

J. ZWACK ÉS T^{SA}
SOROKSÁRI UTCA 26.
BUDAPEST IX.
HUNGARY




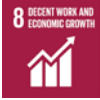









TRADITION
INNOVATION
SUSTAINABILITY

Sustainability Report

2017



The sustainable development program of the UNO till 2030 is based on 17 Sustainable Development Goals. The icons indicate to which of these targets Zwack Unicum Plc. also contributed. Activities aiming to reach these goals are detailed in the relevant chapters.

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GREETINGS FROM BOARDS

Dear Reader,

based on our strong and clear dedication to the subject we are happy to present to you the 5. Sustainability Report of Zwack Unicum Plc. We consider our ongoing activities as a part of our sustainability journey, and we are glad to share with you our latest results as well as where we are heading.

Derived from our company vision tradition and innovation remain to be our two core values driving our brands and our business in general. Tradition and innovation need to not only be going hand in hand – we see it as our prominent task and duty to manage this field in the most unique way opening a broad field for future solutions.

Business ethics stands above everything for our company. They are the navigating compass into the future. We strive to build a fair, trustworthy and long term relationship with all of our stakeholders.

Being aware of that we are a part of a bigger system – ecologically, socio-culturally and economically, we pay attention and if possible, we support local, regional, national or global initiatives – whatever is the relevant, suitable level. So, we present our efforts as our contribution to the United Nations Sustainable Development Goals throughout the report.

Our commitment to the environment and to our stakeholders remains strong as ever. We count on our employees and their development on the long term. Thus, we have started several new initiatives in the reported period and will launch others in the very near future that represent our engagement. In this field, we see tailor-made solutions, which are discussed and designed, together with our employees as the most suitable approach.

We detect in our company an attitude of circular economy. Based on this our colleagues are always openly searching for new solutions to reduce the environmental impacts, our improvement here is continuous.

Last but not least – Zwack Unicum has a long history in Budapest, Ferencváros, we share mutual respect, and we definitely want to support the development of this community, with a special attention on those who are in need.

Thank you for your attention, and please feel invited to read!

Dr. Hubertine Underberg-Ruder
Chairwoman of Supervisory Board

Sándor Zwack
Chairman of Board of Directors





THE GENERAL MANAGER ON SUSTAINABILITY AND OUR VALUES

Zwack Unicum Plc. was among the first companies in Hungary to prepare a Sustainability Report, and our responsibility to society and the environment has been a basic value of our Company ever since the start of its operation. Today – when an increasingly wider circle of companies commit themselves to sustainability – the aim of our Company is to maintain our achievements and to constantly develop.

Our basic goal is long term economic efficiency, an indispensable element of which is the awareness of consumer expectation and its changes, as well as the intention to meet them. We achieved a considerable success with our product innovations: Unicum Plum became in several years a dominant and stable player in the bitter liqueur segment. Unicum Riserva, the beverage specialty introduced to the market early in 2017 became popular beyond our expectations; it is a challenge to meet the growing demand for it with the present limited capacity of wine casks from Tokaj.

We would like to acquaint our consumers, our buyers, with the deep and rich expertise which is reflected in the production of our beverages. The visitors to our Visitors' Centre can have an insight into the operation of our Unicum plant, and we established a herbs and spices drink bar specifically for spirit industry professionals.

One of the keystones of our sustainability efforts, in harmony with our long term business plans, is responsible alcohol consumption. We encourage responsible and moderate alcohol consumption on our product labels, in our marketing communications and during training sessions held for bartenders. We strongly advocate the concept that in certain life situations the consumption of alcohol is not acceptable.

The protection of our environment, the sparing use of our resources is one of the major challenges of our times. We are constantly looking for opportunities to make our operation more effective and to reduce our consumption. We continuously monitor the impact of the weather conditions and of climate change on the production of herbs, spices and fruit. We plan to develop a long term commitment towards domestic suppliers, helping them to make their operation more predictable and to realize their development projects.

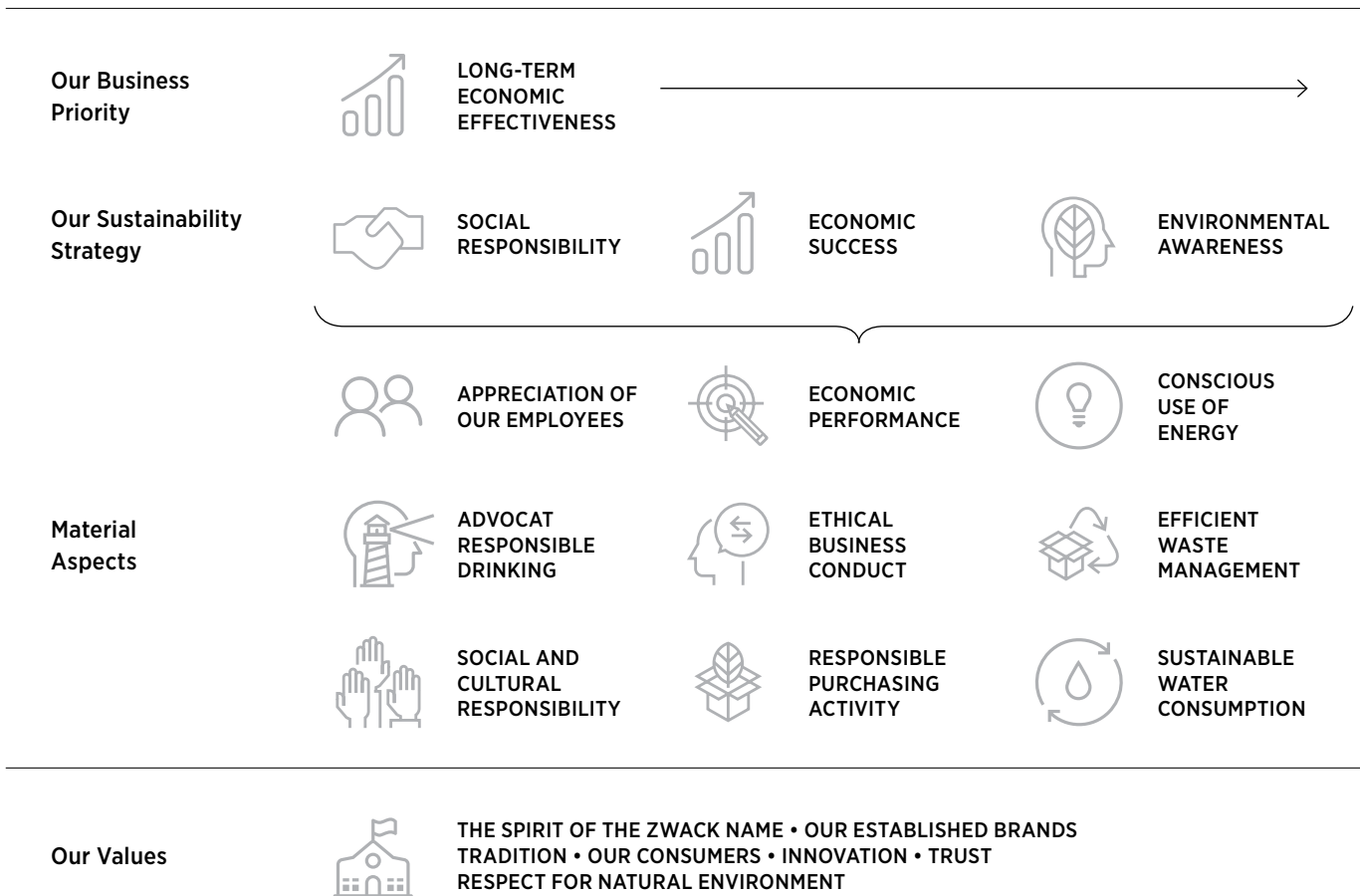
In the next several years attention will be paid, to an even greater extent ever, to our employees. Fluctuation is traditionally very low at our Company nevertheless our aim is to make our colleagues aware of our appreciation of their work. With the involvement of our colleagues, mapping out their needs, we are working on the establishment of better work conditions, on the extension of employee benefits, and laying emphasis on programs which can bring the communities together and improve their communication. It is important for us that Zwack Unicum Plc. can be an attractive work place also for young people. We hope they can identify themselves with our values and gladly take part in our Company's development.

The support of local communities is made possible by economic efficiency. The Unicum distillery is the oldest factory in Ferencváros, its operation in Soroksári street dates back 125 years. The major part of our financial support regularly goes to institutions in this district, primarily those dealing with children. In 2016 our Company and our employees were supporters and also participants of the Swimathon initiated by the Community Foundation of Ferencváros.

These represent the focus of our sustainability strategy, for which we defined nine essential targets.

For us, sustainable development is a harmonious balance of the combination of economic efficiency, social responsibility and our efforts for environmental protection, and we ensure this balance by our innovative thinking, by maintaining our traditions and by our ethical conduct towards all our stakeholders.

STRATEGY AND MATERIAL ASPECTS



In our present Sustainability Report we give a detailed account of our activities and performance concerning sustainability in the financial years of 2015/2016 and 2016/2017. I trust you find this Report interesting and useful! This year we aim to share the most important points of our sustainability performance with a wider circle of stakeholders through a leaflet as well. We count on your opinion and feedback, and will gladly answer your questions, so please share them with us by writing to fenntarthatosag@zwackunicum.hu!

With regards
Frank Odzuck
 General Manager

THE ACTIVITY OF ZWACK UNICUM PLC.

Zwack Unicum Plc. is a major player on the Hungarian spirit market, and the name of the Company has become identical with the concept of high quality alcoholic beverages.

OUR PRODUCTS

The flagship brand of the Company is Unicum which has become legendary during its 225 years' history, and many of our other brands, both produced and distributed, are the most prominent representatives in their own categories.

225 years



UNICUM IS MORE
THAN 225 YEARS
OLD

The brand portfolio of our Company can be divided into two main segments: premium and value-for-money products. The predominant role in the portfolio is played by premium products. Apart from beverages produced by us, we are also involved in the distribution of international premium brands.

OUR FLAGSHIP PRODUCTS

PREMIUM	<p>Own production Unicum, Fűtűlős, Vilmos, Zwack Sándor Noble Pálinka, Hírös product families of Kecskemét</p> <p>Distributed Johnnie Walker, Baileys, Captain Morgan, Hennessy, Evian</p>
VALUE-FOR-MONEY	<p>St. Hubertus, Kalinka, Öbester product families, Trois Tour, Portorico</p>

39%



OUR PREMIUM MARKET
SHARE IS 39%
IN HUNGARY

PRODUCT DEVELOPMENT

We consider our brands our most valuable commodity. The aim of our brand building strategy is to meet consumer demand as much as possible and to actively shape consumer habits rooted in our culture.

We consciously and continuously develop our brands responding or anticipating new requirements, taste and market trends. In many cases we create a new beverage by launching extensions (Unicum Plum, Zwack Maximilian, Vilmos Honey Aged on a Fruit Bed). In the years past almost each one of our product families was enriched by a new beverage in the form of a permanent brand or a seasonal offer.

All the relevant professional departments are present at the innovation meetings, so brainstorming and the means of implementation are conducted over a wide spectrum, including all the relevant divisions of production and marketing.

The Fűtűlős product family is year by year invigorated by the introduction of a new taste. In May 2015 Strawberry Rose, while in 2016 Pistachio Macaron were introduced onto the market.

In the second half of 2016 we launched Kalinka Gold, which owes its singularity to the extract of golden root from the Golden

UNICUM RISERVA

Unicum Riserva debuted early 2017. With its innovation we were the first not only in Hungary, but also in Europe to enter the super-premium herb liqueur market.

The specialty of Unicum Riserva lies in its unique production, in the "double barrel" ageing process. Unicum, which serves as its base, is aged in the biggest and oldest, 80 years old cask in the cellars in Soroksári street. The special substance formed during long decades in the staves of the barrel, the so called "black honey" gives the Unicum aged in it a new dimension. This is followed by the ageing in Tokaji barrels, which adds roundness, gentleness to the beverage, as well as the inimitable mystique of Tokaj. Finally, in order to enhance its character, the 2007 vintage Tokaji aszu from the Izabella Zwack Dobogó Winery is added to the Riserva.

At its first appearance the beverage was introduced to the representatives from the spirits market during a mentor program organized with the help of the Zwack family and experts of distillates and it immediately became very popular.

mountain of the Altaj. For the production of Kalinka Gold we use crystal clear raw materials: ethyl-alcohol distilled five times and mineral water.

ZWACK UNICUM PLC. AS A COMPANY

ZWACK UNICUM PLC. IN FIGURES

	2014 / 2015	2015 / 2016	2016 / 2017
Market share in Hungary	26.5%	27.3%	28.0%
Premium market share in Hungary	40.9%	39.1%	39.2%
Quantity produced (million l)	7.1	6.9	7.9
Funding (million HUF)	31 430	35 000	34 160
Total assets (million HUF)	9 677	9 578	10 049
Net sales revenue incl. excise tax (million HUF)	21 385	21 136	24 792
Proportion of exports (in the net sales revenue)	11.8%	11.4%	10.0%
Profit after tax (HUF million)	1 714	1 694	2 226
Total taxes paid (excl. VAT, HUF million)	10 991	11 090	13 113
Number of employees (persons)	219	219	230
Percentage of fluctuation	11%	4%	8%
Total direct CO ₂ emission (tons)	2 635	2 622	2 748



125 years



THE COMPANY IS AN ORGANIC
PART OF THE COMMUNITY OF
THE 9TH DISTRICT SINCE
125 YEARS

The Company is operating at three locations:



- **Budapest Main Office and Unicum plant:** location for the Main Office and production site of Zwack Unicum herb liqueur, as well as of extracts and distillates for other beverages with a herb base.



- **Dunaharaszti plant:** production and ageing site of high-scale products. 90% of our products are bottled and packaged here.



- **Zwack Palinka Distillery in Kecskemét:** One of the most up-to-date palinka distilleries in Europe, production site of our niche brands requiring manual work.

An overview of the history of the Company and the Zwack family is available on our website (<http://www.zwackunicum.hu/en/cegunk/zwack-tortenet/>).



MY HERO IS MY FATHER

"I consider our promo video prepared for 2016 Christmas a pioneer one, partly as we featured emotions in it for the first time in a promo film, and also because – reflecting the masculine character of Unicum – it is a tribute to fathers, which is also an unusual slant.

From a professional point of view the film was some kind of test to see if an advertisement affecting emotions can be successful for our Unicum brand. The pre-production works and the production itself had a big impact on my emotions also: it was touching to talk to Frank Odzuck and Sandor Zwack about their personal Christmas experiences. The whole process of shooting had a cohesive impact reaching beyond the film. An intimate atmosphere was created when I and five of my colleagues, among them Sandor Zwack, changed into our costumes and were preparing for the shooting of the 'standing in the row' scene which appeared in the film for a second.

It was not easy to create the naturalness which we all had in mind about this story. The film was purposely built up in such a way

that people of different viewpoints could recognize themselves in the film. Our aim was to authentically show those qualities of Unicum which make it unique, so that that the brand image cannot be replaced by any other.

The film which can be viewed online, through shares as a 'virus video', had 1.3 million views, which is a big success. The many feedbacks we received were unanimously positive. Due to some internal difficulties regarding the selection of music, the many compliments for the good choice of music have a special resonance for me.

The film's success went beyond expectations and, as we feel that there is further potential inherent in our Unicum brand, it will pave the way for a continuation: as early as the summer of 2017 we will prepare a new video, hoping that the success of the Christmas promo video can be repeated once again."

Péter Balázs

Senior Brand Manager (Unicum)

1.3 million



**"MY HERO IS MY FATHER"
HAD 1.3 MILLION
VIEWS**

OUR RESPONSIBILITY TO SOCIETY

APPRECIATION OF OUR EMPLOYEES

PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
Equal opportunities, provision and care, and acknowledgement of performance.	Earlier forms of acknowledgement - Life Work award, Fidelity Premium, acknowledgement from the General Manager - were maintained. Fluctuation of production demand from time to time was well handled.	We foresee that the Company will continue to operate according to our basic principles, fully exploiting our potential, as well as find new possibilities, e.g. widen not typical forms of employment. Ensuring individual care according to our potential.
Protection of our employees' health by various filter programs.	Health and preventive programs are running continuously with requests voiced by employees, offering a bus-service for medical screening examinations, lung screening, laboratory examinations, in 2016 ophthalmological, in 2017 ultrasound examination.	Maintain the diversity of medical surveys available for the employees and their potential broadening.
Getting to know our employees' opinion, respecting findings by management decisions.	No employee satisfaction survey took place, next survey will be made in 2017, this time with questions added regarding line management.	At least 70% of the employees should fill out voluntarily the employee satisfaction survey and the results should not be significantly worse than the average result of the last two surveys.
Maintaining the quantity and quality of current training programs.	Training and education of new employees, as well as regular training and education for the staff, typically for the office staff, takes place via e-learning. The whole staff of the Dunaharaszti and Kecskemét plants had a team building training. The whole sales group, as well as a part of our retail staff had a skills development training.	Strengthen group cohesion in the factories by training and common events. Bringing factory and office staff closer to each other by training, common work/experiences. In order to enhance education efficiency, elaborate new guidelines and methodology for education and training of factory workers.

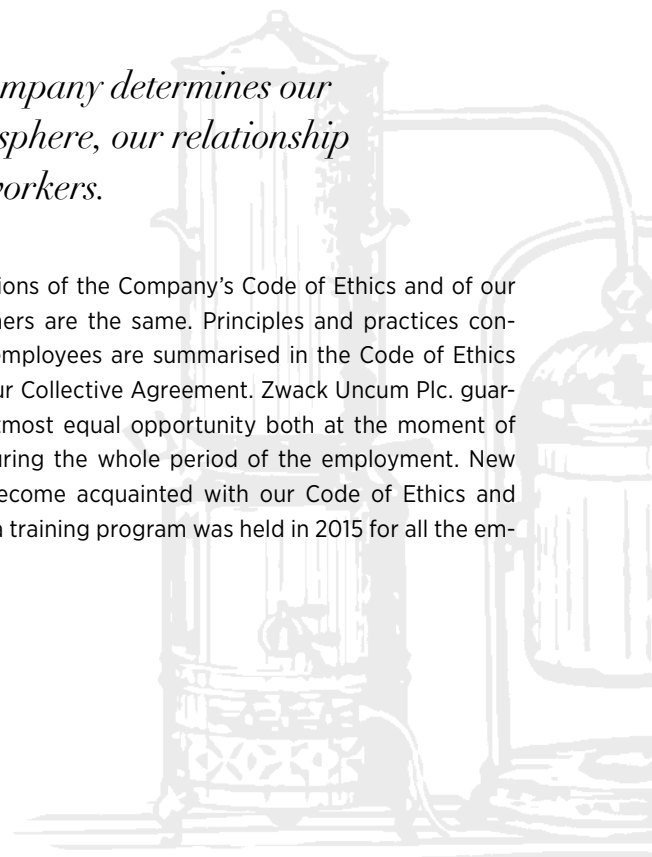
OUR VALUES

The fact that Zwack Unicum Plc. started out as family company determines our Company culture to the present day, our values, the atmosphere, our relationship – at the same time responsible and informal – to our co-workers.

Human resource issues concerning the employees of Zwack Unicum Plc., including a safe and healthy work environment, belong to the responsibility of the Human Resources Director. It is important for us to find the solutions on an organizational level even for the individual issues (e.g. health issues) of our employees. According to our experience our co-workers are aware of this attitude of ours and have trust in Human Resources.

According to our basic values: „we believe in and rely on responsible, creative people”. Our aim is to hire and keep the most talented and committed people, as their contribution has a key role in the good economic performance of the Company.

The expectations of the Company's Code of Ethics and of our principal owners are the same. Principles and practices concerning our employees are summarised in the Code of Ethics and also in our Collective Agreement. Zwack Unicum Plc. guarantees the utmost equal opportunity both at the moment of hiring and during the whole period of the employment. New employees become acquainted with our Code of Ethics and furthermore a training program was held in 2015 for all the employees.



EMPLOYMENT

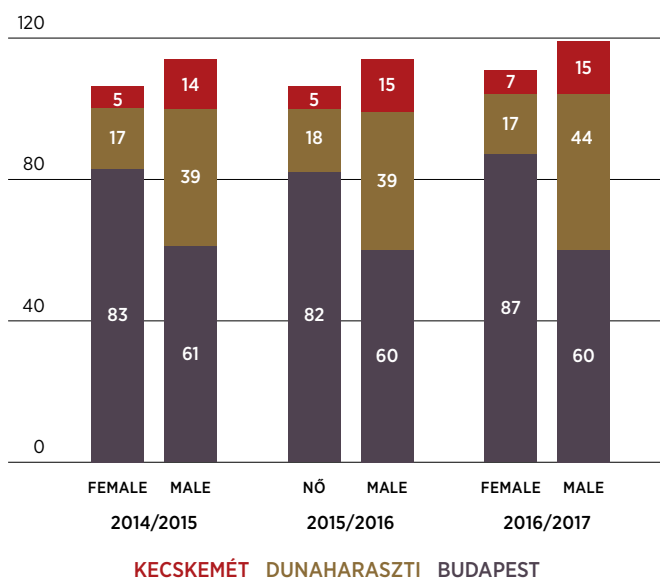
NUMBER OF EMPLOYEES (AS OF 31 MARCH) (PERSON)

	2014/2015			2015/2016			2016/2017		
	All	Female	Male	All	Female	Male	All	Female	Male
Full-time employees	216	103	113	217	103	114	223	106	117
Part-time employees	3	2	1	2	2	0	7	5	2
Total statistic headcount	219	105	114	219	105	114	230	111	119
Ratio of employees with temporary contract	2%	3%	1%	1%	1%	1%	2%	3%	2%

The headcount of our Company as compared to that of the 2014/2015 financial year has increased by 5 % which comes from the restructuring of marketing, as well as from the increase of the number of manual workers in the factories due to the increase of production.

Although seasonal changes are not typical for the number of employees, in summer time we employ 4 more trade representatives (e.g. at Lake Balaton) and also have student trainees in the Museum Shop of our Visitors' Centre. So far we managed to meet temporary increases in consumer demand by borrowing from the work force. In the last 4 months of 2016 it meant an average of 20 persons; however their employment raises more and more issues. Due to this in the 2017/2018 business year we intend to employ workers by temporary work contracts.

BREAKDOWN OF EMPLOYEES BY GENDER PER LOCATIONS (PERSON)



230 people



THE NUMBER OF EMPLOYEES IS 230 PEOPLE INCREASED BY 5% COMPARED TO THE PREVIOUS PERIOD

DUNAHARASZTI PLANT

"The Dunaharaszti plant has a key role in the production of Zwack Unicum Plc.: 90% of the brands are bottled by us, and we play an important role also in the production of beverages. Within the framework of a five year plan our machinery will be renewed extensively till 2020. A major change during this past year is that bottling can be made on two lines, so we had to reorganize work schedules. The percentage present on the night shift dropped below 10% which, as it has a more onerous impact on the work force, is a welcome change for my colleagues, however – due to the decrease of shift bonuses – this means, with the same level of benefit system, a decrease in their revenues. The Company management is unanimously committed to solve this by ensuring that a part of the lost money should be given to the employees within the framework of a new motivation system.

It is my personal intention to give more space to the self-sufficiency of my colleagues. A number of them is open to development and new machinery serves as a good means for that. My colleagues, out of a feeling of responsibility for the new de-palletting machin-

Our employees are in part people living in close proximity to their work place, although many people working in the Dunaharaszti plant live in Budapest, and their transportation is arranged by our Company with a company bus (responsible use of energy). Our Company does not have any expectation or preference regarding the living place of the employees.

Zwack Unicum Plc. supports as much as possible the return of young mothers to work. In the past two years maternity leaves have been taken only by our female employees, however, one year before one of our male colleagues used this opportunity.

MATERNITY LEAVE AND RETURNS FROM MATERNITY LEAVE (PERSONS)

	2014/2015	2015/2016	2016/2017
Employees on maternity leave	12	9	7
Employees returning from maternity leave	3	3	4
Employees not returning from maternity leave	0	0	0
Returning percentage (%)	100%	100%	100%
Employees returned and working even after 12 months after their return (person)	3	3	n.a.
Retention percentage (%)	100%	100%	n.a.

ery (machinery for the opening and emptying of pallets), personally installed it on their own volition. Without my colleagues' active role our production could not reach the high volume targeted for the second half of 2016, which seemed unrealistic at the beginning. The outstanding quantity was justified by the change of legal regulations: due to the change of public health product tax (NETA) valid from 2017, in 2016 demand increased for certain brands.

The majority of our co-workers at the plant has been working for us for over 20 years, which on the one hand is positive as it creates a stable work environment, while on the other hand it raises the issue of an aptitude for continuous renewal. Also from the point of view of team dynamics I consider it advantageous that seasonal changes of production demand are managed as of the second half of 2017 by work contracts instead of borrowing staff from the work force. According to our expectations the commitment of the new employees will be higher than that of the borrowed work force; however, considering the present lack of work force, it will not be easy to find new manual workers.

RECOGNITION OF PERFORMANCE, ALLOWANCES

One of the fundamental principles of our Company is that our co-workers should receive a salary depending on their achievements, ensuring a decent standard of living for them. Our Company goals can be better achieved by a smaller number of well-paid employees, than by a larger number of low-motivated people with small salaries. Even in the past two financial years the gross individual wage per employee has been twice as much as the national average. Besides fixed benefits, flexible alternative benefits are granted to our employees. In 2017, for permanently employed full time employees the average of the lowest five gross salaries was 162 000 HUF, that is by 27% above the actual minimum wage which was significantly increased at the beginning of the year.

Due to their social sensitivity both the two owner families and the Company management favour periodic adjustment of the wages of the lowest paid employees. The overall wage increase in 2017 was differentiated, employees with the lowest wages got the highest increases.



I think it is important to develop our internal information flows based on employee feedback, and more effectively share the requirements of new regulations and rules, with the implementation of new methods. We will work on it in the coming period. Besides this we will continue to organize events which help the bonding and the constructive cooperation of various communities, groups within the Company. Our marketing colleagues and co-workers working together in our factory for one whole shift established an enhanced understanding between the two groups."

Imre Varnyú

Manager of the Dunaharaszti plant



In 2016 we included in the Collective Agreement some allowances which existed even before, although were not mentioned in the agreement (funereal aid).

Many of our employees are parents with small children. In 2017, in order to help them care for their kids in the summer period, we organize summer camps for the children in cooperation with the Molnar Ferenc Primary School.

There is a time frame valid for most of our employees. Shift bonuses for work on Sundays are defined by our Company in 100% instead of the legally prescribed 50%. We strive to take into consideration individual needs when determining the time frames and preparing the shift schedules for our co-workers. Overtime work in 2016 slightly increased from the year before, due to the considerable production increase at our Dunaharaszti plant.

The performance of a part of our employees, primarily of the managers, is evaluated on a regular basis. A certain percentage of their bonuses are dependent on the achievement of targets set by the superiors, following consultation with the employees. The evaluation takes place on a monthly, quarterly and annual basis. The salary amounts to at least 70% of the total financial benefits, enabling families to plan their monthly income. The Board of Directors is planning to introduce, besides the traditional remuneration system and the share-based incentive system introduced earlier, a partial employee stock ownership plan granting remuneration subject to the economic performance of the Company. (ESOP)

Within the framework of our fidelity bonus system our Company rewards those who have been working with us for at least 10 years. Furthermore the General Manager of Zwack Unicum Plc. gives Life Achievement Awards to retiring colleagues who during their extraordinarily long employment contributed greatly to the Company's success and also recognizes outstanding employee achievements once a year.

TRAINING OF EMPLOYEES

Professional training and development of our employees is important for the Company. Yearly training plans are set up in line with the individual needs of the employees, especially the attendance of language courses, in many cases made possible based on employee request.

Besides training programs held by e-learning (regular training sessions, training of new employees), in the 2016/2017 financial year we launched many e-learning courses regarding various professional topics, such as food-safety and protection, product traceability, handling of consumer complaints. Due to the changes of external factors - typically the changes of legal or other regulations - the focus of education is changing yearly, however the number of training hours per person is maintained stably.

In the reviewed period we laid great emphasis on the competency development of our sales staff and our managers. Besides that, in line with our quality targets, we organized a successful workshop for our colleagues in the Dunaharaszti and Kecskemét plants for the improvement of their cooperativeness and commitment. A part of this workshop was joined by the Production and Technology Director of the Company.

34 hours



OUR EMPLOYEES GET
A YEARLY TRAINING PROGRAM
OF 34 HOURS



NUMBER OF TRAINING PROGRAMS PER CAPITA (HOURS)

	2014/2015			2015/2016			2016/2017		
	All	Female	Male	All	Female	Male	All	Female	Male
Top managers	25	31	5	27	74	11	7	9	6
Mid-level managers	18	23	10	63	75	55	70	82	61
Non-manual workers	53	43	65	32	31	33	34	38	25
Manual labourers	14	8	14	10	5	12	20	18	20
Average	40	37	32	30	34	27	34	41	28

It is a tradition for Zwack Unicum Plc. to employ trainees, thus contributing to the training of young people. Trainee positions for shorter periods are offered yearly for 4-5 persons, predominantly for students who hold degrees in the fields of food production, as well as marketing and trade. During the summer academic break, we offer the children of our employees a possibility to gain work experience primarily by doing office work, or working in the Company’s Museum Shop. Depending on the available positions and the individual performance, it is possible to become a permanent employee.



SAFE AND HEALTHY WORK ENVIRONMENT

We consider a safe work environment essential. Exceeding legal requirements, great significance is given by us to create a healthy and safe work environment and to protect our employees' health.

Risk assessment of work safety and periodical medical surveys include the exploration of eventual problems caused by psychological strain in predefined positions, like for example among top and mid-level managers, as well as trade representatives driving cars.

Besides employee health insurances, we yearly make a screening-bus available for medical examinations of our employees in all our locations. 45% of our employees had a lung screening or laboratory examinations, while 35% had an ultrasound or an ophthalmological examination. We try to determine the scope of services diversely, based on employee requests. However, the popularity of the bus decreased significantly in 2016 as compared to the previous years so in the future we will use our resources for other types of examination.

By a pass to a nearby sports facility, the Company makes it possible for its employees to practice sports regularly.

0 work accident



**0 WORK ACCIDENT
OCCURRED AT OUR COMPANY
IN 2016/2017**

INFORMATION ON DAYS ABSENT

	2014/2015		2015/2016		2016/2017	
	Female	Male	Female	Male	Female	Male
Number of work-related accidents	1	1	0	1	0	0
Days lost due to work-related accidents (calendar days)	4	8	0	54	0	0
<i>Rate of days lost*</i>	0.015%	0.03%	0%	0.19%	0%	0%
Days absent due to illness (calendar days) of which	508	559	1 052	813	873	1 019
<i>Rate of days absent*</i>	1.92%	1.93%	3.96%	2.8%	3.06%	3.33%

No case of occupational illness or death caused by work accident in the reviewed period.

**Proportion of days lost and days absent as compared to total number of work days.*

No data are available on the absence of supervised employees or persons working on Company territory.

There is a big increase in the days absent due to illness, which can be explained by the prolonged illness of some colleagues.

EMPLOYEE AND MANAGEMENT RELATIONSHIPS AND COMMUNICATION

Our Company culture and its organizational set up inspire open and genuine communication, as well as a regular information exchange between management and employees.

Information is most frequently exchanged by e-mails or through the intranet, although the extended monthly management meetings and direct reporting also have an important role in the information flow. In the future we intend to improve communication by creating an internal group on Facebook.

We consider it important that employees can identify themselves with the Company's achievements, and cohesion within the organization could be strengthened.

With this aim in view our employees could attend the training session to introduce Unicum Riserva in the newly created herbs and spices drink bar, and the work of marketing people at the Dunaharaszti plant also served the same purpose.

The employee satisfaction survey is running at the time of the compiling this report. Its results can be shared in our next report only, but we can already tell that the targeted 70% of anonymous and voluntary response has been reached.

Respect of legal regulations and the right to hold collective discussions are ensured to the maximum by our Company, not only regarding cooperation between the employer and the employees, but also concerning the representation of employees in decision making. Many of the Company's co-workers are members of the Trade Union of Food Industry Employees and our Collective Agreements is valid for 99% of our employees (it is not valid for top managers.) A Works Council is also operating in our Company. No minimum information period is defined by us for the announcement of eventual changes in the organization's operation.

FLUCTUATION AND NEW EMPLOYEES

Fluctuation at Zwack Unicum Plc. is typically very low and it was low in the past two business years, too. The increase in the rate of new employees is the result of the increased number of employees shown above.

8%



THE RATE OF FLUCTUATION IS
8% IN OUR COMPANY

NUMBER (PERSONS) AND PERCENTAGE OF EMPLOYEES HAVING LEFT THE COMPANY

	2014/2015	2015/2016	2016/2017
By location			
Budapest	9	7	10
Dunaharaszti	1	2	9
Kecskemét	14	0	0
By gender			
Female	10	2	5
Male	14	7	14
By age group			
Under 30	6	5	4
Between 30-50	11	4	12
Above 50	7	0	3
All	24	9	19
Percentage of fluctuation	11%	4%	8%

NUMBER (PERSONS) AND PERCENTAGE OF NEW EMPLOYEES

	2014/2015	2015/2016	2016/2017
By location			
Budapest	10	11	15
Dunaharaszti	2	4	14
Kecskemét	0	2	3
By gender			
Female	7	6	12
Male	5	11	20
By age group			
Under 30	7	8	15
Between 30-50	3	8	13
Above 50	2	1	4
All	12	17	32
Percentage of new employees	5%	8%	14%

ADVOCATE RESPONSIBLE DRINKING

PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
<p>Continuous activity to support quality and moderate alcohol consumption.</p> <p>Incorporating the principles of responsible alcohol consumption in company training programs (mentor programs) and initiating through the Hungarian Spirit Association that these should be permanently incorporated in the syllabus of all country wide training programs for bartenders till 2017.</p>	<p>Our motto “Zwack quality, but in moderation” appeared and appears on all our products and promotion material; our Marketing activity is based on our Marketing Codex.</p> <p>Mentor programs and professional training programs held in the herb and spice drink bar include information on the principles of responsible alcohol consumption.</p> <p>With the help of the Hungarian Spirit Association, responsible and moderate drinking was permanently incorporated to the syllabus of two country wide training programs for bartenders.</p>	<p>Designate a separate page of the company website to the issue of responsible and moderate alcohol consumption.</p> <p>Training sessions concerning responsible alcohol consumption to be continuously included in own training programs, mentor programs and bartender training.</p>
<p>Obtain Advertising Self Regulatory Board (ÖRT) approval for all image campaigns.</p>	<p>Advertisements are reviewed preliminary.</p>	<p>Make all digital surfaces of the company comply with ÖRT requirements and constantly monitor their compliance.</p>
<p>Continuous support of initiatives for the promotion of sober driving; as a member of the Hungarian Spirit Association, maintain persistency of accomplished prevention projects.</p>	<p>The information stands at festivals, operated together with the Hungarian Spirit Association, date back over many years.</p> <p>In 2016/2016, in a joint program with Diageo, the volunteers of Diageo popularised responsible and moderate alcohol consumption as part of the Captain Morgan and Johnnie Walker promotions and with the support of italmertek.hu.</p>	<p>As a member of the Hungarian Spirit Association, maintain persistency of accomplished prevention projects.</p>

Zwack Unicum Plc. is a committed advocate of moderate and responsible alcohol consumption. The Company advocates responsible drinking on the one hand during the marketing and sale of its products, and on the other hand by participating in the relevant campaigns.

MARKETING COMMUNICATION AND EDUCATION

In 2004 the Company started to apply the directives and recommendations of our Marketing Codex, which are fully binding and valid for all our marketing activities in the interest of our brand-building, accurately determining the processes as well as the scope of responsibility. Our communications on the internet are determined by self-regulation and responsible alcohol consumption, the content of our pages can be accessed following an enhanced entry authorisation. Marketing communication is the responsibility of the Marketing Director, the content of the product labels is the common responsibility of the Marketing Director and of our product development.

Zwack Unicum Plc. has been an active member of the Advertising Self Regulatory Board (ÖRT) also for the last two years, fully accepting the basic principles of the Hungarian Marketing Codex. ÖRT is an indispensable pre-filter for us. We have an ongoing communication with ÖRT, and we have our planned advertising campaigns and all our image campaigns reviewed by ÖRT.





CATCHING THE FRAGRANCE

“Unicum contains more than 40 kinds of herbs and herbs are important ingredients of many of our brands. The world of herbs and spices is wonderfully interesting and colourful, their history encompasses the history of mankind. We would like to introduce this colorful world, as well as our expertise to the visitors of our herb and spices drink bar. Our exclusive training programs can be attended primarily by our trade and gastronomy partners, our aim being to enable them to get to know the deep and thorough expertise, as well as the variety which is embodied in one glass of Unicum.

Zsolt Zólyomi, the only Hungarian parfumeur, as well as Zoltán Nagy, owner of Boutiq' Bar unquestionably represent the highest professional standard of our lectures.

Of course, we do not disclose the well-kept secret of the Unicum recipe, however we describe the differences between herbs and spices, and we also introduce four herbs and spices which, for sure, are ingredients of the liqueur. One of the puzzles of the lectures is how to capture the evaporating values of herbs and spices, that is, their fragrance and aroma. Besides the academic

background our guests also receive practical knowledge to be used in their everyday life, among others the pairing and mixing of plants, tastes and drinks.

In the drink bar 140 types of herbs and spices are exhibited, dried or in the form of extracts, distillates, and all of them can be sampled. Our guests can sample the plants and are also given an insight into our operational herb warehouse through a glass wall. My colleagues often get embarrassed, as it can happen that they have to take out portions of herbs from the sacks marked with codes – in order to preserve the secret – at the very moment when our drink bar has visitors.

The lectures of our experts were attended by almost 2 thousand people, who gave particularly positive feedbacks. It was a great experience for me, when sitting in the jury of a palinka contest – far from the distillery – I could hear the other jury members talking about their good experiences in our herbs and spices bar, obviously unaware of my involvement in it.”

Erzsébet Rádai

Development Manager and Herb Expert

2 000 *participants*



“CAPTURE THE FRAGRANCE”
2 000 PARTICIPANTS
IN 6 MONTHS



18 million



**“ZWACK QUALITY, BUT IN MODERATION”
– THE SLOGAN APPEARS MORE THAN 18 MILLION
TIMES YEARLY ON OUR PRODUCTS AND
ADVERTISING MATERIAL**

The catchy slogan “Zwack quality, but in moderation” is prominent on all our communication tools, among them on the product labels. Decision on the scope of information on the label, the content of the label, is made in line with the current legal requirements. Beside the classification of the beverage the list of components is not given, however potential allergens among the components are always listed, moreover, the alcohol content should be indicated as a compulsory element.

A graphic design consisting of easy to understand pictorial symbols appears on our posters advocating responsible and moderate drinking. It encourages sobriety in our consumers by giving the suggested consumption for women and men respectively, and also informing when drinking is not recommended at all. These designs can be seen on our posters.

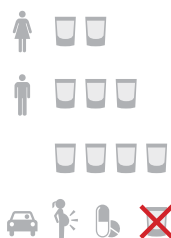
The description of the principles of responsible and moderate alcohol consumption, as well as how to apply them in practice, is included in our in-house mentor programs and professional training courses.

The Company encourages the inclusion of the theoretical and practical aspects of responsible and moderate alcohol consumption into various professional training programs, like for example to the curriculum of bartender training. By the initiative of the Hungarian Spirit Association (MSzSzt) this topic has already been made an integral part of the syllabus of four training institutions out of six. Also, the principles of responsible and moderate alcohol consumption remained part of the Spirit Culture syllabus of the University of Technology and Economics.

PREVENTIVE CAMPAIGNS

The campaigns of our Company are accomplished in cooperation with other organizations. We devote a lot of energy to the enhancement of moderate alcohol consumption and to the prevention of alcohol consumption by the under-aged.

Zwack Unicum Plc. is a committed member of the Hungarian Spirit Association and considers it very important to maintain a consistent standard of preventive projects and supports the creation of new campaigns in order to increase awareness.



The Company supports the prevention of drunk driving within the framework of the “Join the pact” campaign. Our Company joined this campaign launched by its partner and co-owner, Diageo, in 2014. Johnnie Walker started its awareness raising initiative 9 years ago. The aim of the campaign hallmarked by Formula 1 starring Jenson Button, Mika Hakkinen, Lewis Hamilton, is to draw attention to the hazards of alcohol consumption and how the number of traffic accidents can be decreased by responsible and moderate drinking. Thanks to the Formula 1 team of Mercedes McLaren the campaign also reached Hungary in 2014.

In 2016 the “Join the Pact” campaign was named “Never drink and drive” in Hungary, and the program was combined with the “Charta for sober driving” launched in 2005. Anyone who agrees with the message and wants to contribute to the success of the campaign can pledge to respect the basic principle “Never drink and drive!” Since 2005 more than 150 thousand people have joined this initiative on the www.sohaneigyalhavezetsz.hu website. The program since many years has been supported by the National Police Headquarters-National Traffic Accident Prevention Committee.



SOCIAL AND CULTURAL RESPONSIBILITY

PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
Further maintain strong support relations based on the same values and dating back a long time.	Support of KIP (Complex Instruction Program) in the Molnár Ferenc Primary School. Support of the Children’s Clinic in Tüzoltó street. Maintain cooperation with the Zwack József Commerce and Catering School in Békéscsaba.	Embrace causes closely related to company values, as well as employee initiatives; continue to strengthen organizations supported for years.
Keeping alive the traditions of active support rather than just monetary donations, facilitate volunteer work of employees.	An extra work day is granted for the employees by the Company management for volunteer work. Support of employee initiatives, including fundraisings for those in need.	Making an office available for the Magic Lamp Foundation. Motivate volunteer work by taking over organizational tasks.

It is important for Zwack Unicum Plc. to actively participate in the life of local communities, to give financial support to developing communities and towards the accomplishment of their goals consistent with or strengthening Company values. The Company and the Unicum distillery are an integral part of Ferencváros, and we are especially committed to supporting our district.

We are focusing on the areas below:

- strengthening of local communities, including the development of children and the protection of their health
- acknowledging outstanding achievements in the field of culture or sport

Decision in both cases is based on the consensus of the Company management, in harmony with the basic values of the Company.

RATE OF DONATIONS* (% OF PROFIT BEFORE TAX)		
2014/2015	2015/2016	2016/2017
4.1%	4.9%	5.7%

**Financial support excluding sponsorship, but including the support paid at the expense of corporate tax allowance*

STRENGTHENING OF LOCAL COMMUNITIES

The Molnár Ferenc Primary School located in the 9th district, the model school for the Complex Instruction Program (KPI) has been supported by Zwack Uncum Plc. since 2010.

The aim of the program is to help social integration of underprivileged children, and to help them overcome their disadvantages. One of the most important features of the program is that it encompasses the use of the most diverse skills, consequently children with different social backgrounds and levels of knowledge get a chance to successfully solve problems in team work. This facilitates both the realignment of the academically weaker children and the talent stimulation of the outstandingly talented ones. The principle “Everybody is good at something!” can prevail.

Outstanding results were achieved by the school since the implementation of the program. A prominent improvement can be seen regarding enrollment, dropouts and absences, as well as further education of the “Molnar” children. The headcount of the school in 2010 was 232, while in the 2017/2018 academic year 630 children will start learning in 26 classes. The number of those who have to repeat a class is constantly decreasing; their current rate is only 0.01%. Thanks to the KIP program, all the children of the 8th grade were admitted to graduation schools (secondary schools or technical colleges).

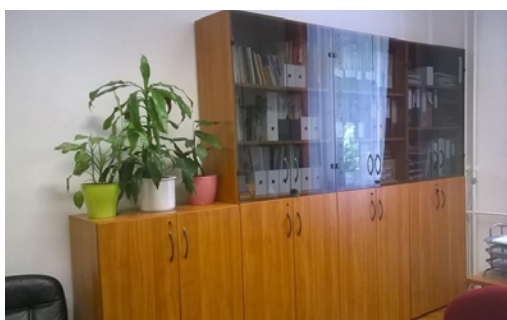
Satisfaction survey results also show the success of KIP. The satisfaction of children, teachers and parents is especially high. The attitude of teachers is also changed, becoming more inclusive.

8 years



**WE HAVE BEEN SUPPORTING THE
MOLNÁR FERENC PRIMARY SCHOOL
FOR 8 YEARS IN THE COMPLEX
INSTRUCTION PROGRAM**

There is huge interest shown towards the program from other institutions. The school undertook the dissemination of the program and the method was successfully taught by its teachers in 14 schools in various parts of the country. In 2017 the school became the model institute of the Education Office. It also received permission to operate as of September this year as an English-Hungarian bilingual school. Five graduation schools send their students for traineeship to this school, so that they can get to know and learn the methodology.



Our Company supported the school not only at the outset during the implementation of KIP, but it is still committed today to the realisation of the program. Besides material support we help their work also with technical equipment, furniture and children's books. In 2016 after renovation our Company presented its redundant furniture to schools and social institutions.

Our colleagues could also make suggestions for possible beneficiaries. In all, six institutions received some pieces of our furniture, most of which was given to the Molnár Ferenc Primary School, as well as to the Social and Rehabilitation Foundation. The purchase of pieces of furniture was also possible for our colleagues and approximately one third was disposed of in this way.

Our cooperation with the Children's Clinic in Tűzoltó street also dates back more years. The „One-Day Facility” established with the support of Zwack Unicum Plc. was launched in the spring of 2015. In this new facility children can receive the necessary treatment in the professional environment of the hospital as outpatients and they do not have to be apart from their family members. With the help of our financial aid, the hospital could buy a transportable breathing machine.

In the future we will help the Magic Lamp Foundation in its aim to fulfill the wishes of as many ill children as possible by ensuring an office place for the foundation in our Main Office.

The contact between our Company and the Zwack József Commerce and Catering School in Békéscsaba also dates back many years. It is one of the best vocational schools of the Bekes county and is supported by Zwack Unicum Plc. by scholarships, field trips and vocational training.

MAIN ORGANIZATIONS AND EVENTS RECEIVING SUPPORT

Őrzők Foundation of the Tűzoltó Street Children's Clinic

Molnár Ferenc Primary School Foundation

Déméter Foundation

Commerce, Catering and Tourism Vocational Education Foundation
(Zwack József Commerce and Catering School)

Budapest Festival Orchestra Foundation

ExperiDance Company

Hungarian State Opera

Hungarian Virtuoses Art Nonprofit Ltd.

István Örkény Theatre Nonprofit Ltd.

Hungarian Water-polo Association

Alba Volán Sports Club

Miklós Radnóti Theatre

József Katona Theatre of Kecskemét

VOLUNTEER WORK

As a family Company cooperation based on mutual responsibility is part of our Company culture. Our Company is committed to encourage volunteer work and the individual initiatives of our employees. As a rule, the help given by our employees is supplemented by a financial donation from our side.

Since 2016 our Company grants one work day to its employees for volunteer work. This possibility was used by a small number of employees so far, therefore we will encourage this in the future with the creation of volunteer programs, as well as with participation in their organizing work, just as we did with the volunteer work of our trade colleagues. The employees of our Trade Department helped to renew the yard of a kindergarten in Tamási working there for one whole day, and by presenting a huge wooden installation shaped like a ship.

Our colleagues entered Swimathon, the first charity swimming competition held in Hungary organized by the Ferencváros Community Foundation. In all, 500 thousand HUF was collected by our 5 swimmers, to which another 500 thousand HUF was added by our Company. As a result, we could give a 1 million HUF donation to the Déméter House Foundation. (see Waste management chapter for the personal experiences of one of our colleagues.)

We joined the “Christmas of 100 children 2016” campaign of the Horizont Social Foundation. The foundation gave Christmas presents to underprivileged children living in the 9th district. Our colleagues collected clothes, toys, and raised a 75 thousand HUF fund which was doubled by the Company. The collection of plastic bottle caps has become a tradition among our colleagues, thus contributing to the healing of many children.

500 000 HUF



**5 COLLEAGUES ENTERED
SWIMATHON COLLECTING
A 500 000 HUF DONATION**





CHARITABLE GROUP BUILDING

“My relationship with Zwack Unicum started when I was working as a trainee in the Museum and Visitors’ Centre, making use of my Russian-English degree. Closer to my state exam I was considering looking for a permanent job when I got an offer from my manager, so I did not have to think twice for the answer.

I was able to celebrate the first day of my employment the very next day after the end of my trial period, at the yearly sales conference of the Company. So the first day went by in the spirit of my professional growth, while on the second day I found myself and almost 70 of my colleagues in Tamási, painting wooden toys in the courtyard of the Aranyeső kindergarten, where – making good use of the remaining painting materials, as well as our enthusiasm – we also painted a part of the fence. As a new employee, I was looking forward to see how I could find my place among my new colleagues.

As I am a communicative person, I was not afraid of the day, and just as I expected, the ‘beautifying’ of the nursery took place in an especially good atmosphere and was very efficient. I could work with more teams, and the common experiences and conversations with people was something I could build on in my daily work during the next months.

In order to thank us for our work the nursery made a small reception for us and the day came to an end with a performance by the children. It was truly moving to see the joy of the kids at the sight of the restored, once more colorful toys.

I feel very lucky to have had such an experience at my first workplace and at this very early stage of my employment.”



Rebeka Négyesi

Colleague in The Visitors’ Centre

RESPONSIBLE COMPANY MANAGEMENT

ECONOMIC EFFICIENCY

ECONOMIC PERFORMANCE

The economic performance of a company should not be evaluated on its own, as the Company and its immediate and wider environment are in constant interaction. The efficient use of available resources is essential to sustain a successful operation in the long term.

Our successful operation ensures the fair remuneration of employees, our ongoing orders to suppliers and the financial basis for our charity work, while taxes paid to the government contribute to the realization of the goals of the community. Of course, this is not a one-sided phenomenon as improved environmental conditions also have a favorable impact on the Company.

The economic performance of Zwack Unicum Plc. and its goals regarding profit and market share are defined and approved by the Board of Directors and the Supervisory Board. The realisation of the goals is the responsibility of the General Manager of the Company. The 2016/2017 business year was especially successful for the Company. Our market share increased and our sales volumes also increased, partly due to the changes of legal regulations (as of 1 Jan 2017 the scope of products under NETA was extended.) Our economic and financial results are detailed in our Annual Report. Unlike the balance sheet and

income statement approach of our Annual Report, data representing our economic performance in the present Report has a special focus on retained profit and payments to the various stakeholder groups.

8 million



IN 2016/2017 ALMOST
8 MILLION LITRES BEVERAGE
WAS PRODUCED IN
OWN PRODUCTION

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (ACCORDING TO DATA OF IFRS FISCAL STATEMENTS, HUF MILLION)

		2014 / 2015	2015 / 2016	2016 / 2017
	I. Direct economic value generated	22 053	21 948	25 522
	Revenues (gross sales revenues including excise tax + other revenues + fiscal revenues)	22 053	21 948	25 522
Stakeholders	II. Distributed economic value	22 531	21 740	25 399
Suppliers	Operation costs (without depreciation charges)	7 838	7 776	8 891
Employees	Employee wages and benefits (payments to personnel)	2 611	2 542	2 646
Owners	Payment to providers of capital (dividend)	2 400	1 700	2 100
State	Payments to government (taxes without contribution and tax payments related to personnel and without VAT)	9 575	9 604	11 574
Local communities, NGOs	Community investments (donations and sponsorship)	106	118	188
All stakeholders	Profit retained (I.-II.)	-479	208	123

The amount of expenditure for personnel accounts for bonuses as acknowledgment of performance. 75% of our tax payments are excise tax, the value of which is included also in our revenues. Production and sales activities justify the high percentage of expenditures in material. Payments to personnel are also significant as they include performance bonuses.

The Company is considered a major taxpayer both on a local and national level. Local taxes represent approximately 2% of total taxes paid by the Company. More than 10% of the national excise tax paid in 2016 year stem from the products of Zwack Unicum Plc. The Company fulfils its tax payment obligation according to legal requirements, and the amount paid as taxes depends greatly on our sales volumes.

THE AMOUNTS PAID IN TAXES (HUF MILION)

	2014/2015	2015/2016	2016/2017
Local taxes	229	256	267
Government taxes*	10 991	11 090	13 113
Total*	11 220	11 346	13 380

* without VAT

The indirect economic effects of spirit drink production and distribution can be noticed mainly in Hungary, as the full production takes place in Hungary and, in purchase value, 70% of our purchases stem from Hungary, and 80% of production suppliers are Hungarian. Considering the rate of domestic purchases, as well as the rate of domestic sales, our Company's capacity to create work places is also predominant in Hungary.

70%



IN PURCHASE VALUE
70% OF OUR PURCHASES
STEM FROM HUNGARY

SALES

The domestic customers of Zwack Unicum Plc. can be divided into three categories:

- retailers: nearly 50%
- gastronomy sector: also nearly 50%
- direct sales to consumers: 0.5%

Our Company works with the most important retail networks in Hungary. Our gastronomy clients, with the exception of our wine division, are served exclusively through wholesalers.

The availability of our brands abroad is very important for us, therefore we currently sell our products in almost 50 countries. Our flagship premium brands are available also beyond the borders of Hungary, approx. 10% of our products are sold abroad. We export almost 20 different kinds of products, and every 5th Unicum bottle is sold abroad. Concerning export sales we continue to give high priority to our traditional key markets, so Italy, Germany, Slovakia and Romania, as well as other EU countries remained our major foreign markets.



13 000 visitors



THE MUSEUM AND
VISITORS' CENTRE WELCOMED
13 000 VISITORS



MUSEUM AND VISITORS' CENTRE

“During the past six years significant changes took place in the Zwack Museum and Visitors' Centre, which is reflected in the increased number of visitors. While 1700 people visited the Museum in 2010, we had 13 000 visitors in 2016.

This success can of course be accounted for by many factors however I am sure that the group of colleagues working here, as well as the trust and support of the Company management and of the Zwack family played a key role. We evolved a new strategy where the three services offered by the Museum and Visitors' Centre were combined into one concise package encompassing tourism, retail and events.

The Museum offers insight into the unique quality of Unicum, as well as the traditions of the Company and of the family. Since the ratio of Hungarian and foreign visitors is about 50%-50%, it is important for us to offer a valid program for both Hungarians and people from other countries. We treasure the conviction that not only we at Zwack, but the country as a whole is proud of our shared values.

In the past we worked a great deal on transforming a visit into a personal experience for our visitors. For groups of visitors, based on prior agreement, we offer guides in many languages. The guided tour concludes with a visit to the Unicum cellars, with the option to taste Unicum and Unicum Plum directly from the casks. Individual visitors can take part in one guided tour each day, while the audio guide is continuously available for them in many languages.

It is important for us to strengthen relationships with students undergoing specialized education or training related to our operation, so we offer professional lectures with the involvement of expert colleagues. Most typical are visits by groups from catering or business schools.

I think we have good reason to expect the number of visitors to increase still further than in the preceding years, thanks also to the renovation of the centre at the end of 2016. This was one of the biggest challenges for us last year, since we had to ensure smooth operation even during this period. Our customers were served at a temporary location during the three week renovation of the shop.”

Ernő Szájbely

Visitors' Centre and Event Manager

ACKNOWLEDGEMENTS

We are proud that many of our marketing activities and communication campaigns proved to be very successful also in the period under review. Besides the impact made, marketing and communication professionals acknowledged our achievements many times. In all, we were among the best at seven of the most prestigious professional competitions. We received among others the Golden Razor, Golden Effie, Silver Lollipop and Golden Prism awards.

The high quality of the brand was hailed by independent experts: in 2016 Kalinka Gold won the Golden Medal of the World Spirits Award competition held in Klagenfurt.

ETHICAL BUSINESS CONDUCT

PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
<p>Transparency: regular training sessions about the Code of Ethics, with special focus on moderate and responsible alcohol consumption and the acceptance of gifts.</p> <p>Lawful operation.</p> <p>Effective communication with stakeholders.</p>	<p>In the spring of 2016 a training session was held regarding the Code of Ethics.</p> <p>Our lawful operation is reflected in the minimal number of remarks and minimal amount of fines from the authorities.</p> <p>An action plan is implemented based on the findings of the misuse examination done by a third party.</p> <p>Frequency of Customer satisfaction surveys is increased. Compliance rules are determined for stakeholders.</p>	<p>Yearly training sessions regarding the Code of Ethics.</p> <p>Integrated management policy to be communicated on the company website.</p> <p>Potential risks of misuse inherent in the processes to be regularly assessed by an external expert.</p> <p>Extend customer satisfaction surveys to the visitors of the Museum and the Visitors' Centre.</p>

STAKEHOLDERS

Ethical business conduct is one of the basic values of the Company.

The expectations of stakeholders towards Zwack Unicum Plc. were taken into account and consideration on management level. From among these expectations we selected the ones we would like to meet – as quasi compliance rules – by respecting business ethics.

Our compliance rules were specified early 2017 at the time of our upgrade to the new, year 2015 version of the ISO based management system standards. Our changed integrated management

policy is affecting all the elements of our sustainability strategy (see our General Manager on sustainability and our values), as it commits itself to accomplish them and sets the basic values to be respected by the operation, with these helping their integration into the operation. Our integrated management system covers quality management, environmental management, food safety and energy management. The establishment of this last element of the system is in progress.

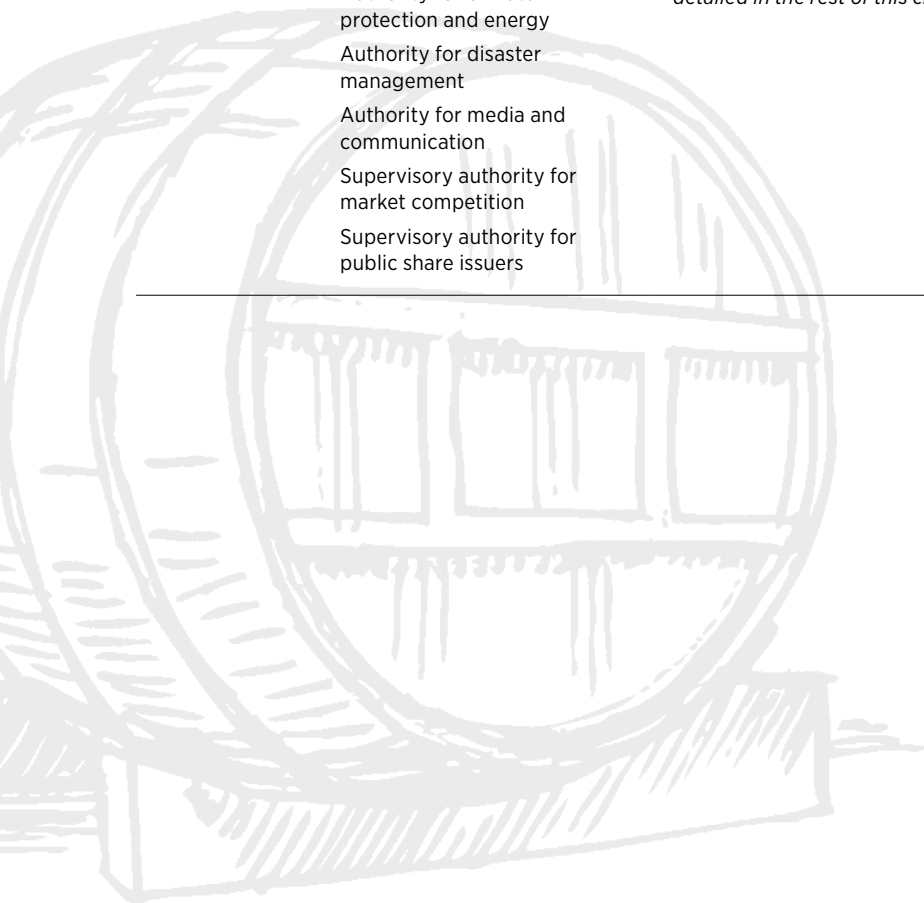
The effective and cooperative communication with stakeholders is very important for us.

Its typology is shown in the next table.

STAKEHOLDER GROUPS	MAIN STAKEHOLDERS	ABOUT THE DIALOGUE	METHOD OF INVOLVEMENT
Owners	<p>Peter Zwack & Consorten H.AG. – the Zwack and the Underberg families (50%+1 share)</p> <p>Diageo Holdings Netherlands B.V. (26%)</p> <p>Collective ownership (24%-1 share)</p>	<p>Decision on the main strategic direction of the Company including sustainability</p> <p>Yearly performance assessment, target setting</p> <p>Operation data (information)</p> <p>Determine the elements of responsible corporate management and its daily operation</p> <p>Governance of internal control</p> <p>Performance indicators, presentation of environmental, energetic, food-safety and work safety performance</p> <p>Other data according to request</p>	<p>Yearly and quarterly financial reports</p> <p>Responsible corporate management report</p> <p>General Assembly and Shareholder Office</p> <p>Board and Supervisory Board meetings with well-defined agenda</p> <p>Written requests are answered by the management or the governing body according to the Basic Rules</p> <p>Sustainability Report</p>
Customers	<p>Retail customers</p> <p>Wholesalers, gastronomy partners</p> <p>In case of export one distribution partner in each country</p>	<p>Contractual requirements, cooperation in marketing and sales promotion</p> <p>Product information, comments, complaints handling</p> <p>Influencing consumer habits in order to support proper service and diverse consumption – beverages with less alcohol content</p>	<p>Client service, company and brand websites</p> <p>Visits of trade representatives</p> <p>Joint visits with our major customers to countries where we export</p> <p>Joint elaboration and launch of promotions and actions</p> <p>Customer satisfaction survey</p>

STAKEHOLDER GROUPS	MAIN STAKEHOLDERS	ABOUT THE DIALOGUE	METHOD OF INVOLVEMENT
Consumers	Consumers of our products, participants of our market activities	<p>Getting to know consumer opinion regarding our products, market trends and expectations</p> <p>Complaints handling</p> <p>Important information about our products by meeting requirements for product labelling</p> <p>Communication of responsible alcohol consumption among a wide range of customers (<i>More details in the chapter on Responsible alcohol consumption</i>)</p>	<p>Consumer queries, satisfaction surveys, analysis of market research data</p> <p>Sales promotion activities, presence on festivals</p> <p>Handling of consumer complaints</p> <p>Company and brand websites, interactive communication on the social media</p> <p>Zwack Unicum Museum and Visitors' Centre</p> <p>Product labels, information shared by marketing communication materials and platforms</p> <p>Letters, emails, personal coordination</p>
Employees	Employees of our Company and the trade union, and the works council representing them	<p>Get acquainted with Company strategy and values; integrated policy, awareness of company goals, activities based on social responsibility</p> <p>Daily company news, information flow, communication about major events, changes, achievements</p> <p>Proposals and problem solving in the interest of continuous development</p> <p>Responsibilities and functions defined by the regulations</p> <p>Operational risks, their management, meet compliance requirements</p> <p>Shaping awareness regarding quality and environmental protection, energy and food-safety, emergency procedures, labour health and labour safety questions and risks</p> <p>Collective agreement and its themes</p> <p>Introduce and operate the system of social and funeral aids</p>	<p>Employee satisfaction survey</p> <p>Intranet and email correspondence, framework of discussions, structure of network library</p> <p>Availability of managers through an "open door policy"</p> <p>Common company events, holidays</p> <p>Education and training programs, volunteering</p> <p>Regulations, job descriptions</p> <p>Sustainability report</p> <p>Joint risk analysis</p> <p>Management review</p> <p>Announcements of the Work Council - participation in the extended monthly management meetings and quarterly written updates</p> <p>Cooperation with the local unit of the Trade Union of Food Industry Employees</p> <p>Meetings, coordination</p>
Suppliers	Suppliers of our company	<p>Flexible, open, fair, effective cooperation</p> <p>Performance feedback</p> <p>Involvement in innovation activity</p> <p>Recognition of company values and commitment and share these with others</p> <p>Make our requirements clear for suppliers and ensure supervision</p> <p>Product recall</p>	<p>Contract – based on our quality, food and energy safety and environmental protection principles</p> <p>Make our Code of Conduct known</p> <p>Quality check, technical inspection, evaluation of suppliers, audits</p> <p>Cooperation with fruit suppliers in the frames of the fruit qualification system</p> <p>Meetings, discussions</p>
Competitors	Competitors of our company	<p>Exchange of expertise and efficient promotion of our interests – at the same time respecting the principles of the Competition Law</p> <p>Setting an example concerning responsible operations and quality beverage production</p>	<p>Cooperation through professional organizations, like for example the Hungarian Spirit Association, the Hungarian Advertising Association</p> <p>Constant follow up of market developments and events</p>

STAKEHOLDER GROUPS	MAIN STAKEHOLDERS	ABOUT THE DIALOGUE	METHOD OF INVOLVEMENT
Social, local communities	Municipalities Membership in the European Integration and Business Development Association of Ferencváros	Commitment to company values, presentation of our environmental and energy performance, and our activities concerning social responsibility Close cooperation through supports Information regarding comments/ remarks received Compliance with legal regulations	Sustainability report Maintain a cooperative relationship with municipalities Support of programs, events Support of local cultural institutions, sport clubs Letters, emails Media presence according to need
Civil organizations	Memberships in professional associations, bodies (e.g. the KÖVET Association, the Hungarian Spirit Association, ÖRT, the Hungarian Advertising Association, EOQ) Supported organizations	Information necessary to enforce company interest Commitment to company values, activities for social responsibility By means of supports the declaration of the Company's commitment to sustainability; beyond supporting programs also common activities which enable us to develop <i>(Details in chapter "Social and cultural responsibility")</i>	Occasional / regular contact in personal and written form Active memberships and participation on conferences Granting supports, sponsorships in harmony with the values and sponsorship guidelines of the Company
State, governmental organizations, authorities	Tax and excise authority Authority for environmental protection Supervisory authorities for food production Authority for consumer protection Labour authority Authority for climate protection and energy Authority for disaster management Authority for media and communication Supervisory authority for market competition Supervisory authority for public share issuers	The Company endeavors to develop fair partner relationships with authorities, and its activity is based on ensuring compliance with legal regulations The work of authorities is supported by professional comments on the drafts of legal regulations <i>(Further achievements regarding compliance with legal regulations are detailed in the rest of this chapter)</i>	Fulfilling obligations imposed by legal regulations: <ul style="list-style-type: none"> • mutual data and information supply • requests for permissions • decisions • authority visits Conferences, information events Reconciliation of professional standpoints of spirit companies is most often achieved indirectly through the Hungarian Spirit Association regarding the following issues: taxes, regulations on health, advertising and logistics.



COMPANY MANAGEMENT

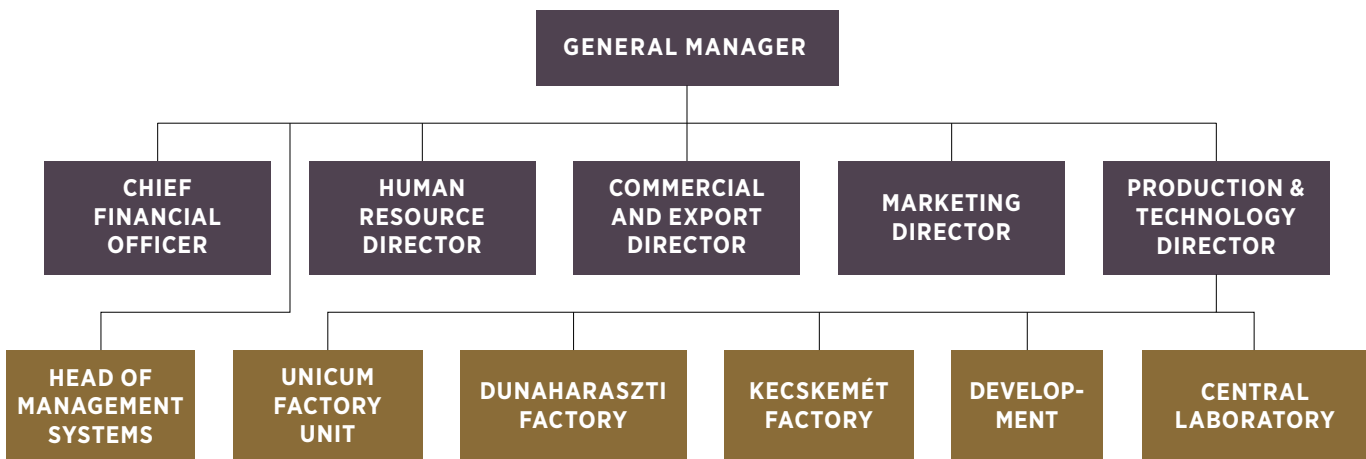
Responsible company management is another defining condition of transparency. Zwack Unicum Plc. is stable, its ownership structure is firmly established. The framework of Company management is created by the transparent organizational structure and spheres of responsibility.

The percentage of local citizens in the top management (the general manager and the directors) is 100%.

The Company's governing bodies, in line with legal requirements, are the General Assembly, the Supervisory Board, the Audit Committee, the Board of Directors and the management of the Company. Their operation is outlined on the "Investor relations - Bodies and management" page of our website at www.zwack-unicum.hu. Concerning social and environmental questions of sustainability, our governing bodies ensure supervision of our politics and strategy and, beyond evaluating results, they also stimulate the implementation of good European and Anglo-Saxon practices. The percentage of local citizens on the Supervisory Board is 50%, while on the Board of Directors it is 57%.

ORGANIZATIONAL FRAMEWORK

The organizational framework of Zwack Unicum Plc. is determined by the Company's basic operations and reflects the major impact of sales and marketing. The Sales department is organized basically according to customer groups, while marketing is organized according to brands. The activities and liaison between the plants, the technological fields, the quality control and product development are coordinated by the Director of Production and Technology.



COMPLIANCE

Compliance with legal regulations is fundamental for our Company and our goal is maximum compliance.

As a rule, the top manager (director) of each department is responsible for meeting legal requirements and for implementing these into the operation of his or her respective field.

Our Company complies fully with legal regulations regarding conflict of interest. Our regulations are extremely strict both concerning the prevention of corruption and its consequences. The comprehensive anti-corruption investigations are carried out by internal audits based on a yearly plan. Dating back many years, these have not revealed any single case which could give rise to suspicion of corruption. Our supplier contracts have an anti-corruption clause.

Risk-based, preventive inspections to disclose potential economic abuse take place regularly with the involvement of an external consultant. The inspection concluded in the 2016/2017 financial year underlined that the control environment of the Company is stable and strong, and have not disclosed any suspicious cases. They inspired however numerous ideas for further preventive measures for which an action plan was drawn up, setting tasks which were fully accomplished by 2017.

The examination of potential remarks, complaints regarding human rights is the job of the Human Resource Director. The concerned party should be informed about its results in writing;

however, as there were no complaints the situation did not arise.

Due to its activities the Company is under the supervision of more regulatory bodies and authorities. A report is submitted to the Audit Committee yearly on the conclusions of authority inspections and audits. Approximately 70 inspections are carried out yearly at our Company locally or with regard to our activities and products.

The National Tax and Customs Administration of Hungary accounts for a large proportion of the inspections concluded, mainly to check whether our obligations concerning excise tax, product charge, tax reporting and tax payment are duly fulfilled. In 2016 a comprehensive inspection was carried out by the tax administration regarding two financial years and all the various types of taxes paid, and it was closed without any significant conclusions.

In the inspections practiced by the National Food Chain Safety Office (NFCSO), as well as by the National Consumer Protection Authority the risk-based approach became more and more predominant, however over the past several years our products were inspected within the framework of subject examinations. 16 and 13 product examinations were initiated by the authorities, samples were taken typically from trade, to check their compliance with quality, product parameter and product follow up prescriptions. In addition, one inspection is made on average at each location yearly to examine if food hygiene and production requirements are met, to check the conditions of well water use, as well as waste water parameters. During the last two financial years our Company received warnings regarding 4 products due to small deviation from food labeling rules, and one recommendation for a document modification for better traceability of a product. In the period under review one official case is pending due to product parameters.

Once gain over the past two years, no penalties or fines had to be paid by the Company for breach of food- quality and food-safety rules.

In the area of marketing communication, there are no pending legal proceedings against our Company. In the past three years one legal case was initiated against Zwack Unicum Plc. which was closed by imposition of a fine due to the non-adequate placement of promotional devices.

In the past three years our Company has been meeting the requirements of environmental protection in every respect. During this period no complaint or request was received concerning the environmental performance of our Company.

Presently, Zwack Unicum Plc. is not involved in any legal procedure and has not been involved in any litigation in the past three years. Also, no complaint was received for misuse or loss of customer data.

The very minor number and amounts of penalties we have had to pay for many years back is a reflection of our lawful conduct on which we would like to place a great emphasis in the future as well. In addition to paying eventual fines we take care to avoid any violation of the regulations repeatedly.

AMOUNT OF PENALTIES PAID (THOUSAND HUF)

	2014/2015	2015/2016	2016/2017
NAV (National Tax and Customs Administration), Excise Dept.	1 035	300	100
NAV, other taxes	2 589*		
Violating rules of correct information / marketing communication	0	0	100

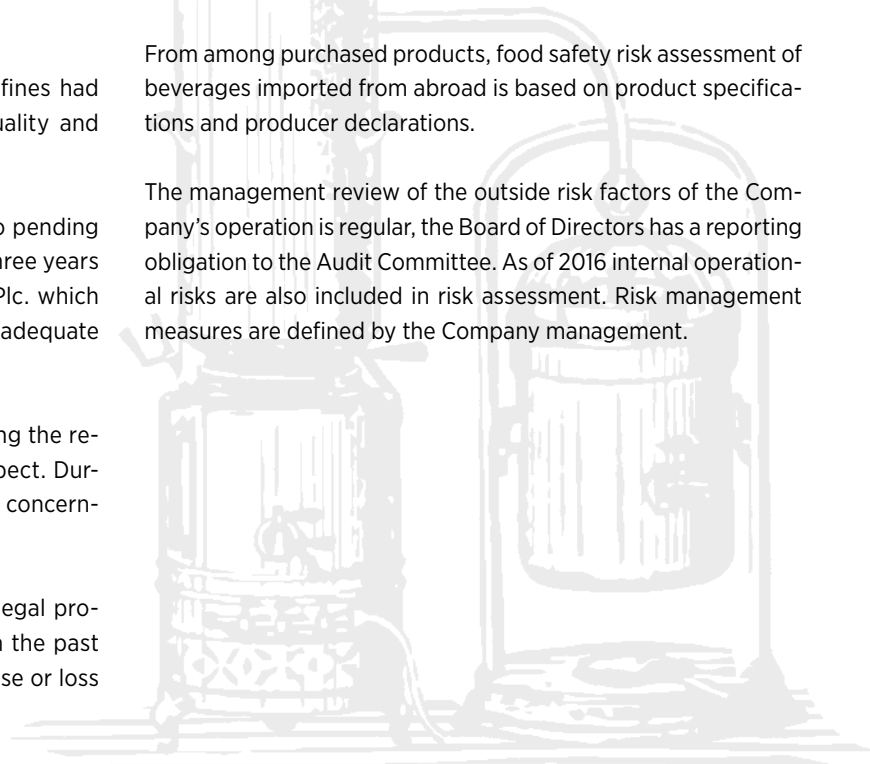
* Comprehensive number of all tax examinations during the three financial years regarding all taxes

Concerning our finished products we had to recall or retain a product in two cases having learned from the Rapid Alarm System of the EU for dangerous products that a product we import and distribute might be contaminated by foreign material. The product in question has not been marketed. The product recall case concerned one of the wines which had to be recalled by the supplier due to quality difference.

Food safety risks from a product's conception till the generation and recycling of waste are assessed by the Company within the framework of its food safety system concerning the entire production line. The criteria of risk assessment contain not only the compulsory HACCP issues, but also aspects of food protection and consumer health protection.

From among purchased products, food safety risk assessment of beverages imported from abroad is based on product specifications and producer declarations.

The management review of the outside risk factors of the Company's operation is regular, the Board of Directors has a reporting obligation to the Audit Committee. As of 2016 internal operational risks are also included in risk assessment. Risk management measures are defined by the Company management.



RESPONSIBLE PURCHASING ACTIVITY

PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
<p>Maintain the present level of the purchasing system and the present percentage of domestic suppliers.</p>	<p>Among all suppliers the percentage of domestic suppliers / service providers is 90%, while in purchasing value it is 66-67%. The required procedure when announcing a tender and the choice of suppliers before signing a supply agreement have become more rigorous.</p>	<p>Use of proven principles when purchasing, maintaining the present percentage of domestic suppliers.</p>
<p>Strengthening environmental considerations during the purchasing process: Zwack Unicum Plc. tries, by means of various communication methods, to make the Code of Conduct known by as many suppliers as possible. At least 70% of all purchases in purchase value should continue to arrive from a distance less than 600 km.</p>	<p>The Code of Conduct summarizing the most important values and principles concerning sustainability has been prepared for suppliers. 70% of all purchases arrive from a distance less than 600 km, we managed to maintain this percentage, however could not increase it.</p>	<p>Apply SMART evaluation methods by three fruit suppliers. Share the Code of Conduct on the company's website. At least 70% of all purchases in purchase value should continuously arrive from a distance less than 600 km.</p>

Zwack Unicum Plc. has a wide range of suppliers.

A strict process of requesting and evaluating the offers of suppliers and concluding contracts with them which ensures equal opportunity during selection. Transparency of purchases is ensured by the e-offer system with its specifications regarding request, evaluation and registration of offers, as well as the compulsory approval system where the higher a purchase value is, the more stringent approval rules should be applied.

Depending on the products and services to be purchased, the central purchasing methods of our central purchasing unit or the decentralized methods of the special units are applied individually. Basic and additional materials for the production, packaging and auxiliary materials, marketing tools and POS materials are purchased by the central purchasing unit. The purchase of technical materials, machinery, equipment and their components, as well as other technical materials is the job of the production and technology directorate, while the purchase of technological intermediates and sanitary materials is the responsibility of the different plants. Depending on their character, the procurement of various services is the job of the respective departments.

The purchasing of medicinal herbs and fruits is of strategic importance regarding the quality of our products.

Due to the secret Unicum recipe, as well as the special expertise needed, the purchasing of herbs is exclusively in the hands of Sándor Zwack and our herb experts. The purchase of fruit, also requiring special expertise, is the responsibility of the manager of our distillery in Kecskemét.

PURCHASE OF BASIC MATERIALS

In the period under review we used up yearly more than 13 000 tons of materials, 40-44% of which is raw materials built into the products as direct materials. 44% of raw materials and 20% of total materials used are ethyl-alcohol. Around 200 tons of herbs are processed yearly, while in the past two years we bought quantities above 2 000 and 1 000 tons of fruit. Herbs, fruit and ethyl-alcohol are considered renewable materials.

Medicinal herbs typically come from cultivation and are bought by Zwack Unicum Plc. from suppliers able to continuously and reliably provide high quality products. The predominant part of fruit for pálinkas is purchased directly from the producers.

QUANTITY OF FRUIT PURCHASED (TONS)

	2014/2015	2015/2016	2016/2017
Quantity of fruit	543	2 180	1 335
Number of fruit suppliers	34	41	32

1335 tons



**WE BOUGHT
1 335 TONS OF FRUIT
IN THE YEAR OF 2016/2017**

PURCHASING OF PACKAGING MATERIALS

In choosing our packaging materials, apart from aesthetics, food safety and environmental considerations are the most important factors. Our suppliers of packaging materials, in accordance with the regulations, should present a Declaration on the environmental compatibility of their packaging materials. We use packaging materials containing recycled materials primarily in the form of plastic crates, glass bottles, as well as cardboard and boxes. The proportion of packaging materials and advertising materials among all materials is 56-60%.

Concerning materials necessary for food production, as well as packaging materials in direct contact with food, a basic expectation towards the suppliers is that they apply a food safety system. In the period under review there have been two food safety or health protection issues, caused by the purchased materials, regarding glass bottles. Thanks to the effective quality control practices the defects were detected in time, and the bottles were not used. Corrective actions and measures for future prevention were discussed and agreed upon by the supplier.



RELATIONSHIP WITH FRUIT PRODUCERS

“We buy a substantial amount of domestic fruit each year. However the amounts and the types of fruit are finalized only by the end of May. By that time we, of course, are aware of the current market situation and the crops to be expected. Zwack Unicum Plc. has a good image as a buyer, so purchasing is not a problem even under changing circumstances: though we may not necessarily pay the highest prices, producers can rely on us, we pay reliably, deliveries can be scheduled, and should we want to refuse the takeover of a delivery due to quality issues, we redirect the supplier to another buyer.

So that the fruit demand of the Company can be available on time and in the required quality, I need to know who produces what species, using which cultivation methods and machinery, so I am in contact with all the producers, even with those with whom we do not place orders each year. I held kick off meetings regarding the schedules and our expectations regarding each fruit type with the participation of the respective producers, so they not only know their deliveries, but the deliveries of the other suppliers as well. Therefore it is more easy to agree on the tasks at hand and to help each other. I am always present at the takeover of the first deliveries, so that a potential issue can be revealed immediately.

Plantations have changed a lot for the better in the past years: cultivation is more intense, the majority of producers have foreign experience, and it is more and more frequent that expertise from the past regarding the capacities of the terroir is employed, for example when replanting.

The number of professionally trained, open minded and consciously planning young people is increasing. Overcoming unfavourable effects of changing weather conditions is possible primarily by cultivation methods, for example ice net and trickle irrigation, the use of which is becoming more and more natural. However, there are also difficulties emerging: lack of work force is an overall issue and even though the mood for planting is increasing, there are periods when the old trees yield no more, while the young saplings still cannot yet bear fruit. Foreign fruit species are popular and used at many places mainly due to their aesthetic value, but do not meet our requirements due to their insufficient nutrient content.

We happily and curiously participate in the SMART assessment made by the Ecological Agricultural Research Institute (ÖMKI), evaluating the environmental, economic and social sustainability of farms. I am looking forward to get to know the results: how our three producers performed according to the objective aspect system and what is more important, in what and how can they develop? The assessment is helping our goals to develop long term cooperation with our three biggest suppliers, making the purchasing activity for us and for them more calculable.”

Andor Árvai

Manager of our Distillery in Kecskemét

SUPPLIER RELATIONSHIPS

As regards our purchasing activity, besides the security of supply, another important aspect for consideration is the preference of domestic suppliers over other offers with the same price and quality.

Due to their service parameters (e.g. quicker and more flexible services, lower prices) domestic suppliers may be considered in a more favorable light. In the past two business years the percentage of Hungarian suppliers, or suppliers having a production site in Hungary, was more than 90% of all the suppliers in the past two business years, while this number was 66-67% based on purchase value.

The competitiveness of Hungarian suppliers is a determining factor among printing industry products - labels, sleeve foils, cartons and decor boxes, as well as ethyl-alcohol - but due to the characteristics of Hungarian industry, there are no Hungarian suppliers or their number is very limited in many fields (e.g. production of glass bottles, screw caps).

In order to renew the machinery in our Dunaharaszti factory, we invest each year in the import of some bigger part of its machinery. The machinery can be purchased only from abroad mainly from Italy, Slovenia and Germany.

Our efforts to decrease transport distance and the environmental load stemming from it, are hindered to a certain extent by the above-mentioned industrial structure and the impossibility of machinery purchases in Hungary. In the past two financial years 70% of all purchased goods arrived from a distance of a maximum of 600 km. It means that we managed to achieve our goal to maintain the percentage, but we could not improve it.

Our suppliers typically consider our Company a fair and reliable partner, and our aim is to strengthen this positive image. The prerequisite of a fair business relationship is that the business partners share as much as possible the same or very closely related values.

Company elaborated a Code of Conduct laying down Company values and expectations towards suppliers concerning sustainability. The Codex illustrates our basic principles of ethics about lawful operation, fair labor practice, safe work environment and the protection of our environment. The results of a small investigation made among our biggest suppliers show that most of them have a Code of Conduct of their own, so they accept our expectations as recommendations.

In the period under review the Hungarian Competition Authority conducted competition supervision proceedings against 3 of our Hungarian suppliers due to late reporting of connected businesses and unfair trade practices towards consumers, and the latter ones were concluded by fines imposed. Against another one of our suppliers our food safety authority (NEBIH) initiated proceedings due to food-infringement.

The performance of the most important suppliers based on purchase values is evaluated by us at least once a year, based among others on the list of accepted suppliers, the written evaluation of the individual suppliers and, in the case of suppliers of basic materials and packaging materials, the comprehensive numeric assessment based on various aspects. Should the evaluation show the deterioration of supplier performance or some issues becoming more frequent, our quality management, together with our purchasing department, ask for consultations with the supplier in order to explore the situation and find a remedy.

70%



IN PURCHASE VALUE
70% OF OUR PURCHASED GOODS
ARRIVE FROM A DISTANCE
OF MAXIMUM 600 KM

OUR COMMITMENT TO ENVIRONMENT

CONSCIOUS USE OF ENERGY

PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
Enhance energy efficiency: reach 5% saving in the use of electric energy and gas.	<p>The targeted further 5% saving could not be reached.</p> <p>The establishment of the energy management system (EMS) is in progress.</p> <p>Met requirements set by changes of legal regulation in 2016 concerning the energy management of companies.</p>	Get EMS certification in 2017, achieve targets set in the frames of the system.

The commitment of Zwack Unicum Plc. to environmental protection was expressed by the Company management in many forms, and also demonstrated by its decisions. Environmental protection is part of our strategy, and its important elements are our long term targets and plans for development.

In order to establish our energy efficiency strategy, in 2013/2014 energy audits took place at all three production sites. Due to changes in legal regulations since then, we started to establish the Energy management system based on the ISO 50001 standard for companies. It is a major step that we were joined by an energy engineer. Meeting legal requirements we also employ an energy expert, the managers of both professionals is the Production and Technology Director.

The energy demand of the production of spirits is satisfied primarily by the use of electricity and gas.

Energy consumption in 2015/2016 increased by 16% and in 2016/2017 by 7%, mainly due to fact that the quantity of processed fruit could be increased to the earlier levels. (Energy consumption in 2014/2015 was especially low as compared to the previous years.) Colder and longer winters also contributed to the increase of energy consumption.

In the three years examined the changes of specific values were influenced also by the above factors: the jump of the specific value can be accounted for by the quantity of purchased and processed fruit. The quantity of fruit purchased in 2015/2016 was fourfold, while in 2016/2017 2.5 times as much as in 2014/2015 showing the lowest energy consumption (see chapter Responsible purchasing activity). Specific values are influenced by the fact that a part of processed fruit is bottled next year, this is why the specific energy consumption of 2015/2016 is a higher figure.

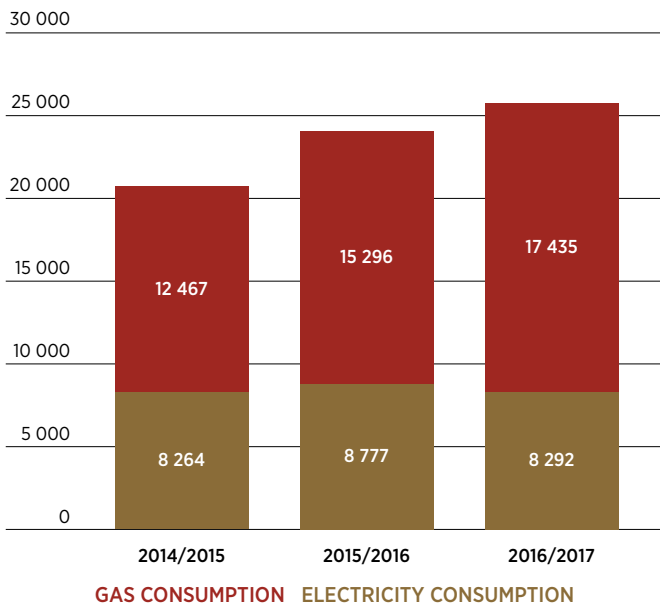
In 2016/2017 the improvement of efficiency could be observed in the Dunaharaszti plant: with a 5% decrease of the energy used compared to the year before, while our production increased by 28%, which is 3.5 million bottles more than the year before, and this fact accounts for the improvement of the specific energy consumption, while the energy consumption of the Company remained similar.

1.45 MJ

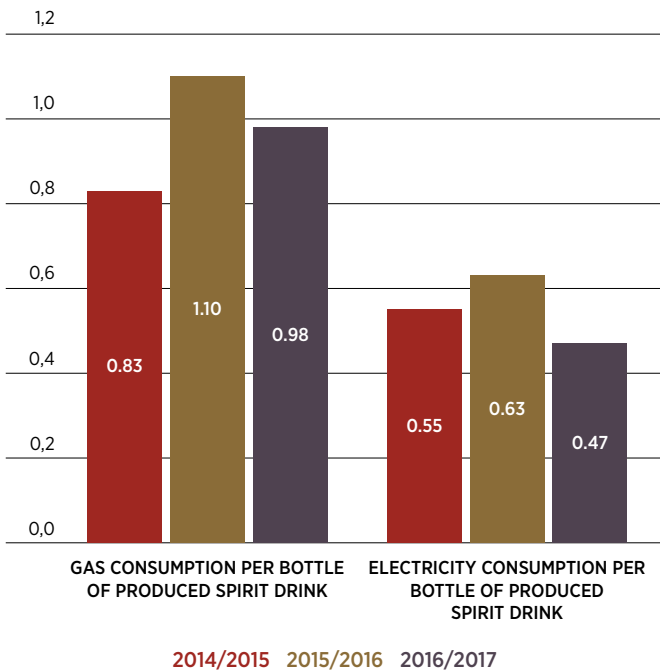


**FORT HE PRODUCTION OF ONE
BOTTLE BEVERAGE 1.45 MJ
(0.4 KWH) ENERGY IS USED
UP IN ALL**

ENERGY CONSUMPTION (GJ)



ENERGY CONSUMPTION (MJ) PER BOTTLE OF PRODUCED SPIRIT DRINK



AIR POLLUTION

On the whole, our Company's operations cause small-scale air pollution.

Our activities causing direct pollution are steam production, heating, logistic activities (transportation of goods, movement of materials) and service routes. Effects inside our Company, as well as impacts in direct connection with its activities or the transport factors that we can influence.

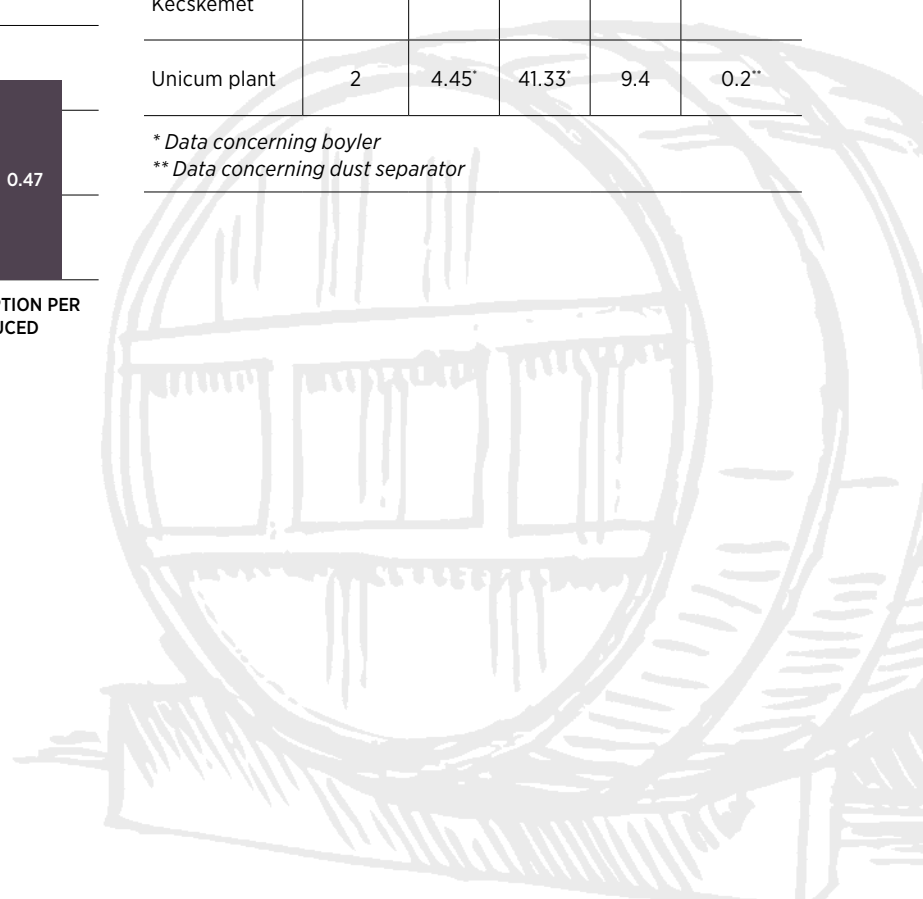
The minimal environmental load charges of the boilers operating at our production sites are regularly paid by us in accordance with the legal regulations. Measured emissions are well below the limits.

ALL POLLUTION EMISSIONS OF POINT SOURCES (CALCULATED DATA IN 2016)

	Number of point sources	Average concentrations			
		CO (mg/Nm ³)	NO _x (mg/Nm ³)	CO ₂ (tf%)	Solid concentration (mg/Nm ³)
Limits		100	350		150
Dunaharaszti plant	4	4.76	56.4	9.4	-
Zwack Pálinka Distillery in Kecskemét	1	7.48	79.84	9.3	-
Unicum plant	2	4.45*	41.33*	9.4	0.2**

* Data concerning boiler

** Data concerning dust separator



Carbon dioxide emission of our production stems mostly from the use of gas. Further direct impact is due to our Company car fleet and to the internal transport of goods. The running of Company cars can mostly be associated with the work of our trade representatives. The relatively new status of the cars and their regular maintenance make it possible to minimize air pollution. We are happy to support other solutions regarding transport: 41% of the employees of our Dunaharaszti factory commute to work by buses hired by us; there are bicycle storage places in all the three locations to encourage environmentally friendly transport.

The transportation needs of our Company and of our customers can be met according to our expectations by road transport. For road transportation of our products we use the services of Waberer's. Thanks to the geographical location of our production sites and to the constant monitoring of warehouse usage, demands for transportation between the factories, as well as between the Waberer's operated main warehouse and the plants, have decreased.

QUANTITY (TON) AND BREAKDOWN OF CARBON DIOXIDE EMISSION*

	2014	2015	2016
Direct emission	1 439	1 403	1 578
natural gas	786	754	952
LPG gas	22	30	26
vehicles	631	619	601
Indirect emission	1 196	1 218	1 169
electricity	753	771	728
vehicles (transport)	443	448	441
Total emission (t)	2 635	2 622	2 748
CO₂ emission per one liter manufactured product (g)	373	379	348

* As compared to earlier reports the methodology of carbon dioxide consumption changed, more reliable and accurate emission factors were used in the calculation.

Our Company does not use ozone deteriorating materials. Materials used in the units of cooling circuits are CFC free. Maintenance of our air conditioners is performed by a sub-contractor who respects the environmental aspects and requirements.



EFFICIENT WASTE MANAGEMENT

PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
Maintain the present level of selective waste collection. Recycling of production waste should be above 93%. Profit/loss monitoring and analysis of waste management.	The system of selective waste collection is operating stably, the minimal waste recycle rate of 93% is ensured. The profit-loss rate of recycling is stable.	Maintain recycling rate of production wastes.

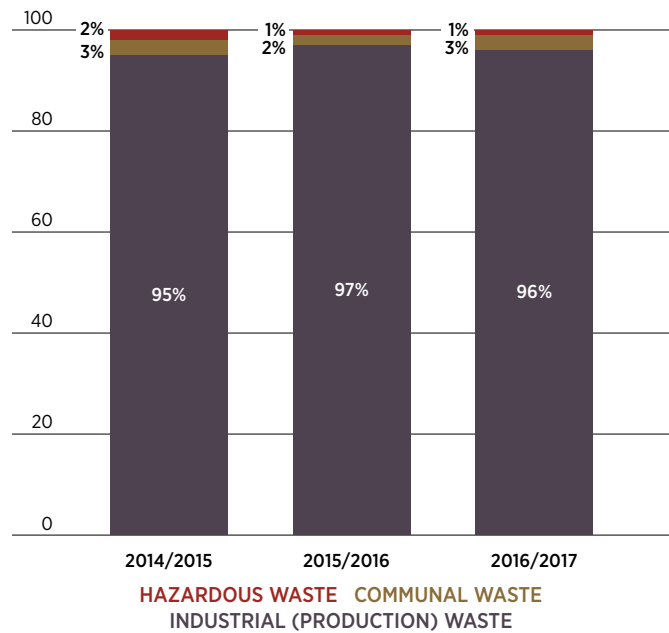
Production waste is one of the major environmental factors of Zwack Unicum Plc. Due to this two of our strategic goals have for years been to lessen the amount of waste generated and to maintain the high level of recycling.

In order to ensure recycling it is indispensable to have an appropriately wide system of selective collection, as well as to have an extended and reliable waste management basis. Waste management is the responsibility of the Labour-, Environmental Protection and Hygiene Manager, who is working closely together with the managers of the control systems, and who controls the tendering of waste management companies and the conclusions of contracts.

Over the past three years the quantity of waste generated fluctuated between 2000 – 2900 tons per year and reached its minimum by a drop of 30% in 2016/2017. The high amount of waste produced in 2015/2016 was greatly influenced by the outstanding quantity of processed fruit (considering mash residue, VEUP - final heads and tails, pip) and the irregular measure of emission caused by periodical cleanings of packaging materials to be recycled, as well as of certain environmental objects.

There was no change in waste structure: as a result of production, the quantity of industrial (production) waste is predominant, and the rate of communal and hazardous waste is insignificant.

BREAKDOWN OF WASTES ACCORDING TO WASTE TYPES



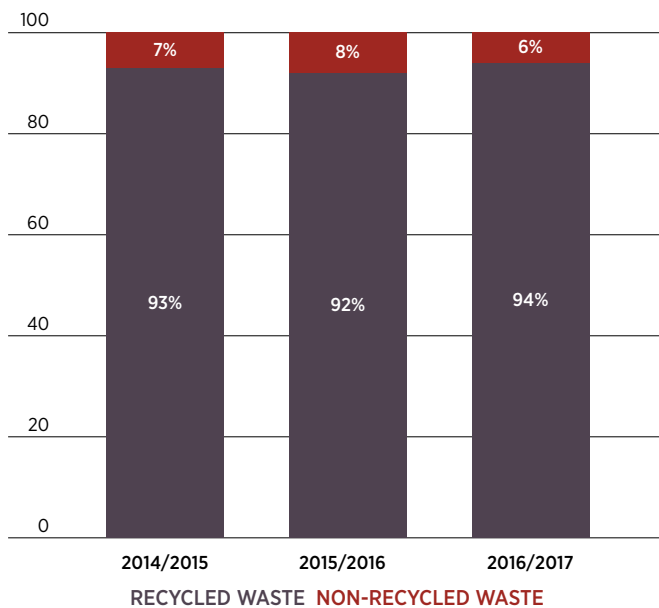
We selectively collect waste paper, aluminum, wooden and plastic crates, glass, mash residue and herbal residue, stones remaining from fruit processing, light bulbs, PET bottles, toner cartridges as well as used batteries.

30%



IN 2016/17 OUR WASTE PRODUCTION DECREASED BE 30% COMPARED TO THE YEAR BEFORE

RATE OF WASTE UTILISATION (%)



DEVELOPMENT IN ENVIRONMENTAL PROTECTION

„I inherited well designed and well-functioning processes from my predecessor many years ago, and ever since then we – also keeping cost effectiveness in mind – constantly strive to improve. On the Company level, 93% of waste generated in the last business year was recycled, and this high percentage was maintained stably for years. Smaller differences are caused by current discarding and periodical cleanings. It is also an important achievement that our waste management has since long been profitable, which is primarily due to selling a wide circle of wastes for recycling. At the same time wastes which can be used by our employees and are suitable for use from environmental point of view, we give to our employees. For example fruit stone, which is combustible, or defective pallets, as well as plastic or metal barrels typically used for the collection of rain-water, are given to our employees. The latter can be brought back to us in case they can no longer be used, and we take care of them.

Every other year a bigger quantity of VEUP (final heads and tails) is generated in Kecskemét, in 2015 it was 19.5 tons. This is waste with alcohol content, so it is very important that it should not be misused. For this reason it was burned in the incinerator, but early this year we found a way of recycling: Arany Kapu Zrt. produces windscreen cleaner liquid from this waste.

The waste water management system is reconstructed in Dunaharaszti due to the implementation of the technology of herb extracting – so far production of extracts and distillates took place solely in our plant in Soroksari street. With the selective

Our Company's typical waste is the mash residue from pálinka production, as well as the herbal residue from the production of herb liqueurs.

In 2016/2017 these two waste types accounted for more than 80% of the total waste. As of April 2013 both types of organic waste are used up by the North-Pest biogas plant of the Budapest Sewage Works Pte Ltd.



collection of herbal residue its recycling can be made possible, together with the recycling of mash residue from Kecskemét and herbal residue from the Unicum plant, in the biogas plant of the Budapest Sewage Works Pte Ltd. Due to their high organic matter content these can be especially well used for this purpose.

The most special experience for me in 2016 however was not connected to environmental protection. At the request of one of my colleagues, very committed to volunteer work, I became part of the 5 member Swimathon team swimming and collecting donations on the part of Zwack Unicum Plc.

My colleague and I used this occasion to further strengthen our old friendship, we entered the competition together and we made a commitment together. Our visit to the chosen Déméter House made my decision stronger to enter Swimathon, and also the feeling that this is the Foundation we have to support. Our participation and the fulfilling of our commitment – to collect 200 thousand HUF and swim 200 meters – filled me with an overwhelming feeling and pride. In my view the one month intense period of the program enhanced the feeling of togetherness within the Company in the long term. It was very motivating that I was backed up by a colleague I did not expect to support me. I was happy to give something of myself for a good cause and represent the Company. It was an honour for me to participate and I think it was generous on the Company's part to double the amount of the donation raised by us. In this way our help in the renovation of the Demeter House was even more effective.”

Beáta Gadányi

Environmental Protection and Hygiene Manager

SUSTAINABLE WATER CONSUMPTION

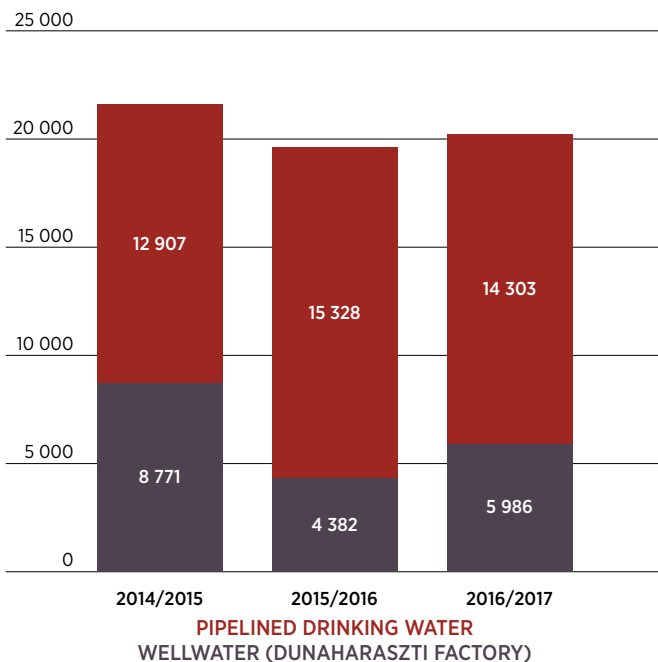
PRIORITIES AND GOALS (2015-2017)	TARGETS REACHED (2015-2017)	FURTHER TARGETS (2017-2019)
<p>Increased attention to water consumption, measurements in the interest of sparing us of water: add further measure points.</p> <p>Reconstruction of waste water pre-treatment system.</p>	<p>Water consumption is monitored at all available measuring points, further measure points were not added, as currently we did not see it necessary.</p> <p>The reconstruction of waste water pre-treatment system in Dunahaszti is started and will be finished in the second half of 2017.</p>	<p>Continuous monitoring of water consumption.</p> <p>Finish the second stage of the reconstruction of the waste water pre-treatment system in Dunahaszti.</p>

We consider water an important natural resource. Due to this and to our considerable water demand, one of our basic considerations regarding our technological investments and innovation activity has always been the sparing use of water and the protection of water quality.

The amount of water used by Zwack Unicum Plc. in the period under review was between 20-21 thousand m³, so we managed to maintain the consumption relatively low as compared to the years before. The bulk of the water used is built into our products, but we use water also for watering, cleaning and communal purposes. Since technological units are very much affected, the use of water of a certain quality and the discharge of waste water according to parameters is the responsibility of the Production and Technology Director.

tion in 2014, which also meant the termination of the washing of returnable bottles with its high water demand.

WATER USAGE PER EXTRICATION GROUND (M³)



WATER CONSUMPTION AND WASTE WATER EMISSION (M³)



Out of the total water consumption, the percentage of well water used has increased owing to the reliable operation of the water treatment system. Specific water consumption of 1.9-2.2 liter/bottle characteristic earlier, dropped to 1.1-1.4 liter/bottle in the period under review. The decrease of the specific indicator was caused by the termination of our commercial produc-

It is a continuous challenge for us to stabilize the quality of waste water generated by our activity. Thanks to the strict technological discipline and the effective use of waste water treatment systems our emission parameters have constantly been below the official limits. These are continually monitored and evaluated according to our self-testing plans. At all the three locations, waste water is transmitted to a service provider designated for further waste water treatment.

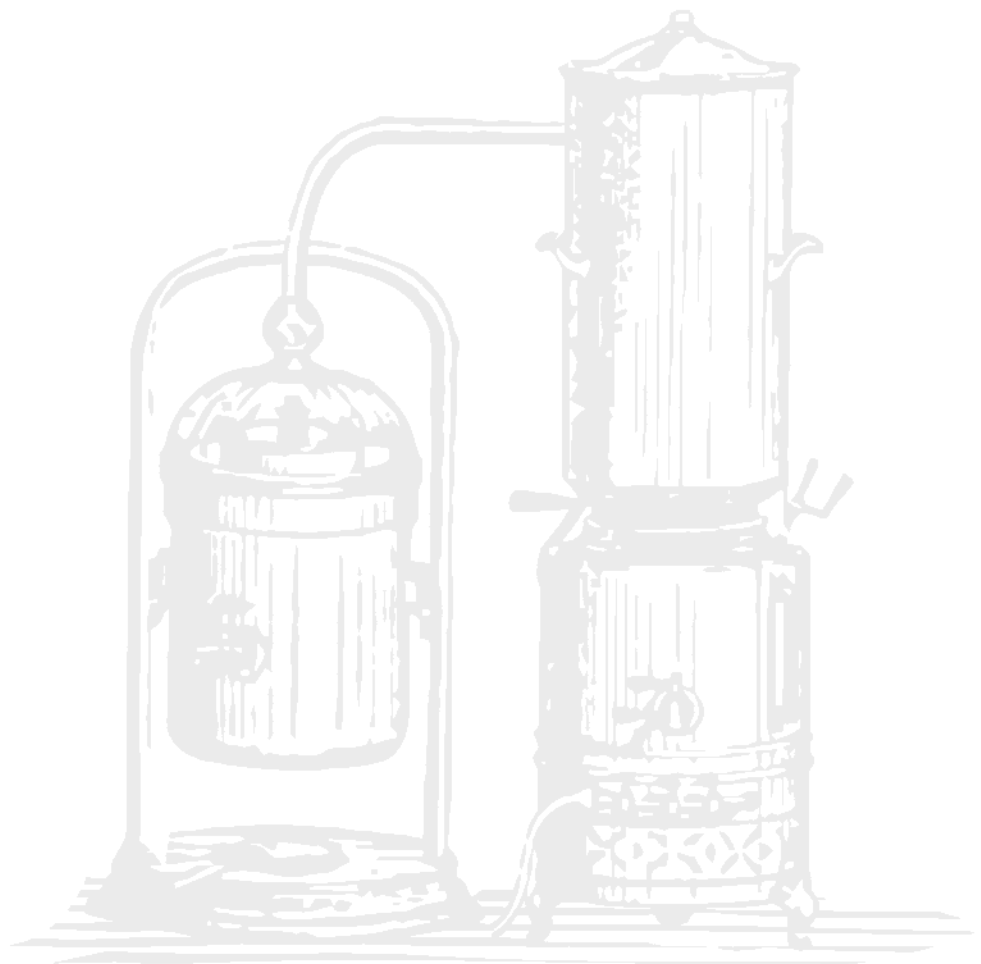
The reconstruction of the waste water pre-treatment system in Dunaharaszti was started in the first half of 2017, during the re-view, and according to our plans, the whole reconstruction will be finished by the end of the year. The aim of the reconstruction is to make the selective collection of herbal residue possible, as well as to physically separate technological processes of extraction from other parts of the production.

We would like to use our water resources efficiently and sparingly in the future as well, consequently continuous attention will be given to specific water consumption.

1.1 liter



OUR WATER
CONSUMPTION IS
1.1 LITER/ BOTTLE



ABOUT THE REPORT

This Sustainability Report is the fifth to be published by Zwack Unicum Plc. to present the economic, social and environmental impacts of the organization to its stakeholders.

Besides the present Report our website and our Annual Report also provide a considerable amount of information available to our stakeholders. Furthermore, we plan to prepare a short version of this report in order to make our most important achievements known to a wider public.

The Report was prepared again on the basis of GRI (Global Reporting Initiative), the most widely accepted reporting framework. This Report was prepared according to the Core version of the GRI Standard. We do not have our Report certified, it was prepared with the assistance of an external consultant.

The Report refers to the past two financial years, to 2015/2016 and 2016/2017. The two financial years cover the periods of 01.04.2015-31.03.2016 and 01.04.2016-31.03.2017. However, in respect of numeric data, we have also shown data of the preceding year to better represent the tendencies and to ensure comparability.

In the wording of the Report, besides clarity, we had professionalism and objectivity in mind. We placed emphasis on the exploration of the correlations. Our aim was to prepare a report which could give a full picture of our Company.

In defining the content of the Report we took into consideration the expectations and feedback of stakeholders, the relevant management decision, as well as the requirements of the GRI Standard. In order to explore stakeholder expectations, we made questionnaire surveys in 2014 within the following important stakeholder groups: all the members of the Supervisory Board and the Board of Directors, small shareholders, employees, civil organizations, professional organizations, authorities and governmental bodies, the local government of 9th district, suppliers, wholesalers and retailers, competitors' representatives.

Decision on the main areas of sustainability and the scope of reporting was made by the management of Zwack Unicum Plc. based on stakeholder survey results. The Report covers all the areas which were identified as essential. In the interest of a more comprehensive presentation we gave more indicators instead of the minimal requirement of one single indicator per topic set by the Guidelines and, besides the indicators we have also supplied numeric data.

The most important areas of sustainability for Zwack Unicum Plc. covered by the Report:

- economic performance
- purchasing practices
- market presence
- anti-corruption
- social-economic compliance
- *anti-competitive behaviour*
- protection of personal data
- non-discrimination
- public policy
- marketing and labelling
- *consumer health and safety*
- *employment*
- employee/management relationship
- training and education
- employee health and safety
- right of association and collective agreement
- materials used
- energy
- water
- pollutant emissions
- waste water emissions and wastes
- environmental compliance

The list does not reflect any priority order. The boundaries of important areas, as a rule, refer to Zwack Unicum Plc. Areas in italic include supply-chain as well.

The structure of the Report was defined by the 9 priorities of the company. The difference between the structure of the present report and the previous Sustainability Report is due to changes in the Company's order of priorities.

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Your opinion means a lot to us!
Please share your comments on our Sustainability report
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