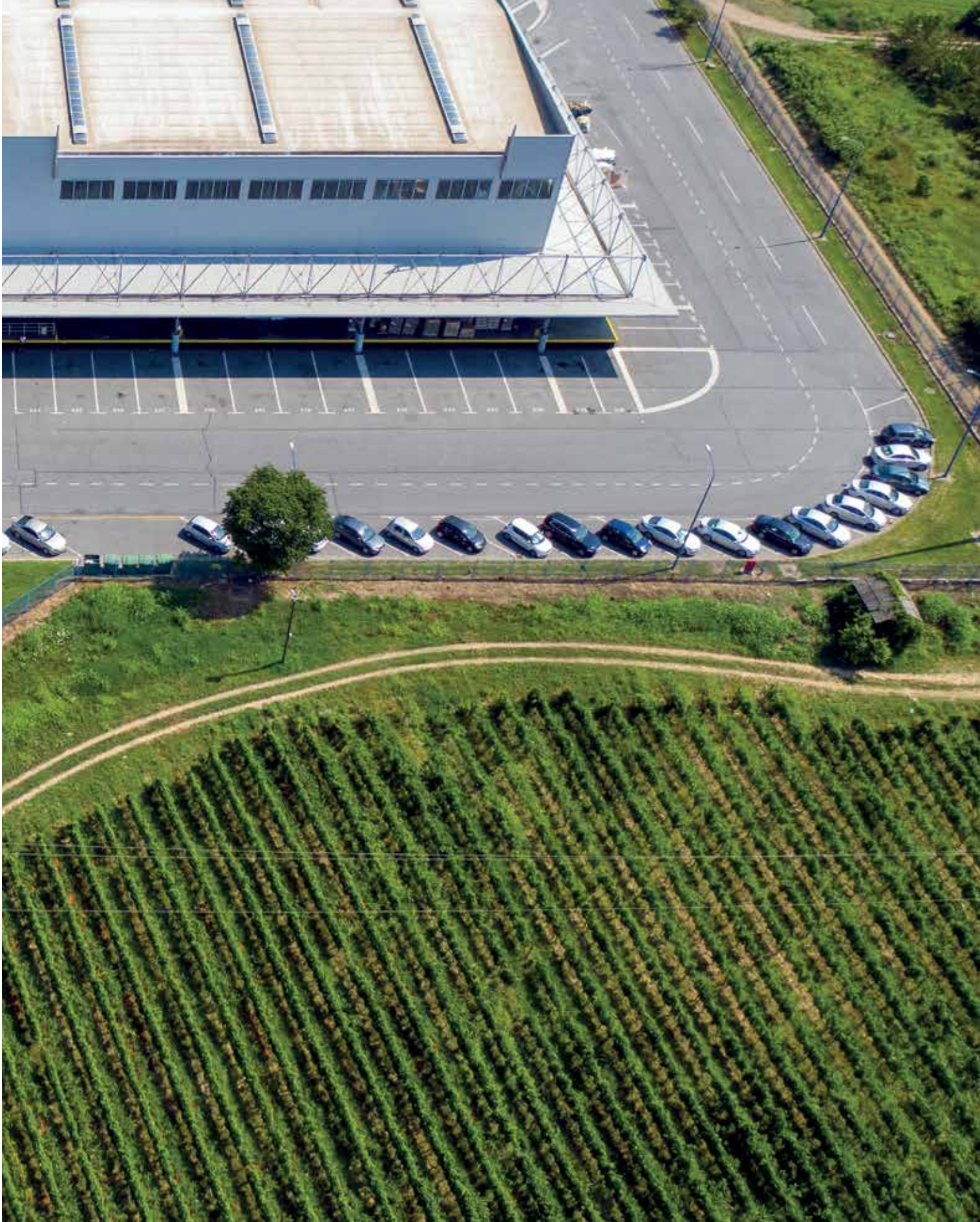
North Macedonia

| 2020 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|--------|
| M1 | 968 | 0.0119 | 0.0025 | 969 |
| M3 | — | — | — | — |
| N1 | 2,947 | 0.0382 | 0.0079 | 2,950 |
| N2 | 3,999 | 0.0168 | 0.0035 | 4,000 |
| N3 | 2,093 | 0.0049 | 0.001 | 2,093 |
| Manipulation equipment | 156 | 0.0019 | 0.0004 | 156 |
| TOTAL | — | — | — | 10,168 |

| 2021 | CO ₂ t | CH ₄ t | N ₂ O t | GWP |
|------------------------|-------------------|-------------------|--------------------|-------|
| M1 | 878 | 0.0127 | 0.0026 | 879 |
| M3 | — | — | — | — |
| N1 | 2,688 | 0.0424 | 0.0088 | 2,692 |
| N2 | 3,995 | 0.0165 | 0.0034 | 3,996 |
| N3 | 2,031 | 0.0049 | 0.001 | 2,032 |
| Manipulation equipment | 98 | 0.0011 | 0.0002 | 99 |
| TOTAL | — | — | — | 9,698 |

* The United States Environmental Protection Agency model was used in calculating direct and indirect greenhouse gas emissions, in order to get the opportunity to compare the results with other companies. The calculating model is the most widely spread model for acquiring info on the global warming potential

* M1 – passenger vehicle, <9 seats with driver
M3, class II – heavy buss, >9 seats with the driver, max mass >5t, local
N1 – light truck, max mass <3.5t
N2 – medium size truck, max mass >3.5t <12
N3 - heavy truck, max mass >12t





Direct gas emissions

GWP - petroleum products used by vehicles

| Nelt Group | GWP 2020 | GWP 2021 |
|----------------------|----------|----------|
| Serbia | 92,853 | 90,880 |
| Montenegro | 14,627 | 15,293 |
| Neregelia | 9,647 | 10,171 |
| Montenomaks | 4,980 | 5,122 |
| Bosnia & Herzegovina | 12,967 | 14,911 |
| North Macedonia | 10,168 | 9,698 |
| TOTAL | 130,614 | 130,782 |

GWP - natural heating gas

| Serbia | CO2 (t) | CH4(t) | N2O(t) | GWP |
|--------|---------|--------|--------|-----|
| 2020 | 386 | — | — | 386 |
| 2021 | 422 | — | — | 422 |

GWP - firewood and pellet

| Bosnia & Herzegovina | CO2 (t) | CH4 (t) | N2O (t) | GWP |
|----------------------|---------|---------|---------|--------|
| 2.020 | 12,796 | 1 | — | 12,967 |
| 2.021 | 14,714 | 1 | 1 | 14,911 |

Total global warming potential (GWP)

| Nelt Group | 2020 | 2021 |
|---------------------------|---------|---------|
| GWP - petroleum products | 130,614 | 130,782 |
| GWP - natural gas | 385.88 | 422.08 |
| GWP - firewood and pellet | 12,967 | 14,911 |
| Total | 143,966 | 146,114 |



Gas emissions

Indirect gas emissions

Realized indirect emissions of greenhouse gases originate from the purchased electricity coming from thermal and hydro power plants. The former use non-renewable energy sources while the latter use renewable energy sources.

The share of renewable energy sources in electricity consumption

Electricity GWP

Serbia

| | 2020 (%) | 2020 (GJ) | 2021 (%) | 2021 (GJ) |
|-----------------------------|----------|-----------|----------|-----------|
| Renewable energy sources | 27.89%% | 4,981 | 28.21%% | 5,200 |
| Nonrenewable energy sources | 72.11%% | 12,878 | 71.79%% | 13,234 |

| | 2020 | 2021 |
|-----------|--------|-------|
| TOTAL GJ | 12,878 | 5,200 |
| GWP Total | 1,301 | 1,337 |

Montenegro

| Neregelia | 2020 (%) | 2020 (GJ) | 2021 (%) | 2021 (GJ) |
|-----------------------------|----------|-----------|----------|-----------|
| Renewable energy sources | 53.98% | 872 | 54.2% | 927 |
| Nonrenewable energy sources | 46.02% | 743 | 45.8% | 784 |

| Neregelia | 2020 | 2021 |
|-----------|------|------|
| TOTAL GJ | 743 | 927 |
| GWP Total | 75 | 79 |

Montenomaks

| Montenomaks | 2020 (%) | 2020 (GJ) | 2021 (%) | 2021 (GJ) |
|-----------------------------|----------|-----------|----------|-----------|
| Renewable energy sources | 53.98% | 431 | 54.2% | 478 |
| Nonrenewable energy sources | 46.02% | 368 | 45.8% | 403 |

| Montenomaks | 2020 | 2021 |
|-------------|------|------|
| TOTAL GJ | 368 | 478 |
| GWP Total | 37 | 41 |

Bosnia & Herzegovina

| | 2020 (%) | 2020 (GJ) | 2021 (%) | 2021 (GJ) |
|-----------------------------|----------|-----------|----------|-----------|
| Renewable energy sources | 40.65% | 1,827 | 40.65% | 2,174 |
| Nonrenewable energy sources | 59.35% | 2,667 | 59.35% | 3,175 |

| | 2020 | 2021 |
|-----------|-------|-------|
| TOTAL GJ | 2,667 | 2,174 |
| GWP Total | 269 | 220 |

North Macedonia

| | 2020 (%) | 2020 (GJ) | 2021 (%) | 2021 (GJ) |
|-----------------------------|----------|-----------|----------|-----------|
| Renewable energy sources | 5.70% | 104 | 5.97% | 118 |
| Nonrenewable energy sources | 94.30% | 1,722 | 94.03% | 1,860 |

| | 2020 | 2021 |
|-----------|-------|-------|
| TOTAL GJ | 1,722 | 1,860 |
| GWP Total | 174 | 188 |



Gas emissions

GWP - Indirect Gas Emissions

| NELT GROUP | 2020 | 2021 |
|----------------------|-------|-------|
| Serbia | 1,301 | 1,337 |
| Montenegro | 112 | 120 |
| Neregelia | 75 | 79 |
| Montenomaks | 37 | 41 |
| Bosnia & Herzegovina | 269 | 220 |
| North Macedonia | 174 | 188 |
| Total | 1,856 | 1,865 |





Waste management and recycling

Caring for waste and consumption of non-renewable resources represent an integral part of our company’s business strategy and quality policy. We have been achieving national environmental goals for more than fifteen years, of which the last six have been in cooperation with Sekopak, a packaging waste management operator.

Serbia

| | 2020 | | 2021 | |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
| | Nonhazardous waste | Hazardous waste | Nonhazardous waste | Hazardous waste |
| TOTAL AMOUNT OF WASTE (t) | 554.316 | 5.945 | 673.187 | 16.39 |
| | 560.261 | | 689.577 | |
| Composting | 0.06 | — | 0.98 | — |
| Burning (or used as fuel) | 7.22 | — | 0 | — |
| Landfill disposal | 18.96 | — | 14.74 | — |
| TOTAL RECYCLED | 528.076 | 5.945 | 657.467 | 16.39 |
| | 534.021 | | 673.857 | |

Bosnia & Herzegovina

| | 2020 | | 2021 | |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
| | Nonhazardous waste | Hazardous waste | Nonhazardous waste | Hazardous waste |
| TOTAL AMOUNT OF WASTE (t) | 102.97 | 2.22 | 123.43 | 1.36 |
| | 105.19 | | 124.79 | |
| Composting | — | — | — | — |
| Burning (or used as fuel) | 62.5 | — | 62.5 | — |
| Landfill disposal | — | — | — | — |
| TOTAL RECYCLED | 40.47 | 2.22 | 60.93 | 1.36 |
| | 42.69 | | 62.29 | |

Montenegro

| Neregelia | 2020 | | 2021 | |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
| | Nonhazardous waste | Hazardous waste | Nonhazardous waste | Hazardous waste |
| TOTAL AMOUNT OF WASTE (t) | 32.67 | — | 23.81 | — |
| | 32.67 | | 23.81 | |
| Composting | — | — | — | — |
| Burning (or used as fuel) | — | — | — | — |
| Landfill disposal | — | — | — | — |
| TOTAL RECYCLED | 11.09 | — | 4.37 | — |
| | 11.09 | | 4.37 | |

| Montenomaks | 2020 | | 2021 | |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
| | Nonhazardous waste | Hazardous waste | Nonhazardous waste | Hazardous waste |
| TOTAL AMOUNT OF WASTE (t) | 107.73 | 0.22 | 122.82 | — |
| | 107.95 | | 122.82 | |
| Composting | — | — | — | — |
| Burning (or used as fuel) | 62.5 | — | 62.5 | — |
| Landfill disposal | — | — | — | — |
| TOTAL RECYCLED | 99 | — | 113.14 | — |
| | 8.95 | | 9.68 | |

North Macedonia

| | 2020 | | 2021 | |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
| | Nonhazardous waste | Hazardous waste | Nonhazardous waste | Hazardous waste |
| TOTAL AMOUNT OF WASTE (t) | 42.72 | 1.07 | 43.65 | 3.66 |
| | 43.79 | | 47.31 | |
| Composting | — | — | — | — |
| Burning (or used as fuel) | 1.76 | — | 3.19 | — |
| Landfill disposal | 0.01 | — | 0.06 | — |
| TOTAL RECYCLED | 40.95 | 1.07 | 40.40 | 3.66 |
| | 42.02 | | 44.07 | |



Waste management and recycling

Nelt’s outstanding contribution to the reduction of CO₂ gases

Sekopak awarded Nelt a certificate for its contribution to saving CO₂ emissions in the amount of 836.5 tons. The recorded savings in 2020 are at the same level as in previous years.

Our company’s participation in the packaging waste management system contributes to reducing the amount of packaging waste that ends up in landfills, and this includes reducing CO₂ emissions. The realization in 2020 ensured the reuse of more than two thousand tons of collected waste.

The cooperation between Nelt and Sekopak dates back to 2016. In addition to systematic management of waste streams, all Nelt employees contribute to the preservation of the environment - from warehouse employees, who collect and sort waste during the preparation of goods for distribution, to office employees who use installed sorting bins in buildings and recycling islands located at Nelt’s distribution and logistics sites in Dobanovci, Niš, Novi Sad and Kraljevo. The waste sorted in this way, together with the packaging waste generated from the warehouse operation process, is collected and baled in the eco yard, located next to Hall 2 in Dobanovci.

By reduced paper use we preserve nature

The Digital Delivery Note project, launched in 2020, we significantly automated our logistics processes, with the gradual withdrawal of paper documents from use, so that as a final result in the future, we shall only use digital documentation. By the end of 2021, we had already achieved a significant reduction in paper consumption. We use 80,000 sheets of copy paper per week, i.e., 160 sheets of copy paper less, which represents a total weight of 400 kg! With a saving of almost 25% on corrective documents, it means that we use 1.6 tons less paper per month. This way we save 444 trees a year that would be used for paper production!

Colleagues from Montenegro in the Green Action - Cleaning of Tunjevo and Ribnica

By participating in the Green Action, our employees in the companies Neregelia, Montenomaks and D Way, cleaned the Tunjevo picnic area. Tunjevo is one of the most beautiful picnic areas in Montenegro, located on the banks of the Zeta River on the border of the municipalities of Danilovgrad and Nikšić. The location was chosen after discussion with the locals. Fifteen employees took part in the action, who once again contributed to the preservation of the environment and set an example of positive behaviour in nature through personal responsibility.

Employees of Montenomaks joined the green action of cleaning the left bank of the river Ribnica, organized by the Zelenilo service, in cooperation with the capital city. The coast was cleaned by collecting waste from the coast, and removing dry branches, weeds and harmful vegetation.



Our context

LET US BECOME THE GUARDIANS OF THE ENVIRONMENT

Nada Stamatović,
Corporate Ccommunications, Nelt Group



There is more and more talk about the increase of air pollution in our region, but also in the world. When people think of air pollution, most of us immediately imagine strong smog flooding cities and industrial plants. This is the first and most visible form of air pollution, but it is not the only one. I will begin this text by defining the term “air pollution” on a broader level. In its most basic definition air pollution is the introduction of harmful substances into the Earth’s atmosphere. It is important that we fully understand the causes, consequences and possible solutions to air pollution in order to act responsibly and protect our environment and the entire planet, as individuals and as a company.

Causes

The causes of air pollution are plentiful. Reading different literature, I tried to categorize them on a more general level. I will list them all, but I will pay special attention to those that by doing its business, Nelt has the biggest effect on, while at the same time trying to reduce its impact by implementing numerous initiatives.

- Vehicle exhaust gases - the number one source of air pollution in urban areas are vehicle exhaust gases that emit large amounts of carbon monoxide.
- Fossil fuel power plants - during the combustion process, chemicals such as sulphur dioxide are released, which travel straight into the atmosphere. These types of pollutants react with water molecules to produce what is known as acid rain. This is one of the reasons why

- alternative energy sources, such as nuclear, solar and wind power, are being explored in more detail. They tend to release much less pollutants into the environment to produce equivalent amounts of energy.
- Exhaust gases from industrial plants and factories.
- Construction and agricultural activities.
- Natural causes - volcanoes, forest fires and dust storms originate from natural events and throw a huge amount of air pollution into the environment.
- Household activities - it is often easier to consider outdoor pollution as a primary danger on a large scale, but do not discard small daily activities that also affect our health. Conventional household chemicals, especially bleach, without proper ventilation, are the primary source of indoor air pollution. Smoking tobacco using cigarettes and cigars also releases toxic pollutants into the air.

Consequences - negative effects

Now that we know the culprits of air pollution, we need to look at the harmful effects. By disturbing the balance of natural gases that make up the atmosphere of our Earth, the ozone layer is being destroyed, and the rate of global warming is rising. Can you see the problems this can cause? First of all, the human health factor should be taken into account. If humans are in danger, then other forms of wildlife and organic beings are in danger. Then there are the effects on the planet and its atmosphere.



Our context

Solutions

Understanding the causes and consequences is important so that we can determine how best to fight pollution. We can classify them as follows:

- Minimize the use of fossil fuel vehicles
- Planning and optimizing energy consumption
- Advocating for the use of clean energy
- Recycling

Nelt's initiatives to reduce the negative effects on the environment

Given the nature of the Nelt core business, the greatest impact on the environment we achieve through international and domestic transport. By optimizing the route, purchasing vehicles according to the criteria of optimal utilization of cargo space and power required to perform a business task, we affect the reduction of fuel consumption. By introducing compressed natural gas vehicles - CNG, Nelt strives to provide cleaner, safer and more cost-effective transport in its fleet. Although it is a fossil fuel, it is the cleanest fuel of its kind. For now, there are 18 vehicles in the Nelt fleet with CNG drive - 14 for field sales and 4 trucks for delivery of goods to customers. By providing better infrastructure to supply this type of fuel, the number of these vehicles is planned to continue to increase.

Energy consumption planning and optimization

In addition to transport, significant energy consumption comes from the use of natural gas for heating, as well as electricity consumption. Nelt's "smart warehouses", in the central distribution and logistics centre in Dobanovci (Serbia) and in East Sarajevo (Bosnia and Herzegovina), are designed and built using the latest technologies

that enable optimization and reduction of energy consumption and monitoring of ongoing processes.

In addition, we optimize the use of gas with the SCADA system, which results in an overall reduction in energy consumption. In order to further optimize and improve processes, new smart devices and sensors have been added to the SCADA system over time, contributing to new reductions in the company's carbon footprint impact. The connection of the elements of the system that independently monitor the internal and external temperature and decide when to activate certain systems. This has led to a reduction in energy consumption for heating, cooling and ventilation in warehouses. It has been perfected to the extent that, if necessary, outdoor air is used to provide the desired conditions in the storage space. Temperature and humidity sensors have also been installed, which the system can report in the form of a tabular overview of measured quantities. It is also possible to send notifications via SMS to the responsible persons in the Nelt Group in case of the events that require urgent response.

One of the initiatives of the Nelt Group that are implemented in the reduction of electricity consumption is the introduction of lighting with LED technology.

The participation of our company in the system of packaging waste management operators reduces the amount of packaging waste that ends up in landfills and thus reduces the amount of CO2 emissions.

In addition to systematic management of waste streams, all Nelt employees contribute to the preservation of the environment - from colleagues in the warehouse, who collect and sort waste during the preparation of goods for distribution to employees in offices using installed sorting bins in buildings and recycling islands located at Nelt's distribution centres in Dobanovci, Niš, Novi Sad and Kraljevo. The waste sorted in this way, together with the packaging waste generated from the warehouse operation process, is collected and baled in the eco-yard, located next to Hall 2 in Dobanovci.



„Wall Street by Nelt“, an art installation of 10 murals placed in companies' headquartered in Belgrade

Integrating the socially responsible
business in corporate governance is
important to achieve long-term goals and
it is vital for sustainable development.

CORPORATE
MANAGEMENT



Corporate management

Anti-corruption and Antitrust

Doing business in line with the legal framework, including the competition advocacy, is one of the core values that the operations of all members of the Group are based on. The Antimonopoly Team, established 15 years ago, has the primary task of continuously spreading awareness of the importance of competition advocacy, bearing in mind the negative consequences that failing to conform to these rules may have on the business of the Nelt Group. Ever since its establishment until today, the team has designed and implemented a great number of activities aimed at educating employees in the field of competition law. Special internal guidelines, that regulate the areas of anti-corruption and protection of competition have been defined. They are documented in the publications such as the Code of Conduct, Principles and Rules of Compliance with Anti-Corruption Laws and Regulations, Rulebook on Protection of Competition.

The Code of Conduct contains basic elements related to conflicts of interest and competition and it represents the basis of professional conduct. The Code identifies conflicts of interest that may arise directly between the activities of

the company and employees, and between the interests of the company and other businesses or private interests in which the employee is involved outside of his work in the company.

When it comes to preventing corruption, employees who have relationship with competitors, suppliers, customers and third parties, have an obligation to work in the interests of the company and not to use their position in the company neither any business nor other information at their disposal to gain personal benefit from mentioned stakeholders. Giving and promising bribes, providing incorrect information and statements, as well as concealing information are strictly prohibited. Competition information, products and services may be collected only within the framework defined by the applicable law. In addition, in cooperation with consulting companies specializing in this field, workshops are conducted for all employees of the Nelt Group who, within the scope of their duties, participate in negotiations with principals.

Workshop titled “Competition rights during Covid-19”

"Competition law during Covid-19: practice and risks" organized by the legal sector of the Nelt Group and the law firm Karanović and Partners was held during the crisis caused by the Covid-19 pandemic at the Nelt premises in Dobanovci.

Besides the colleagues from the legal sector, employees from the internal control, audit and communication sector also took part in the workshop.

The goal was to get acquainted with key topics such as: the obligation to respect the law, the use of powers and practices of competition authorities during the pandemic, as well as the risks in the post Covid-19 period.



Corporate management

Legal Compliance and Nelt Group Ethics Team

Legal Compliance and Nelt Group’s Ethics Team was formally established in 2019 with the aim of monitoring the compliance of Nelt Group’s operations with laws, bylaws and other regulations, principal requirements and internal company policies, procedures and principles of good business practice. The purpose of the team is primarily preventive activities through legal protection of the Group and avoidance of penalties on any grounds.

The team provides legal advice, consulting and answers to specific inquiries from all sectors. It also regularly sends out information about adopted laws and changes in regulations relevant to the Nelt Group and practical consequences they have on the business.

The team consists of 14 company legal representatives, including Neoplanta and Baby Food Factory. Legal opinions on the most complex matters are shared by the Steering Committee, which consists of the 5 most experienced members of the team holding the bar exams. The team incorporates the Antitrust and Anti-Corruption Team (2007), where the latter has been expanded to associate members from the internal audit, distribution and internal communications sectors, as well as the Contract Review Committee (2016), in charge of reviewing, analysing and commenting on agreements. Also, when we find it necessary, Project Teams are formed to implement the acts of legal compliance of the Group. Current projects relate to the implementation of the GDPR and legal requirements regarding personal information protection, as well as the Legal Guide on the most important legal aspects of the business.





Legal publications of the Nelt Group

Every individual at Nelt Group knows how important it is to identify business risk and possible consequences in a timely manner, and to focus resources on eliminating or minimizing the risk. The role and importance of the legal sector in a modern corporation is therefore multiple. It takes care of the compliance of business with legal regulations, acts as the representation of the company before the competent authorities, gives legal opinions and advice, interprets laws, provides support in the processes of entering into agreements.

One of the key tools for such preventive activities is to operate in accordance with valid laws, bylaws and other positive regulations. In order to provide timely and accurate information, the Legal Team designed and

prepared the publication Legal Informant. Each issue of the Legal Informant is carefully and dedicatedly prepared by presenting a clear and concise overview of changes in regulations in the previous period, comments and instructions for the application of the law., the practice of the state bodies responsible for the application and interpretation of regulations as well as the answers to the most frequently asked questions in practice.

In addition to the Legal Guide through the Nelt Group's operations, the publications implemented by the Legal Team are the Legal Information Book, Work Law Manual, Glossary of AMT Terms, Nelt Group's Competitiveness Compliance Program and other instructional and binding acts and guides.

Legal guidance publication

In the years behind us, when the number of enacted and published laws and other regulations has significantly increased, the compliance role of the Nelt Group Legal Team was of crucial importance in the prevention of legal risks, proper and responsible business decision-making by process owners, as well as timely recognition of challenges and overcoming them with the help of legal tools. One of those Nelt Group's legal guide, edition and tripartite presentation, which highlights important topics and questions to which the guide answers: What are the legal aspects of business cooperation, who is our business partner and possible legal forms of business organization, what are the elementary steps of contracting and basic elements of the contract, how to recognize the key points of legal risks, how to secure and collect claims arising from the contract.

The guide was implemented in the form of training in the markets of Serbia, North Macedonia, and Montenegro, and by the end of 2022, it is planned that the education will be implemented in all markets of the Western Balkans.

Legal support during the Covid-19 pandemic

Upon the proclamation of the pandemic caused by the SARS-COV-2 virus, there has been a very lively legislative activity. In a very short period, hundreds of various regulations, decrees, decisions, conclusions, orders, concerning the business of Nelt Group were brought, and they needed to be analysed and harmonized with our internal acts.

The state of emergency caused by the COVID 19 virus produced the need for an emergency edition of the Legal Bulletin. Our goal was to act proactively and identify risks, set priorities and identify necessary preventive actions. In order to succeed in that, we were aware of the necessity to be up to date with all the important information about the new regulations and their application during the new circumstances.

The special edition of the Legal Bulletin provides fast, instructive, secure, accurate and up-to-date access to information important for the successful and legal operation of our companies during the crisis in the markets of the Western Balkans.



Internal control and audit

Macroeconomic situation and changes had an impact on the evolution of the internal audit profession. Various risks in organizations and outside them are developing much faster than before, which has the effect on the internal audit which is now developing faster, allowing activities to be performed quickly in accordance with the exposures to risks.

The «old» model we used up to now focuses on three lines of defense, which consist of operational management, risk control and internal audit. The new model, applied in the Nelt Group, includes all this with a focus on cooperation and objective harmonization between the lines that lead to more efficient business security. The new model provides a timely evolution of a reliable tool. The word «defense» has disappeared from the new model. The emphasis is on the need for all parts of the organization to focus on goal management, assessing and reporting on the certainty of achieving goals.

With the new model, we insist on the existence of regular interaction between internal audit and management. One significant change is actually greater involvement of the managing body. The Three Lines model clearly defines the roles and responsibilities of the managing body, as well as those of the executive management and internal audit. These roles are not limited to risk management, but are focused on the overall management of the organization. In addition, emphasizes is placed on the importance of communication and cooperation of all parts of the organization. Internal audit, although an independent function is not isolated, because the function must understand the organization from the inside. When all parts of the organization work together, with harmonized goals, the organization shall be able to act efficiently and achieve its goals.



Quality policy and risk management

Key areas of quality policy

Risk management

For the purpose of continuous preventive and systematic approach in the Nelt Group, we have established a Risk team. This team provides timely information on the basis of which it is possible to make informed decisions on accepting, limiting, reducing and transmitting risks to stakeholders (employees, social environment, environment). Involving employees at all levels and identifying potentially risky events allows the system to be kept up-to-date and improved, to manage risks and to continuously provide relevant inputs for strategic decision-making in the company. In order to improve their work, members of the Risk Team are regularly informed about examples of best world practices and international standards.

Occupational health and work safety

Raising the quality of the working environment is based on the active involvement of employees in the OSH* team, in order to create programs and implement measures to protect health and safety at work. The programs are integrated into the company's standard process activities.

Environment Protection

All participants of the processes are oriented towards the rational use of natural resources. Regular and integrated activities, using selected technology, equipment and materials, reduce the negative effects on the environment.

Food safety

The responsibility and commitment of the company's management, in terms of food safety, is reflected in meeting all the necessary conditions of the established processes, which should preserve the health of food products, while being under the company control.



Our context

SAFE FOOD CONCERNS EVERYONE

Danijela Dragić,
Quality Specialist, Nelt Group



We are quite often unaware of how significant is what we eat and drink, not only in terms of nutritional composition but also from the aspect of the health safety.

In the 21st century, when about 7.7 billion people live on the planet, it constitutes a great challenge to produce sufficient quantities of safe food.

The challenge was recognized by experts in the food industry in the 1960s, and on their initiative the World Health Organization (WHO) and the Food and Agriculture Organization (FAO) established the Codex Alimentarius Commission (a set of international standards and guidelines on food guarding the food safety and quality).

The importance of establishing the Codex Alimentarius is best evidenced by the 1985 resolution of the United Nations General Assembly, which identifies food as one of the three priorities that are essential for human health and in this light emphasizes that the Codex Alimentarius is its key reference point.

The Codex Alimentarius Commission recommends HACCP (Hazard Analysis and Critical Control Point) as the system capable of ensuring the safety of food for human consumption by defining and establishing control over critical control points in the “from field to fork” process.

The first beginnings of the HACCP system are related to the development of food for astronauts within the American space program. The goal of the project was to produce completely safe food for astronauts, without the presence of pathogenic microorganisms or their toxins.

Today, the HACCP system is an internationally recognized food safety system applied by all food industries, but also by all those providing for in the food chain.

Today, it is estimated that 600 million people in the world, almost 1 in 10, get sick after eating contaminated food, and 420,000 of them die every year.

Nelt, as the leading logistics and distribution center in the Western Balkans, has recognized its place in the food supply chain and accordingly implemented and certified the internationally recognized HACCP food safety control system. Every day, we act responsibly to our customers and end users and we store, transport and distribute raw materials for the food industry and final food products in an adequate way to ensure food safety for the final consumer.

Food safety is not something that only concerns food producers and does not start and end in the food industry. Food safety is an important everyday aspect, precisely because we consume food on daily basis. The daily routine, which consists of, for example, washing hands before manipulating food, improves its safety. It is important that all of us in the chain of production, processing, distribution, but also as end consumers, understand the need to respect the basic principles of food safety in order to forestall and prevent food poisoning or, ultimately, death.

Food safety concerns all of us who are food consumers and have a basic human right to have access to healthy and safe food. Therefore, we at Nelt continue to work daily to maintain and improve our food safety system.



Systemic risk management

Pursuant to the ISO 31000 standard, the Nelt Group was among the first to introduce a risk management methodology, based on best practice indicators of companies in similar industries from developed European countries. Thanks to its implementation, Nelt has established a good basis for business decision-making and planning, based on risk and opportunity assessment, measured both internally and externally.

The Risk Management team was formed in May 2015 and consists of representatives of various sectors in the company who are experts in their field, with extensive knowledge and experience. As changes in the internal

and external environment are dynamic, the members of the Risk Management team are changing so that the efficiency of risk management is always at the highest level. The benefits of systemic risk management are more effective consideration of business risks and opportunities, better decision-making and planning, better consideration of the impact on achieving goals, more efficient use of resources, improving employee protection and safety, as well as property protection.

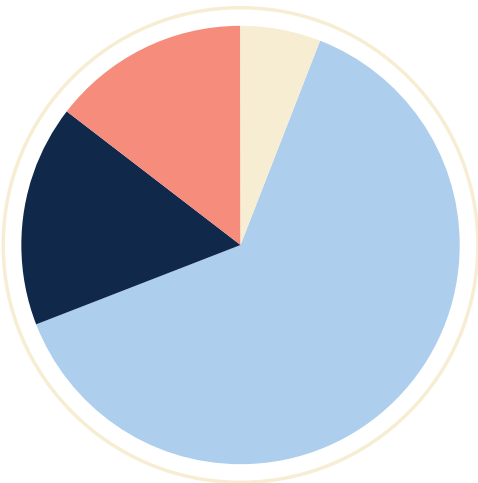
The company is continuously and intensively working on strengthening the system, education, promotion, and raising the awareness of all employees.

Annual risk review

During 2020 and 2021, annual reviews of risk management plans were carried out in companies in Serbia, Montenegro, Bosnia and Herzegovina, and the methodology used in the Nelt Group was for the first time applied in North Macedonia. At the end of 2020, systematic risk management was introduced for the first time at Nelt ST in the Republic of North Macedonia.

As in previous years, the focus in 2020 and 2021 was on timely identification and detailed consideration of strategic risks that could jeopardize the performance of the organization to the significant extent, especially with aspects of the impact of the Covid-19 Pandemic. The risk management plans and reports posted on the Smartsheet collaboration platform have greatly facilitated the continuous recording and monitoring of risks at the Nelt Group level.

Nelt Group Risks



- Operational risks; 242; 64%
- Compliance risks; 62; 16%
- Hazardous risks; 54; 14%
- Financial risks; 22; 6%



Systemic risk management

| | SERBIA | | MONTENEGRO | | | | BOSNIA & HERZEGOVINA | | NORTH MACEDONIA | |
|-----------------------|--------------|--------------|-------------|-------------|-------------|--------------|----------------------|--------------|-----------------|--------------|
| | Nelt Co | | Neregelia | | Montenomaks | | Nelt doo | | Nelt ST | |
| YEAR | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| PROCESSED RISKS | 224 | 181 | 39 | 36 | 67 | 47 | 85 | 51 | 75 | 65 |
| NEW RISKS | 34 | 34 | 4 | 4 | 9 | 5 | 10 | 5 | — | 5 |
| EMPLOYEES IN TRAINING | 26% (558) | 31% (650) | 10% (23) | 11% (25) | 47% (67) | 4.2% (69) | 4.1% (16) | 4.1% (18) | 7.5% (15) | 9.5% (20) |

Digitization of the risk management process in 2020

The records of reviewed risk plans were previously kept in excel form, while in 2020 we started digitizing this process through the Smartsheet collaboration platform.

This method provides a unique location for monitoring, updating and managing identified risks, while authorized employees can access information at any time in a user-friendly manner.



Quality management

By continuously improving the quality management system, we are working to improve the process and ensure high quality services, giving priority to the health safety and integrity of each product.

In accordance with business needs, we have certified the implemented quality management systems ISO 9001, for food safety HACCP, GDP (Good Distribution Practices) - a system for the application of good practice in the distribution of drugs and medical devices in Neregelija in Montenegro, and the Certificate of Organic Production for placing on the market and export of certain certified organic products on the markets of Serbia, Montenegro, North Macedonia, Bosnia and Herzegovina. The ISO 14001 environmental protection system has so far been implemented and certified by

Montenomaks in Montenegro. All systems comply with the requirements of the standards of the International Organization for Standardization and leading European retail chains, which is confirmed by certificates issued by leading certification institutions.

In April 2020, group certification of the Nelt Group members was performed for the first time in accordance with the requirements of ISO 9001: 2015 and the HACCP Food Safety System. According to the client's requirements, in October 2021, the certification of Organic standards was performed in all member companies of the Nelt Group that distribute organic products of the Nutrino brand. Certification was conducted in accordance with the regulatory requirements applicable in each market in the area.

| CERTIFICATES REVIEW | | | | | | |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Serbia | Montenegro | | Bosna & Herzegovina | North Macedonia | Albania |
| | Nelt Co | Neregelija | Montenomaks C&L | Nelt Doo | Nelt ST | Nelt Sh.p.k |
| ISO 9001:2015 | Recertification 2020 | Recertification 2020 | Recertification 2020 | Recertification 2020 | Recertification 2020 | Recertification 2021 |
| HACCP | Recertification 2020 | Recertification 2020 | RRcertification 2020 | Recertification 2020 | Recertification 2020 | Recertification 2021 |
| INDIVIDUAL CERTIFICATES | | | | | | |
| GDP | / | Recertification 2020 | / | / | / | / |
| ISO 14001:2015 | / | / | Recertification 2020 | / | / | / |
| Organic serificate | Recertification 2021 | Recertification 2021 | / | Recertification 2021 | Recertification 2021 | / |



Nelt has had a certificate of compliance with the requirements of ISO 9001 and Codex Alimentarius (HACCP) ever since 2008. With the introduction of group certification, ISO 9001 and HACCP systems are checked by SGS for all member states except for the Albanian market, whose compliance is checked by the certification house TUV. ISO 14001: 2015, implemented by Montenomaks in Montenegro, is checked by StandCert. The HACCP system underwent an audit process in 2020, adding new requirements emphasizing the participation of top management in meeting food safety requirements. The requirements relate to food allergens, employee training, validation of HACCP plans and equipment, as well as the introduction of the term "food safety culture".

Over the two-day inspections in 2021, the following areas were analysed:

- leadership
- business planning and development
- resources: people and knowledge of the organization, infrastructure and equipment
- competence and awareness, communication
- documented information
- storage and handling of packaged products and transport of goods
- monitoring and measuring, improvements

In addition to supervisory checks by certification companies, in 2021 we carried out a number of successful analyses of the compliance of Nelt's practice with the requirements of our partners Nestle, Baby Food Factory and Procter & Gamble.



We take care of product quality and safety

By the means of our quality policy, procedures and work instructions, we have defined the manner in which we organize and implement the process. In addition, we provide all the necessary conditions for maintaining the health and safety of food products while they are under our control. This includes appropriate storage, handling and transport conditions, enabling required temperature depending on the type of goods, protection against unauthorized access, protection against potential contamination. We achieve this with the introduced system of defence and protection of food, which help us reduce the possibility of intentional contamination in the food chain. The system includes rotation of stocks in accordance with the FEFO principle (First Expired First Out), ensuring traceability of goods at any time in case of withdrawal or recall of products from the market, maintaining the highest hygienic and sanitary conditions in storage, transport and handling, periodic laboratory analysis of imported products as a confirmation of their health and quality.

In order to make the products we distribute be qualified as safe and harmless to the health of consumers, they must meet the criteria laid out in the regulations governing the placing of goods on the market. The requirements of these regulations include principles related to the appearance of the product, the possible existence of prohibited substances or elements in the product, product labelling, microbiological safety. Compliance of goods distributed by

Nelt with the provisions of regulations is established on the basis of valid manufacturer's documentation, applied production standards, results of analyses (qualitative, microbiological, presence of pesticides and heavy metals, radiation, GMO, etc.) performed in relevant laboratories, as well as physical inspection of products. Likewise, the existence and correctness of the declaration is checked, which must be in the appropriate language and contain all the information prescribed by the legislation of the market in which the goods are to be placed.

In addition to the products distributed from its distribution portfolio, Nelt stores, manipulates and transports the goods of its customers, being the one of the most important logistics providers in the region. In accordance with this part of the business, we take care to meet the requirements of regulations and good practice for different types and kinds of goods, both final products, as well as raw materials and packaging for the food, pharmaceutical and other industries.

As a confirmation of the health and safety of products that we take over from our clients as a logistics provider, it is mandatory that each client provides appropriate evidence in the form of analysis results, certificates, statements of compliance with applicable regulations and its requirements to ensure that in no way food products will be cross-contaminated or unsafe for our end customers.



In addition to the products distributed from its distribution portfolio, Nelt stores, manipulates and transports the goods of its customers, being the one of the most important logistics providers in the region. In accordance with this part of the business, we take care to meet the requirements of regulations and good practice for different types and kinds of goods, both final products, as well as raw materials and packaging for the food, pharmaceutical and other industries.



We are healthy and socially responsible corporation with the long term perspective, continuously invests in own development, treats employees with care, has the ability to respond quickly to changes and challenges and aims at sustainable business growth.

STRATEGY



Digitalization is our strategic commitment

Identifying and tracking digital trends enables the Nelt Group to maintain its market position and be competitive at all times. Investing in development and innovation is reflected in the use of advanced technologies in all business segments.

- **SALES** - Tablets
- **COMMUNICATIONS** - IP telephony, IM, 3G + data transfer from the field
- **LOGISTICS** - WMS G.O.L.D, Dynamic routing, Pick by Voice
- **DELIVERY** - Sky Track System, PDAs
- **BUSINESS INFORMATION SYSTEMS** - SAP
- **INVENTORY MANAGEMENT** - SymphonyRetailAI.

Structured information and clear decision-making processes are prerequisites for successful and sustainable business. In addition to the applied software for business content management in the organization - ECM (Enterprise Content Management) - business process automation is enabled by BPM tool (Business Process Management), a software module that provides process transparency and large amount of data management.

Digital Delivery Note project for better communication and data tracking

In order to improve communication and exchange of documents with our partners, in March 2020 we started the Digital Delivery Note project. After the successful preparation and start on May 10, 2021, great results were recorded - 33 percent of customers are included in the system. At the same time, we worked on involving our logistics clients. One of the largest manufacturers of confectionery products, the company Bambi, recognized the potential of a new technological solution and joined in the middle of 2021. With this cooperation, we have become the first logistics provider to provide this type of service to its logistics clients on the Serbian market.

The start of the Digital Delivery Note project was prepared at the right time and harmonized with the legal regulations in the field of electronic document exchange, which will come into force on July 1, 2022. With the implementation of the project, we opened the way for further development of new functionalities in this segment, as well as the gradual transition to a digital business model. With the Digital Delivery Note project, we have significantly automated logistics processes and gradually started withdrawing paper documents from use, so that in the future, as a final result, we will use only digital documentation.

By the end of 2021, we had already achieved a significant reduction in paper consumption. We use 80,000 sheets of copier paper less each week. This reduces the consumption of this type of paper by 400 kg! With savings of almost 25 % on corrective documents, we use 1.6 tons less paper per month. In this way we save 444 trees per year that would be used for paper production. The benefits of Digital Delivery Note project are faster flow of information, faster delivery of corrected invoices and placing goods on the market, less time for manual corrections of invoices and delivery notes, reduction of physically occupied archive space, adjustment and harmonization with legal regulations related to electronic documents.



Digitalization is our strategic commitment

INFORA - improved solution for optimizing delivery routes for more efficient distribution

We have always been among the pioneers in introducing state-of-the-art technology solutions - from EDI exchanges with clients, through Sky Track routing, WMS Gold and Voice Piking programs in logistics operations, to SAP ERP and BI reporting in our administration.

The pandemic has further accelerated us towards the digital transformation. We have implemented new software solutions in internal processes and in working with customers.

During 2021, our multifunctional project team worked, together with our partner INFORA, on the development of a software solution that should enable us to be more efficient in optimizing sales and delivery routes. The project started on January 31, 2022.

With the automation provided by the new solution, we want to achieve greater efficiency, optimization and rationalization of time and other resources in order to increase the quality of service.

Data management

Proper Data management is the key to the success of any company. The modern age has brought great technological innovations and numerous useful innovations that have radically changed the course of development of society, but also the view of today's man on life and further progress. The key to modern, i.e., digital age is a large amount of data in electronic form that is growing year by year and is difficult to manage, especially in complex work environments.

We can say that our company has a large amount of data or that, as it is called today, a "data rich company". The goal of the Nelt Group is to become a data-driven company.

We know we can always do better. That is why in 2021 we decided to launch the Data Management project. Faster reporting and higher data accuracy, combined with predictive analytics, should increase sales results in traditional and organized trade.

At the same time, we plan to optimize costs through better inventory management. We believe that the users of our services shall also recognize the positive impact on their business. This will provide us with greater competitiveness in the market and enable the expansion of business by establishing cooperation with new principals in distribution and customers in the supply chain.



Our context

DIGITALIZATION TRENDS IN THE DISTRIBUTION SECTOR

Aleksa Šaponjić

Digital Product Manager, Nelt Group



In the last few years, we have witnessed great changes and growing challenges in the consumer goods industry. One of the key ones is the growing turnover of labor force caused by moving to other industries or going to work in other countries, which is facilitated by opening borders. Also, the mismatch of prices of foreign suppliers in the region leads to increasing parallel imports, which is why certain types of goods can be procured from different sources. Faced with increasing competition, suppliers are becoming more demanding. Furthermore, macroeconomic factors affect the growth of logistics costs, which reduces the space for profitability that companies plan and want to achieve.

All of the above-mentioned, among other challenges, leads distributors to work quickly and continuously to increase efficiency, acquire new knowledge and optimize costs in order to adapt to higher industry demands and meet the needs of their customers, suppliers and customers. One of the necessities in this process is the use of new technologies and new IT solutions.

Although Nelt has been investing in new technologies and process automation for years, these investments are now the number one strategic priority, in order for the company to maintain and further strengthen its position as the leading distributor in the region. The focus is on increasing the efficiency of internal operations and creating the highest quality service for clients. In this way, Nelt wants to increase the satisfaction of existing customers, but also to create new values for the company. As many as 60% of projects implemented in Nelt during the last five years included the implementation of new solutions in the field of digitalization.

If we look at the distribution sector, there are several different areas in which digitalization can bring significant improvements:

Processes between manufacturers / customers and distributors

- Improvement, automation and digitalization of key internal processes
- Providing accurate and timely information / data to manufacturers / customers

Processes between retailers and distributors

- Improving, automating and digitizing the process between customers and distributors with a focus on the current challenges they have in working with the distributor
- Digitalization of cooperation models that will optimize processes for both distributors and customers



Providing accurate and timely information / data to manufacturers / customers and improving and automating internal processes

Nelt has long used technologies such as WMS - for warehouse operations management, TMS - for transport management, inventory management software, ECM - for decision management, PDAs - for field sales, production management software, etc. We consider all of the above to be the basis for the survival and functioning of this industry, and our focus for the coming period will be on more advanced solutions.

One of the most important planned investments is related to the project of better data management. We are a company that uses one of the IT solutions for all business processes in distribution - from the procurement of goods, logistics, transport, sales to positioning on the shelves, and a company that distributes dozens of brands to tens of thousands of delivery points. It is clear that we have a recorded history of all business activities and that we have a huge amount of data. In modern terms, we are a “data rich company”. However, we want more than that. We want to use this data in a more optimal way and become a “data-driven company”. Our goal is to optimize internal processes, make better and faster decisions based on valid and appropriate information, provide better service to our clients and increase the content of the employees.

By establishing an enterprise data warehouse, with quality data collected from the already mentioned systems as well as other external sources, we will get a unique database and one source of truth. This should provide us with the development of a strong reporting system with a greater degree of automation of reporting and more time for report analysis. Real-time reporting, better communication between sectors and providing a wealth of useful information to our clients are additional improvements that the system provides. Thanks to

advanced AI analytical techniques, Machine learning and complex forecasting models, which better predict future trends based on available data, we shall be in a position to better understand our customers and clients. We believe that as a data-driven company, Nelt shall be more capable and agile to adjust to market trends through faster decision-making process and faster reactions to changes in the business environment.

One of the trends in the consumer goods industry is the growing number of promotions in stores. Consumers are increasingly demanding in terms of price, which is why promotions are one of the main tools of distributors, suppliers and retailers in the fight against competition to attract customers. Investing in a tool for adequate promotion management, which will use our historical data and accurately validate promo ROI for each of the promo activities, is part of our strategic focus on digitalization. This will enable us to better evaluate the results of previous activities as well as to plan future ones more adequately. This tool aims to help Nelt and our suppliers to invest smarter in promotions that are more profitable and in which consumers are more interested. In addition, we expect that our clients will sense the benefits who we shall provide with promotions and aid them in becoming more competitive in attracting larger number of customers.

Nelt is one of the pioneers in our region when it comes to PDAs. Their use is our everyday life. As a logical continuation of better data management, one of the main projects in the coming period will be the launch of a more advanced version of the field sales application. It will be connected to a central database and should provide field positions with real-time data as well as analysis of their customers. This will help them better understand their needs and thus increase customer satisfaction. On the other hand, all information from the field will be used, in real time, for analysis, decision making and reporting to our suppliers on the situation in the field. We will use the transition to a newer version of the application to automate all sales processes, reporting, reduce paperwork and administration, increasing the efficiency and employee satisfaction.

Some of the trends that have not yet taken root in our market are “Mixed Reality” and “Image recognition”. While “Mixed reality” with the help of 3D models helps to better



plan the arrangement of goods on the shelves, without going to the store, “Image recognition” significantly improves and speeds up today’s arrangers of goods by transmitting, with one click, data on product status on store shelves instead of today’s manual input. These solutions aim to get the right products in the right place within the retail facility and to be available at the right time to avoid shelf out-of-stock status and consequently miss sales.

Improving, automating and digitizing the process between customers and distributors with a focus on the current challenges they have in working with the distributor

One of the key challenges for buyers and distributors is the delivery of goods, given the labor shortage facing the entire industry. Improvements in this area are crucial for all stakeholders. One of the improvements within the delivery process is the Digital Delivery Note project implemented by a couple of companies in the region, including Nelt. The goal of digitalization of invoices is, primarily, to speed up the supply chain, that is to reduce the time spent on receiving goods and monitoring documentation. The key benefits that customers receive are:

- elimination of corrective documents and correct invoice (correct documentation) during the first delivery
- delivery status available at all times
- access to the digital archive of commodity documents, ie. shipping documents

Another important solution in this segment is the implementation of a B2B solution intended for customers. Currently, B2B solutions are not so prevalent in the FMCG industry and most players that are successful in other markets generally start from scratch, which is certainly not possible with existing distributors. Given the current situation with parallel imports, the implementation of this solution will be a great challenge for all companies. The B2B solution in FMCG should focus on several areas within the cooperation of retailers and distributors.

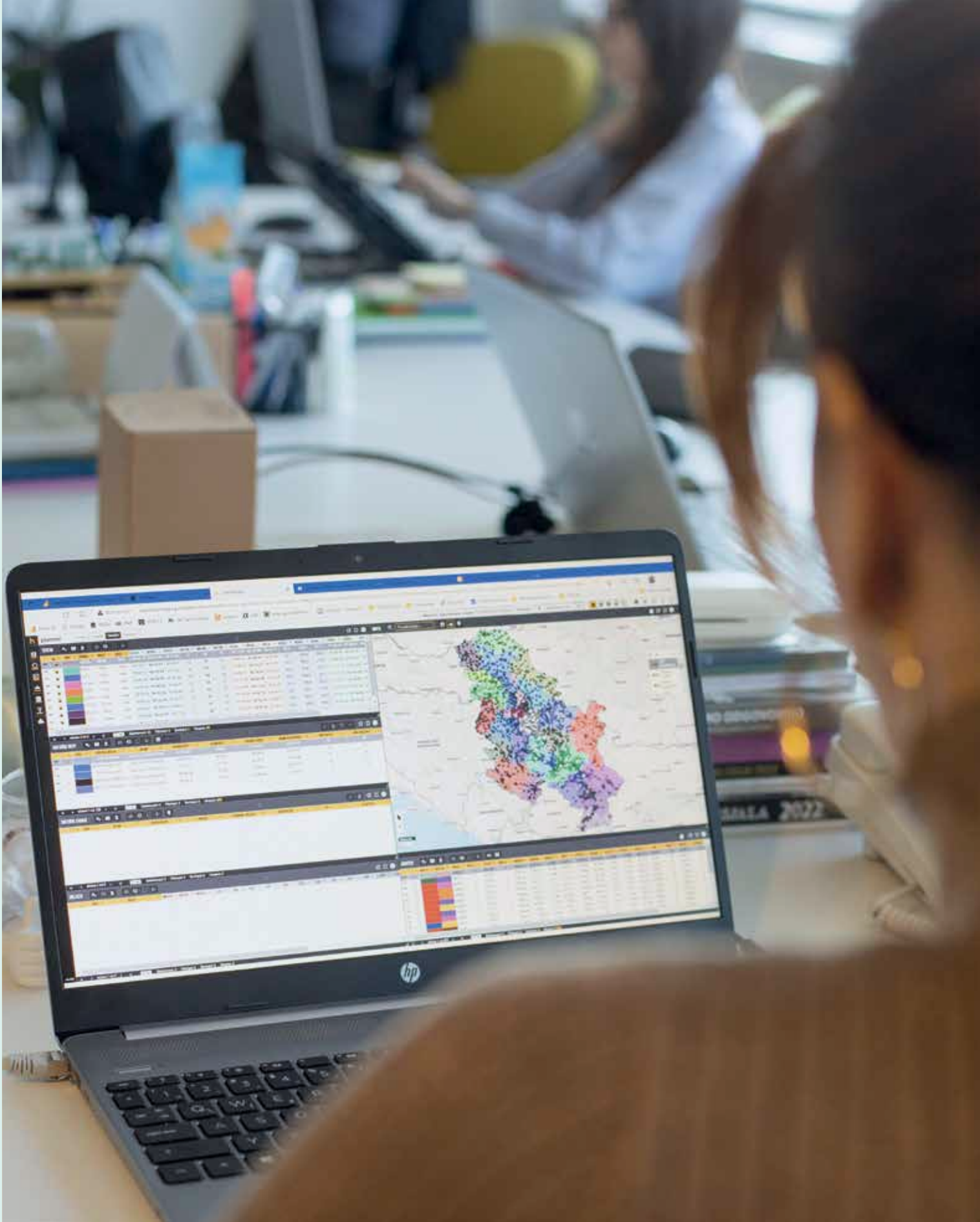
The key benefits are:

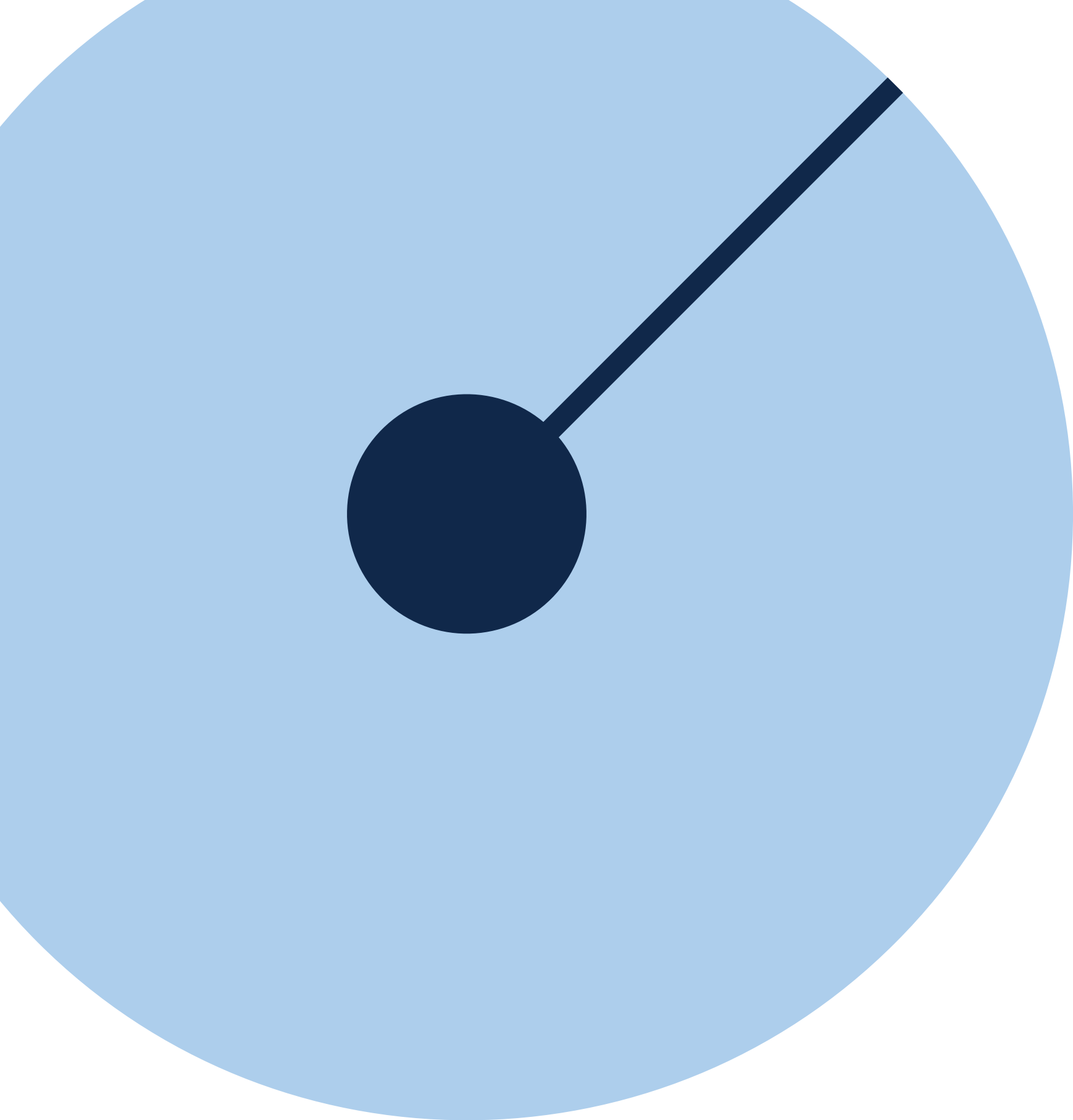
- the possibility of the customer to order goods 24/7
- all the necessary information about the products in one place that the customer can pass on to end consumers
- availability of all documentation between distributors and retailers (invoices, corrective and other documents)

Digitalization of cooperation models that will optimize the processes of both distributors and customers

When we talk about the implementation of technologies in the processes between customers and distributors, we come to a new complexity: different systems that companies use as well as different digital strategies. The improvement of these processes is extremely complex and must include, above all, the partnership of companies in order to optimize the process. One of the key improvements in these processes is the electronic exchange of documents (EDI), which refers to the processes of ordering as well as the processes of delivery/receipt of goods and invoicing. It is common knowledge that today all major retailers use their systems when ordering goods, as well as distributors. This creates a “double work” for those who work in the field (managers and salespeople), because one order is entered into two different systems. EDI exchange optimizes this process because it allows information to be entered into only one system after which it finds its way to both. All other documentation exchanges are consequently automated. This improvement creates benefits not only for the sales sector but also for the logistics and finance sectors.

Digitalization within distribution, although quite developed, is still not widely used. The reason is the large number of customers/clients who have different needs. Rapid and efficient implementation that will address the needs of all stakeholders involved and that will include a long-term plan, will allow companies to gain added value over their competitors and enable them to expand faster in markets in the region.





The Nelt Group has been accomplishing good business results and revenue growth for three decades, while at the same time working on designing and implementing activities of importance to local communities in the market

ECONOMIC IMPACT



Economic impact

All Nelt Group companies in the Western Balkan region use their incomes and expenditures to create value in the communities they work by investing in jobs and fulfilling their obligations to the state and its suppliers.



Economic impact

During 2020 and 2021, we focused significant funds on salaries, contributions and employee development, cooperation with suppliers in the local environment and obligations to the state.

Serbia

| Nelt Co | 2020 | 2021 |
|---|--------|--------|
| Salaries, taxes and employees development | 30,733 | 33,488 |
| Donations | 256 | 92 |
| State taxes | 1,329 | 3,525 |

Bosnia & Herzegovina

| Nelt doo | 2020 | 2021 |
|---|-------|-------|
| Salaries, taxes and employees development | 5,000 | 5,977 |
| Donations | 36 | 14 |
| State taxes | 407 | 513 |

Montenegro

| Neregelia | 2020 | 2021 |
|---|-------|-------|
| Salaries, taxes and employees development | 2,602 | 2,730 |
| Donations | 21 | 1 |
| State taxes | 214 | 331 |

| Montenomaks | 2020 | 2021 |
|---|-------|-------|
| Salaries, taxes and employees development | 1,387 | 1,442 |
| Donations | — | — |
| State taxes | 14 | 14 |

North Macedonia

| Nelt ST | 2020 | 2021 |
|---|-------|-------|
| Salaries, taxes and employees development | 2,636 | 2,535 |
| Donations | — | 36 |
| State taxes | 126 | 187 |

Albania

| Nelt SH.P.K. | 2020 | 2021 |
|---|-------|-------|
| Salaries, taxes and employees development | 1,494 | 1,206 |
| Donations | — | — |
| State taxes | 64 | 33 |

Generisana i distribuirana ekonomska vrednost u '000 eura



Economic impact

The Nelt Group consolidated revenue surpassed one billion euros

At the press conference held in December 2021, we presented accomplished results and plans for the next year.

Despite the fact that the period during the Covid 19 pandemic was extremely complex, we managed to achieve great results and surpass one billion euros of consolidated revenue in 2021. We have fully adapted our business to the situation and maintained the supply chain in all markets. We have invested more than 7 million euros in infrastructure.

Also, thanks to the investment of 2 million euros, we have increased the capacity of the Intermodal Railway Terminal in Dobanovci, which has confirmed the status of the logistics hub of the Western Balkans with its excellent location, efficient business and technological innovations.

Our development strategy and long-term business sustainability are based on investments. For 2022, we have planned 19 million euros for further development of Nelt brands and expansion into new markets in the European Union. With the founding of Nelt Europe, the start of business in Croatia and Slovenia was announced.



Economic impact

For the fourteenth year in a row, SeeNews published the SEE TOP 100 ranking, which included the 100 largest companies in Southeast Europe, according to overall revenues.

In the competition for the best 100 in 2021, Nelt was in 81st place, out of a total of 2,900 participating companies.

Business Excellence Certificate for Montenomaks

According to Solvent Rating from Montenegro, and the analysis of previous business and complete publicly available information for the past three years, the company Montenomaks from Danilovgrad has again met the most important criteria in the field of success and solvency, proving itself as the most stable, reliable and highly recommended partner, both on the domestic and foreign markets.

Acknowledging that fact, Montenomaks became the winner of the Golden certificate of Business Excellence, which represents the highest degree of success of the company that possess the highest rating in business for three years in a row. This recognition of excellence defines the long-term quality of business and systematic work, which places the company at the very top of the domestic economy.

Nelt among “The Greatest 100 in B&H” again

At the event “The Greatest 100 in Bosnia and Herzegovina 2021”, for the second year in a row Nelt was awarded the second most successful company in terms of revenue, in the category of large companies.

The ranking was done on the basis of final financial indicators, by revenue, profit and export. This year, 744 companies were ranked.

On that occasion, Goran Cerovina, Nelt’s Executive Director in Bosnia and Herzegovina, pointed out that we rely on our corporate values as a company.

“These are the winning mentality, innovation, personal responsibility, long-term perspective and care for people. With the quality of services we provide, these values bring us success in the long run. We have defined the attitude of employees towards each other, towards business partners and customers, as well as towards the company itself. The most important resource and the foundation of Nelt’s successful business are our employees “, Cerovina stated.

Šaponjić and Sočanac in the Assembly Board of the Serbian Business Club

The founders of the Nelt Group, Nebojša Šaponjic and Ranko Sočanac, joined the board of the Assembly of the Serbian Business Club. At the election session held on December 15, 2020, Sočanac was elected a member of the executive, and Šaponjić a member of the supervisory board of the Assembly.

Members of the Club, representing the largest Serbian companies, closely monitor developments in the process of creating a business environment, especially at a time when the whole economy is affected by the Covid 19 pandemic. As always, members shall dedicate themselves to the maximum inclusion of the real sector in the processes of defining actual politics and measures.



Our context

IT IS NOT THE STRONGEST WHO SURVIVE, BUT THE MOST AGILE

Darko Lukić,
Executive Vice President,
Nelt Group

The events of the past two years, caused by the pandemic, could hardly have been predicted. The socio-economic consequences, and above all, the consequences for health and the loss of human lives, were enormous. Another significant consequence of the pandemic was the serious disruption of global and local supply chains caused by congestion in trade routes, strict national and regional closures, stricter health and safety protocols and high abstinence from labour due to infection or self-isolation.

If I had to reduce our response to the pandemic to just three words, those words would be “care,” “resilience,” and “agility.” Care for our employees, suppliers, customers, consumers and society as a whole. Resilience to provide services to our customers and consumers without interruption, and thus contribute to the normal functioning of society. And the agility to quickly assess and respond to everyday socio-economic changes during the pandemic.

Nelt has more than 4,000 employees and yearly serves more than 55,000 points of sale, in all markets in which we operate. Since the beginning of the pandemic, our main priority has been to take care of the health and safety of our employees, customers and clients.

We have also shown concern for society and provided our contribution by donating products, services and funds to various institutions and groups. In Serbia, we donated 240,000 euros for respirators to support the sensitive health system and 60,000 euros in various goods for food banks to help those who need it most. In line with the Group-level initiative, each Nelt company in the region has acted in a similar way in its respective market.

Given the extensive portfolio of ours and the essential nature of the products we sell, we have an important role to play in the “normal” functioning of society. We provide consumers with essential products (food, medicine, hygiene and cleaning products), and our products are a significant source of income for our customers, many of whom have struggled financially during the pandemic. Caring for them and consumers has given us the strength to stay operational and respond to market needs during a pandemic, while taking care of everyone’s health and safety, which is our absolute priority.

One of the areas where we have been most agile and where we have evolved the most is digital transformation. Here Nelt had the advantage, even before the corona spread. For years, we have invested in state-of-the-art technology solutions, from EDI exchanges with clients, through Sky Track routing, WMS Gold and Voice Picking programs in logistics operations, to SAP ERP and BI reporting in our administration. The pandemic has given us an additional impetus to further accelerate our digital transformation. Much of our administrative staff worked from home, relying on technology and digital communication to keep the business running smoothly. We apply new software solutions to our staff and in the procurement process, and we have launched projects to digitize paperwork and communicate with our clients, including the robotization process (RPA).

We see all these solutions that we have introduced as a platform for further development. The plan is to test, learn, adapt and learn again. To constantly improve our process and our systems through iterations and feedback from clients. This approach is more necessary and relevant today than ever before, due to unforeseen and rapid events from the past year, which showed that Darwin’s famous maxim “the strongest survive” more than ever before now means “the most agile”.

We expect more challenges, but also opportunities for growth in the supply chains of the future. Too long and complex supply chains, which have proven less resilient during a pandemic, will need to be re-examined and potentially shortened or diversified. There is also an increased demand for logistics services in capillary delivery (last mile), given that Covid has significantly influenced the growth of e-commerce. In the end, the growing arrival of foreign direct investment in Serbia opens up new opportunities because many investors are looking for capable logistics companies they can rely on and work with in the long run.

Nelt has the agility, winning mentality, development awareness and customer focus to thrive, transform and take advantage of these business opportunities.



Economic value generated and distributed in '000 euros

| SERBIA - NELT CO | | 2020 | 2021 |
|---|--|---------|---------|
| 1. | TOTAL REVENUES | 659,332 | 683,768 |
| 1.1. | NET REVENUES FROM INTERESTS | 1,265 | 1,237 |
| 1.2. | NET REVENUES FROM PROVISIONS AND PAYMENTS | 1 | — |
| 1.3. | NET SALES | 658,066 | 682,531 |
| 2. | TOTAL EXPENSES | 653,177 | 679,289 |
| 2.1. | Operating Expenses | | |
| | Premises costs | 746 | 690 |
| | Current operating costs | 22,046 | 19,036 |
| | IT costs | 907 | 1,024 |
| | Marketing and communications costs | 1,977 | 2,383 |
| | Legal and consultancy fees | 337 | 526 |
| | Other operating costs | | |
| | Costs of sold goods and materials | 589,526 | 614,538 |
| | Non-operative result | 181 | 217 |
| Total Operating Expenses: | | 615,720 | 638,414 |
| 2.2. | Employee-related Expenses | | |
| | Salaries | 29,887 | 32,677 |
| | Business travels and education | 846 | 811 |
| Total Employee-related Expenses: | | 30,733 | 33,488 |
| 2.3. | Payments to Capital Providers | | |
| | Dividends to shareholders | | |
| | Interest payments to providers of loans | 571 | 504 |
| | Interest payments to all forms of debt | 122 | 159 |
| | Other financial result | 996 | -511 |
| Total payments to capital providers | | 1,689 | 152 |
| 2.4. | Expenses related to state obligations | | |
| | State and local taxes costs | 1,306 | 1,194 |
| | Penalties costs | 23 | 2,331 |
| Total expenses related to state obligations | | 1,329 | 3,525 |
| 2.5. | Community investments | | |
| | Donations | 256 | 92 |
| | Infrastructure investments in the community, including financial valued and value in donated goods, products or working hours (excluding the investments driven primarily by business needs) | 4 | 0 |
| | Community projects consultancy | — | — |
| | Other community investments | — | — |
| Total community investments: | | 260 | 92 |
| 2.6. | Amortization costs | 3,446 | 3,618 |
| 3. | Economic value retained (investments, shares, etc. 1. – 2.) | 6,155 | 4,479 |

*The data presented here is in line with the GRI methodology model and indicators



Economic value generated and distributed in '000 euros

| BOSNIA & HERZEGOVINA- NELT DOO | | 2020 | 2021 |
|---|--|--------|---------|
| 1. | TOTAL REVENUES | 92,493 | 116,139 |
| 1.1. | NET REVENUES FROM INTERESTS | — | — |
| 1.2. | NET REVENUES FROM PROVISIONS AND PAYMENTS | 56 | 82 |
| 1.3. | NET SALES | 92,437 | 116,057 |
| 2. | TOTAL EXPENSES | 90,767 | 113,303 |
| 2.1. | Operating Expenses | | |
| | Premises costs | 47 | 31 |
| | Current operating costs | 2,139 | 2,821 |
| | IT costs | 101 | 108 |
| | Marketing and communications costs | 763 | 803 |
| | Legal and consultancy fees | 11 | 10 |
| | Other operating costs | | |
| | Costs of sold goods and materials | 80,471 | 101,245 |
| | Non-operative result | 66 | -8 |
| Total Operating Expenses: | | 83,598 | 105,010 |
| 2.2. | Employee-related Expenses | | |
| | Salaries | 4,935 | 5,802 |
| | Business travels and education | 65 | 175 |
| Total Employee-related Expenses: | | 5,000 | 5,977 |
| 2.3. | Payments to Capital Providers | | |
| | Dividends to shareholders | 605 | 642 |
| | Interest payments to providers of loans | 162 | 128 |
| | Interest payments to all forms of debt | — | 2 |
| | Other financial result | — | — |
| Total payments to capital providers | | 767 | 772 |
| 2.4. | Expenses related to state obligations | | |
| | State and local taxes costs | 404 | 512 |
| | Penalties costs | 3 | 1 |
| Total expenses related to state obligations | | 407 | 513 |
| 2.5. | Community investments | | |
| | Donations | 36 | 14 |
| | Infrastructure investments in the community, including financial valued and value in donated goods, products or working hours (excluding the investments driven primarily by business needs) | — | — |
| | Community projects consultancy | — | — |
| | Other community investments | — | — |
| Total community investments: | | 36 | 14 |
| 2.6. | Amortization costs | 959 | 1,017 |
| 3. | Economic value retained (investments, shares, etc. 1. – 2.) | 1,726 | 2,836 |

*Data given here is from December 31, 2021, when the final financial report was not finalized and that could lead to a discrepancy with other reports.



Economic value generated and distributed in '000 euros

| MONTENEGRO- NEREGELIA | | 2020 | 2021 |
|---|--|--------|--------|
| 1. | TOTAL REVENUES | 42.810 | 53.320 |
| 1.1. | NET REVENUES FROM INTERESTS | — | — |
| 1.2. | NET REVENUES FROM PROVISIONS AND PAYMENTS | 1 | — |
| 1.3. | NET SALES | 42,809 | 53,320 |
| 2. | TOTAL EXPENSES | 42,058 | 51,561 |
| 2.1. | Operating Expenses | | |
| | Premises costs | 74 | 140 |
| | Current operating costs | 1,226 | 1,647 |
| | IT costs | 59 | 61 |
| | Marketing and communications costs | 576 | 1,002 |
| | Legal and consultancy fees | 12 | 12 |
| | Other operating costs | | |
| | Costs of sold goods and materials | 36,615 | 44,803 |
| | Non-operative result | 100 | 209 |
| Total Operating Expenses: | | 38,662 | 47,874 |
| 2.2. | Employee-related Expenses | | |
| | Salaries | 2,575 | 2,661 |
| | Business travels and education | 27 | 69 |
| Total Employee-related Expenses: | | 2,602 | 2,730 |
| 2.3. | Payments to Capital Providers | | |
| | Dividends to shareholders | — | — |
| | Interest payments to providers of loans | 23 | 17 |
| | Interest payments to all forms of debt | 3 | 12 |
| | Other financial result | — | — |
| Total payments to capital providers | | 26 | 29 |
| 2.4. | Expenses related to state obligations | | |
| | State and local taxes costs | 212 | 326 |
| | Penalties costs | 2 | 5 |
| Total expenses related to state obligations | | 214 | 331 |
| 2.5. | Community investments | | |
| | Donations | 21 | 1 |
| | Infrastructure investments in the community, including financial valued and value in donated goods, products or working hours (excluding the investments driven primarily by business needs) | — | — |
| | Community projects consultancy | — | — |
| | Other community investments | — | — |
| Total community investments: | | 21 | 1 |
| 2.6. | Amortization costs | 533 | 596 |
| 3. | Economic value retained (investments, shares, etc. 1. – 2.) | 752 | 1,759 |

*The data presented here is in line with the GRI methodology model and indicators



Economic value generated and distributed in '000 euros

| MONTENEGRO - MONTENOMAKS | | 2020 | 2021 |
|---|--|-------|-------|
| 1. | TOTAL REVENUES | 3,788 | 4,372 |
| 1.1. | NET REVENUES FROM INTERESTS | 1 | — |
| 1.2. | NET REVENUES FROM PROVISIONS AND PAYMENTS | 36 | — |
| 1.3. | NET SALES | 3,751 | 4,372 |
| 2. | TOTAL EXPENSES | 3,052 | 3,313 |
| 2.1. | Operating Expenses | | |
| | Premises costs | 50 | 25 |
| | Current operating costs | 277 | 330 |
| | IT costs | 62 | 58 |
| | Marketing and communications costs | 24 | 31 |
| | Legal and consultancy fees | 7 | 12 |
| | Other operating costs | 193 | 197 |
| | Costs of sold goods and materials | 777 | 924 |
| | Non-operative result | 43 | 27 |
| Total Operating Expenses: | | 1,433 | 1,604 |
| 2.2. | Employee-related Expenses | | |
| | Salaries | 1,387 | 1,442 |
| | Business travels and education | - | - |
| Total Employee-related Expenses: | | 1,387 | 1,442 |
| 2.3. | Payments to Capital Providers | | |
| | Dividends to shareholders | — | — |
| | Interest payments to providers of loans | 27 | 12 |
| | Interest payments to all forms of debt | — | 4 |
| | Other financial result | — | 3 |
| Total payments to capital providers | | 27 | 19 |
| 2.4. | Expenses related to state obligations | | |
| | State and local taxes costs | 14 | 14 |
| | Penalties costs | — | — |
| Total expenses related to state obligations | | 14 | 14 |
| 2.5. | Community investments | | |
| | Donations | — | — |
| | Infrastructure investments in the community, including financial valued and value in donated goods, products or working hours (excluding the investments driven primarily by business needs) | — | — |
| | Community projects consultancy | — | — |
| | Other community investments | — | — |
| Total community investments: | | — | — |
| 2.6. | Amortization costs | 191 | 234 |
| 3. | Economic value retained (investments, shares, etc. 1. – 2.) | 736 | 1,059 |

*Data given here is from December 31, 2021, when the final financial report was not finalized and that could lead to a discrepancy with other reports.



Economic value generated and distributed in '000 euros

| NORTH MACEDONIA - NELT ST | | 2020 | 2021 |
|---|--|--------|--------|
| 1. | TOTAL REVENUES | 34,103 | 32,460 |
| 11. | NET REVENUES FROM INTERESTS | 78 | 76 |
| 12. | NET REVENUES FROM PROVISIONS AND PAYMENTS | 2 | 4 |
| 13. | NET SALES | 34,023 | 32,380 |
| 2. | TOTAL EXPENSES | 33,981 | 31,844 |
| 2.1. | Operating Expenses | | |
| | Premises costs | 154 | 151 |
| | Current operating costs | | |
| | IT costs | 46 | 45 |
| | Marketing and communications costs | 184 | 179 |
| | Legal and consultancy fees | 13 | 9 |
| | Other operating costs | 1,239 | 1,143 |
| | Costs of sold goods and materials | 28,744 | 26,514 |
| | Non-operative result | 457 | 622 |
| Total Operating Expenses: | | 30,837 | 28,663 |
| 2.2. | Employee-related Expenses | | |
| | Salaries | 2,595 | 2,511 |
| | Business travels and education | 41 | 24 |
| Total Employee-related Expenses: | | 2,636 | 2,535 |
| 2.3. | Payments to Capital Providers | | |
| | Dividends to shareholders | — | — |
| | Interest payments to providers of loans | 45 | 44 |
| | Interest payments to all forms of debt | — | — |
| | Other financial result | -5 | 3 |
| Total payments to capital providers | | 40 | 47 |
| 2.4. | Expenses related to state obligations | | |
| | State and local taxes costs | 124 | 187 |
| | Penalties costs | 2 | — |
| Total expenses related to state obligations | | 126 | 187 |
| 2.5. | Community investments | | |
| | Donations | — | 36 |
| | Infrastructure investments in the community, including financial valued and value in donated goods, products or working hours (excluding the investments driven primarily by business needs) | — | — |
| | Community projects consultancy | — | — |
| | Other community investments | — | — |
| Total community investments: | | — | 36 |
| 2.6. | Amortization costs | 342 | 376 |
| 3. | Economic value retained (investments, shares, etc. 1. – 2.) | 122 | 616 |

*The data presented here is in line with the GRI methodology model and indicators



Economic value generated and distributed in '000 euros

| ALBANIA - NELT SH.P.K | | 2020 | 2021 |
|---|--|--------|--------|
| 1. | TOTAL REVENUES | 13,394 | 12,559 |
| 11. | NET REVENUES FROM INTERESTS | | |
| 12. | NET REVENUES FROM PROVISIONS AND PAYMENTS | | |
| 13. | NET SALES | 13,394 | 12,559 |
| 2. | TOTAL EXPENSES | 12,090 | 12,254 |
| 2.1. | Operating Expenses | | |
| | Premises costs | 20 | 19 |
| | Current operating costs | 528 | 415 |
| | IT costs | 27 | 31 |
| | Marketing and communications costs | 42 | 77 |
| | Legal and consultancy fees | 20 | 22 |
| | Other operating costs | 201 | 430 |
| | Costs of sold goods and materials | 9,397 | 9,574 |
| | Non-operative result | - | - |
| Total Operating Expenses: | | 10,235 | 10,568 |
| 2.2. | Employee-related Expenses | | |
| | Salaries | 1,467 | 1,188 |
| | Business travels and education | 27 | 18 |
| Total Employee-related Expenses: | | 1,494 | 1,206 |
| 2.3. | Payments to Capital Providers | | |
| | Dividends to shareholders | — | — |
| | Interest payments to providers of loans | 78 | 87 |
| | Interest payments to all forms of debt | 10 | 46 |
| | Other financial result | -111 | 54 |
| Total payments to capital providers | | -23 | 187 |
| 2.4. | Expenses related to state obligations | | |
| | State and local taxes costs | 18 | 15 |
| | Penalties costs | 46 | 18 |
| Total expenses related to state obligations | | 64 | 33 |
| 2.5. | Community investments | | |
| | Donations | — | — |
| | Infrastructure investments in the community, including financial valued and value in donated goods, products or working hours (excluding the investments driven primarily by business needs) | — | — |
| | Community projects consultancy | — | — |
| | Other community investments | — | — |
| Total community investments: | | — | — |
| 2.6. | Amortization costs | 320 | 260 |
| 3. | Economic value retained (investments, shares, etc. 1. – 2.) | 1,304 | 305 |

*Data given here is from December 31, 2021, when the final financial report was not finalized and that could lead to a discrepancy with other reports.



„Wall Street by Nelt“,
an art installation
of 10 murals placed
in companies`
headquartered in
Belgrade



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