

Annual Report 2022



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The new Annual Report

This edition of the Hero Group Annual Report is different from any that preceded it.

For the first time ever, we have added sustainability as part of the report as this is a fundamental part of our operating model.

A few years ago, we decided to formalize our sustainability credentials and made a commitment to become climate positive. It was not a decision taken lightly, nor done to follow a trend. We truly believe in doing what's best for our customers, but without damaging our planet.

The Hero Group Annual Report is divided into three sections – company information, our financial performance, and sustainability. We have taken great care to signpost each section so you can easily move in between sections.



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An overview of 2022 from our Chairman Giovanni Ciserani and Chief Executive Officer Rob Versloot.

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Financial report

The Hero Group ended the year with an organic Net Sales growth of 12.5% and EBIT increasing 18.2%. You can find the complete Group financial results here.

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Sustainability report

Working to deliver what is good for our planet, products, and people. You can find the details of our actions and projects in our four implementation pillars.



Press the title if
you want to go straight
to the subject



Key figures

in CHF million

Net Sales

organic growth*

	2022	2021
Net Sales	1,206.6	1,142.1
organic growth*	+12.5%	+1.9%

EBIT (at constant exchange rates)

46.7 **34.1**

EBIT

in % net sales

40.3 **34.1**
3.3 3.0

Net Income

in % net sales

26.8 **9.0**
2.2 0.8

Total Equity

equity ratio in %

686.3 **703.1**
52.4 52.8

EBITDA

85.0 **79.5**

Net Debt

net debt / EBITDA

184.4 **163.4**
2.2 2.1

Full time employees

4,131 4,093

*adjusted for currency and acquisition effects

Share of Net Sales by Category

- Baby & Toddler Food **40%**
- Natural Spreads **21%**
- Healthy Snacks **12%**
- Baby & Toddler Milk **8%**
- Specialties **9%**
- Gluten Free **3%**
- Non-Branded **7%**

Share of Net Sales by Region

- Europe **70%**
- Emerging Markets **14%**
- North America **16%**



Key figures

Scope

1 & 2
emissions

23%
reduction versus
baseline 2019

Carbon Footprint 2022 (Scope 1-2) results from manufacturing sites

Sustainable sourcing

99%
of raw cacao
certified

Food naturalness index

73%
of products
score >3.5

FNI is a scientifically validated tool developed
with ETH Zürich and University of Murcia

Employee travel

56%
reduction versus
pre-COVID baseline

Joint Chairman / CEO Message

2022



Giovanni Ciserani Chairman



Rob Versloot CEO

The strength of our brands and the resilience of our business model were put to the test in 2022. In the context of high inflationary cost pressure and a difficult geopolitical environment we managed to significantly grow our Net Sales, EBIT, and Net Income.

The year under review started as the Covid pandemic was trailing off, giving people renewed hope and confidence after two turbulent years. Then, at the end of February, the Russian war in the Ukraine not only caused untold suffering, death, and destruction, but also threw the world into economic turmoil.

As common sense was thrown out of the window, we had to step up a few gears to make sure we kept on track. The results we achieved are testament not only to the work done throughout the year, but also in what we have been doing for some time to future-proof our operations.

Overall, the Hero Group achieved an organic sales growth of 12.5% in 2022. The nominal Net Sales grew 5.6% to CHF 1,206.6 million,

a result which was impacted by negative currency translation effects mainly from the devaluation of the Euro, Swedish Krona, British Sterling as well as the Egyptian Pound and Turkish Lira against the Swiss Franc.

Our organic growth was broad based across categories and countries. Our core categories grew 13.4% organically, particularly Healthy Snacks (24.6%) and Baby & Toddler Food (13.6%) performing strongly.

We saw double-digit sales growth in most of our markets, including our largest businesses in Germany, the Nordics, and the US.

The performance in the US comes on the back of a difficult year in 2021 blighted by the heavy metals allegations leveled against the whole US baby food industry. We are pleased to see that our mitigation actions started to pay off and helped our US-side business to rebound remarkably both in sales as well as in profit.

One of the main drivers of our Net Sales growth was pricing, which contributed 8.9% to our growth.

Joint Chairman / CEO Message

2022

In light of high cost inflation in raw and packaging materials, and energy, we had to implement price increases. Within this context, we were pleased that our consumers stayed loyal to our brands and products, resulting in a flat volume development despite the price hikes. A positive mix effect of close to 4% also contributed to our growth.

At the same time, we did not pass on the total cost inflation impact to our customers. As a consequence, we saw our gross margin decline by 180 basis points from 31.1% in 2021 to 29.3% in 2022.

Keeping a tight check on other operating cost areas as well as scale effects from the strong growth, we increased our EBIT to CHF 40.3 million, up from CHF 34.1 million the year before. This is a very positive result considering the circumstances. Excluding currency translation effects, our EBIT for 2022 stood at CHF 46.7 million (at constant prior year exchange rates).

Net Income increased from CHF 9.0 million in 2021 to CHF 26.8 million in 2022. Next to operational improvements, we also benefited from a positive gain of CHF 3.2 million on an interest rate hedge and a better tax result after an extraordinary effect in 2021.

As part of our portfolio transformation agenda with a strong focus on our core categories we divested our UK gluten free business under the brand Juvela in December 2022.

Joint Chairman / CEO Message

Integrating sustainability in our business

This year marks a first for the Hero Group Annual Report as it includes sustainability. This is because we believe it is a more accurate reflection of how we operate with sustainability as an integral part of our business model. We are committed to playing our full part in tackling climate change and, in 2022, set science-based carbon reduction target.

Our sustainability ambition is based on four pillars: Sustainable Sourcing (P1), Net Neutral Production (P2), Naturally Healthy Food (P3), and Purposeful People (P4).

With two-thirds of our carbon footprint resulting from the goods we buy, sourcing sustainably is a priority. The first pillar of our sustainability strategy is dedicated to working with the farmers and suppliers who grow our ingredients, and shifting to regenerative farming principles. In 2022, our focus was on building our team's knowledge and capacity, ready to move into the implementation phase in 2023. We also continue to take action to get our own house in order, and the second goal of our sustainability strategy is to make our own operations net neutral.

This year, we have worked with external experts to identify opportunities for cutting energy use and improving efficiency and are now evaluating the feasibility of 60 actions, ready to prioritise investment in the year ahead.

The third pillar of our sustainability strategy is focussed on our products. Our commitment is to offer naturally healthy food. We launched a number of new products this year, including low and sugar-free jams, more ranges of organic, plant-forward baby food, and snack bars with added oats and protein.

None of this is possible without the hard work and commitment of our people. Keeping them feeling engaged, included, and motivated is the goal of our fourth pillar. We are passionate about making sure Hero is a great place to work, and that we are an inclusive workplace, welcoming a diverse range of people.

Joint Chairman / CEO Message

Outlook

We expect the economic and geopolitical environment to remain challenging in 2023. Inflation is still high which makes further price increases necessary, also in light of the fact that some inflationary effects were partly mitigated in 2022 due to existing inventory and contracts and only become fully effective in 2023.

At the same time, our performance and resilience in 2022 give us confidence that we will continue to be able to successfully tackle these challenges in 2023. Whereas volume development might soften, we aim for another year of substantial Net Sales growth while protecting our margins.

We will continue to pursue the transformation of our Group to a more focused, digital, and sustainable company. We will strengthen our focus on strategic core business and drive our portfolio and supply chain footprint in this direction.

Our people

On behalf of our colleagues in the Board of Directors and Executive Board, we would like to express our gratitude to our shareholders who continue in their relentless support for the organization.

We have nothing but appreciation for all our consumers and customers who have continued to put their faith and loyalty in our brands and products. They are the reason we do what we do.

Our final word goes to each of our employees whose work and dedication ensure that we are able to delight consumers by conserving the goodness of nature.

Sincerely,

Giovanni Ciserani

Chairman Board of Directors



Rob Versloot

Chief Executive Officer



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Our mission

The world today is different from the one that existed 10 years ago, and nothing like what it was when Hero was founded. Since the first day, our company has been on a journey, and while the wording may have changed, the mission has always been **to delight consumers by conserving the goodness of nature**. It's what we do and what we are good at.

Bringing nature into people's homes in convenient packaging is our core business. We want to ensure that the food we offer is the best in terms of quality, using the best natural ingredients while minimizing processing. We continuously ask ourselves the question: how can we delight consumers and create preference for our products and brands?

We believe in the following principles:

- Having superior natural products that communicate goodness, nature, and homemade
- Using sustainable and responsible sourcing
- Minimizing the use of artificial additives
- Focusing on nutritional and healthy brands
- Building consumer and shopper understanding
- Innovating our processes, products, and packaging

*Conserving
the goodness
of nature*





Mission, vision, and strategy

Our strategy

Our company strategy is the blueprint through which we implement our mission, the overarching ideal that drives everything we do. It is the tool that allows us to have a razor-sharp focus on where we want to go, and provides us with guiding principles of how we can get there.

Our purpose-led strategy provides the route to achieving our overarching mission-based goals by helping us focus on our unique assets and character, highlights the direction to take, and dictating our way of working. It aligns all our global activities, our portfolio, and our brands with the final aim of achieving sustainable profitable growth in the long term. Our focus now is on execution.

The Power of One vision

We work on a simple premise – acquire the best, diverse talent in all areas of responsibility and let them do what they do best. This unleashes a torrent of creative thinking, positive energy, and great results. At the end of 2017, we launched our Power of One change initiative that seeks to bring together all our businesses and talent. With more integration and collaboration, we can better leverage the collective capabilities of the Group. This is our new, more integrated way of working.



And it's more relevant today than ever before. Implementing this long-term company vision is crucial to drive efficiencies and set ourselves up for continued success in market.

In 2022, we moved to a category-led organization in which Categories are responsible for the definition of our business strategies, the end-to-end decision making on portfolio, and our supply strategy, including decision-making on our manufacturing footprint.



Mission, vision, and strategy

In this new set-up, our local commercial organizations will continue to drive in-market success by executing and delivering agreed business strategies. To do this, they will up their focus on the go-to-market (GTM) strategies and execution, and drive sales and marketing excellence.

A separate Supply Chain Excellence function – which includes Quality, Procurement, Planning, Logistics and Manufacturing Excellence – will strongly drive operational excellence and implement streamlined, best-in-class processes.

These decisive steps will allow us to future-proof the company by building scale through focus as a branded category specialist. The changes are a natural evolution and acceleration of the existing strategy with planned growth in the core and an optimized supply chain.

Strengthen our focus

At Hero, we aim to drive organic growth of our core categories, namely Baby & Toddler Food, Natural Spreads, and Healthy Snacks, supported by our business in Baby & Toddler Milk, Gluten Free, and Specialties. We do so by increasingly aligning the portfolios of our core categories to our

mission 'to delight consumers by conserving the goodness of nature' and by focusing our central and country organizations on these businesses. Next to this, our business development agenda is targeted at increasing the weight of our core categories in our total Group sales

Sustainable profitable growth

Our strategy is aimed at increasing our sales every year, especially in core categories, over the next years. Gross margin focus remains important, as is increasing the share of core categories in our Group to around 90% or more of total sales.

Over the past years, we have strengthened our determination to bring health products to our consumers in our three main category areas. This is also an integral part of our strategy.

[Discover our history >>](#)



Our categories

Everything we do starts from a simple premise: to delight consumers by conserving the goodness of nature, from the youngest to our seniors. This is what drives our product development, and which is also why we are focusing on three core categories.

Baby & Toddler Food, the largest category of the Group, provides our younger customers with nutritious food.

Our **Natural Spreads** includes jams, honey and more, while the trend towards snacking has seen our **Healthy Snacks** category go from strength to strength, both in terms of bars and pouches.

Our core categories are complemented by our **Baby & Toddler Milk** category where we offer a range of infant formulas, and our **Gluten Free** products aimed at people who live with coeliac disease or are gluten intolerant, but also others who choose to eat gluten free products as a way of life. We also have **Specialties** that includes specific local offerings.





Our categories

Baby & Toddler Food (BTF)

We know how important it is to cement positive eating habits early on. Our range of baby and toddler food products help to make it easier for parents to raise happy, healthy children.

All our brands are led by two guiding principles: to offer naturally nutritious products; and to help babies and toddlers develop good eating habits.

Naturally nutritious

In the spirit of Hero’s mission to conserve the goodness of nature, all our Baby & Toddler Food brands aim to stay as close to nature as possible. That means using no artificial flavors, colors, or preservatives, selecting only the highest quality, baby-food-grade ingredients – ideally organic – and then applying the barest minimum of processing. And all this is done under the strictest quality control. We avoid adding salt or sugar to our baby foods because we want to encourage children to enjoy grains, fruit, and vegetables in their natural state.



In many cultures, babies are weaned on cereal. We use a diverse range of cereals including oats, wheat and multigrains, and we favor wholegrains because they are higher in nutrients and fiber.

We favor non-hydrolyzed cereals because the lower sugar content reduces infants’ exposure to sweetness in their early development.

Developing healthy habits

Eating habits are formed early and can last a lifetime: a varied diet not only fulfils a fast-growing infant’s nutritional needs, but also makes it likely that they will eat more fruit and vegetables as they grow up. This means it is essential that babies and young children have the opportunity to enjoy a wide range of healthy foods.

We aim to make mealtimes interesting and pleasurable for children by introducing them to a variety of flavors, ingredients, and textures. Our infant and toddler meals put vegetables in the spotlight, and offer a variety of plant sources of protein such as cereals and legumes.





Our categories

On a mission to help parents

Our mission is to help parents provide the goodness of nature food to their little ones, so they grow up enjoying a healthy, natural, and varied diet. At Hero, we are committed to designing natural, organic, nutritionally well-balanced, and sustainable baby and toddler food and snacks.

We know we have a key role to play in helping parents bring up a new generation of babies who will love natural, healthy food. Our promise comes to life and is evident across our wide array of trusted brands and product portfolios in the BTF category across North America, Europe, Turkey, and the Middle East & Africa region.

Our range covers cereals, meals, and snacks of the highest quality and are adapted to babies' and toddlers' requirements from weaning onwards. We leverage our extensive infant nutrition knowledge and expertise to constantly improve our product offering through improved recipes, more sustainable packaging, and new technologies to help us maintain our leading positions in key markets.

We place consumers at the heart of what we do; this is why we focus our attention in understanding their needs, motivations and barriers, as well as understanding new trends and anticipating potential challenges ahead. This is brought to life into our strong brand and innovation programs executed across our different markets.

Our 2022 highlights

In June 2022, we entered the UK wet meals segment with a distinctive Organix proposition of 13 food recipes across different baby stages, inspired by the planetary health diet principles and with a promise of a minimum 50% vegetable and legumes content.

The new Organix food range received two consumers-driven awards (Project Baby Awards 2022 and The Grocer Innovation Awards) in recognition for the commitment and initiative in the FMGC sector.



Our categories

During the year under review, we launched the wellness pouch proposition across different brands in Europe and US. This platform aims to bring the best nutritional benefits naturally from good ingredients. The range consists of offers naturally-rich in vitamins A and C to support the immune system, cereals and prebiotics for gut health, and with iron, zinc, fiber, and protein under our Beech-Nut brand.

Baby & Toddler Snacks

The best snack for a baby or toddler is a piece of fresh fruit or veg, but we understand that this is not always readily available or practical. That's why we have created a range of healthy snacks that make it easy for parents to give their child a nutritious bite to eat whether at home or on the go. And they are always healthier, more natural, and more nutritious than the equivalent snack for adults.

Our innovative products aim to set new standards in the baby food category, with flavors and textures that spark a lifelong love of great food.



The Baby & Toddler Snacks segment has been gaining in importance over the past years. We extended our presence in this areas in North America with nutritious finger foods that provide a tasty and nutritious alternative for toddlers, keeping them satisfied throughout the day.

In 2022, we added toddler snacks to the Beech-Nut range in the US. The Hidden Veggies Mini-Waffles are made with real fruit and vegetables, such as butternut squash and strawberries. They are proving to be a hit with toddlers. Our Crispeas offering is a crunchy, savory snack that is simply baked with green peas and a touch of sunflower oil and sea salt.

In Canada, our Baby Gourmet brand added the Little Gourmet range to the family with delicious and exciting products.





Our categories

Finally, it is worth mentioning the expansion of our footprint into Kids with a specific up-aged proposition. Across Europe, our key leading brands Organix and Hero in United Kingdom, Netherlands, Denmark and Spain launched a compelling range combining great taste with nutritionally balanced and healthier products than the regular adult snacks.

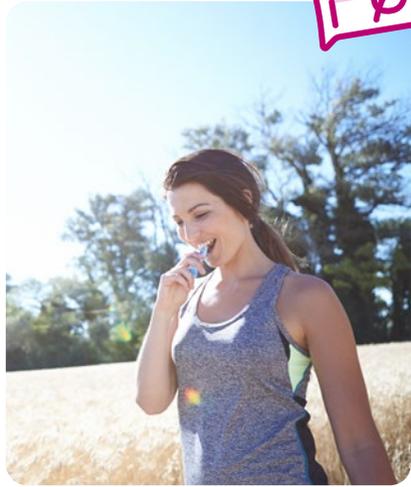
The past year was characterized by unrepresented challenges impacting our supply chain and the availability of raw materials, resulting in a strong cost of goods increase. The situation was made more difficult by the substantial increase in energy costs.



Across the world, our BTF category grew double-digit in value, but the volume trajectory is slowing down when compared to the previous year. Hero brands are gaining market share in terms of volume and value across eight of the 12 markets where we operate.

In 2022, the category reached an organic growth of 13.6% with sales of CHF 478.7 million, up from CHF445.1 million. The BTF category made up 39.7% of total Net Sales of the Hero Group, marginally up compared to the 39.0% of the previous year.

39.7%
of total Net Sales
of the Hero Group



Our categories

Healthy Snacks

Our aim is to make it easy for people to enjoy tasty, healthy snacks when they are on the go. The Healthy Snack category consists of the two segments: Cereal Bars and Protein Bars. The cereal bar segment consists of classical cereal/muesli bars, oat bars, nut and fruit bars, while protein bars contain either animal or plant protein.

Traditionally, the cereal bar segment has been notably bigger than the protein segment in most markets. However, the protein segment is growing at a rate as high as 30% in certain markets.

30%

growth rate for protein segment in certain markets

In Germany the protein segment has nearly reached similar value sales as the cereal bar segment, while in Sweden protein bars account for 79% of the total category value sales.

In some smaller markets, value sales of the protein segment are growing even faster, for example, Spain (+43%), Slovakia (+48%), and the Netherlands (+59%). In selected markets, such as Germany, Sweden and the Czech Republic, oat bars are becoming increasingly important.

Market trends

The Healthy Snacks category has seen an ongoing trend of “on the go” consumptions with consumers looking for uncomplicated snacks for in between that fit their busy lifestyles.

Healthier choices are driving category growth and influence the innovation landscape, for example in Sweden with regards to protein, no added sugar, as well as energy, vegan, and organic claims. Oats are seen as a healthy ingredient and seen in various innovation concepts across markets.

In the protein segment, consumers are becoming more demanding and shopping for products at higher price points. The category is growing out of its infancy and moving away from simple and functional products towards multi textural bars offering a greater taste and product experience.



Our categories

New product roll-outs in 2022

The successful Corny free range, already representing 21% of our Corny core business in Germany, was introduced into more markets. Denmark launched Corny 0% in September 2022 and Sweden followed soon after. Corny was also launched in Turkey across all major retailers with five locally-produced SKUs.

Haferkraft, or oat power, first launched in 2016 in Germany, has evolved from a line extension to a new sub-brand in the Corny portfolio.

Haferkraft Zero was launched in July 2022 and is already showing promising sell-out numbers. These products are made from at least 50% oats, are vegan and without added sugar.



The Corny Your Protein Bar, introduced in 2019, continues to show strong growth in the German retail, OOH Channel and with eCommerce customers. The latest line extension, Cookie Crunch, complements the current product portfolio and was launched in June 2022.

Corny Protein Bar 30% is a new addition to the Corny protein portfolio. It was introduced to the Spanish, Czech and export markets in different flavors in 2022.

The Healthy Snacks category continued to grow its share of Hero Group Net Sales, increasing from 11.1% in 2021 to 12.3% in 2022. Sales totaled CHF 148.1 million with a very strong organic growth of 24.6%.

24.6%
organic growth



Our categories

Natural Spreads



For 130 years, our mission has been to conserve the goodness of nature in our various jams to delight our consumers with the most delicious taste. With this in mind, we only use the best quality fruits, sourced from growers with whom we have close relationships. We then process the fruit as minimally as possible.

After the increases in jam consumption during the Covid years, we are now seeing the trend stabilize again.

Our Natural Spreads category, one of the mainstays of the Hero Group with 20.7% of sales in the year under review, consists of sweet and savory jams, honey, and chocolate and peanut butter spreads.

This category saw sales increase by 7.3% compared to the previous year with sales of CHF 249.9 million.

Better for you

Consumers have become more health conscious and are willing to change their lifestyles to reach their wellness goals. In turn, we always aim to provide consumers with jams that not only taste great, but are also good for you. Following a multi-country consumer research project, we identified two main consumer segments within the 'better for you' area, namely reduced sugar content (less than 40%) or no refined sugar at all or products with just natural ingredients. This guided our decisions with regards to new product development.

We are working hard on our ambition to increase the proportion of products that contain less or no sugar to 35% of our Natural Spreads portfolio by 2025. This figure currently stands at 29% of our total portfolio.





Our categories

In March, we launched Hero Delicia Weniger Zucker (less sugar) in Switzerland. A similar concept was introduced in Germany under the Mövenpick brand in September. In October, Schwartau launched their Extra Zero with no added refined sugar. In both product cases, we are planning launches in more of our countries in 2023.

Our product development teams were also busy at work on a jam with 100% fruit content. The jam will only be sweetened using grape and apple sugar. Launch is expected in 2023.

Our traditional jam range with a sugar content over 40% and boasting a wide variety of flavors still constitutes the bulk of our sales.

Relaunches in 2022

Next to an increased focus on 'better for you' as a growth engine for Natural Spreads, we undertook a number of important relaunches to improve our consumer offers. In Switzerland, Hero Delicia hit the shelves in an entirely new design. Not only did we change the design of the label, but also modernized the Delicia jar to reinforce the new positioning of 'Dein kleines Morgenglück' (Your little morning happiness).

Hero Classica was relaunched in Spain with the goal of reinforcing the strength of the Hero brand with Classica's new bundle, combining a new recipe and a refreshed design. In addition, the entire Temporada brand will have its own 'big bang' relaunch early 2023. This includes a design overhaul and the repositioning of 1886 under the Temporada umbrella.

The Hero assortment in the Netherlands was also relaunched in 2022 while the Hero MEA team brought to market an extended peanut butter spread portfolio to include a no added sugar variant with 100% peanuts. In Brazil, the Queensberry Wellness line was repositioned as Queensberry 100% Fruta using the same jar as all other jams in the same brand. The team also relaunched the Hero brand in May 2022 with local production and a clearer new design with see-through label.

A new sub-range of our Samt Sensations was introduced to the market in Germany in 2022, targeted at consumers who are looking for a special indulgence moment with extraordinary flavour combinations: Cherry with chocolate, Peach with Vanilla and Strawberry Cheesecake.





Our categories

Specialties



Baby & Toddler Milk (BTM)

At Hero, we believe in the goodness of nature and know that breast-feeding is the best nutrition for babies, especially during the first months of their life.

Our Baby & Toddler Milk brands all share one ambition – to be as close to nature as possible. Our products are inspired by breast milk and based on the latest scientific evidence so when, for whatever reason, breast-feeding is not possible, we can offer parents an accessible, high-quality alternative for their baby.

The ingredients in our unique infant formula products have been chosen following 80 years of studying and learning from nature to ensure babies have the best start in life. We work together with universities, hospitals, and research centers, as well as with our External Scientific Advisory Board to design better products and share knowledge. Our findings have appeared in more than 60 academic papers published in peer reviewed journals or delivered at scientific congresses.



One of the outcomes of this research is that all of our most advanced infant formula products contain milk fat with MFGM (milk fat globule membrane), one of the most important nutrients naturally present in breast milk which plays a crucial role in a baby's immune system, brain, and cognitive development. Thanks to milk fat, our babies can grow without palm oil.

Hero is present in numerous European countries, the MEA region, and China with different brands, including Hero Baby, Semper, and Sunar.

We continue to innovate. In October 2022, we launched a new organic formula under Organix brand in the Netherlands and Sunar Bio in the Czech and Slovak Republics. As with our conventional portfolio, it contains milk fat but no palm oil. We care about the health of the planet, too. The dairy industry is a major contributor to food-related carbon emissions so it is important that we work with suppliers who are adopting more sustainable approaches.





Our categories

We chose our principal milk supplier because their farmers are among the most climate-efficient dairy farmers in the world.

In 2022, the BTM category made up 8.2% of total Hero Group sales, slightly down from 8.7% in 2021. Sales amounted to CHF 99.2 million, with an organic growth of 9.3%.



Gluten Free

Gluten Free has been a part of the Hero Group portfolio for many years, offering great tasting gluten-free alternatives for people who are diagnosed with coeliac disease, are gluten-intolerant, and for gluten-sensitive consumers.

Our products include a large variety of breads, breakfast cereals, pastas, cookies, biscuits, and flour mixes for all types of cooking and baking. We develop tasty food that makes consumers feel good.

In December 2022, the Group divested its UK-based gluten free company Juvela to S-Ventures plc as part of the company's long-term strategy to focus on its core categories.

The Hero Group remains in this area with its Semper brand, predominantly present in the Nordics.

Sales in 2022 for the Gluten Free category stood at CHF 37.4 million with an organic increase of 0.5%. This category made up 3.1% of the total Group sales.



Specialties

The Hero Group product portfolio includes specialized products for niche markets. This business area includes offerings for Foodservice, convenience products, and drinks.

The total sales in this category made up 9.5% of the Group total, or CHF 114.6 million, registering an organic growth of 14.4%.



Regional footprint

Europe remains the largest sales area for the Hero Group, accounting for 70.7% of total company sales. Sales in Europe were up 11.2% organically compared to 2021, reaching CHF 852.6 million.

The share of sales in North America rose to 15.7% in 2022, up from 14.1% in 2021 and back to similar levels as in 2020 (15.5%). The region still maintains its position as the second largest for the Hero Group. Our

North American sales for the Group reached CHF 189.1 million in 2022.



Emerging Markets, which include Brazil, China, Egypt, Russia, and Turkey, was close behind and made up 13.6% of Net Sales in the year under review, down from 13.9%. Sales in the regions totaled CHF 164.9 million, up from CHF 158.3 million in 2021.

In terms of production, the Hero Group has its own facilities in Brazil (Itatiba, SP), Egypt (Cairo), Germany (Bad Schwartau), Spain (Alcantarilla), Sweden (Götene and Korsnäs), Switzerland (Lenzburg), Turkey (Ankara), and the US (Amsterdam, NY). Furthermore, the Group relies on external production and co-packers to produce its products. These include facilities in Belgium, Denmark, France, Germany, Italy, the Netherlands, North America, South America, Spain, Switzerland, the UK.

11.2% increase of sales in Europe



Corporate governance



Principles

The Hero Group's fundamental business principle is to offer healthy, high-quality products to our consumers, create long-term success for our owners, and ultimately create value for society. In this regard, the Hero Group is committed to modern corporate governance principles. Hero's corporate governance regulations are oriented towards the recommendations of the Swiss Code of Best Practices for Corporate Governance 2014 issued by *economiesuisse*, in addition to the provisions set out by Swiss law.

The Hero Group's principles on corporate governance are mainly set out in the companies' bylaws, the organizational rules, the code of conduct and process manuals. Hero expects its employees to act with integrity, loyalty, honesty and in full compliance with all applicable laws. Unless otherwise indicated, the following information on corporate governance relate to conditions on the balance sheet as at December 31, 2022.

Group structure

Hero AG is the legal parent entity for the Hero Group. It comprises the headquarters functions as well as the Swiss business operations. The companies belonging to the Hero Group are listed in note 31 (page 156) of the consolidated financial statements.

The Hero Group is organized in a matrix. The Group Executive Board members cover the overall responsibility for the operations and individual functions, and the company general managers have performance responsibility for their regional cluster and/or countries. In October 2022, the Hero Group decided to move to a more category-led organization to leverage capabilities and drive efficiencies. With this change, the supply chain functionality has been combined with the same EB member who is responsible for the product category management. In addition, the function strategy and transformation is newly represented in the Executive Board.



Corporate governance

In the course of 2022, Witte van Capellen, former Chief Supply Chain Officer, and Bill Parker, former Chief People Officer, left the company. CEO Rob Versloot is acting as Chief People Officer ad interim until Anne Ferbus takes over this role in March 2023.

The chart below shows the organizational structure of the Hero Group as at December 31, 2022:





Corporate governance

Shareholders & capital structure



Shareholders

Schwartau International GmbH, Bad Schwartau, Germany, holds 99.0% of the share capital of Hero AG*. The Dr Arend Oetker family, Germany, is the ultimate shareholder of Schwartau International GmbH, Bad Schwartau. A total of 0.2% of the share capital is held by Executive Board members in relation with the long-term incentive plan, and the remaining 0.8% of the shares are held as treasury shares by the company.

Leopold Oetker, member of the Board of Directors, represents the Oetker family's interests on the Board of Directors.

Share capital

The share capital of Hero AG has remained unchanged and consists of 6,213,272 fully-paid registered shares with a par value of CHF 10.00 each. Each share carries the right to one vote. All registered shares except for treasury shares held by Hero AG are eligible for a dividend. No preferential rights exist.

Contingent capital

As of December 31, 2022, the share capital may be increased through the issuance of a maximum of 938,328 fully paid registered shares with a par value of CHF 10.00 each. The contingent share capital is available for the exercise of any rights in connection with convertible and other bonds as well as in connection with option rights of the Executive Board members related to the long-term incentive plan (refer to section Board and Management Compensation).

As of December 31, 2022, there were no convertible or other bonds with the right to acquire shares in Hero AG.

Hybrid capital

On October 28, 2016, the Hero Group issued CHF 200 million Perpetual Callable Subordinated Bonds on the Swiss Capital Market. The listed bonds do not have a maturity date and Hero AG has no obligation to redeem the underlying nominal amount at any future date.

* Hero AG is the legal entity for the Hero Group. Both names are used interchangeably in this section.



Corporate governance

Shareholders & capital structure

The bonds bear a coupon of 2.125% for which there is no obligation to pay for Hero AG unless Hero AG distributes a dividend to their shareholders or re-purchases share capital. In case Hero AG does not redeem the bonds by October 27, 2023, the coupon will increase by applying the SARON compound mid swap market rate and adding 2.125% and an additional mark-up of 250 basis points.

The bonds are subordinated obligations to all of Hero's present and future unsubordinated debts.

Limitations on transferability

The transfer of shares of Hero AG are subject to the approval of the Board of Directors. The Board of Directors may refuse to recognize an acquirer of shares as a shareholder.





Corporate governance

Internal organization

The Board of Directors convenes its own meetings at least four times a year. The Board of Directors has delegated individual tasks to two sub-committees; the Finance & Audit Committee and the Human Resources Committee, both of which analyze specific issues in more depth on behalf of the board. The Board of Directors elects the chairman and the members of the two sub-committees from the directors sitting on the board. At each Board of Directors meeting, the chairmen of the sub-committees inform the members about the issues dealt with by the sub-committees and any corresponding resolutions.

The main responsibilities of the Finance & Audit Committee include the monitoring and the assessment of the company's financial situation, the dividend policy, the integrity of financial statements, risk management, internal controls in financial reporting, and the effectiveness and independence of the external audit firm. It also observes compliance requirements with norms and regulations, and assesses capital market transactions, including the financing of mergers and acquisitions.

The Finance & Audit Committee meets at least twice a year. In the year under review, the Finance & Audit Committee met five times.

The Human Resources Committee mainly reviews and proposes the compensation system and remuneration for the Executive Board, vice presidents, and general management of the subsidiaries. It proposes the composition and changes to the Executive Board to the Board of Directors and reviews the organization structure and personal development programs. A total of five meetings were held during 2022.

Board of Directors Members	Function	Nationality	Committee membership*	Initial election	Term expires
Giovanni Ciserani	Chairman	Italian	HRC	2017	2024
Herbert J. Scheidt	Vice-Chairman	Swiss/German	FAC, HRC	2010	2024
Dr Hagen Duenbostel	Member	German	FAC	2012	2024
Leopold Oetker	Member	German	FAC	2016	2024
Margaret Verstedden	Member	Dutch	HRC	2019	2024

* FAC: Finance & Audit Committee, HRC: Human Resources Committee



Corporate governance

Board of Directors

The Hero Group Board of Directors and Executive Board are separate decision-making bodies with distinct functions and responsibilities.

All members of the Hero Board of Directors are non-executive members who were not a member of the Hero Group management or the management team of one of the subsidiaries in the last 10 years.

The members of the Board of Directors are elected as a group by the Annual General Meeting for a period of two years. The company statutes foresee that the Hero Board of Directors consists of three to seven members. Members of the Board of Directors whose term has expired are eligible for re-election.

In general, there is an age limit of 70 years for members of the Board of Directors. Members of the Board of Directors must step down from the Hero Group Board of Directors at the Annual General Meeting following their 70th birthday. However, the member may be reelected by the shareholders at the annual shareholder meeting.

The Members of the Board of Directors may hold a maximum of six other mandates in Swiss-listed entities. Otherwise, there is no restriction in terms of election or number of mandates.

There were no changes in the composition of the Board of Directors of Hero AG in 2022. The Board of Directors consists of Giovanni Ciserani (Chairman), Herbert J. Scheidt (Vice-Chairman), Dr Hagen Duenbostel, Leopold Oetker, and Margaret Verstedden.

In November 2022, Dr Arend Oetker stepped down from his role as Honorary Chairman. While Dr Oetker is officially relinquishing his role, he will still be involved with the company as a shareholder.



Left to right:
Herbert J. Scheidt | Dr Hagen Duenbostel | Margaret Verstedten | Leopold Oetker | Giovanni Ciserani



Corporate governance

Responsibilities between the Board of Directors and Executive Board

The Board of Directors is responsible for the overall direction of the company, including the supervision and control over the executive management in accordance with Art. 716a of the Swiss Code of Obligations.

The Board of Directors defines the strategic goals, the means to achieve these goals, and the people dealing with the operating management of the company.



It has delegated all operative management functions to the Executive Board with the exception of those tasks assigned to other bodies as prescribed by law and the articles of incorporation. The Board of Directors has detailed the responsibilities and authorities of the Executive Board in the company's organizational regulations.

For further description of the Executive Board members' responsibilities, refer to page 40.

Information and control instruments relating to the Executive Board
The Hero Executive Board members participate in every ordinary board meeting. The Hero Board of Directors is informed about current business developments, the financial situation, key business events or transactions, and any measures that have been implemented by members of the Executive Board at every meeting.

In addition, every member of the Board of Directors may request additional information about business matters and developments from the Chairman or the members of the Executive Board at any time.

Depending on the agenda of the business visit, delegations of the Board of Directors accompany the Executive Board during business reviews of subsidiary companies.





Corporate governance



Giovanni Ciserani

Chairman of the Board of Directors

Career history

Giovanni Ciserani joined the Hero Group Board of Directors in 2017 and took on the role of Chairman of the Board of Directors in March 2019. He also holds the chair of the Group's Human Resources Committee.

Verona-born Ciserani worked his way up the ranks at P&G to become one of the company's top executives. Educated at the prestigious Bocconi University in Milan, Italy, where he was nominated Alumnus of the Year in 2014, Ciserani spent his entire career at P&G, where he worked for more than 30 years. He retired from P&G at the end of 2018. His last position was as Sector Group President Global Fabric and Home Care, Global Baby and Feminine Care, P&G.

Other mandates

Giovanni Ciserani also serves on the Board of Angelini Holding.



Herbert J. Scheidt

Vice-Chairman of the Board of Directors

Career history

Herbert J. Scheidt is Vice-Chairman of the Hero Group Board of Directors. He holds the chairmanship of the Group's Finance & Audit Committee and is a Member of the Human Resources Committee.

Scheidt obtained a BA and an MA in Economics from the University of Sussex (UK) and an MBA from the University of New York. He was Chairman of the Vontobel AG Board of Directors from 2011 to April 2022, before which he served as the bank's CEO. Prior to that, he worked for Deutsche Bank AG in various senior roles for two decades from 1982, culminating with his appointment as CEO of Deutsche Bank (Schweiz) AG in 2001.

Scheidt mandated as Chairman of the Board of Directors of the Swiss Bankers Association and as Vice-Chairmanship of the Board of economiesuisse, both until September 2021.



Corporate governance

Other mandates

In addition to the Hero Group, Scheidt is also Vice-Chairman of the Board of Directors of the SIX Group AG (Zurich, Switzerland), Member of the Board of the Zurich Chamber of Commerce, Member of the Executive Committee of the Chamber of Commerce Germany-Switzerland (Zurich), Member of the Presidium of the German Council for Foreign Relations e.V. (DGAP), and Member of the Board of Trustees of the Ernst von Siemens Music Foundation.



Dr Hagen Duenbostel

Member

Career history

Dr Hagen Duenbostel joined the Hero Board of Directors in 2012 and is currently a Member of the Hero Finance & Audit Committee.

He holds an MBA in Business Economics from the universities of Regensburg and Passau in Germany, and obtained his doctorate from the University of Göttingen, Germany.

Until December 2022, he was CEO and Executive Board Member of KWS SAAT SE & Co. KGaA, a provider of agricultural seed based in Einbeck, Germany. He joined KWS in 1998 and held various roles until he took over as CFO in 2003. He began his professional career in auditing at PricewaterhouseCoopers AG in 1995.

Other mandates

Since November 2022, Dr Duenbostel has been Chairman of the Audit Committee of the Max-Planck-Society for the Advancement of Science e.V. (MPG). He is a Member of the Executive Board of the German Plant Breeders' Association (BDP) in Bonn and Member of C.H. Boehringer Sohn AG & Co. KG Advisory Board in Ingelheim, Germany.



Corporate governance



Leopold Oetker

Shareholder / Member

Career history

Leopold Oetker joined the Hero Board of Directors in 2016. Since March 2019, he has been a member of the Hero Finance & Audit Committee.

Oetker successfully completed his studies in Culture Studies and History in Berlin and Copenhagen.

He undertook a two-year international business development traineeship at the Hero Group's former partner Yildiz Holding, and worked at the Istanbul Foundation for Culture and Arts. He is involved in charitable work, helping underprivileged children in his hometown Berlin, Germany.

He has taken an active role in formulating and promoting the Hero Group's sustainability commitment to become net neutral.

Other mandates

In addition to the Hero Group, Leopold Oetker joined the Board of Dr Otto Suwelack Nachf. GmbH & Co KG in 2020. In 2022, he joined the Advisory Board of Digimind GmbH.



Corporate governance



Margaret Verstedden

Member

Career history

Margaret Verstedden joined the Hero Board of Directors in March 2019 and is a Member of the Human Resources Committee.

Verstedden holds a Bachelor's degree in Business Systems (IT) from Monash University in Melbourne, Australia, and an MBA from INSEAD, France.

She is currently Chief Executive Officer of bol.com, the leading retail platform in the Netherlands and Belgium. Verstedden joined bol.com from Bain & Company, where she was a managing partner, specializing in FMCG, retail, and eCommerce. Prior to this, Verstedden also worked at Nike as General Manager for Central and Northern Europe, and as

strategy consultant at BCG in Australia, Southeast Asia, and Europe for eight years.

Other mandates

Verstedden has no other significant mandate beside her role as CEO of bol.com and the Board of Directors mandate at the Hero Group.





Corporate governance

Executive Board



left to right:

Markus Lenke Chief Sales Officer | **Dr Karsten Boyens** Chief Financial Officer | **Rob Versloot** CEO and Chief People Officer a.i. | **Mita Sen** Chief Strategy & Transformation Officer | **Christian Schierbaum** Chief Business Officer



Corporate governance

The Executive Board is ultimately responsible for the operational management of the business. The Executive Board's responsibilities encompass the execution and achievement of the Group's strategies, the direction of the Group's companies, as well as extracting maximum synergies from the Group's structures.

The leaders of the business divisions and the heads of the cluster organization and subsidiary companies are responsible for the development and achievement of their commercial and financial targets, and for the leadership of their areas. The Executive Board answers to the Board of Directors for the results of the Group.

In general, there is an age limit of 62 years for members of the Executive Board.



Rob Versloot

CEO

Career history

Rob Versloot joined the company in September 2008 as Regional Vice President. In July 2011, he became Executive Vice President and Member of the Executive Board. The Board of Directors appointed him Group CEO in September 2012.

Before joining Hero, Versloot worked for Royal Numico / Danone. He held various commercial, general, and regional leadership roles at the company in the Netherlands, Brazil, Indonesia, and Russia. Versloot holds a Master's in Business Administration & Management from the University of Groningen in the Netherlands.

Other mandates

In April 2021, Versloot became a Member of the Supervisory Board of Eckes-Granini.



Corporate governance



Dr Karsten Boyens

CFO

Career history

Dr Karsten Boyens joined the Hero Group as Chief Financial Officer (CFO) in April 2016.

He brings with him a wealth of experience in the financial field and consulting having previously worked for the Beiersdorf Group in Germany, France, and Switzerland, as well as for McKinsey & Company. His responsibilities are Finance & Controlling, Tax & Treasury, Legal & Compliance as well as IT.

Dr Boyens holds a Master's in Business Administration from the WHU – Otto Beisheim School of Management in Koblenz, and a PhD from the Christian Albrechts University of Kiel (Germany).



Markus Lenke

CSO

Career history

Markus Lenke joined our German subsidiary Schwartauer Werke in December 1993. He has held different commercial and general manager positions within the company, and was appointed Regional Vice President in July 2010. He has been a member of the Executive Board since 2011.

During his long career with the Hero Group, Lenke held various positions in sales and marketing functions, among others. He was also general manager of both Schwartauer Werke and Semper in the Nordics.

Lenke holds a Master's in Business Administration from the University of Hamburg, Germany.



Corporate governance



Christian Schierbaum

CBO

Career history

Christian Schierbaum joined the Hero Group as Chief Marketing Officer (CMO) in September 2019 and took on the expanded role of Chief Business Officer (CBO) in 2022. He brings with him more than 25 years of commercial experience which he acquired in various marketing, sales, and business leadership roles within leading consumer goods companies such as Wella, Reckitt Benckiser, and Mondelez. In his last role at Mondelez, he served as member of the company's Europe Leadership Team, heading the Gum & Candy business across Europe as well as the overall marketing function for Europe.

Schierbaum holds a Master's in Business Studies from the Justus-Liebig-University Giessen in Germany.



Mita Sen

CSTO

Career history

Mita Sen joined the company in February 2019 as VP Strategy & Business Development before taking on the role of Chief Strategy & Transformation Officer in November 2022.

Sen began her career at PepsiCo International before joining consultancy firm McKinsey & Co where she worked her way up to Associate Partner. Here, she cut her professional teeth in transformation and strategy projects, and has worked and lived across Canada, the UK, Singapore, the Philippines, and Switzerland.

She completed her MBA at INSEAD in 2011.



Corporate governance

Executive Board Name	Nationality	Title	Member since
Rob Versloot	Dutch	Chief Executive Officer	2011
Dr Karsten Boyens	German	Chief Financial Officer	2016
Markus Lenke	German	Chief Sales Officer	2011
Christian Schierbaum	German	Chief Business Officer	2019
Mita Sen	Canadian	Chief Strategy & Transformation Officer	2022

Board and management compensation

Principles and elements of compensation

Hero's compensation system aims to support the company's strategy. The remuneration is therefore aligned with the company's commercial plans, includes performance components, and is competitive to attract and retain talent. The basic remuneration reflects the required skills and responsibilities of the role while the variable remuneration component at management level fosters sustainable business development and the company's success.

The Board of Directors determines the principles of the remuneration system and annual compensation for the Board of Directors and Executive Board at the recommendation of the Human Resources Committee. This process is carried out annually. The Human Resources Committee reviews the annual compensation in comparison to a benchmark of Swiss Mid Cap companies as defined by the SIX Swiss Exchange. The peer group excludes companies in the financial and healthcare industry.

Compensation of the Board of Directors

The remuneration paid to the Board of Directors is not performance related, but comprises a fixed compensation paid in cash. It includes a flat fee for Board of Directors membership plus a fee for sub-committee membership, and is therefore aimed at reflecting the time and work which members invest to fulfil their duties.



Corporate governance

Compensation of the Executive Board

Remuneration for the members of the Executive Board comprises fixed, variable short-term, and variable long-term components. The fixed remuneration component is based on the function, experience, and skillset of the executive member.



The variable cash component of the Executive Board's remuneration is based on the company's results and individual performance targets. It is an equal amount to the fixed compensation in case of goal achievement. A total of 60% of the variable cash remuneration is linked to a percentage of the three-year average of net income, while 40% is linked to personal goals. The pay-out on the personal goals component is capped at 150%.

In addition, there is a variable component linked to the long-term achievement of strategic KPIs.

Besides these remuneration components, the Executive Board members

may participate in the long-term success of the company by investing up to 50% of their short-term cash bonus payment in shares of Hero AG (long-term incentive plan). For newly-employed Executive Board members, there is a two-year waiting period [refer to note 23 of the consolidated financial statements on page 134 of this annual report for an explanation of the provisions of this long-term incentive plan].

Refer to note 35 on page 160 of this annual report for an overview of the Executive Board's compensation.

Shareholders' participation rights

Shareholders must be registered to be able to exercise their vote. Beside the registration requirement, there are no restrictions on voting rights of the shareholders. A shareholder may provide a written power of attorney to be represented at a shareholders' meeting.

Unless otherwise stipulated by law, resolutions and elections by the General Meeting require an absolute majority of the represented votes. Elections, for which there is no absolute majority in the first ballot, require a relative majority in the second vote.



Corporate governance

The Ordinary General Meeting is held annually within the first six months after the end of the financial year. It is convened by the Board of Directors. Shareholders representing at least 10% of voting rights (alone or together) may require the convention of a General Meeting.

Each shareholder may request an item to be put on the agenda at the General Meeting. Such requests must be submitted in writing to the Board of Directors at least eight weeks prior to the General Meeting.

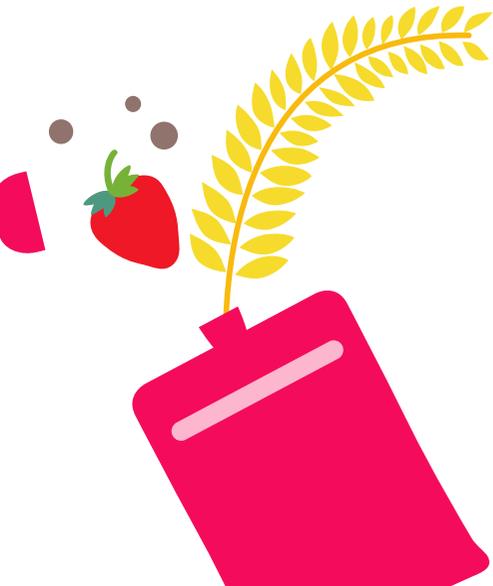
Change of control measures

The Board of Directors may refuse to recognize an acquirer of shares as a shareholder. Besides this, the company's bylaws do not include any regulation in relation to potential take-over bids. There are no contractual agreements either for members of the Board of Directors nor members of the Executive Board relating to a change of control event.

Auditors

The consolidated financial statements and the stand-alone financial statement of Hero AG are audited by Ernst & Young. According to the company's bylaws, the external auditor is elected for a period of one year at the Ordinary General Meeting of the shareholders.

Ernst & Young was elected as auditor of Hero AG for the first time in 2006. The auditor in charge is Willy Hofstetter, who held this function for the first time in the 2020 financial year. According to the provisions of the Swiss Code of Obligations, he may execute this mandate for a maximum of seven years.





Corporate governance



The Finance & Audit Committee reviews the scope of the audit, the audit plans, and discusses the audit results and reports with the auditor in charge annually. In general, the auditors participate in all Finance & Audit Committee meetings to report, both verbally and in writing, on audit planning, execution, and recommendations.

The agreed fees with Ernst & Young AG for the audit of the consolidated financial statements for the year ending December 31, 2022, amounted to CHF 855,780. In 2022, Ernst & Young AG charged a total of CHF 15,000 for additional services. The additional services mainly include compliance support.

Information policy

The Hero Group pursues open and continuing communications with its shareholders, employees, clients, financial investors, and the general public. Hero strives to provide transparent information about the company, its values, strategy, and business development.

Hero publishes an annual report that includes information about its operating activities, sustainability ambitions, corporate governance, and financial results.

In addition, Hero organizes a financial information meeting every year. At this conference, the Hero Group informs interested parties about the results of the year, gives a strategy update, and an outlook for the new financial year.

Media releases about events relevant to the financial investors are published in accordance with guidelines relating to the ad-hoc publicity of the SIX Swiss Exchange. Further, Hero provides additional information about important Group events via its corporate website.





Risk management



The aim of Hero's risk management process is to identify potential risks at an early stage and avoid or substantially limit their potential impact on the Group. The process is designed to help the company achieve its results and support our long-term strategy.

Hero's risk management process includes an assessment of the company's most significant strategic and operational risks. Once a year, potential risks are identified at Group and cluster level, as well as with major subsidiaries not belonging to a cluster. The individual assessments are aggregated and evaluated in terms of possible damage that would result should the risk event materialize, the probability of occurrence, and potential reputational impact.

For each risk area, ownership is allocated to an Executive Board member to drive specific actions to mitigate the potential damage.

The Hero Group developed its enterprise risk management process further in 2022 by systematically integrating climate-related root causes in the assessment of the different operational and strategic risks. Such root causes and impacts identified are reported under the relevant risks factors.

The results of the Group Enterprise Risk Management process are presented and discussed with the Financial & Audit Committee and Board of Directors annually.

Risk factors

Based on the 2022 risk management process, business transformation and geopolitics have been added to our key risk catalogue. Raw material, packaging and energy supply, and product pricing have been identified as risks with highest potential impact on Hero's performance. The factors identified below are currently considered the most relevant for our business and performance.



Risk management

Food safety / product quality

Any major event triggered by a serious food safety, other compliance issues, or product sabotage could have a negative effect on Hero's reputation or brand image, and result in a loss of consumer trust, potential litigation, and negative financial performance. Extreme weather situations (for example, flooding, heatwaves) can negatively affect quality of raw materials and cause manufacturing disruptions.

The Group has policies, processes, controls, and regular monitoring in place to ensure high-quality products. These prevent health risks arising from handling, preparation, and storage throughout the value chain.

Raw material, packaging, and energy supply

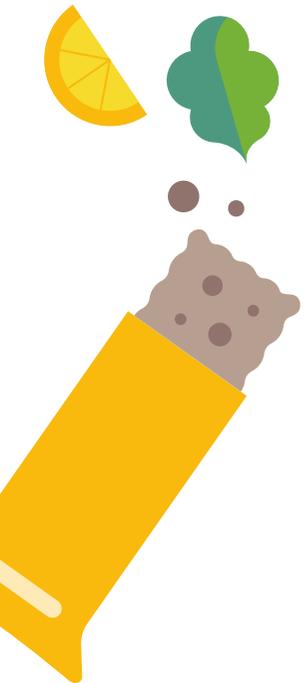
Climate change makes harvest yields less predictable. The reduced reliability to source the necessary volumes of raw material with the specific quality requirements, packaging materials as well as energy shortages impact product availability and prices. As a result, sales decrease and margin diminishes or supply chains must be restructured, adding further efforts and cost.

Hero follows a sustainable sourcing strategy for key raw materials and packaging. Our large network of suppliers minimizes supply risks, and we evaluate direct contracting with farmers and monitor supplier performance.

Product pricing

Increased customer concentrations and resulting customer buying power, decreasing consumer purchasing power or consumers lacking willingness to pay for sustainable and carbon neutral products can lead to increased difficulty to increase prices. Further, due to an inflationary environment, price increases might be required that could trigger volumes declines. Both the difficulty to increase prices as well as potential volume losses can lead to deteriorating margins and lower financial performance of the Hero Group.

Hero invests to strengthen its core brands and product innovation and renovation, increasing its market power. The Group further strives for strategic customer relationships and diversified channel distribution thereby reducing customer concentration risk.





Risk management

Supply Chain inefficiency

Due to increased volume uncertainty, portfolio complexity, ineffective investments, or missing capabilities, operational efficiency targets cannot be met. This can result in higher costs and margin declines.

The Group aligns investments, people development, and incentive systems with its strategic priorities. The company has systems in place to better predict demand requirements and volatility.

Business transformation

Failure of strategic transformation projects such as acquisitions, divestitures, or restructurings can lead to cost overruns or impairment of assets. This can negatively impact the financial performance of the Hero Group.

Steering committees with executive sponsorship regularly assess and review progress of strategic projects. Resource allocations to projects are aligned with transformation targets.

Geopolitics

Political conflicts escalate, leading to resource scarcities and supply chain disruptions in Hero's operating regions. Hero cannot source or sell products to meet business goals, faces higher costs for security and may discontinue business activities in certain regions.

Geopolitical developments are monitored, and supplier transitions built up in order to increase flexibility during adverse economic conditions. Processes and manuals are in place to deal with crises.

Pandemic

Major events like pandemics can lead to the severe disruption or closure of certain channels (for example, Foodservice), lower and or create more volatile demand, organizational efficiencies, or business disruption. This can lead to decreasing sales and margin losses.

The Group is monitoring the development of the pandemic risk and has task force organizations in place to mitigate the operational effects of such events and ensure employee safety.





Risk management

Sustainability requirements

Hero's climate commitment and increased regulatory as well as stakeholder expectations on sustainability (ESG) require additional efforts and investments leading to higher operational expenses. Failure to comply with those could lead to reputational damages, fines, and operational disruptions.

Hero follows the new regulatory developments and trends carefully. Sustainable green sourcing along the Hero value chain and carbon neutral production optimization are developed and implemented. The Group works on preparing compliant sustainability reporting and commits on recording and reducing its environmental footprint and developing relevant people skills.

More information on Hero's efforts on sustainability can be found in Sustainability Commitment section on page 187 and following of this annual report.

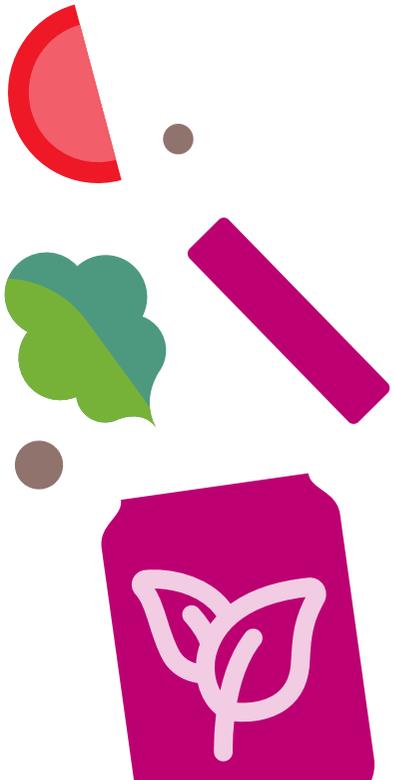
Increased public awareness

Social media increases the risk that trending topics, such as health, safety, sustainability and corporate responsibility, are held against the Group or its local companies. This could harm brand reputation and lead to decreasing sales.

Hero commits to improving its environmental footprint and follows a code of conduct in which it defines its fundamental business principles.

IT systems and security

The Group depends on accurate, timely data along with increasing integration of digital solutions and services. System failures or threat of cyber-attacks can disrupt the reliability, security, and privacy of data, as well as the IT infrastructure. This leads to organizational disruptions, additional efforts, and costs. Policies and controls, state-of-the-art hosting facilities, security measures along with contingency plans are in place with the aim of protecting and ensuring compliance for both infrastructure and data.





Risk management

Hero invests in its IT infrastructure as well as a more harmonized, modern ERP system. Unrealistic scoping and planning or an insufficient resource allocation can lead to project overspend, delays, harmonization goals not being achieved, and business process disruption. Hero counts on proper project management and change management tools, allocates internal and external resources with appropriate capabilities, and assigns priorities to ensure project goals are achieved.

Financial and tax risks

Given its international operations, the Hero Group is exposed to financial risks; these comprise exchange rate, interest rate, and liquidity risks.

Changing tax practices and regulations, organizational complexity, and rising national debts increase the risk of tax disputes. This may lead to additional efforts, financial losses, and legal action.

The Hero Group maintains several pension funds. Underperformance of pension funds might lead to underfunded positions with potential negative impact on Hero's results.



The individual risks are closely controlled and monitored. Central tasks to reduce financial risk within the Group include managing financial requirements long-term as well as risk mitigation through hedging where appropriate. The Group follows changing tax practices and documents its intercompany relationships.

Insurance program

The Hero Group risk policy also includes a comprehensive insurance scheme to protect against risks. This is achieved with the help of international insurance programs against third-party liability, property damage, and business interruption.

01 Company information

02 Financial report

The Hero Group ended the year with an organic Net Sales growth of 12.5% and EBIT increasing 18.2%. You can find the complete Group financial results [here](#)

03 Sustainability report

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Finance review

Summary

In 2022, Hero's Net Sales increased by 5.6% to CHF 1,206.6 million. On a like-for-like basis and at constant foreign exchange rates, Hero achieved an organic Net Sales growth of 12.5%.

The significant difference between organic and nominal sales growth comes from negative currency translation effects, mainly related to devaluation of the Euro, Swedish Crown, British Pound as well as the Egyptian Pound and Turkish Lira against the Swiss Franc.

The very strong Net Sales performance is broad based with all core product categories and all regions contributing to this positive result. Hero experienced consistent high Net Sales growth levels throughout the year 2022. In the first half of the year under review, our Net Sales compare to a rather weak 2021 that was impacted by Covid restrictions and a declining baby food business in the US. In the second half of 2022, Hero's sales growth was largely driven by price increases that were implemented in the course of 2022 to address significant cost inflation.

Hero's strategy to focus on the branded business of its core product categories – Baby & Toddler Food, Healthy Snacks and Natural Spreads – is paying off. The strong position in these core categories in the different local markets helped Hero to increase product prices to mitigate cost inflation. In 2022, the core product categories contributed almost 80% of the organic Net Sales growth.



Finance review

The year 2022 was characterized by significant cost inflation in raw materials, packaging, and energy. Even though Hero succeeded in increasing product prices, it did not fully compensate for the cost increases and as a result the Gross Profit Margin declined from 31.1% in 2021 to 29.3% in the year under review. By keeping operational costs under control, Hero achieved an Operating Profit (EBIT) of CHF 40.3 million in 2022, an improvement of 18.2% over prior year (PY: CHF 34.1 million). Excluding currency translation effects, Hero's EBIT for 2022 stood at CHF 46.7 million (at constant prior year exchange rates), an organic increase of 37.0% versus prior year.

The Hero Group's **Net Income** for the year was CHF 26.8 million, significantly up from CHF 9.0 million in 2021, benefiting from the better operating profit but also from a strong financial result and normalized tax expenses.

With our strategy focused on increasing the footprint of our core product categories, Hero acquired the remaining 30% of the shares of the German organic baby and toddler food company goodforgrowth GmbH in June 2022. Further, Hero sold the company Juvela, its non-core Gluten Free business in the UK, in December 2022. With a net cash-out effect of these two transactions as well as an increase of Net Working Capital, Net Debt

increased to CHF 184.4 million, up from CHF 163.4 million at the end of 2021. Nevertheless, Hero's financial situation remains on a solid footing with a Net Debt / EBITDA ratio of 2.2 (PY: 2.1).

Net Sales Regions

In our largest sales area, **Europe**, organic Net Sales grew by 11.2% compared to prior year. The strong growth in Europe was broad based with many countries and product concepts contributing with double-digit growth in 2022. The strongest growth driver in Europe was Hero's Healthy Snacks business with an increase of 23.2% in Germany and a more than doubling of sales in the Nordics under the Corny brand. Furthermore, Europe saw a strong rebound of its Foodservice business which suffered from the Covid restrictions in the two prior years.

The significant weakening of the EUR, the SEK as well as the GBP against the CHF in 2022 led to a negative currency translation effect of 7.5% therefore reducing the nominal Net Sales growth in CHF in Europe to 3.6% in 2022.

After a difficult 2021 with declining Net Sales in the US, where the leading baby food brands were alleged to be selling products with high levels of



Finance review

naturally-occurring heavy metals, Hero saw the **North American** business recover strongly in 2022. Beech-Nut, Hero's baby-food brand in the US, posted an organic growth of 12.1% in 2022. This strong recovery was supported by the successful launch of new product concepts in the field of toddler snacking. Further, the Canadian organic baby food business Baby Gourmet, which Hero acquired in January 2021, performed very well in 2022, posting an organic growth of 14.8%. Overall, the Net Sales of Hero's North America business grew 12.5% in local currencies in the year under review.

The market conditions in Hero's **Emerging Market** countries remained challenging in 2022. Because of the geopolitical conflict between Russia and Ukraine, Hero decided to limit the business in Russia to essential baby food and to stop selling Healthy Snacks and investing in this market. Hero performed well in the other Emerging Markets like Turkey and Egypt, growing 36.7% in local currencies despite the difficult economic environment with high inflation and currency devaluations. In the whole Emerging Market region, Hero posted a nominal growth of 4.2% in CHF, reflecting a strong growth of 19.1% in local currencies and significant negative currency translation effect of -14.9%.

in CHF million

	Net Sales 2022	Net Sales 2021	2022 vs 2021 in %	Acquisition & Divestment effect	Currency effect	Organic Growth
Europe	852.6	822.7	3.6%	-0.1%	-7.5%	11.2%
North America	189.1	161.1	17.4%	0.4%	4.5%	12.5%
Emerging Markets	164.9	158.3	4.2%	-	-14.9%	19.1%
HERO GROUP	1'206.6	1'142.1	5.6%	-0.0%	-6.8%	12.5%



Finance review

Net Sales Product Categories

Hero's strategic focus is on branded business within the core product categories Baby & Toddler Food, Healthy Snacks, and Natural Spreads. In 2022, Hero continued its strategic journey successfully and further increased the share of its branded business slightly to 93.5% (PY: 93.3%). The share of Hero's core product categories increased from 71.9% in 2021 to 72.7% in the year under review.

Hero's largest product category, **Baby & Toddler Food** (BTF), grew by 13.6% at constant foreign exchange rates, reflecting a strong growth in all markets except Russia. Hero operates with strong BTF brands like Beech-Nut, Organix, Freche Freunde, Baby Gourmet, Hero and Semper, which have leading local market positions. In 2022, these strong positions helped to implement price increases and to further grow our market shares in the majority of our markets. In 2022, Hero continued to successfully extend the lifecycle of the BTF category by offering a compelling snack range to kids.

Natural Spreads (NS) Net Sales grew by 7.3% in local currencies in 2022. As in prior year, the growth of the category which is sold in Europe and Emerging Markets is broad based. The low-sugar offerings continued to outperform the whole category with double-digit growth rates in many markets.

Healthy Snacks (HS), which suffered from pandemic restrictions in the previous years with less on-the-go consumption, rebounded strongly with double-digit growth levels in almost all our markets. The category achieved an overall organic Net Sales growth of 24.6% in the year under review. Our Corny brand with cereal bars as well as functional bars like tasty protein bars continue to perform well. In addition, Hero successfully launched the Healthy Snacks category in Turkey in 2022.

After a rather weak 2021, the **Baby & Toddler Milk** (BTM) category improved in 2022, growing 9.3% at constant foreign exchange rates. The rebound in the category is broad based with important markets such as Spain, the Czech Republic, and Egypt growing double-digit.



Finance review

So far, Hero operated its product category **Gluten Free** mainly in the Nordics and the UK. On its path to focus on its core product categories, Hero sold its Gluten Free business in the UK operating under the Juvela brand mid-December 2022. The Gluten Free business in the Nordics was stable with a small organic Net Sales growth of 0.5% in 2022. Net Sales of **Specialties**, which Hero sells mainly in Europe, grew 14.4% organically in

2022. Out of the Specialties product range, convenience goods as well as dessert and toppings were the main growth drivers for 2022. Hero's Non-Branded business grew by 10.0% at constant foreign exchange rates in 2022. Both the Specialties category and the **Non-Branded** business benefited from a rebound in the foodservice channel.

in CHF million

	Net Sales 2022	Net Sales 2021	2022 vs 2021 in %	Acquisition & Divestment effect	Currency effect	Organic Growth
Baby + Toddles Food	478.7	445.1	7.5%	0.1%	-6.2%	13.6%
Natural Spreads	249.9	249.1	0.3%	-	-6.9%	7.3%
Healthy Snacks	148.1	127.3	16.4%	0.1%	-8.3%	24.6%
Baby + Toddler Milk	99.2	99.2	-0.0%	-	-9.3%	9.3%
Gluten Free	37.4	41.2	-9.3%	-2.6%	-7.2%	0.5%
Specialties	114.6	103.8	10.3%	-	-4.1%	14.4%
Non-Branded	78.8	76.3	3.3%	-	-6.7%	10.0%
HERO GROUP	1'206.6	1'142.1	5.6%	-0.0%	-6.8%	12.5%



Finance review

Operating result

In 2022, the **Operating Profit** (EBIT) reached CHF 40.3 million, an improvement of CHF 6.2 million over prior year (PY: CHF 34.1 million). At constant exchange rates, the progress in EBIT is CHF 12.6 million, reaching CHF 46.7 million. The strong sales performance in 2022 with product price increases mitigating cost inflation in the supply chain led to this positive result. From a regional point of view, the main driver for the better result was North America, where the operating profit improved by CHF 9.5 million after a difficult 2021.

Hero's **Gross Margin** stood at 29.3%, down from 31.1% in prior year. As most other consumer goods companies, Hero faced unprecedented cost inflations in raw and packaging materials and energy in 2022. Hero undertook significant pricing efforts to transfer cost increases to the market. In addition, strong efforts in procurement, including leveraging existing contracts and the launch of new product concepts with higher consumer value and better margins helped to partly mitigate the negative impact on this year's Gross Margin.

To compensate for this shortfall in Gross Margin, Hero further reduced its **Operational Expenses** from 25.8% of Net Sales in 2021 to 24.8% in the year under review. The reduction of the Operating Expenses ratio is a result of tight cost control, selective restructuring, adjustments in marketing spend, and scale from strong growth.

Other Income / Expenses decreased significantly from a net expense of CHF 25.8 million in prior year to CHF 13.7 million in 2022. The high number in prior year was due to the one-off effects: the expenses relating to the earn-out and put option liability in respect of our erdbär (goodforgrowth) partnership, and the legal and recall costs in relation to the heavy metals issue in the US. Both items together resulted in an expense of CHF 15.0 million in 2021. This year's other expense includes CHF 8.4 million of costs for organizational changes and restructuring (PY: CHF 3.6 million) as well as a loss of CHF 1.0 million from the sale of the Gluten Free business in the UK.



Finance review

Financial result and taxes

At CHF 0.4 million, net **Finance Expense** was at a record low in 2022, down from CHF 5.5 million in 2021. With tight cash management, interest expenses decreased further to CHF 3.3 million (PY: CHF 3.5 million) despite the higher interest rate environment. The main reason for this year's positive financial result is due to higher interest income amounting to CHF 2.8 million (PY: CHF 1.6 million) and a positive effect from hedging interests at favorable rates contributing CHF 3.2 million. The higher interest income is a result of the higher interest environment in the US where Hero keeps a financial asset versus the buyer of the former subsidiary Signature Brands, which was sold in 2018. Net foreign exchange losses stood at CHF 0.6 million (PY: CHF 0.6 million).

In 2022, our **Tax Expense** normalized to CHF 10.2 million after a high CHF 17.6 million the year before. The prior year's high Tax Expense was due to payments in connection with tax disputes with governmental agencies as well as valuation adjustments of deferred tax assets and liabilities. In the year under review, the tax rate was at 27.6% (PY: 66.2%). Hero takes a prudent approach in tax accounting with respect to recognizing deferred tax assets for available tax losses.

Net income

The Hero Group's **Net Income** for the year was CHF 26.8 million, significantly up from CHF 9.0 million in 2021. The better financial performance at the bottom line is a result of the higher operating profit, a favorable financial result, and normalization of the tax expense compared to prior year. A negative effect of CHF 1.4 million caused by applying inflation accounting for our subsidiary in Turkey is included in Net Income.

Cash flow and financial position

In a challenging environment, Hero achieved an **Operating Cash Flow** before net working capital changes of CHF 83.8 million (prior year CHF 87.9 million). Cash outflows from **investing activities** reached CHF 40.2 million, down from CHF 62.9 million in 2021. This year's cash outflows from investing activities included the cash outflows for a final earn-out payment for the acquisition of the initial 70% of goodforgrowth GmbH of CHF 10.4 million. Major investments were made in 2022 to extend the baby food production capacity in Spain. In the same year, Hero continued its strategic investment to drive efficiency in Supply Chain planning and harmonize the company's core processes, and to modernize its ERP system.



Finance review

At the end of 2022, Hero sold its UK-based Gluten Free business to S-Ventures resulting in a cash inflow of CHF 6.6 million.

The financing cash flow includes the acquisition of the remaining 30% of the German organic baby food company goodforgrowth GmbH of CHF 16.8 million.

The Group's **Equity Ratio** remains very solid at 52.4% (prior year 52.9%). In 2022, there were no major changes in the balance sheet and equity structure. The company's **Net Debt** position increased to CHF 184.4 million, up from CHF 163.4 million in prior year. The increase in Net Debt was due to the acquisition of the remaining 30% and the earn-out payment for the initial 70% of goodforgrowth GmbH.

With an EBITDA of CHF 85.0 million (CHF 79.5 million in 2021), Hero's Net Debt / EBITDA ratio stood at 2.2, at a similar level as at the year before (PY: 2.1). At 2.2, the ratio remains healthy and comfortably meets our covenants.

Outlook

Our positive momentum from 2022 and the ability to implement price increases gives us confidence that we will be able to tackle the upcoming challenges in a volatile, inflationary environment. Further product price increases need to be implemented in 2023, also because the inflationary impact of 2022 will only fully come through in 2023. It is currently difficult to assess how these higher price points will impact consumer behavior, but we are aiming for another year of substantial Net Sales growth while protecting margins.



Consolidated Income Statement

for the year ended December 31 - Hero Group in CHF 1000.-

	Note	2022	2021
Net Sales	5	1 206 602	1 142 122
Cost of sales	24	(786 994)	(729 150)
Distribution expense		(66 675)	(58 073)
Gross profit		352 933	354 899
Advertising and promotion		(114 821)	(115 097)
Marketing and sales		(84 296)	(83 920)
Research and development		(11 589)	(11 981)
Administrative expense		(88 177)	(83 990)
Other income	6	12 291	3 191
Other expense	6	(26 031)	(28 982)
Operating profit	5	40 310	34 120
Finance income	7	12 747	2 806
Finance expense	7	(13 159)	(8 316)
Share of result of associates and joint ventures	30	(1 469)	(1 988)
Net monetary loss arising from hyperinflationary economies		(1 406)	-
Income before tax		37 023	26 622
Income tax expense	8	(10 228)	(17 631)
INCOME FOR THE YEAR		26 795	8 991
Attributable to:			
Equity holders of the parent		25 485	7 571
Non-controlling interests		1 310	1 420
INCOME FOR THE YEAR		26 795	8 991

The notes form an integral part of these consolidated financial statements.



Consolidated Statement of Comprehensive Income

for the year ended December 31 - Hero Group in CHF 1000.-

	2022	2021
INCOME FOR THE YEAR	26 795	8 991
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translating foreign operations and hyperinflation adjustments	(42 238)	(17 300)
Income tax effects	(122)	132
	(42 360)	(17 168)
Net gain on cash flow hedge	355	974
Income tax effects	(21)	9
	334	983
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(42 026)	(16 185)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Revaluation of land	-	11 946
Income tax effects	57	(3 095)
	57	8 851
Remeasurement gains on defined benefit plans	9 067	15 025
Income tax effects	(3 088)	(2 991)
	5 979	12 034
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	6 036	20 885
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(35 990)	4 700
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(9 195)	13 691
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	(11 481)	12 386
Non-controlling interests	2 286	1 305
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(9 195)	13 691

The notes form an integral part of these consolidated financial statements.



Consolidated Balance Sheet

As at December 31 - Hero Group in CHF 1000.-

Assets	Note	2022	2021
Non-current assets			
Property, plant and equipment	18	327 615	350 850
Intangible assets	20	450 373	480 209
Right-of-use-assets	19	18 209	24 273
Investments in associated companies and joint ventures	30	312	371
Financial assets at fair value through profit and loss	11,29	817	-
Non-current receivables	14	31 748	30 211
Deferred tax assets	21	9 075	10 899
Net defined benefit assets	22	637	4 829
TOTAL NON-CURRENT ASSETS		838 786	901 642
Current assets			
Inventories	24	216 354	181 600
Derivative financial assets	11	10 994	749
Income tax receivables		9 914	10 241
Trade receivables, prepayments and other receivables	13	158 849	151 656
Cash and cash equivalents	12	75 899	85 552
TOTAL CURRENT ASSETS		472 010	429 798
TOTAL ASSETS		1 310 796	1 331 440

The notes form an integral part of these consolidated financial statements.



As at December 31 - Hero Group in CHF 1000.-

	Note	2022	2021
Equity and liabilities			
Shareholders' equity			
Share capital	25	62 133	62 133
Share premium		63 632	63 632
Hybrid capital	25	198 779	198 779
Treasury shares		(4 249)	(4 249)
Other reserves	25	(319 701)	(282 196)
Retained earnings		677 491	651 166
Equity attributable to the equity holders of the parent		678 085	689 265
Non-controlling interests		8 208	13 801
TOTAL EQUITY		686 293	703 066
Non-current liabilities			
Borrowings	11,15	100 052	80 254
Debentures	11,15	135 000	135 000
Lease liabilities	15,19	14 259	18 628
Deferred tax liabilities	21	36 672	32 032
Net defined benefit liabilities	22	35 672	52 807
Provisions	23	11 437	12 304
Other liabilities	17	1 464	2 165
Total non-current liabilities		334 556	333 190
Current liabilities			
Trade and other payables	16	270 953	271 455
Borrowings	11,15	5 966	8 036
Lease liabilities	15,19	4 993	7 074
Derivative financial liabilities	11	1 404	1 307
Provisions	23	3 277	4 409
Income tax payables		3 354	2 903
Total current liabilities		289 947	295 184
TOTAL LIABILITIES		624 503	628 374
TOTAL EQUITY AND LIABILITIES		1 310 796	1 331 440

The notes form an integral part of these consolidated financial statements.



Consolidated statement of changes in equity

for the year ended December 31 - Hero Group in CHF 1000.-

	Attributable to equity holders of the parent					Retained earnings	Non-controlling interests	Total equity
	Share capital (note 25)	Share premium (note 25)	Hybrid capital (note 25)	Treasury shares (note 25)	Other reserves (note 25)			
BALANCE AT JANUARY 1, 2021	62 133	63 632	198 779	(4 249)	(287 011)	659 856	13 118	706 258
Income for the year	-	-	-	-	-	7 571	1 420	8 991
Other comprehensive income	-	-	-	-	4 815	-	(115)	4 700
Total comprehensive income	-	-	-	-	4 815	7 571	1 305	13 691
Distribution on hybrid capital third parties	-	-	-	-	-	(4 270)	-	(4 270)
Dividend payments to the parent	-	-	-	-	-	(10 950)	-	(10 950)
Dividend payments to non-controlling interests	-	-	-	-	-	-	(989)	(989)
Recognition of put option over non-controlling interests	-	-	-	-	-	(1 041)	-	(1 041)
Acquisition of a subsidiary	-	-	-	-	-	-	367	367
BALANCE AT DECEMBER 31, 2021/ JANUARY 1, 2022	62 133	63 632	198 779	(4 249)	(282 196)	651 166	13 801	703 066
Income for the year	-	-	-	-	-	25 485	1 310	26 795
Other comprehensive income	-	-	-	-	(36 966)	-	976	(35 990)
Total comprehensive income	-	-	-	-	(36 966)	25 485	2 286	(9 195)
Distribution on hybrid capital third parties	-	-	-	-	-	(4 270)	-	(4 270)
Dividend payments to the parent	-	-	-	-	-	(3 014)	-	(3 014)
Dividend payments to non-controlling interests	-	-	-	-	-	-	(294)	(294)
Acquisition of non-controlling interests	-	-	-	-	(539)	8 124	(7 585)	-
BALANCE AT DECEMBER 31, 2022	62 133	63 632	198 779	(4 249)	(319 701)	677 491	8 208	686 293

The notes form an integral part of these consolidated financial statements.



Consolidated statement of cash flows

for the year ended December 31 - Hero Group in CHF 1000.-

	Note	2022	2021
Cash flows from operating activities			
Income for the year		26 795	8 991
Adjustments for:			
Income tax expense	8	10 228	17 631
Depreciation property, plant and equipment	18	33 391	33 761
Depreciation right-of-use-assets	19	7 735	7 460
Amortization intangible assets	20	3 542	4 197
Loss on disposal of fixed assets	6	447	139
Net monetary loss arising from hyperinflation economies		1 406	-
Gain on disposal of subsidiary excluding transaction costs	29	(117)	-
Fair value result, net	7	(9 968)	9 145
Interest income	7	(2 772)	(1 592)
Interest expense	7	4 315	4 417
Share of result of associates and joint ventures	30	1 469	1 988
Net loss in foreign exchange	7	7 337	1 767
Cash flows before changes in net working capital		83 808	87 904
Inventories		(51 778)	(10 553)
Trade and other receivables		(17 940)	(19 671)
Trade and other payables		26 523	11 975
Accruals and provisions		14 654	9 487
Changes in net working capital		(28 541)	(8 762)
Interest paid		(4 210)	(4 400)
Income tax paid		(6 444)	(21 279)
NET CASH FROM OPERATING ACTIVITIES		44 613	53 463



	Note	2022	2021
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	29	-	(20 559)
Earn-out payment	11	(10 427)	(4 083)
Capital contribution to joint ventures	30	(1 500)	(1 500)
Purchase of property, plant and equipment	18	(21 878)	(24 832)
Purchase of intangible assets	20	(11 422)	(11 867)
Loans granted		(2 152)	(463)
Disposal of intangible assets		45	67
Disposal of subsidiary, net of cash disposed	29	6 638	-
Disposal of property, plant and equipment		151	238
Interest received		363	132
NET CASH USED IN INVESTING ACTIVITIES		(40 182)	(62 867)

The notes form an integral part of these consolidated financial statements.



	Note	2022	2021
Cash flows from financing activities			
Acquisition of non-controlling interests	11,29	(16 832)	-
Distribution on hybrid capital third parties		(4 270)	(4 270)
Proceeds from bank loans	15	24 677	1 159
Repayment of bank loans	15	(4 369)	(5 365)
Proceeds from financial liabilities	15	-	3 752
Repayment of financial liabilities	15	(711)	(4 524)
Payment of lease liabilities excluding interest	15	(7 563)	(7 054)
Payment of dividends to shareholders		(3 014)	(10 950)
Payment of dividends to non-controlling interests		(294)	(989)
NET CASH USED IN FINANCING ACTIVITIES		(12 376)	(28 241)
DECREASE IN CASH AND CASH EQUIVALENTS		(7 945)	(37 645)
Movement in cash and cash equivalents			
At start of year		85 552	120 888
Decrease in cash and cash equivalents		(7 945)	(37 645)
Effects of exchange rate changes on cash and cash equivalents		(1 708)	2 309
AT END OF YEAR	12	75 899	85 552

The notes form an integral part of these consolidated financial statements.



Notes to the consolidated financial statements

1. General

Hero AG (Hero) is a limited liability company headquartered in Lenzburg, Switzerland. Schwartau International GmbH, Bad Schwartau, Germany, a subsidiary of AOH Nahrungsmittel GmbH & Co. KG, Germany, holds 99.0% of the share capital of Hero, 0.3% are held by executive board members in relation with the long term incentive plan and 0.7% are held by Hero. The Group's primary activities are the production and selling of consumer food products in the product areas of natural spreads, healthy snacks, baby and toddler food, baby and toddler milk, gluten-free products and specialties which are sold in Europe, North America and Emerging Markets. At the end of 2022, the Group had 4 131 full time employees (2021: 4 093). All figures in the financial statements are presented in thousands of Swiss francs (TCHF) except where otherwise indicated. These financial statements were approved by the Board of Directors on March 6, 2023, and are subject to approval by the annual general meeting of shareholders to be held on March 21, 2023.



Notes to the consolidated financial statements

2. Basis for Preparation, Consolidation and Changes in Accounting Policies and Disclosures

Basis for Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements for the year ending December 31, 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historic cost convention, unless otherwise stated (i.e. revaluation of land, certain financial assets and liabilities at fair value). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Principles. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Accounting Principles: Critical Estimates and Judgements (see note 36).

Consolidation

Consolidation Method

The consolidated financial statements include Hero AG, Switzerland and those companies over which Hero AG has control, which is generally the case with a shareholding of more than one half of the voting rights. Companies controlled by the Group are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Eliminations in the Course of Consolidation

All intra-group balances / transactions / unrealized gains / losses and dividends are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the principles adopted by the Group.

Related Parties

Related parties include AOH Nahrungsmittel Group companies (Germany), members of the Board of Directors and Executive Board as well as associates and joint-ventures.



Notes to the consolidated financial statements

Changes in the Scope of Consolidation

In the reporting period Hero exercised its call option to acquire the 30% non-controlling interests in goodforgrowth as per June 30, 2022 and the 100% interest in Hero UK Ltd. (Juvela) was sold as per December 14, 2022.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied the following amendments, which are effective in 2022 for the first time:

- Amendments to IFRS 3: Reference to the conceptual framework
- Amendments to IAS 16: Property, plant and equipment - proceeds before intended use
- Amendments to IAS 37: Onerous contracts - cost of fulfilling a contract
- Annual improvements cycle 2018-2020

None of these amendments had a material impact on the Group's financial statements.

Future changes in IFRS

There are no plans for early adoption of published standards, interpretations or amendments prior to their mandatory effective date. The Group does not expect that other changes in IFRS, which are published but not yet effective, will have a material impact on the Group's consolidated financial statements.



Notes to the consolidated financial statements

3. Foreign Currency Translation and Hyperinflation Adjustments

Foreign currency translation

The presentation currency for the Group is the Swiss Franc, which is also the functional currency of Hero AG, Switzerland. Financial statements denominated in foreign currencies have been translated into Swiss Francs as follows except for financial statements of subsidiaries in hyperinflationary economies:

- Assets and liabilities, including goodwill, are translated at the closing rate at the date of the balance sheet
- Revenues and costs are translated using average exchange rates for the accounting period
- Exchange differences out of the translation of assets and liabilities and the related income statements are booked in other comprehensive income.

Foreign Exchange Rate Table

The following table shows the most important foreign exchange rates used:

	2022	2021
AVERAGE EXCHANGE RATES		
EUR/CHF	1.0026	1.0792
USD/CHF	0.9534	0.9128
GBP/CHF	1.1738	1.2550
SEK/CHF	0.0940	0.1063
CLOSING EXCHANGE RATES		
EUR/CHF	0.9836	1.0340
USD/CHF	0.9237	0.9127
GBP/CHF	1.1120	1.2331
SEK/CHF	0.0881	0.1008

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences arising from Group company loans which have the characteristics of a long-term investment are recorded in other comprehensive income.



Notes to the consolidated financial statements

In the event of a sale of a foreign company all translation differences accumulated since the purchase of the said company are released and included in the calculation of disposal gain or loss and fully disclosed as such.

Open monetary balances denominated in foreign currencies and recorded in the accounts of Group companies at the balance sheet date are revalued using the prevailing exchange rate as at the balance sheet date. The differences resulting from these revaluations are recorded in the income statement for the period.

Hyperinflationary economies

The Group has considered Turkey (since April 1, 2022) to be a hyperinflationary economy in the context of IAS 29 'Financial Reporting in Hyperinflationary Economies'. In 2022, the cumulative inflation index of

Turkey, as measured by the consumer price index published by the Turkish Statistical Institute, exceeds 100% over the last three years. Accordingly the Group has reviewed the reporting from its subsidiary in Turkey, and where necessary restated it in line with IAS 29. The adjustment effect on the opening balances of CHF 1.8 million is recorded in foreign currency translation reserve in other reserves (see note 25). The adjustments resulting from the application of IAS 29 do not have a significant impact on the Group's operating results and balance sheet. An adjustment is recorded for the losses on the net monetary positions, which is a loss of CHF 1.4 million resulting from the loss in purchasing power of the net monetary positions during 2022 of the Group's subsidiary in Turkey.



Notes to the consolidated financial statements

4. Significant Events in the Current Reporting Period

The financial position and performance of the Group was affected by the following events and transactions during the reporting period:

- Exercise of call option to acquire the remaining 30% non-controlling interests in goodforgrowth GmbH, see note 29.
- The sale of Hero UK Ltd. (Juvela), see note 29.



Segment disclosures

5. Disaggregated Revenue and Segment Information

Revenue from contracts with customers

The Hero Group manufactures and sells baby and toddler food, baby and toddler milk, healthy snacks, natural spreads and gluten-free food products. Besides this core activity, Hero trades with other food products and manufactures goods for other business partners. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. This amount reflects the list price after deductions of returns, trade discounts, price promotions to customers, sales taxes and other pricing allowances. Payments made to customers for distinct commercial services are booked as an expense. Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on

delivery of the goods. The normal credit term is 30 to 90 days upon delivery and therefore, there is no significant finance component included in the contracts. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To measure the variable consideration for the expected future rebates, the Group applies its best estimate and constrains revenue if necessary. These refund liabilities are included in trade and other payables.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.



Segment disclosures

The chief operating decision-maker, who is responsible for making operating decisions, allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Board. For management purposes, the Group is organized in geographical clusters and countries which represent operating segments. The operating segments are aggregated based on similar economic characteristics into three reportable operating segments: Europe, North America and Emerging Markets. Each cluster/country is allocated according to the risk profile of the reportable operating segment.

The segment Europe produces and sells mainly consumer food products such as natural spreads, healthy snacks, baby and toddler food, gluten free, baby and toddler milk and specialties. The segment North America produces and sells mainly consumer food products in the area of baby and toddler food. The segment Emerging Markets mainly includes China, Egypt, Russia, Turkey, Brazil and other export countries which produce and sell mainly consumer food products such as natural spreads, healthy snacks, baby and toddler food and baby and toddler milk. The Group's financing (incl. finance costs and finance income) and

income taxes are managed on a Group basis and are not allocated to operating segments. Unallocated amounts relate to Headquarter costs in relation to finance and M&A transactions, executive management and market organization at Headquarter level. The accounting policies of the operating segments are the same as for these consolidated financial statements. Average net working capital is composed of income tax receivables, trade and other receivables, prepayments and inventories less trade and other payables, short-term income tax payables and short-term provisions. Non-current assets comprise property, plant and equipment, intangible assets and right-of-use assets. Net sales by categories have been adjusted to distinguish between net sales of branded products and non-branded products. The net sales reporting of the product categories reflect the strategic direction of the company with focus on branded business.



Segment disclosures

Information about operating segments

for the year ended December 31, 2022 in CHF 1000.-

	Europe	North America	Emerging Markets	Unallocated	Total
Net sales	852 593	189 096	164 913	-	1 206 602
Operating profit	69 231	4 673	16 207	(49 801)	40 310
Depreciation and amortization	(28 556)	(12 820)	(3 126)	(166)	(44 668)
Avg. net working capital	64 657	26 598	29 826	(5 451)	115 630
CAPEX (tangible)	17 426	2 484	1 968	-	21 878

Information about major countries

December 31, 2022 in CHF 1000.-

	Switzerland (country of domicile)	Germany	USA	Spain	Other	Total
Net sales	89 430	236 984	163 681	131 543	584 964	1 206 602
Non-current assets	78 470	121 321	137 186	44 476	414 744	796 197

Information about categories

December 31, 2022 in CHF 1000.-

	Baby and toddler food	Natural spreads	Healthy snacks	Baby and toddler milk	Gluten free	Specialties	Non-branded	Total
Net sales	478 671	249 903	148 127	99 160	37 361	114 557	78 823	1 206 602



Segment disclosures

Information about operating segments

for the year ended December 31, 2021 in CHF 1000.–

	Europe	North America	Emerging Markets	Unallocated	Total
Net sales	822 738	161 111	158 273	-	1 142 122
Operating profit	79 767	(4 813)	13 356	(54 190)	34 120
Depreciation and amortization	(29 196)	(12 580)	(3 484)	(158)	(45 418)
Avg. net working capital	51 112	25 372	31 932	(5 551)	102 865
CAPEX (tangible)	19 361	2 551	2 140	780	24 832

Information about major countries

December 31, 2021 in CHF 1000.–

	Switzerland (country of domicile)	Germany	USA	Spain	Other	Total
Net sales	77 760	229 992	139 807	130 877	563 686	1 142 122
Non-current assets	70 151	132 619	145 172	41 820	465 570	855 332

Information about categories

December 31, 2021 in CHF 1000.–

	Baby and toddler food	Natural spreads	Healthy snacks	Baby and toddler milk	Gluten free	Specialties	Non-branded	Total
Net sales	445 131	249 135	127 298	99 202	41 197	103 844	76 315	1 142 122



Income statement information

6. Details on other Income/Expense

in CHF 1000.-

	Note	2022	2021
Compensation for damages		6 879	394
Reversal of accruals and provisions		1 192	533
Gain from VAT settlement		706	339
Brand name usage		699	-
Stock refunds		610	328
Change in value of earn-out and put option liabilities		676	-
Government grants	10	405	354
Other		1 124	1 243
TOTAL OTHER INCOME		12 291	3 191
Legal and recall expenses		(8 517)	(4 651)
Cost for organizational changes		(8 407)	(3 595)
Compensation and destruction of inventory		(3 127)	(4 246)
Government obligation payments		(2 384)	(2 282)
Loss on disposal of subsidiaries incl. transaction costs	29	(1 003)	-
Loss on disposal of assets		(447)	(139)
Change in value of earn-out and put option liabilities		-	(10 331)
Other		(2 146)	(3 738)
TOTAL OTHER EXPENSE		(26 031)	(28 982)

In 2022, cost for organizational changes relate to personnel and project costs in Germany, Spain, Russia and Switzerland. Loss on disposal of subsidiaries relates to the divestment of Hero UK Ltd. (Juvela). Compensation for damages mainly relate to insurance proceeds to compensate legal expenses in the USA. In 2021, organizational changes relate to changes in Middle East and Europe as well as project PHI. Change in value of earn-out & put option liabilities relate to the acquisition of subsidiaries. Other expenses include costs for Mövenpick license in Germany.



Income statement information

7. Finance Income/Expense

Interest income and expense

Interest is recognized using the effective interest method.

in CHF 1000.–

	Note	2022	2021
Interest income		2 772	1 592
Gains from financial instruments at fair value through profit and loss		9 968	1 186
Other financial income		7	28
TOTAL FINANCE INCOME		12 747	2 806
Interest expense		(3 338)	(3 512)
Interest expense leases	19	(976)	(905)
Net foreign exchange losses		(7 337)	(1 767)
Other financial expense		(1 508)	(2 132)
TOTAL FINANCE EXPENSE		(13 159)	(8 316)

Other financial expense consist primarily of non-income tax.



Income statement information

8. Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Current income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

in CHF 1000.–

	2022	2021
Current income tax expense	(7 299)	(10 560)
Current income tax expense relating to prior periods	(250)	(4 187)
Deferred tax income	(2 679)	(2 884)
TOTAL INCOME TAX EXPENSE	(10 228)	(17 631)

Analysis of tax rate

The variation in the Group's average expected tax rate is caused by changes in profitability of the Group's subsidiaries in the various jurisdictions, as well as changes in local statutory tax rates. The main

elements contributing to the difference between the Group's overall expected tax rate (the weighted average tax rate based on the results before tax of each subsidiary) and the effective tax expense are:



Income statement information

in CHF 1000.–

	2022	2021
Income before taxes	37 023	26 622
Tax expense based on expected Group tax rate of the year	(8 371)	(7 836)
	22.6%	29.4%
Impact of expense not entitled for deduction for tax purposes	(8 714)	(4 402)
Impact of non taxable income and exclusively tax deductible expense	9 415	8 568
Impact of tax expense related to profits of other periods and other items*	(250)	(4 187)
Utilization of previously unrecognized tax losses	(54)	144
Reassessment of recognized tax losses of prior periods	48	(11)
Impact of unrecognized tax losses of current period**	(3 439)	(9 560)
Impact of deferred taxes on hybrid coupon	643	806
Impact of difference between statutory and deferred tax rate	397	268
Impact of changes in local tax rates	97	-
Impact of tax law changes***	(57)	(1 421)
EFFECTIVE GROUP TAX EXPENSE	(10 228)	(17 631)

*2021: Mainly relates to Germany

**2022: Mainly relates to Switzerland (2021: Mainly relates to Switzerland and the US)

***2021: Mainly relates to the UK



Income statement information

9. Additional Information on the Nature of Expense

in CHF 1000.-

	Note	2022	2021
Wages and salaries		(195 133)	(190 900)
Social security costs		(41 118)	(39 952)
Pension costs – defined contribution plans		(3 356)	(4 052)
Pension costs – defined benefit plans	22	(2 755)	(2 897)
TOTAL PERSONNEL EXPENSE		(242 362)	(237 801)

Personnel Expense are not reduced for government grants received in relation to wages and salaries. For further details refer to Note 10.

The Group employed 4 131 full time employees in 2022 (2021: 4 093).



Income statement information

Depreciation and amortization are included in the consolidated statement of income as follows:

Year ended December 31, 2022

		Right-of-use assets	Property, plant and equipment	Intangible assets
	Note	Depreciation	Depreciation	Amortization
Cost of sales		(886)	(27 933)	(85)
Distribution expense		(1 457)	(1 776)	(53)
Marketing and sales		(1 694)	(258)	(1 452)
Research and development		(44)	(281)	-
Administrative expense		(3 282)	(3 145)	(1 952)
Other expense		(372)	2	-
TOTAL	18, 19, 20	(7 735)	(33 391)	(3 542)

Year ended December 31, 2021

		Right-of-use assets	Property, plant and equipment	Intangible assets
	Note	Depreciation	Depreciation	Amortization
Cost of sales		(1 094)	(29 477)	(398)
Distribution expense		(1 463)	(544)	(44)
Marketing and sales		(1 892)	(305)	(1 845)
Research and development		(52)	(334)	(7)
Administrative expense		(2 479)	(3 100)	(1 903)
Other expense		(480)	(1)	-
TOTAL	18, 19, 20	(7 460)	(33 761)	(4 197)



Income statement information

10. Government Grants

Government grants are recognized only when the Group complies with the applicable conditions and if there is reasonable assurance that the grants will be received. Government grants are deferred and recognized in the income statement over the period necessary to match them with the related costs which they are intended to

compensate on a systematic basis, or the carrying amount of the asset to which the grant relates is reduced by the grant. The grant is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

in CHF 1000.-

	Note	2022	2021
Export subsidies in Egypt		1 539	1 123
Government grants for Schwartauer Werke jam factory		262	324
Government grants for factory equipment in Spain		-	36
Spanish education grant		41	52
Other		120	81
TOTAL GOVERNMENT GRANTS		1 962	1 616

Government grants are recognized in the following type of expense/income:

in CHF 1000.-

		2022	2021
Government grants deducted from cost of sales		1 631	1 262
Government grants deducted from administrative expenses		20	-
Government grants included in other income	6	311	354
TOTAL GOVERNMENT GRANTS		1 962	1 616



Financial assets and liabilities

11. Financial Instruments

General

The Group classifies financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss or subsequently measured at amortised cost. The classification depends on the contractual cash flow characteristics and the Group's business model for managing them. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date. Financial instruments are classified as current if they are expected to be realized within 12 months of the balance sheet date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management to avoid an accounting mismatch.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial assets at amortised cost

Financial assets with fixed or determinable payments that are held to collect contractual cash flows and give rise on specified dates to cash flows representing solely payments of principal and interest. They arise when the Group provides goods or services to customers with no intention of trading the associated receivable or when the Group lends funds to other parties. Trade receivables are initially measured at the transaction price that is expected to be received and subsequently measured at amortised cost. Financial assets at amortised cost comprise cash and cash equivalents, trade receivables and certain other receivables. The allowance for bad debts is based on the expected credit loss model. Hero incorporates forward-looking information into its historical customer



Financial assets and liabilities

default rates, grouping receivables by customer sector and credit rating and taking into account the existence of collateral, if any. For trade receivables, Hero applies the simplified approach and recognises lifetime expected credit losses.

Borrowings (Financial liabilities at amortised cost)

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks and interest

rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting including the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).



Financial assets and liabilities

Cash flow hedges are accounted for, as described below:

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions. The ineffective portion relating to foreign currency contracts is recognized in profit or loss.

Amounts recognized in OCI are accounted for depending on the nature of the underlying hedged transaction.

If the hedged transaction subsequently results in the recognition of a non-financial item, the amount is removed from the cash flow hedge reserve and included in the initial cost of the non-financial asset or liability. For other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss in the same periods during which the hedged cash flows affect profit or loss. For put option policy see note 29.

Fair Value Estimation

The fair value of publicly traded derivatives and trading securities measured at fair value is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments. The carrying amounts of short-term financial assets and liabilities are generally assumed to approximate to their fair values. For disclosure purposes, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.



Financial assets and liabilities

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

in CHF 1000.–

	Note	Carrying amount		Fair value	
		2022	2021	2022	2021
Financial assets - cash flow and interest hedges					
Current					
Foreign exchange and interest rate hedges		10 994	749	10 994	749
Financial assets at fair value through profit and loss					
Non-current					
S-Ventures shares		817	-	817	-
Financial assets measured at amortized cost					
Non-current					
Seller promissary note	14	24 625	22 132	24 175	21 745
Loans to related parties	35	166	672	166	672
Current					
Trade receivables	13	136 794	133 457	*	*
Cash and cash equivalents	12	75 899	85 552	*	*
Loans to third parties		1 675	-	*	-
Total (non-current and current)		238 993	241 141	-	-
Financial liabilities - cash flow hedges					
Current					
Foreign exchange contracts in cash flow hedges		1 404	1 307	1 404	1 307
Financial liabilities at fair value through profit or loss					
Current					
Earn-out liability on acquisition		-	10 809	-	10 809



Financial assets and liabilities

in CHF 1000.-

	Note	Carrying amount		Fair value	
		2022	2021	2022	2021
Other financial liabilities measured at amortized cost					
Non-current					
Borrowings	15	100 052	80 254	100 008	80 210
Debentures	15	135 000	135 000	134 929	134 880
Put option liabilities over non-controlling interests		742	776	742	776
Current					
Trade and other payables	16	260 683	231 565	*	*
Borrowings	15	5 966	8 036	*	*
Put option liabilities over non-controlling interests		-	17 040	-	17 040
Total (non-current and current)		502 443	472 671	-	-

*The fair values approximate the carrying amounts, largely due to the short-term maturities of these instruments.

Fair value

The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of financial assets has been calculated using market interest rates. The fair values of non-current borrowings and debentures is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair value of S-Venture shares is based on the quoted stock price. Put option over non-controlling interests are measured at the present value of the redemption amount.



Financial assets and liabilities

Debentures

The Group issued CHF 135.0 million bonds on October 28, 2016. The bonds bear 1.00% interest p.a. The maturity date is October 28, 2026. The bonds are traded at the SIX Swiss Exchange. The bonds constitute direct, unconditional and unsubordinated obligations for Hero.

Seller promissary note

Part of the disposal consideration for Signature Brands was received in the form of a subordinated seller promissary note. The note was issued by TC Signature Purchaser LLC on October 25, 2018 at a principal amount of USD 31 million. Signature Brands, LLC promises to pay to Hero USA Inc. the principal amount and interest. The applicable interest rate for the period up to and including the first anniversary of the Issuance Date is equal to 8% per annum and for the period thereafter, the rate per annum is equal to LIBOR plus 8%. LIBOR will be changed to SOFR in July 2023. The maturity date of the note is seventy-eight months from the issuance date. The note can be partially or in full repaid earlier. In 2019 Hero received a repayment of USD 12.7 million (CHF 12.6 million). The current valuation includes a loss allowance equal to a 12 months expected credit loss (ECL).

Put option liability and earn-out liability goodforgrowth GmbH

As of January 3, 2019, Hero bought 70% of the shares of goodforgrowth GmbH (Freche Freunde). Hero paid an initial purchase price for these 70% and agreed on an Earn-Out arrangement based on results (Net Sales and EBIT) from 2019-2021. At the same time, Hero received a call option over the remaining 30% and was option writer of a put option over the remaining 30%.

As per June 30, 2022 Hero paid an earn-out of CHF 10.4 million and exercised the call option for the acquisition of the remaining 30% of the shares of goodforgrowth GmbH at a consideration of CHF 16.8 million.



Financial assets and liabilities

Put option liability Baby Gourmet Foods Inc.

As of January 18, 2021, Hero bought 97% of the shares of Baby Gourmet Foods Inc. (Baby Gourmet). Hero paid an initial purchase price for these 97%. At the same time, Hero received a call option over the remaining 3% and is option writer of a put option over the remaining 3%.

The put option on the non-controlling interests of 3% over Baby Gourmet was recognized at an estimated present value of the redemption amount of CHF 1.0 million at the acquisition date. It is remeasured to CHF 0.7 million (2021: 0.8 million) as at the reporting date based on new estimates of the future development of the company. Future developments may require further revisions to the estimate. The put option is classified as non-current liability.

Put option valuation:

Strike price: Enterprise values minus net debt +/- difference to net working capital target. Enterprise value is the result of a net sales and EBITDA multiple.

Exercise period: 31 March 2025 - 30 June 2025

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.



Financial assets and liabilities

As at December 31, 2022, the Group held the following financial instruments measured at fair value:

at December 31, 2022 in CHF 1000.–

	Assets measured at fair value		Liabilities measured at fair value	
	Level 1	Level 2	Level 2	Level 3
Forward foreign exchange and interest rate hedges	-	10 994	1 404	-
S-Ventures shares	817	-	-	-

at December 31, 2021 in CHF 1000.–

	Level 2	Level 2	Level 3
Forward foreign exchange contracts in cash flow hedges	749	1 307	-
Earn-out liability on acquisition	-	-	10 809

Earn-out liability on acquisition

in CHF 1000.–

	2022	2021
Balance at January 1,	10 809	9 765
Payments	(10 427)	(4 083)
Fair value changes through profit or loss	(382)	5 127
Balance at December 31	-	10 809

Liabilities for which fair values are disclosed

in CHF 1000.–

	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Borrowings	-	100 008	-	-	80 210	-
Debentures	134 929	-	-	134 880	-	-
Put option liabilities over non-controlling interests	-	-	742	-	-	17 816



Financial assets and liabilities

Description of significant unobservable inputs to valuation:

At 31 December 2022 there are no level 3 instruments. In 2021 the significant unobservable input used in the fair value measurements categorised within level 3 of the fair value hierarchy as per December 31, 2021 was the final agreement on net sales and EBIT for the years 2019 - 2021. Further, the amount recorded as of 31 December 2021 was exposed to changes of the EUR/CHF exchange rate.



Financial assets and liabilities

The Group holds the following forward foreign exchange contracts:

in CHF 1000.–

	2022	2021
Contracts with positive fair values		
Notional amount of forward foreign exchange contracts	228 010	55 774
Contracts with negative fair values		
Notional amount of forward foreign exchange contracts	(110 188)	(142 496)

The Group entered into forward foreign exchange contracts during financial year 2022 locking in several foreign exchange rates.

The maturity of the open derivative positions is less than 12 months.

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income:

in CHF 1000.–

	Total hedging gain / (loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Cost of hedging recognized in OCI	Amount reclassified from OCI to profit or loss (cost of sales)
Year ended December 31, 2022				
Highly probable forecast transaction	355	-	-	45
Total	355	-	-	45
Year ended December 31, 2021				
Highly probable forecast transaction	974	-	-	(930)
Total	974	-	-	(930)



Financial assets and liabilities

12. Cash and Cash Equivalents

in CHF 1000.-

	Note	2022	2021
Cash at banks		75 887	85 404
Cash equivalents		12	148
TOTAL CASH AND CASH EQUIVALENTS	11	75 899	85 552

Cash and cash equivalents at the end of the period include deposits with banks of CHF 27.7 million (2021: CHF 20.0 million) held by some subsidiaries which are not freely transferable to the holding company because those deposits are used to secure bank facilities and guarantees

or blocked by exchange control regulations.

Cash equivalents contain cheques.

The weighted average effective interest rate on cash and cash equivalents in 2022 was 0.59% (2021: 0.23%).



Financial assets and liabilities

13. Trade Receivables, Prepayments and Other Receivables

in CHF 1000.-

	Note	2022	2021
Trade receivables from customers		138 782	135 904
Trade receivables from related and associated parties		274	156
Less: Allowance for expected credit losses		(2 262)	(2 603)
TRADE RECEIVABLES NET	11	136 794	133 457
Prepayments		5 113	5 499
VAT		8 720	8 245
Other receivables		8 222	4 455
TOTAL RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES		158 849	151 656

Other receivables consist primarily of balances resulting from refundables taxes and tax credits.

Allowance for expected credit losses

in CHF 1000.-

	2022	2021
Balance at January 1	(2 603)	(2 391)
Charge for the year	(141)	(306)
Amounts used / written off	22	25
Unused amounts reversed	234	14
Disposal of subsidiary	18	-
Exchange rate differences	208	55
BALANCE AT DECEMBER 31	(2 262)	(2 603)



Financial assets and liabilities

Maturity of trade receivables

Year ended December 31, 2022 in CHF 1000.-

	Total carrying amount	Of which are not overdue	Overdue < 30 days	Overdue 30-60 days	Overdue 60-90 days	Overdue 90-120 days	Overdue > 120 days
Trade receivables, gross	139 056	126 144	6 408	2 512	667	362	2 963
Allowance for expected credit losses	(2 262)	(808)	(30)	(43)	(47)	-	(1 334)
TRADE RECEIVABLES, NET	136 794	125 337	6 378	2 469	620	362	1 629

Year ended December 31, 2021 in CHF 1000.-

	Total carrying amount	Of which are not overdue	Overdue < 30 days	Overdue 30-60 days	Overdue 60-90 days	Overdue 90-120 days	Overdue > 120 days
Trade receivables, gross	136 061	122 295	5 964	2 501	1 141	1 043	3 117
Allowance for expected credit losses	(2 603)	(858)	(32)	(7)	(12)	(117)	(1 577)
TRADE RECEIVABLES, NET	133 458	121 437	5 932	2 494	1 129	926	1 540



Financial assets and liabilities

14. Non-current Receivables

in CHF 1000.-

	Note	2022	2021
Reimbursement rights of Schwartauer Werke	22	1 217	1 560
Long term incentive plan loan receivable	11	166	672
Seller promissary note	11	24 625	22 132
Other non-current receivables		5 740	5 847
TOTAL NON-CURRENT RECEIVABLES		31 748	30 211

In 2022, other non-current receivables mostly relate to prepaid taxes on uncertain tax treatment.



Financial assets and liabilities

15. Borrowings

in CHF 1000.-

	Note	2022	2021
Current			
Bank borrowings and overdrafts	11	4 938	6 270
Loan liabilities third parties	11	1 028	1 766
Lease liabilities	19	4 993	7 074
TOTAL CURRENT BORROWINGS		10 959	15 110
Non-current			
Bank borrowings	11	100 010	80 128
Loan liabilities third parties	11	42	126
Lease liabilities	19	14 259	18 628
Debentures	11	135 000	135 000
TOTAL NON-CURRENT BORROWINGS		249 311	233 882

Covenants

Hero is engaged in different kinds of financings and most of them are related to certain covenants. The main covenants are Net Debt / EBITDA and interest coverage. As per December 31, 2022 and 2021 no covenant was breached.

Bank and loan liabilities

The weighted average effective interest expense rate for bank and loan liabilities in 2022 was 17.23% for Emerging Markets and 1.12% outside Emerging markets (2021: 11.30% for Emerging Markets and 0.87% outside Emerging markets). The interest rates for the majority of current bank overdrafts and loan liabilities were between 3.90% - 20.00% for Emerging Markets and 0.00% - 3.00% excluding Emerging Markets (2021: 3.50% - 15.00% for Emerging Markets and 0.00% - 2.50% excluding



Financial assets and liabilities

Emerging Markets). Non-current borrowings had a weighted average fixed interest rate of 1.13% (2021: 0.86%).

Debentures

Debentures of CHF 135 million issued in 2016 mature on October 28, 2026 and carry interest of 1.0%.



Financial assets and liabilities

Reconciliation of borrowings/liabilities arising from financing activities	Non-current borrowings	Current borrowings
BALANCE AT JANUARY 1, 2021	229 344	17 934
Repayment of bank loans	-	(5 365)
Proceeds from bank loans	-	1 159
Repayment of financial liabilities	(565)	(3 959)
Proceeds of financial liabilities	-	3 752
Payment of lease liabilities	-	(7 054)
New lease liabilities	14 510	-
Changes of lease liabilities	(79)	-
Reclassifications of lease liabilities	(8 244)	8 244
Amortization of bond discounts	-	49
Reclassification of bank loans	[510]	510
Foreign currency translation effects	(574)	(160)
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	233 882	15 110
Repayment of bank loans	-	(4 369)
Proceeds from bank loans	20 000	4 677
Repayment of financial liabilities	(121)	(590)
Payment of lease liabilities	-	(7 563)
New lease liabilities	4 676	-
Changes of lease liabilities	(377)	-
Reclassifications of lease liabilities	(5 984)	5 984
Amortization of bond discounts	-	45
Reclassification of bank loans	(169)	169
Disposal of subsidiary	(168)	(130)
Foreign currency translation effects	(2 428)	(2 374)
BALANCE AT DECEMBER 31, 2022	249 311	10 959



Financial assets and liabilities

16. Trade and Other Payables

in CHF 1000.-

	Note	2022	2021
Trade payables	11	144 062	128 332
Accrued expenses	11	111 763	99 245
VAT and other taxes		7 171	9 020
Social security		3 099	3 021
Earn-out liability	11	-	10 809
Put option liability	11	-	17 040
Other payables	11	4 858	3 988
TOTAL TRADE AND OTHER PAYABLES		270 953	271 455

Other Payables consist primarily of obligations arising from customer credit balances and short-term incentive plan liabilities.

17. Other Non-current Liabilities

in CHF 1000.-

	Note	2022	2021
Put option liabilities	11	742	776
Withholding taxes		102	779
Other liabilities		620	610
TOTAL OTHER NON-CURRENT LIABILITIES		1 464	2 165



Non-financial assets and liabilities

18. Property, Plant and Equipment

Tangible fixed assets, other than land, are recorded at historical acquisition cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is charged to the income statement during the financial period in which they are incurred. Depreciation is recorded on a straight-line basis over the course of the useful life of the asset. Land is not depreciated. The general useful lives for various asset categories can be summarized as follows:

- Buildings (25 to 50 years),
- Fixtures and fittings (up to 20 years),
- Plant and machinery (8 to 15 years),
- Motor vehicles (4 to 10 years),
- Furniture (5 to 10 years),
- Information technology hardware (3 to 5 years).

Gains or losses arising from the disposal of property, plant and equipment assets are recorded in the income statement as part of operating profit. Land is recognized at fair value, based on periodic valuations by external independent valuers. Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income in the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income in other reserves (revaluation reserve); all other decreases are charged to the income statement. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.



Non-financial assets and liabilities

in CHF 1000.–

Property, Plant and Equipment	Land	Buildings	Plant and machinery	Other equipment	TOTAL
Cost or valuation					
BALANCE AT JANUARY 1, 2021	24 495	233 162	442 286	44 226	744 169
Acquisition of subsidiary (note 29)	-	-	-	229	229
Additions	-	1 675	19 915	3 242	24 832
Derecognition/disposals of assets	-	(37)	(8 892)	(2 267)	(11 196)
Revaluation	11 946	-	-	-	11 946
Reclassifications	-	269	(376)	5 219	5 112
Foreign exchange differences	(2 108)	(548)	(10 890)	(891)	(14 437)
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	34 333	234 521	442 043	49 758	760 655
Additions	-	3 587	13 034	5 257	21 878
Disposals of assets	-	(122)	(761)	(911)	(1 794)
Disposal of subsidiaries	-	-	(1 741)	(335)	(2 076)
Reclassification	-	-	41	(41)	-
Foreign exchange differences & hyperinflation adjustments	(1 207)	(2 488)	(10 708)	(3 328)	(17 731)
BALANCE AT DECEMBER 31, 2022	33 126	235 498	441 908	50 400	760 932
Accumulated depreciation					
BALANCE AT JANUARY 1, 2021	16	84 157	277 683	28 472	390 328
Additions	3	7 620	22 217	3 921	33 761
Derecognition/disposals of assets	-	(24)	(8 569)	(2 227)	(10 820)
Reclassification	-	56	(62)	5 118	5 112
Foreign exchange differences	(1)	(1 262)	(6 780)	(533)	(8 576)
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	18	90 547	284 489	34 751	409 805
Additions	2	6 796	23 093	3 500	33 391
Disposals of assets	-	(122)	(263)	(811)	(1 196)
Disposal of subsidiaries	-	-	(751)	(316)	(1 067)
Foreign exchange differences & hyperinflation adjustments	(2)	(2 067)	(3 336)	(2 211)	(7 616)
BALANCE AT DECEMBER 31, 2022	18	95 154	303 232	34 913	433 317



Non-financial assets and liabilities

Carrying amount

At January 1, 2022	34 315	143 974	157 554	15 007	350 850
At December 31, 2022	33 108	140 344	138 676	15 487	327 615

Revaluation of land

Land is carried at revalued amounts.

Country	Fair Value	Price / m2	Valuation Date	External Valuation
Switzerland	6 245	CHF 350	December 2021	BDO
Germany	9 981	EUR 55	September 2021	Marsh
Spain	5 796	EUR 69	August 2021	gesvalt
Sweden	293	SEK 74	September 2021	Svefa
Brazil	3 305	BRL 169	October 2021	CPCON
Turkey	2 731	TRY 1 050	August 2021	TKSB
Egypt	2 743	EGP 1 750	September 2021	Elhabashy
USA	2 032	USD 6	December 2021	Armstrong Appraisals, LLC
TOTAL	33 126	N/A		

In the fair value measurement hierarchy of the Group land is classified as level 3 fair value instrument using significant unobservable inputs.

The fair value of the land was determined by using market comparable methods. This means that valuations performed by the appraisers are based on active market prices, adjusted for difference in the nature, location or condition of the specific land.

If land were stated on the historical cost basis, the amounts would be as follows:

in CHF 1000.–

	2022	2021
Balance at January 1	17 704	18 547
Foreign exchange differences	949	[843]
BALANCE AT DECEMBER 31	18 653	17 704



Non-financial assets and liabilities

19. Right-of-use Assets and Lease Liabilities

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

I) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial

direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

II) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of



Non-financial assets and liabilities

penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. The Group elected to apply the practical expedient IFRS 16.15 not to separate non-lease components from lease components.

In calculating the present value of lease payments, the Group uses either the interest rate in the lease contract or its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or

a change in the assessment of an option to purchase the underlying asset.

III) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.



Non-financial assets and liabilities

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:
in CHF 1000.–

	Buildings	Plant and machinery	Other equipment	Total
Intangible assets				
Gross				
BALANCE AT JANUARY 1, 2021	19 338	1 447	9 986	30 771
Additions	10 933	1 046	2 531	14 510
Remeasurements	(62)	(146)	(943)	(1 151)
Foreign exchange differences	(608)	(83)	(595)	(1 286)
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	29 601	2 264	10 979	42 844
Additions	816	1 187	2 674	4 677
Remeasurements	(342)	(421)	(1 525)	(2 288)
Disposal of subsidiary	(524)	-	(61)	(585)
Foreign exchange differences & hyperinflation adjustment	(3 047)	(119)	(476)	(3 642)
BALANCE AT DECEMBER 31, 2022	26 504	2 911	11 591	41 006
Accumulated depreciation				
BALANCE AT JANUARY 1, 2021	6 980	1 005	4 704	12 689
Additions	3 803	525	3 132	7 460
Remeasurements	(62)	(146)	(862)	(1 070)
Foreign exchange differences	(109)	(46)	(353)	(508)
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	10 612	1 338	6 621	18 571
Additions	4 480	391	2 864	7 735
Remeasurements	(342)	-	(1 570)	(1 912)
Disposal of subsidiary	252	-	33	285
Foreign exchange differences & hyperinflation adjustment	(1 416)	(167)	(299)	(1 882)
BALANCE AT DECEMBER 31, 2022	13 586	1 562	7 649	22 797
Carrying amount				
At December 31, 2021	18 989	926	4 358	24 273
At December 31, 2022	12 918	1 349	3 942	18 209



Non-financial assets and liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

in CHF 1000.-

	Note	2022	2021
As at 1 January		25 702	19 101
Additions		4 677	14 510
Decreases		(377)	(79)
Accretion of interest		976	905
Payments of lease liabilities including interest		(8 539)	(7 959)
Disposal of subsidiary		(298)	-
Foreign exchange differences		(2 889)	(776)
AS AT 31 DECEMBER		19 252	25 702
Thereof non-current	15	14 259	18 628
Thereof current	15	4 993	7 074

The following are the amounts recognised in the income statement:

in CHF 1000.-

	2022	2021
Depreciation expense of right-of-use assets	(7 735)	(7460)
Interest expense on lease liabilities	(976)	(905)
Expense relating to short-term leases	(1 523)	(1 544)
Expense relating of low-value assets	(481)	(368)
Variable lease payments	(1 243)	(1 088)
TOTAL AMOUNT RECOGNISED IN THE INCOME STATEMENT	(11 958)	(11 365)

The Group had total cash outflows for leases of CHF 11.8 million in 2022 (2021: CHF 11.0 million)



Non-financial assets and liabilities

20. Intangible Assets

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

These cash-generating units represent countries or clusters, depending on at which level the goodwill is monitored for internal management purposes.

As a result, impairment tests are carried out on a country level for some and on a cluster level for other goodwill positions.

Based on the impairment tests analyzed, no impairment is required for any of the cash-generating units (see note 36).

Brands with an indefinite useful life are carried at historical cost (generally fair value in a business combination) less accumulated

impairment losses and are tested annually for impairment using a value in use calculation. Brands are classified as indefinite useful life brands if the brand has sufficient history and the Group has no intention of re-branding.

Brands and other intangible assets with a finite useful life are carried at historical cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the costs over their estimated useful lives:

- Brands (up to 20 years),
- Software (1 to 5 years),
- Customer relationships (up to 10 years),
- Distribution Network (up to 5 years),
- Other intangibles (3 to 5 years).

Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or when there



Non-financial assets and liabilities

is an indication of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date.

Research and Development Costs

Research costs are recorded in the income statement in the period in which they are incurred. Development costs are recognized as intangible assets to the extent that they meet the recognition criteria of IAS 38.

Following initial recognition of development expenditure as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Development costs are amortized on a straight-line- basis over the period of their expected benefit or tested for impairment annually. Other development costs are recorded in the income statement in the period in which they are incurred.



Non-financial assets and liabilities

in CHF 1000.-	Goodwill	Brands	Customer relations/ distribution networks	Other intangible assets	Total
Cost					
BALANCE AT JANUARY 1, 2021	353 371	191 600	47 518	48 692	641 181
Acquisition of subsidiary (note 29)	9 350	6 659	1 218	-	17 227
Additions	-	-	-	11 867	11 867
Derecognition/disposals of assets	-	-	(159)	(6 631)	(6 790)
Foreign exchange differences	(12 256)	(3 404)	218	(355)	(15 797)
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	350 465	194 855	48 795	53 573	647 688
Additions	-	-	-	11 422	11 422
Derecognition/disposals of assets	-	-	-	(72)	(72)
Disposal of subsidiaries	-	(6 132)	(23 112)	(2 525)	(31 769)
Foreign exchange differences & hyperinflation adjustments	(21 667)	(9 740)	(683)	(1 307)	(33 397)
BALANCE AT DECEMBER 31, 2022	328 798	178 983	25 000	61 091	593 872
Accumulated amortization					
BALANCE AT JANUARY 1, 2021	31 927	55 012	43 265	39 475	169 679
Additions	-	974	784	2 439	4 197
Decrease/disposals of assets	-	-	(93)	(6 631)	(6 724)
Foreign exchange differences	417	(87)	323	(326)	327
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	32 344	55 899	44 279	34 957	167 479
Additions	-	730	790	2 022	3 542
Derecognition/disposals of assets	-	-	-	(27)	(27)
Disposal of subsidiaries	-	-	(23 112)	(2 525)	(25 637)
Foreign exchange differences & hyperinflation adjustments	146	(90)	(642)	(1 272)	(1 858)
BALANCE AT DECEMBER 31, 2022	32 490	56 539	21 315	33 155	143 499
Carrying amount					
At January 1, 2022	318 121	138 956	4 516	18 616	480 209
At December 31, 2022	296 308	122 444	3 685	27 936	450 373



Non-financial assets and liabilities

Other intangibles

Other intangibles mainly include licenses, software, patents, recipes and development costs.

In 2022, TCHF 11 385 development costs (mainly software) were capitalized (2021: TCHF 10 880). It includes mainly the ongoing implementation of a new group wide Enterprise Resource Planning (ERP) system. Total core asset as of 31.12.2022 is CHF 17.7 million (2021: 9.4 million). Amortization period is 10 years.

Impairment tests

Goodwill and intangible assets with indefinite useful lives are allocated to the respective cash-generating units (CGUs), which for goodwill primarily represents a geographical cluster. The recoverable amount of a CGU is determined based on value-in-use calculations. In 2022 as well as in 2021, the recoverable amounts exceeded the carrying amounts for all CGUs.

Hero's major single goodwill and brand positions as well as management's key assumption are summarized below:



Non-financial assets and liabilities

December 31, 2022

Cluster & Country-CGU

	Goodwill	Indef. life brands	Perpetual growth	Wacc pre-tax	Growth rates p.a. years 2023-2028	Profit margin change between years 2023 and 2028	Impairment
	in CHF million		in %	in %	in %	in pp	
Cluster Central Europe	148.6	22.5	3.1	8.3	2.1 - 10.7	1.3	no
Cluster Northern Europe	107.0	55.6	3.6	8.3	2.6 - 12.7	4.3	no
Cluster MEA & Turkey	1.8	-	10.0	25.5	8.8 - 22.9	2.6	no
Beech-Nut	-	16.5	4.1	17.6	4.1 - 10.2	-	no
Hero Brasil	3.2	2.6	5.1	16.7	5.0 - 12.6	3.8	no
goodforgrowth	26.5	18.7	2.2	8.5	2.1 - 24.3	1.7	no
Baby Gourmet	9.2	6.6	3.3	9.0	3.2 - 10.2	5.7	no
TOTAL	296.3	122.5					

December 31, 2021

Cluster & Country-CGU

	Goodwill	Indef. life brands	Perpetual growth	Wacc pre-tax	Growth rates p.a. years 2022-2027	Profit margin change between years 2022 and 2027	Impairment
	in CHF million		in %	in %	in %	in pp	
Cluster Central Europe	156.1	23.5	0.5	6.8	0.1 - 4.9	1.7	no
Cluster Northern Europe	118.7	69.4	1.2	7.2	0.5 - 2.1	1.8	no
Cluster MEA & Turkey	2.8	-	3.9	17.4	5.5 - 13.5	2.0	no
Beech-Nut	-	16.3	2.0	17.3	2.0 - 4.5	-	no
Hero Brasil	3.0	2.4	2.9	13.8	2.9 - 11.6	5.5	no
goodforgrowth	27.8	19.7	0.0	7.1	0.0 - 23.2	0.9	no
Baby Gourmet	9.7	6.9	1.6	8.3	1.6 - 13.5	10.6	no
TOTAL	318.1	138.2					



Non-financial assets and liabilities

21. Development of Deferred Tax Assets and Liabilities

Deferred income tax is calculated using the balance sheet liability method. Where the tax base of an asset or liability differs from its carrying amount, deferred tax liabilities or assets are recorded.

Unused tax credits and unused tax losses which may be carried forward to future accounting periods are capitalized as deferred tax assets in so far as it is probable that future taxable income will be generated in the same tax entity and same taxation authority and the said losses may be applied against such profits.

The carrying amount of deferred income taxes is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Locally enacted or substantively enacted tax rates are used in order to value the tax effect of temporary differences. When these tax rates change, deferred taxes are adjusted accordingly. Adjustments to deferred income taxes are directly booked to the income statement as part of the tax expense.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Non-financial assets and liabilities**

in CHF 1000.-

	Deferred tax assets 2022	Deferred tax liabilities 2022	Deferred tax assets 2021	Deferred tax liabilities 2021
Assets				
Property, plant and equipment	706	(25 527)	861	(26 488)
Intangible assets	6 638	(33 755)	7 963	(29 825)
Right-of-use assets	124	(2 399)	63	(3 207)
Financial assets	147	(1 867)	152	(142)
Trade receivables, prepayments and other receivables	1 067	-	784	(59)
Inventories	287	(2 033)	320	(1 945)
Liabilities				
Net employee defined benefit assets/liabilities	4 868	(96)	9 315	(911)
Accruals and provisions	3 305	(91)	2 541	(6 250)
Trade and other payables	613	(4 643)	88	(19)
Lease liabilities	2 448	(108)	3 196	(55)
Financial liabilities	437	-	548	-
Capitalized unused tax losses and tax credits	22 282	-	21 937	-
TOTAL DEFERRED TAXES	42 922	(70 519)	47 768	(68 901)
DEFERRED TAXES, NET	-	(27 597)	-	(21 133)

Reflected in the consolidated balance sheet as follows:

in CHF 1000.-

	2022	2021
Deferred tax assets	9 075	10 899
Deferred tax liabilities	(36 672)	(32 032)
DEFERRED TAX (LIABILITIES) / ASSETS, NET	(27 597)	(21 133)



Non-financial assets and liabilities

Unrecognized deferred tax assets for unused tax losses

in CHF 1000.–

	2022	2021
Unrecognized deferred tax assets expire in:		
reporting year +1	79	206
reporting year +2	-	471
reporting year +3	-	567
reporting year +4	-	370
reporting year +5 and beyond	30 087	28 770
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS FOR UNUSED TAX LOSSES	30 166	30 384

Net deferred tax assets / (liabilities)

in CHF 1000.–

	Note	2022	2021
Balance at January 1		(21 133)	(10 974)
Deferred tax income / (expense)	8	(2 679)	(2 884)
Change in scope of consolidation	29	(371)	(1 811)
Deferred taxes directly recognized in OCI		(3 174)	(5 945)
Reclasses		(123)	(15)
Foreign exchange differences and hyperinflation adjustments		(117)	496
BALANCE AT DECEMBER 31		(27 597)	(21 133)

At December 31, 2022, there was no recognized deferred tax liability (2021: 0) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The temporary differences associated with

investments in subsidiaries for which a deferred tax liability has not been recognized, aggregate to CHF 32.1 million (2021: CHF 43.8 million).



Non-financial assets and liabilities

22. Defined Benefit Obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit

obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions as well as changes in the effect of the asset ceiling are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately as an expense in the income statement.



Non-financial assets and liabilities

Depending on the legal, economic and fiscal circumstances in each country, different retirement benefit systems are provided for the employees of the Group. As a rule, these systems are based on length of service and salary of the employees. Pension obligations in the Group relate to both defined benefit and defined contribution plans. Defined benefit plans are funded and unfunded. Most Group companies sponsor defined benefit pension schemes which are funded by payments to separate trustee-administered funds. The obligations of German companies are unfunded. The latest actuarial valuations under IAS 19 were carried out as at December 31, 2022, for all significant pension plans.

The Group's largest pension plans are in Switzerland and Germany (Schwartauer Werke). They account for 89% (2021: 89%) of the Group's defined benefit obligations and 94% (2021: 93%) of the Group's plan assets.

Pension plans in Switzerland

Pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are overseen by a regulator as well as

by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case of an underfunding, various measures can be taken such as the adjustment of the pension commitment by altering the conversion rates or increasing current contributions. The employer can also make additional restructuring contributions. The BVG prescribes how employees and employer have to jointly fund potential restructurings. The Swiss pension plan "Hero Pensionskasse" has the legal structure of a foundation. All actuarial risks are borne by the foundation. These risks consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate, future increases in salaries/wages, and the return on plan assets) and are regularly assessed by the Board of Trustees. In addition, an annual actuarial report is drawn up in accordance with the requirements of the BVG. The report is not produced using the projected unit credit method, as required by IFRS. The definitive funded status according to the BVG is determined in the first quarter of



Non-financial assets and liabilities

the following year. According to estimates, the funded status at December 31, 2022 is 106% (2021: 118.3%, final). In addition, a report is prepared annually in accordance with IFRS requirements.

The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy whenever necessary – especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the foundation’s objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target asset structure (investment policy). The Board of Trustees delegates the implementation of the investment policy – in accordance with the investment strategy as well as various principles and objectives – to an external Investment Trust. The Swiss pension plan “Hero Pensionskasse” is treated as defined benefit plan under IAS 19 because both the actuarial risks and the investment risks are borne not only by the insured but also by the company. The pension plan in Switzerland has been set up according to the Swiss method of defined contributions but does not fulfill all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plan is treated as defined benefit plan in the consolidated financial statements.

Pension plan Schwartauer Werke, Germany Schwartauer Werke grants pension benefits to its employees in addition to the state plan. The plan is an unfunded plan and the risks associated to the plan are covered by pension liabilities of Schwartauer Werke, and reimbursement rights under an insurance policy. The rights to reimbursement are under an insurance policy that exactly matches the amount and timing of the benefits payable under the pension scheme. They are disclosed as an asset (see note 14). The book value of the reimbursement rights in 2022 is TCHF 1 217 (2021: TCHF 1 560).

Employee benefits are mainly based on three components: 1) direct obligation with no contributions of employees; 2) indirect obligations with no contributions of employees; 3) direct obligation with contributions of employees.

All employees under regular and permanent employment are entitled to participate in the plan. Employees need to have a minimum age of 30 years and a minimum time of service of three years. Employees are entitled to retirement capital, early retirement capital, old-age pension, invalidity pension and survivor benefits depending on the employees reinsurance value.



Non-financial assets and liabilities

Multi-employer plans

The Group has multi-employer defined benefit plans in the US, the Netherlands and Sweden. For these plans there is no consistent and reliable basis for allocating the obligation, plan assets and cost of the plans to the individual entities participating in the plan. Therefore, defined benefit accounting cannot be used and these plans are treated as a defined contribution plans in accordance with IAS 19. Expected contributions for 2023 are TCHF 1 455.

The most significant multi-employer plan is Beech-Nut Bakery and Confectionery Union and Industry International Health Benefits and Pension Fund (B&C Pension fund). It is funded by employer contributions made pursuant to collective bargaining agreements between employers and the Bakery, Confectionary, Tobacco Workers and Grain Millers International Union. The plan is funded on an hours worked basis. The rate is set based on the pension rules. The plan rates are set by the

Pension Board of Trustees. This Board consists of 6 employers and 6 union officials. Beech-Nut's share in the scheme is approximately 0.4% of the plan (2021: 0.3%).

The scheme shows 2022 based on latest information a USD 5.3 billion deficit (2021: USD 4.9 billion deficit).

Due to its funding issues, and as required by Employee Retirement Income Security Act (ERISA), the plan has been operating under a "rehabilitation plan" since 2012. The rehabilitation plan is designed to "forestall" the B&C Fund's insolvency.

The plan may become eligible for relief under legislation being considered by the U.S. Congress. Congress members recently introduced the Emergency Pension Plan Relief Act of 2021 (EPPRA), which would provide funding relief to plans that are in critical and declining status.



Non-financial assets and liabilities

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements:

Post-employment amounts in the financial statements:

in CHF 1000.-

	2022	2021
Balance sheet obligations for:		
Defined benefit plans	35 035	47 978
NET LIABILITY IN THE BALANCE SHEET	35 035	47 978
Income statement charge included in operating profit for:		
Defined benefit plans	2 755	2 897
INCOME STATEMENT CHARGE	2 755	2 897
Remeasurements for:		
Defined benefit plans	(9 067)	(15 025)
OTHER COMPREHENSIVE INCOME	(9 067)	(15 025)



Non-financial assets and liabilities

Amounts recognized in the balance sheet:

in CHF 1000.–

	2022	2021
Switzerland		
Present value of funded obligations	73 243	90 499
(Fair value of plan assets)	(85 676)	(95 328)
Surplus of funded obligations	(12 433)	(4 829)
Adjustment to asset ceiling	11 796	-
(ASSET) IN THE BALANCE SHEET	(637)	(4 829)
Germany		
Present value of unfunded obligations	29 229	43 259
LIABILITY IN THE BALANCE SHEET	29 229	43 259
Other		
Present value of funded obligations	6 629	8 466
(Fair value of plan assets)	(5 761)	(7 397)
Deficit of funded obligations	868	1 069
Present value of unfunded obligations	5 575	8 479
Total deficit of defined benefit pension plans	6 443	9 548
LIABILITY IN THE BALANCE SHEET	6 443	9 548
Total		
Present value of funded obligations	79 872	98 965
(Fair value of plan assets)	(91 437)	(102 725)
Surplus of funded obligations	(11 565)	(3 760)
Present value of unfunded obligations	34 804	51 738
Total deficit of defined benefit pension plans	23 239	47 978
Adjustment to asset ceiling	11 796	-
(ASSET) IN THE BALANCE SHEET	(637)	(4 829)
LIABILITY IN THE BALANCE SHEET	35 672	52 807



Non-financial assets and liabilities

Movement in the net defined benefit obligation over the year:

in CHF 1000.–

	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
BALANCE AT JANUARY 1, 2021	162 810	(95 520)	67 290	-	67 290
Current service cost	2 566	-	2 566	-	2 566
Interest expense/(income)	556	(225)	331	-	331
	3 122	(225)	2 897	-	2 897
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	-	(6 158)	(6 158)	-	(6 158)
Gain from change in demographic assumptions*	(5 792)	-	(5 792)	-	(5 792)
Gain from change in financial assumptions	(1 388)	-	(1 388)	-	(1 388)
Experience gain	(1 687)	-	(1 687)	-	(1 687)
	(8 867)	(6 158)	(15 025)	-	(15 025)
Contributions:					
Employers	-	(1 826)	(1 826)	-	(1 826)
Plan participants	1 440	(1 440)	-	-	-
Payments from plans:					
Benefit payments	(5 593)	2 685	(2 908)	-	(2 908)
Foreign exchange differences	(2 209)	(241)	(2 450)	-	(2 450)
AT DECEMBER 31, 2021	150 703	(102 725)	47 978	-	47 978

*Mainly Swiss Plan due to mortality table changes



Non-financial assets and liabilities

Movement in the net defined benefit obligation over the year:

in CHF 1000.–

	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	150 703	(102 725)	47 978	-	47 978
Current service cost	2 486	-	2 486	-	2 486
Interest expense/(income)	736	(467)	269	-	269
	3 222	(467)	2 755	-	2 755
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	-	9 680	9 680	-	9 860
Gain from change in demographic assumptions	(179)	-	(179)	-	(179)
Gain from change in financial assumptions*	(27 288)	-	(27 288)	-	(27 288)
Experience gain	(3 076)	-	(3 076)	-	(3 076)
Change in asset ceiling, excl. amounts incl. in interest expense/(income)	-	-	-	11 796	11 796
	(30 543)	9 680	(20 863)	11 796	(9 067)
Contributions:					
Employers	-	(1 732)	(1 732)	-	(1 732)
Plan participants	1 499	(1 499)	-	-	-
Payments from plans:					
Benefit payments	(8 019)	5 456	(2 563)	-	(2 563)
Foreign exchange differences	(2 186)	(150)	(2 336)	-	(2 336)
AT DECEMBER 31, 2022	114 676	(91 437)	23 239	11 796	35 035

*Mainly discount rate increase



Non-financial assets and liabilities

Significant actuarial assumptions:

in %	Switzerland		Germany		Other*	
	2022	2021	2022	2021	2022	2021
Discount rate	2.30	0.30	3.40	0.50	4.12	1.67
Salary growth rate	1.50	1.00	3.00	3.00	0.03	0.05
Pension growth rate	0.00	0.00	2.60	1.75	1.46	1.46

* weighted average

Assumptions regarding future mortality:

Average life expectancy in years for a pensioner retiring at age 65:

in years	Switzerland		Germany		Other*	
	2022	2021	2022	2021	2022	2021
Retiring at the end of the reporting period:						
Male	23	23	21	21	21	21
Female	24	24	24	24	24	23
Retiring 20 years after the end of the reporting period:						
Male	25	25	23	23	23	23
Female	26	26	26	26	25	25

* weighted average



Non-financial assets and liabilities

Sensitivity of the defined benefit obligation:

2022

in CHF 1000.–

	Change in assumption	Impact on defined benefit obligation			
		Increase in assumption		Decrease in assumption	
Discount rate	0.50%	(5 624)	(4.9%)	6 242	5.4%
Salary growth rate	0.50%	482	0.4%	(502)	(0.4%)
Pension growth rate	0.25%	1 995	1.7%	(821)*	(0.7%)
		Increase by 1 year in assumption		Decrease by 1 year in assumption	
Life expectancy		3 513	3.1%	(3 247)	(2.8%)

*Since it is legally not enforceable, a decrease of the pension growth rate is not applicable for the pension plans in Switzerland.

Sensitivity of the defined benefit obligation:

2021

in CHF 1000.–

	Change in assumption	Impact on defined benefit obligation			
		Increase in assumption		Decrease in assumption	
Discount rate	0.50%	(8 966)	(5.9%)	10 038	6.7%
Salary growth rate	0.50%	846	0.6%	(803)	(0.5%)
Pension growth rate	0.25%	3 298	2.2%	(1 435)*	(1.0%)
		Increase by 1 year in assumption		Decrease by 1 year in assumption	
Life expectancy		5 515	3.7%	(5 058)	(3.4)

*Since it is legally not enforceable, a decrease of the pension growth rate is not applicable for the pension plans in Switzerland



Non-financial assets and liabilities

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the

defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Composition of plan assets:

Plan assets are comprised as follows:
in CHF 1000.–

	2022	in %	2021	in %
Equity instruments	20 365	22.3	27 480	26.8
Bonds	40 171	43.9	44 856	43.7
Property	29 301	32.0	26 787	26.1
Cash and cash equivalents	1 600	1.8	3 602	3.4
TOTAL	91 437	100.0	102 725	100.0

The assets of the Swiss pension funds which represent 94% (2021: 93%) of the Group's plan assets are comprised of:

- 20% (2021: 24%) Equity instruments with quoted prices in an active market (level 1 fair value classification).
- 44% (2021: 44%) Bonds with quoted prices in an active market (level 1 fair value classification).

- 34% (2021: 28%) Property with quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data (level 2 fair value classification).
- 2% (2021: 4%) Cash and cash equivalents (level 1 fair value classification).



Non-financial assets and liabilities

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its pension scheme risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in bonds, although the Group also invests in property, equity, cash and alternative investments.



Non-financial assets and liabilities

Expected contributions

Expected contributions to post-employment benefit plans for the year ending December 31, 2023 are TCHF 1 825.

Weighted average duration

The weighted average duration of the defined benefit obligations are:

	Switzerland		Germany		Other*	
	2022	2021	2022	2021	2022	2021
in years	10	12	12	14	9	13

* weighted average



Non-financial assets and liabilities

23. Provisions

Provisions arise from restructuring programs, legal claims, and potential liabilities from normal operations. A provision is recognized in cases where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Severance and redundancy payments relating to restructuring are provided for when the Group has committed itself to such restructuring programs, when the location, function and number of employees to be laid off or re-deployed is known and when the affected employees have been informed. Provisions are not recognized for future operating losses. In case the effect of time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.



Non-financial assets and liabilities

in CHF 1000.–

	Litigation	Employee related	Other	Total
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	1 900	9 529	5 284	16 713
Additional provisions	97	4 157	1 433	5 687
Utilized	(1)	(3 420)	(1 556)	(4 977)
Unused amounts reversed/reclassifications	-	(1 570)	(184)	(1 754)
Disposal of subsidiaries	-	(38)	-	(38)
Foreign exchange differences	(20)	(182)	(715)	(917)
BALANCE AT DECEMBER 31, 2022	1 976	8 476	4 262	14 714
Analysis of total provisions				
Current provisions	25	-	3 252	3 277
Non-current provisions	1 951	8 476	1 010	11 437

Litigation

The amounts represent a provision for certain legal claims brought against the Group.

Employee related

This position represents mainly a provision for jubilee, early retirement, indemnity payments and the long term incentive plans.

Power of one long-term incentive plan

As per January 1, 2019, the Group introduced an additional incentive plan for the members of the Group executive board and the members of

the leadership circle including the general managers of the subsidiaries and functional heads of Hero. The plan is linked to the achievement of strategic KPI's and the performance of the share price of Hero which is calculated based on a formula defined in the plans. There is a minimum performance threshold of the strategic KPI's and the amount of pay-out is capped. The incentive plan is therefore aimed at providing an incentive to make significant contributions to the long-term performance and growth of Hero and shall increase the ability of Hero to attract, motivate and retain individuals of exceptional skills. Every year, a new plan is initiated in which the members of the plan are granted to participate with 15% of their base salary. The plan members



Non-financial assets and liabilities

have the option to increase their participation in the plan by decreasing the short-term incentive bonus of the current year. The performance cycle of each plan is three full calendar years, starting in the year of the grant date and ending with the year preceding the vesting date. For any participants not being a member of the Group executive board, the plan is settled in cash at the end of the vesting period. For the members of the Group executive board, the plan is settled in shares at vesting. At each balance sheet date, management estimates the pay-out at the end of the vesting period. The expense is recognized over the 3-year performance cycle in the income statement. As the shares are restricted and will ultimately revert to the company and the share price does not reflect the fair value of the Hero shares, the Group has accounted for the plan under an IAS 19 long-term benefits model.

Long Term Incentive Plan

Effective January 1, 2014, the Group issued a long term incentive plan for the executive board members. There is a two year waiting period for newly employed executive board members before they may participate in the plan. Under the plan, the participants are offered the opportunity to invest up to 50% of their bonus payment in shares. After a restriction period of three years, participants may sell the shares back to Hero at a

price based on a formula defined in the plan. In conjunction with the plan, participants may be granted loans to fund the share issue. As the shares are restricted and will ultimately revert to the company and the share price does not reflect the fair value of the Hero shares, the Group has accounted for the plan under an IAS 19 long-term benefits model. Under the IAS 19 model, management has estimated the future payment at the end of the restriction period and the expense is recognized over a 4-year vesting period in the income statement. At each reporting date the amount is re-assessed and recognized in the income statement.

Other provisions

Other provisions are set up for obligations which do not fall into one of the before mentioned group of provisions (mostly related to tax).



Non-financial assets and liabilities

24. Inventories

Inventories are recorded at the lower of acquisition or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the cost to make the sale.

Production costs include direct and indirect material and production costs. Inventory is valued using the weighted average method. A valuation allowance is recognized for any damaged or slow-moving goods.

in CHF 1000.-

	2022	2021
Raw materials and supplies	80 185	69 932
Semi-finished goods	11 507	11 009
Finished goods	124 662	100 659
TOTAL INVENTORIES	216 354	181 600
Write down of inventories	(4 502)	(3 533)
Inventory expensed in cost of sales	(786 994)	(729 150)



Capital structure/management

25. Shares, Hybrid Capital and Other Reserves

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Hybrid Capital

Hybrid capital comprises listed bonds issued to third parties. The listed bonds are undated securities in respect of which there is no maturity date and where there is no obligation on the part of Hero either to redeem at any future date the underlying nominal amounts or to pay any annual coupon insofar as no compulsory payment event occurs in any given accounting period. The key compulsory payment events listed in the terms and conditions of the bonds include the payment to Hero's shareholders of either a dividend or an amount in connection with a capital re-purchase. The bonds are subordinated obligations and are subordinate to all of Hero's present and future unsubordinated indebtedness. Coupon payments are recorded directly in equity.



Capital structure/management

Number of shares

	2022	2021
Total shares issued January 1	6 213 272	6 213 272
Total shares issued at December 31	6 213 272	6 213 272
Less: Treasury shares	(61 672)	(61 672)
TOTAL SHARES OUTSTANDING AT DECEMBER 31	6 151 600	6 151 600

Common stock represents all of the registered and authorized shares with a par value of CHF 10 per share. All issued shares are fully paid.

Treasury shares are held in connection with the long term incentive plan. Treasury shares held by key management can only be sold back to Hero AG.

Hybrid capital

in CHF 1000.-

	2022	2021
Hybrid capital third parties	198 779	198 779
TOTAL HYBRID CAPITAL AT DECEMBER 31	198 779	198 779

Hybrid Capital Third Parties

On October 28, 2016, Hero issued CHF 200 million Perpetual Callable Subordinated Bonds. The bonds bear interest on their principal amount at a fixed rate of 2.125% p.a. from the payment date up to October 27, 2023, and thereafter in respect of each successive five-year period at a fixed rate per annum as determined by the Principal Paying Agent in

accordance with condition 2.2 of the Terms of the Bonds. The terms and conditions of the bonds are such, that in accordance with IAS 32, the bonds qualify for treatment as equity in the financial statements of the Group. Payments of the coupons relating to the bonds are recorded as distribution on hybrid capital third parties.



Capital structure/management

Other reserves

in CHF 1000.-

	Revaluation reserve	Legal reserves	Cash flow hedge reserve	Pensions reserve	Foreign currency translation reserve	Total
BALANCE AT JANUARY 1, 2021	7 622	25 758	(942)	(31 325)	(288 124)	(287 011)
Hedge accounting	-	-	974	-	-	974
Revaluation of land	11 240	-	-	-	-	11 240
Remeasurements	-	-	-	15 025	-	15 025
Tax effects	(2 855)	-	9	(2 991)	132	(5 705)
Foreign exchange differences	-	-	-	-	(16 719)	(16 719)
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	16 007	25 758	41	(19 291)	(304 711)	(282 196)
Hedge accounting	-	-	355	-	-	355
Remeasurements	-	-	-	9 067	-	9 067
Tax effects	57	-	(21)	(3 088)	(122)	(3 174)
Acquisition of non-controlling interests	-	-	-	-	(539)	(539)
Foreign exchange differences & hyperinflation adjustments	-	-	-	-	(43 214)	(43 214)
BALANCE AT DECEMBER 31, 2022	16 064	25 758	375	(13 312)	(348 586)	(319 701)



Capital structure/management

Revaluation reserve

The revaluation reserve is used to record increases in the fair value of assets and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in other comprehensive income.

Legal reserves

Legal reserves are not available for distribution.

Cash flow hedge reserve

The effective portion of the gain or loss on hedging instruments is recognized in other comprehensive income and is transferred to profit and loss when the forecast transaction occurs.

Pensions reserve

Pensions reserve contains remeasurement gains and losses of defined benefit pension plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations net of items reclassified to profit or loss on disposal of a foreign operation and on translation of equity loans.



Capital structure/management

26. Dividend

Dividends

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders. Any dividends payable for treasury shares held in connection with the long-term incentive plan are treated as personnel expense.

Dividend income is recognized when the right to receive payment is established.

At the Annual General Meeting in 2023 a dividend in respect of 2022 of CHF 1.63 (2021: CHF 0.49) per share amounting to a total dividend of CHF 10.1 million (2021: CHF 3.0 million) is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholder's equity as an appropriation of retained earnings in the year ending December 31, 2023.



Risk management

27. Financial Risk Management

Financial instruments risk management policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in debt and equity instruments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates

relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 18-month period for hedges of forecasted sales and purchases and net investment hedges. When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

At December 31, 2022 the Group hedged 23% of its net exposure of its expected foreign currency sales and purchases. Those hedged sales and purchases were highly probable at the reporting date. This foreign currency risk is hedged by using foreign currency forward contracts.



Risk Management

Derivatives not designated as hedging instruments

The Group uses foreign exchange contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 12 months.

Derivatives designated as hedging instruments - Cash flow hedge

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast sales and forecast purchases. The forecast transactions are highly probable. The cash flow hedges of the expected future sales and purchases in 2022 were assessed to be highly effective.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group tries to reduce the currency exposure through borrowings in the corresponding currencies where possible and economically prudent.

The Group uses a risk computation similar to Value-at-Risk (VAR). It includes financial instruments (mainly currency forwards) as well as

balance sheet positions and future operating cash flows (non-discounted) in foreign currency. The estimates are made assuming normal market conditions, using a 99% confidence interval. The correlations between currency pairs and the volatilities are observed over a 360 day period. The estimated potential intra-day loss in the VAR model amounts to TCHF 353.6 as per December 31, 2022 (2021: confidence interval 99%; TCHF 517.7)



Risk Management

Foreign Currency Risk Table

The following table demonstrates the sensitivity to a reasonably possible change in the USD, GBP, SEK and EUR exchange rate, with all other variables held constant, of the Group's profit before tax.

	2022	2021
Increase/(decrease) in USD/EUR/GBP/SEK rate	5% (5%)	5% (5%)
Effect on profit before tax in CHF 1000.-	890 (890)	93 (93)
Effect on comprehensive income/equity in CHF 1000.-	607 (607)	777 (777)

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates with the exception of the seller note which is subject to LIBOR changes, see note 11. The Group's long-term borrowings are with fixed maturity and interest rates. The Group is only exposed to interest risk in case of refinancing of matured borrowings.

Credit Risk

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative and cash transactions are limited to highly creditworthy financial institutions. Other credit risk exposures are minimized by dealing only with a limited range of counterparties. From time to time the Group also makes loans to related parties. Where material the Group seeks adequate pledges or guarantees. The maximum credit risk represents the net carrying value of the loans and receivables. Credit risks arise from the possibility that customers may not be able to settle their trade receivables or other financial assets, like the seller note, as agreed. Hero considers a financial asset in default when contractual payments are more than 120 days past due. However, in certain cases, Hero may also consider a financial asset to be in default when internal or external information indicates that Hero is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. There is no significant concentration of credit risk for trade receivables as no customer accounts for more than 10% or more of net sales of the Group. The credit risk for the seller note is based on the rating of comparable companies. In 2022



Risk Management

there is no indication of credit default risk of the seller note. To manage this risk, the Group periodically assesses country and customer credit risk, assigns individual credit limits, and takes actions to mitigate credit risk where appropriate. The provisions for expected credit losses for customers are based on a forward-looking expected credit loss, which includes possible default events on the trade receivables over the entire holding period of the trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk and days past due. In determining the expected credit loss rates, the Group considers current and forward-looking macroeconomic factors that may affect the ability of the customers to settle the receivables, and historical loss rates for each category of customers.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facilities and cash and cash equivalents (note 12) on the basis of expected cash flows.



Risk Management

Liquidity Risk Table

The table summarizes the maturity profile of the Group's financial liabilities based on contractual payments.

in CHF 1000.– at December 31, 2022

	Carrying value	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	5 years and more	Total
Derivatives							
Forward contracts – cash (inflow)	(10 994)	(10 994)	-	-	-	-	(10 994)
Forward contracts – cash outflow	1 404	1 404	-	-	-	-	1 404
Forward contracts – net	(9 589)	(9 589)	-	-	-	-	(9 589)
Borrowings	106 018	2 006	37 550	878	50 703	50 660	141 797
Debentures	135 000	1 350	1 350	1 350	1 350	136 125	141 525
Lease liabilities	19 252	5 609	3 553	2 545	2 314	7 085	21 106
Put option liabilities	742	-	742	-	-	-	742
Trade and other payables	260 683	260 683	-	-	-	-	260 683
TOTAL	512 106	260 059	43 195	4 773	54 367	193 870	556 264



Risk Management

in CHF 1000.– at December 31, 2021

	Carrying value	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	5 years and more	Total
Derivatives							
Forward contracts – cash (inflow)	(749)	(749)	-	-	-	-	(749)
Forward contracts – cash outflow	1 307	1 307	-	-	-	-	1 307
Forward contracts – net	558	558	-	-	-	-	558
Borrowings	88 290	9 351	814	682	30 808	50 425	92 080
Debentures	135 000	1 350	1 350	1 350	1 350	136 350	141 750
Lease liabilities	25 702	7 074	5 582	3 290	2 588	10 163	28 697
Put option liabilities	17 816	17 040	-	776	-	-	17 816
Earn-out liability	10 809	10 809	-	-	-	-	10 809
Trade and other payables	228 252	228 252	-	-	-	-	228 252
TOTAL	506 427	274 434	7 746	6 098	34 746	196 938	519 962



Capital Management

28. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

In connection with external financing the Group is required to maintain a minimum level of net equity. During 2022 and 2021 the Group complied with this requirement. See also comments in note 15 on "Covenants".

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new capital. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. No changes were made in the objectives, policies or processes during the years ended December 31, 2022, and December 31, 2021.

This gearing ratio is calculated as net debt divided by total capital. Net

debt is calculated as total borrowings (including "current and non-current borrowings/debentures as well as lease liabilities" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2022, and December 31, 2021, were as follows:

in CHF 1000.-

	2022	2021
Total borrowings, debentures, lease liabilities	260 270	248 992
Less: cash and cash equivalents	(75 899)	(85 552)
Net debt	184 371	163 440
Equity attributable to the equity holders of the parent	678 085	689 265
Gearing ratio	27%	24%



Group structure

29. Business Combinations, Acquisition of Non-controlling Interests and Disposals

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be

an asset or liability, are recognized in profit or loss. If the contingent consideration is classified as equity, it is not subsequently remeasured. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the



Group structure

operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Where the Group writes a put option over non-controlling interests, the Group assesses whether it has present access to returns associated with the ownership interests subject to the put option. If the Group concludes that it does not have present access, the non-controlling interests are not derecognised and continue to receive an allocation of profit and loss and other comprehensive income. The Group recognises a liability for the present value of the put option redemption amount against retained earnings and any subsequent changes are accounted for in profit or loss (other income/other expense). The put option liability is derecognised on settlement or expiry.

Investments meeting none of these criteria are treated as financial instruments (refer to section "Financial Instruments" for further details).

Acquisitions of non-controlling interests 2022

On June 30, 2022, the Group exercised its call option over the remaining 30% of the voting shares of goodforgrowth GmbH, increasing its ownership to 100%. A cash consideration of TCHF 16 832 was paid to non-controlling interest shareholders against the liability for the call option of TCHF 17 039 recorded in prior year. The difference of TCHF 207 was recognized in other income. The carrying amount of non-controlling interests of goodforgrowth GmbH (excluding goodwill on the original acquisition) at this date was TCHF 7 585 and recognized in retained earnings within equity. Cumulative foreign exchange differences of TCHF 539 were reclassified from other comprehensive income of non-controlling interests to other comprehensive income of equity holders.



Group structure

Acquisitions 2021

On January 18, 2021, the Hero Group acquired 97% of Baby Gourmet Foods Inc., Canada. The company operates with the main brand Baby Gorumet, which is predominantly sold in the Canadian market. Hero received a call option over the remaining 3% and is option writer of a put option over the remaining 3%. Hero has recorded a liability for the put option, see note 11. Hero has obtained control over the company through the majority of voting rights and is fully consolidating Baby Gourmet Foods Inc. with non-controlling interests (NCI) of 3%. The Group has elected to measure the NCI in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The goodwill on the acquisition is attributable to the future synergies and its leverage on the existing business. None of the goodwill recognized is expected to be deductible for income tax purposes.

In 2021 the Group incurred acquisition-related costs of TCHF 427 mainly on legal fees and due diligence costs. These costs have been included in 'administrative expense'.



Group structure

As at January 18, 2021 in CHF 1000.–

	Fair value recognized on acquisition
	2021
Baby Gourmet Foods Inc., Canada	
Assets	
Property, plant and equipment	229
Intangible assets	7 877
Inventories	5 080
Trade receivables, prepayments and other receivables	2 196
Cash and cash equivalents	645
	16 027
Liabilities	
Trade and other payables	(1 995)
Deferred tax liabilities	(1 811)
	(3 806)
Total identifiable net assets at fair value	12 221
Non-controlling interests (3% of net assets)	(367)
Goodwill arising on acquisition	9 350
Purchase consideration	21 204
Thereof cash paid	21 204
Net cash acquired with the subsidiary	645
Cash paid for shares	(21 204)
TOTAL CASH FLOW ON ACQUISITION	(20 559)
Revenues contributed to the Group in 2021 after acquisition	21 303
Net income contributed to the Group in 2021 after acquisition	199



Group structure

Disposals 2022

Effective December 14, 2022, the Group disposed of its 100% interest in Hero UK Ltd. (Juvela).

As at December 14, 2022 in CHF 1000.-

	Carrying values
Hero UK Ltd. (Juvela)	2022
Property, plant and equipment	(1 008)
Intangible assets	(6 132)
Other assets	(2 959)
Current and non-current liabilities	1 337
Net assets disposed	(8 762)
Cumulative foreign exchange differences recycling	(971)
Disposal consideration	9 850
Gain on disposal	117
Transaction costs	(1 120)
Loss on disposal including transaction costs	(1 003)
Disposal consideration	9 850
Non-cash consideration - S-Venture shares	(842)
Deferred consideration, receivable	(1 718)
Cash and cash equivalents disposed with subsidiary	(652)
Cash inflow on disposal	6 638
Revenues contributed to the Group in 2022	8 357
Net income contributed to the Group in 2022	1 425
Revenues contributed to the Group in 2021	9 417



Group structure

30. Interest in Associates and Joint Ventures

Investments, where Hero has significant influence (generally accompanying a shareholding of between 20% and 50% of the voting rights) or joint control, are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition. The Group's share of its associates' or joint ventures post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in OCI and taken to other reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any receivables that form part of the net investment, the

Group does not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or joint ventures.

Unrealized gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group has a 50% interest in MadreNatura AG which was founded in December 17, 2019 by Hero AG and its joint venture partner. The company sells baby and toddler food. The Group's interest in MadreNatura AG is accounted for using the equity method in the consolidated financial statements.



Group structure

Summarized statement of financial position of joint venture:

in CHF 1000.-

	2022	2021
Current assets	1 995	2 720
Thereof cash and cash equivalents	480	1 008
Non-current assets	-	-
Current liabilities	1 531	2 326
Thereof current financial liabilities	-	-
Non-current liabilities	-	-
Equity	464	394
Group's share in equity 50%	232	197
Group's carrying amount of the investment	232	197
Other non material associates and joint ventures	80	174
TOTAL INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	312	371
	2022	2021
Capital contribution to joint-venture	1 500	1 500

Hero has committed to contribute CHF 1.75 million in 2023.



Group structure

Summarized statement of profit or loss joint venture:

in CHF 1000.-

	2022	2021
Revenue from contracts with customers	3 376	2 497
Depreciation and amortization	-	-
Interest income	-	-
Interest expense	-	-
Loss before tax	(2 938)	(3 976)
Income tax expense	-	-
Loss for the year	(2 938)	(3 976)
Group's share of loss for the year	(1 469)	(1 988)
Foreign exchange differences	4	(50)
GROUP'S SHARE OF TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1 465)	(2 038)



Group structure

31. Principal Group Companies

Country	Name of company	Location		Share capital in thousands local currency	Equity interest in %	Consolidation method*	Activity**
Brazil	Hero Brasil S.A.	Itatiba	BRL	32 000	50.0	F	P; S
Canada	Baby Gourmet Foods Inc.	Calgary	CAD	1 000	97.0	F	S
China	Autumn Harvest Ltd.	Hong Kong	HKD	1	100.0	F	S
	Hero (Shanghai) Trading Co.Ltd.	Shanghai	CNY	1 254	100.0	F	S
Czech Republic	Hero Czech s.r.o.	Prague	CZK	200	100.0	F	S
Denmark	Semper Danmark ApS	Frederiksberg	DKK	50	100.0	F	S
Egypt	Hero Nutritional Food Industries SAE (Vitrac)	Cairo	EGP	93 288	100.0	F	P; S
	Hero Middle East and Africa Trading LLC	Cairo	EGP	50	100.0	F	S
Finland	Oy Semper Ab	Espoo	EUR	3	100.0	F	S
Germany***	Hero GmbH & Co. KG	Bielefeld	EUR	237 414	100.0	F	S
	Schönauer IAV AG	Bad Schwartau	EUR	404	100.0	F	H
	Schwartauer Werke GmbH & Co. KGaA	Bad Schwartau	EUR	57 500	100.0	F	P; S; R
	goodforgrowth GmbH	Berlin	EUR	26	100.0	F	S
Italy	Hero Italia SpA	Verona	EUR	3'616	100.0	F	S
Netherlands	Hero Nederland B.V.	Breda	EUR	14 520	100.0	F	S
Norway	Semper AS	Lysaker	NOK	933	100.0	F	S
Portugal	Hero Portugal Lda	Amadora	EUR	4 607	100.0	F	S
Russia	Hero Rus LLC	Moscow	RUB	10	100.0	F	S
Slovakia	Hero Slovakia s.r.o.	Nitra	EUR	7	100.0	F	S
Spain	Hero España SA	Alcantarilla	EUR	22 538	100.0	F	P; S; R
Sweden	Semper AB	Sundbyberg	SEK	45 000	100.0	F	P; S



Group structure

Country	Name of company	Location	Share capital in thousands local currency	Equity interest in %	Consolidation method*	Activity**
Switzerland	Hero AG	Lenzburg	CHF 62 132	100.0	F	H; P; S
	Hero Beteiligungen AG	Lenzburg	CHF 30 433	100.0	F	H
	MadreNatura AG	Lenzburg	CHF 100	50.0	E	S
Turkey	Hero Gida San.ve Tic. AS	Istanbul	TRY 63 632	100.0	F	P; S
United Kingdom	Hero UK Ltd. ****	Liverpool	GBP -	100.0	F	S
	Organix Brands Ltd.	Bournemouth	GBP 47	100.0	F	S
United States of America	Beech-Nut Nutrition Corporation	Amsterdam, NY	USD 1	100.0	F	P; S
	Hero USA Inc.	Amsterdam, NY	USD 15 000	100.0	F	H

*Consolidation: F = fully consolidated

**Activity: H = holding company and/or performs finance function; P = performs manufacturing and/or production activities; S = performs sales and/or marketing activities; R = performs research and development activities.

***For the purpose of German commercial law, these consolidated Group financial statements release the companies from their obligation to publish their own financial statements in Germany, in accordance with Section 264 sub-section 3 of the German HGB [commercial code].

**** Disposed as of December 14, 2022.

**Other disclosures****32. Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes to the financial statements.

The Hero Group is exposed to certain litigation claims in the USA. The proceedings of said claims are still ongoing and are being defended by the Group. While the outcome is still uncertain, the Hero Group believes that the resolution of these claims will not materially impact the consolidated financial statement.



Other disclosures

33. Commitments

in CHF 1000.-

	2022	2021
Commitments for the acquisition of tangible fixed assets	939	621
Commitments for raw materials	101 600	81 764
TOTAL COMMITMENTS	102 539	82 385

34. Events after the Balance Sheet Date

On March 6, 2023 the Board of Directors resolved to pay the annual coupon of 2.125% on the hybrid capital of nominal CHF 200.0 million which is CHF 4.3 million.

There have been no other significant events between December 31, 2022, and the date of authorization of the consolidated financial statements that would require any adjustment or disclosure.



Other disclosures

35. Related Party Transactions

in CHF 1000.-	Note	2022	2021
Sales of goods			
to associated companies and joint ventures		2 049	1 362
Management services rendered			
to associated companies and joint ventures		275	222
Receivables/liabilities			
Trade receivables from associated companies and joint ventures		274	156
Other short-term receivables from associated companies and joint ventures		115	123
Short-term loan liabilities to associated companies and joint ventures		899	1 204
Key management personnel			
Salaries and other short-term employee benefits paid		(7 041)	(8 748)
Post-employment benefits paid		(461)	(470)
Long-term incentive plans - income/(expense)		(829)	(89)
Long-term incentive plans - dividend payment		(13)	(48)
Long-term incentive plans - provision		3 638	3 954
Long-term incentive plans - loan receivable	11,14	166	672

The key management personnel are defined as the Executive Board. Transactions with related parties, associated companies and joint ventures (commitments see note 30) are conducted on commercial terms and conditions and at market prices.

For detailed descriptions of the long-term incentive plans refer to section "Long-term incentive plans" in note 23.



Other disclosures

36. Critical Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Goodwill

The Group tests annually in December whether goodwill has suffered any impairment, in accordance with the valuation principles stated in note 20, Intangible Assets. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. These calculations use cash flow projections based on financial budgets approved by management and forecasts covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rates stated below. The growth rates generally correspond to the inflation rates plus general real

gross domestic product (GDP) growth of the corresponding country or cluster. They are individually assessed and in case where management expects a significant deviation from general economic conditions they might be adjusted.

Management determined budgeted growth rates based on past performance and its expectations for the market development. Where general industry forecasts do not reflect the growth expectations of management for specific businesses, the growth rates used depart from forecasts included in such industry reports in order to better reflect the specific growth potentials expected by management. These assumptions have been used for the analysis of each CGU. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating unit.

The growth rate used to extrapolate cash flows beyond the budget and the pre-tax discount rate have a significant impact on the sensitivity of the impairment test. For all CGU's no reasonable possible change in any key assumptions would lead to an impairment. In 2022, no goodwill was impaired.



Other disclosures

Brands with indefinite life

The Group tests annually whether brands with indefinite life are impaired. These calculations require the use of estimates. The discount rates used are pre-tax and reflect specific risks relating to the relevant country. The growth rates used to extrapolate cash flows beyond the budget and the pre-tax discount rate have a significant impact on the sensitivity of the impairment test. In 2022, no impairment was identified.

Income taxes

As described in note 8, the Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognized tax loss carryforwards

The Group has recognized deferred tax assets in relation to the recoverability of tax loss carryforwards (note 21). The recoverability of such assets is based on the ability of the entity to which the losses relate to generate future taxable profits. These calculations require the use of estimates. Management re-evaluates the recoverability at each balance sheet date.

Provisions

The Group has provisions for various cases based on estimates (note 23). Such estimates are based on the Group's experience, taking also into account economic conditions. Management believes that the total provisions for these items is adequate, based upon currently available information. As these provisions are based on management estimates, they may be subject to change as better information becomes available. Such changes that arise could impact the provisions recognized in the balance sheet in future periods and consequently the expenses recognized in the income statement in future periods.



Other disclosures

Pension benefits

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations (note 22). An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Russia and Ukraine war

Hero suspended non-essential food exports to Russia and stopped all investment in the country. Hero continued to export baby food to Russia. This change had no significant impact on the valuation of assets and liabilities of Hero.



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[1] To the General Meeting of

Zurich, 6 March 2023

Hero AG, Lenzburg

Report of the statutory auditor

Report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Hero AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 61 to 163) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code))*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Goodwill and indefinite lived intangible assets

Area of focus Goodwill and indefinite lived intangible assets represent 32% of the Group's total assets and 61% of the Group's total shareholders' equity as at 31 December 2022. As stated in the accounting principles included in the notes to the consolidated financial statements, the carrying value of goodwill and indefinite lived intangible assets is tested annually for impairment. The Group performed its annual impairment test of goodwill and indefinite lived intangible assets in the fourth quarter of 2022 and determined that there was no impairment. Key assumptions concerning the impairment test are disclosed in the consolidated financial statements (refer to note 36). In determining the recoverable amount of cash generating units, the Group must apply judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates. Due to the significance of the carrying values for goodwill and indefinite lived intangible assets and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response We assessed the Group's internal controls over its annual impairment test and key assumptions applied as well as the authorization of the impairment test by the Board of Directors. We evaluated management's interpretation of cash generating units. We involved valuation specialists to assist in examining the Group's valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We assessed the historical accuracy of the Group's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information.

Our audit procedures did not lead to any reservations concerning the recognition and measurement of goodwill and indefinite lived intangible assets.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTSuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Mirco Scruzzi
Licensed audit expert



Statutory Financial Statement of Hero AG, Lenzburg

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Income Statement

for the year ended December 31
Hero AG, Lenzburg
in CHF 1000.–

	Note	2022	2021
Net proceeds from sales of goods and services	1	189 011	165 056
Dividend income		886	32 378
Cost of materials		(71 878)	(62 777)
Employee expenses		(54 779)	(49 464)
Other operational costs		(50 729)	(41 453)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		12 511	43 740
Depreciation and amortization		(7 344)	(6 613)
Earnings before interest and taxes (EBIT)		5 167	37 127
Financial income		4 378	1 680
Financial costs		(8 112)	(8 366)
Operating result before taxes		1 433	30 441
Non-operational and extraordinary costs	1	(20 913)	(38 677)
Earnings before taxes		(19 480)	(8 236)
Tax expense		(337)	(4 528)
NET LOSS FOR THE YEAR		(19 817)	(12 764)



Balance Sheet

as at December 31, before appropriation of profit
Hero AG, Lenzburg
in CHF 1000.-

Assets	Note	2022	2021
Cash and cash equivalents		21 651	21 452
Trade receivables	4	12 875	13 181
Financial assets and other current receivables	4	66 203	76 907
Inventories	2	13 270	9 616
Accrued income and prepaid expenses		326	169
Current assets		114 325	121 325
Financial assets	4	399 531	249 552
Investments	3	336 301	483 577
Tangible fixed assets	2	30 394	31 984
Intangible assets		27 667	35 324
Non-current assets		793 893	800 437
TOTAL ASSETS		908 218	921 762



Balance Sheet

Liabilities and Equity	Note	2022	2021
Trade payables	4	11 528	13 726
Current interest-bearing liabilities	4	111 276	117 401
Other current liabilities	4	4 837	16 815
Deferred income and accrued expenses	2	29 716	19 244
Current provisions		71	1 360
Current liabilities		157 428	168 546
Non-current interest-bearing liabilities	2	435 000	415 000
Non-current provisions	2	4 925	3 312
Non-current liabilities		439 925	418 312
TOTAL LIABILITIES		597 353	586 858
Share capital		62 133	62 133
Capital contribution reserve		63 632	63 632
Legal reserve		25 758	25 758
Profit carryforward		183 241	198 963
Net loss for the year		(19 817)	(12 764)
Voluntary retained earnings		163 424	186 199
Treasury shares	6	(4 082)	(2 818)
TOTAL EQUITY		310 865	334 904
TOTAL LIABILITIES AND EQUITY		908 218	921 762



Notes to the Statutory Financial Statements

Accounting principles

General

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Bad debt reserve

Bad debt allowances are based on internal guidelines that require individual value adjustments to be undertaken. Taking account of their age structure and based on historical experience, certain residual balances are subject to additional allowances of a suitable percentage.

Derivative financial instruments

Hero AG uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. In line with article 960b CO, derivative financial instruments are recognized at cost on the date on which a derivative contract is entered into and are subsequently remeasured at

fair value.

As per 31 December, the balance of fair values is presented as net amount as financial asset or financial liability in the balance sheet. In line with the lowest value principle, unrealized gains of derivatives designated as hedges of forecast transactions are not recognized as per the balance sheet date. Any resulting gains or losses arising from changes in the fair value recognized are classified as financial income or financial cost.

The accounting principle described is a change in accounting principle from previous year. In 2021, the lowest value principle has been applied to all outstanding derivatives and not only to the derivatives which are designated as hedges of forecast transactions. As such, in 2021 only negative fair values have been recognized in the balance sheet.

Inventory

Inventories are recorded at the lower of acquisition or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the necessary cost to make the sale. Production costs include direct and indirect material and production costs. Inventory is



Notes to the Statutory Financial Statements

valued using the weighted average method. A valuation allowance is recognized for any damaged or slow-moving goods.

Tangible fixed assets

Tangible fixed assets are depreciated on a straight line method over the course of the useful economic life of the asset. Land is not depreciated. The general useful economic lives for various asset categories can be summarized as follows:

- Land indefinite
- Buildings 20 to 50 years
- Fixture and fittings 10 to 15 years
- Plant and machinery 3 to 10 years
- Motor vehicles 4 to 10 years
- Furniture 5 to 10 years
- IT hardware 3 to 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets

Brands and other intangible assets with a definite useful life are carried at historical cost less accumulated amortization. Amortization is calculated using the following method to allocate the costs over their estimated useful lives:

- **Brands**
up to 25 years, straight-line method
- **Software**
1 to 5 years, reducing-balance method
- **Other intangible assets**
5 to 25 years, straight-line method

Investments

The carrying value of investments comprises costs less accumulated write-downs and are tested annually for impairment.



Notes to the Statutory Financial Statements

Long term incentive plan

Effective January 1, 2014, the Group issued a long term incentive plan for the executive board members. There is a two years waiting period for newly appointed executive board members before they may participate in the plan. Under the plan, the participants are offered the opportunity to invest up to 50% of their bonus payment in shares. After a restriction period of three years, participants may sell the shares back to Hero AG at a price based on a formula defined in the plan. In conjunction with the plan, participants may be granted loans to fund the share issue. The shares are restricted and will ultimately revert to Hero AG. Any share repurchase from the management is accounted for as treasury shares. Treasury shares are reported as a negative item in equity. The shares which allow the executive board members to participate in the plan are revalued yearly by using the predefined enterprise valuation model. Such effects are recognized in the income statement as personnel expenses. As of January 1, 2019, the Group introduced a new incentive plan for the members of the Group executive board and the members of the leadership circle including the general manager of the country and functional heads of Hero. The plan is linked to the achievement of strategic KPI's and the performance of the share price of Hero which is calculated based on a formula defined in the plans. There is a minimum

performance threshold of the strategic KPI's and the amount of pay-out is capped. The incentive plan is therefore aimed at providing an incentive to make significant contributions to the long-term performance and growth of Hero and shall increase the ability of Hero to attract, motivate and retain individuals of exceptional skills. Every year, a new plan is initiated in which the members of the plan are granted to participate with 15% of their base salary. For any participants not being a member of the Group executive board, the plan is settled in cash at the end of the vesting period. For the members of the Group executive board, the plan is settled in shares at vesting.

At each balance sheet date, management estimates the pay-out at the end of the vesting period. The expense is recognized over the 3-year performance cycle in the income statement.

Current/non-current interest-bearing liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds are recognized as prepaid expenses and amortized on a straight-line basis over the bond's maturity period. Premiums are recognized as accrued expenses and amortized on a straight-line basis over the loan's maturity period.



Notes to the Statutory Financial Statements

Other current/non-current liabilities

As of January 3, 2019, Hero AG bought 70% of the shares of goodforgrowth GmbH. Hero paid an initial purchase price for these 70% and agreed on an earn-out based on the results (Net Sales and EBIT) from 2019 - 2021. The earn-out is revaluated annually and is included in the participation value of the investment. In June 2022, the earn-out has been settled. The total amount of the earn-out liability included in the balance sheet as of December 31, 2021 was TCHF 10'809.

In January 2019, Hero received a call option over the remaining 30% of goodforgrowth GmbH and is option writer of a put option over the remaining 30%. The exercise period of the call option was valid from April 2022 until September 2022. Hero AG exercised the call option in June 2022 and acquired the remaining 30% of goodforgrowth GmbH. No asset/liability was recognized for the put and call option as of December 31, 2021.



Notes to the Statutory Financial Statements

1. Explanations to positions in the income statement

for the year ended December 31
in CHF 1000.–

	2022	2021
Sales of goods	124 276	112 783
Services	64 735	52 273
Net proceeds from sales of goods and services	189 011	165 056

Non-operational and extraordinary (costs) / income

The extraordinary costs in 2022 of CHF 20.9 million relate to a further valuation adjustment of the participation value of Hero GmbH & Co. KG in connection with the completion of a restructuring of the German company set-up, an impairment of the participation value of Hero Russia and expenses in connection with the discontinuation of a start-up company in the Netherlands.

The extraordinary costs in 2021 of CHF 38.7 million related mainly to a valuation adjustment of the participation value of Hero GmbH & Co. KG in connection with the restructuring of the German company set-up.



Notes to the Statutory Financial Statements

2. Explanations to positions in the balance sheet

as at December 31
in CHF 1000.-

	2022	2021
Packaging material	2 590	1 063
Raw material	1 777	1 313
Finished goods	8 903	7 240
Inventories	13 270	9 616
Land	4 749	4 749
Buildings	19 493	20 215
Plant and machinery	5 409	5 996
Other equipment and vehicles	743	1 024
Tangible fixed assets	30 394	31 984
Interest	793	743
Advertising	736	552
Promotions	907	339
Royalties and Licenses	619	-
Goods received no invoice received	1 632	539
Services received no invoice received	7 001	6 001
Personnel	9 489	8 476
Restructuring	3 613	-
Others	4 928	2 594
Deferred income and accrued expenses	29 716	19 244
Bank loans	100 000	80 000
Perpetual and subordinated bond	200 000	200 000
Straight bond	135 000	135 000
Non-current interest-bearing liabilities	435 000	415 000
Litigation	1 934	1 842
Others	1 482	1 470
Non-current provisions	3 416	3 312



Notes to the Statutory Financial Statements

3. Investments

The following table lists all of Hero AG's direct and material indirect shareholdings.

Company	Domicile	Ownership*	2022 Share capital in %	2022 Share of vote in %	2021 Share capital in %	2021 Share of vote in %
Hero Brasil S.A.	Itatiba, Brazil	D	50.0	50.0	50.0	50.0
Hero Foods Canada Inc.	Etobicoke, Canada	D	100.0	100.0	100.0	100.0
Baby Gourmet Foods Inc.	Calgary, Canada	D	97.0	97.0	97.0	97.0
Autumn Harvest Ltd.	Hong Kong, China	I	100.0	100.0	100.0	100.0
Hero (Shanghai) Trading Co. Ltd.	Shanghai, China	D	100.0	100.0	100.0	100.0
Hero Czech s.r.o.	Prague, Czech Republic	I	100.0	100.0	100.0	100.0
Semper Denmark Aps	Copenhagen, Denmark	I	100.0	100.0	100.0	100.0
Hero Middle East and Africa Trading LLC	Cairo, Egypt	I	100.0	100.0	100.0	100.0
Hero Nutritional Food Industries SAE	Cairo, Egypt	I	100.0	100.0	100.0	100.0
Oy Semper AB	Espoo, Finland	I	100.0	100.0	100.0	100.0
erdbär GmbH	Berlin, Germany	I	100.0	100.0	70.0	70.0
goodforgrowth GmbH	Berlin, Germany	D	100.0	100.0	70.0	70.0
Hero Deutschland Beteiligungen GmbH	Bielefeld, Germany	D	100.0	100.0	100.0	100.0
Hero GmbH & Co. KG	Bielefeld, Germany	I	100.0	100.0	100.0	100.0
Hero Management GmbH	Bielefeld, Germany	D	100.0	100.0	-	-
Schwartauer Werke GmbH & Co. KGaA	Bad Schwartau, Germany	I	100.0	100.0	100.0	100.0
Hero Italia SpA	Verona, Italy	I	100.0	100.0	100.0	100.0
Hero Nederland B.V.	Breda, Netherlands	I	100.0	100.0	100.0	100.0
Mimic B.V.	Breda, Netherlands	D	100.0	100.0	100.0	100.0
Semper AS	Lysaker, Norway	I	100.0	100.0	100.0	100.0
Hero Portugal Lda	Amadora, Portugal	I	100.0	100.0	100.0	100.0
Hero Rus LLC	Moscow, Russia	D	100.0	100.0	100.0	100.0
Hero Slovakia s.r.o.	Nitra, Slovakia	I	100.0	100.0	100.0	100.0
Hero Espagna SA	Alcantarilla, Spain	I	100.0	100.0	100.0	100.0
Semper AB	Sundbyberg, Sweden	I	100.0	100.0	100.0	100.0
Semper Gluten Free AB	Sundbyberg, Sweden	I	100.0	100.0	-	-



Notes to the Statutory Financial Statements

Company	Domicile	Ownership*	2022 Share capital in %	2022 Share of vote in %	2021 Share capital in %	2021 Share of vote in %
Hero Beteiligungen AG	Lenzburg, Switzerland	D	100.0	100.0	100.0	100.0
MadreNatura AG	Lenzburg, Switzerland	D	50.0	50.0	50.0	50.0
Hero Gida San.ve Tic.AS	Istanbul, Turkey	I	100.0	100.0	100.0	100.0
Hero UK Ltd. (sold)	Liverpool, United Kingdom	I	-	-	100.0	100.0
Hero UK Foods Ltd. (former Juvela Ltd.)	Liverpool, United Kingdom	D	100.0	100.0	100.0	100.0
Organix Brands Ltd.	Bournemouth, United Kingdom	I	100.0	100.0	100.0	100.0
Beech-Nut Nutrition Corporation	Amsterdam (NY), USA	I	100.0	100.0	100.0	100.0
Hero USA Inc.	Amsterdam (NY), USA	I	100.0	100.0	100.0	100.0

* Ownership: D = Hero AG owns this investment directly; I = The investment is indirectly held via a subsidiary in the direct ownership of Hero AG.

In connection with the restructuring of the German company set-up, Hero Verwaltungs GmbH was renamed to Hero Deutschland Beteiligungen GmbH. Hero GmbH & Co. KG is no longer a direct shareholding of Hero AG but an indirect shareholding of Hero Deutschland Beteiligungen GmbH. Further, Hero Management GmbH has been newly founded. As part of the company's strategy to focus on core product categories, Hero Beteiligungen AG sold Hero UK Ltd., representing Hero's gluten free business in the UK in December 2022. The company Juvela Ltd. was renamed to Hero UK Foods Ltd.



Notes to the Statutory Financial Statements

4. Receivables from and payables to related parties

as at December 31

in CHF 1000.–

	2022	2021
Group companies	965	2 087
Third	11 910	11 094
Trade receivables	12 875	13 181
Loan receivables Group companies	52 627	69 198
Other current receivables Third	13 576	7 709
Financial assets and other current receivables	66 203	76 907
Loan receivables Management bodies	166	672
Loan receivables Group companies	399 365	248 880
Financial assets	399 531	249 552
Group companies	1 655	2 298
Third	9 873	11 428
Trade payables	11 528	13 726
Loan payables Group companies	110 377	116 197
Loan payables Third	899	1 204
Current interest-bearing liabilities	111 276	117 401
Group companies	2 917	4 002
Third	1 920	12 813
Other current liabilities	4 837	16 815



Notes to the Statutory Financial Statements

5. Excess reserves

as at December 31

in CHF 1000.–

	2022	2021
Release of excess reserves	58	-

6. Treasury shares

Number of registered shares

	2022	2021
Inventory as at January 1	36 011	34 234
Acquisitions from executive board members	16 421	5 974
Sales to executive board members	(8 875)	(4 197)
Inventory as at December 31	43 557	36 011

In 2022, 16 421 registered shares were purchased at a price of CHF 84.84 each. In the same year, 8 875 registered shares were sold at an average price of CHF 71.23.

In 2021, 5 974 registered shares were purchased at a price of CHF 105.41 each. In the same year, 4 197 registered shares were sold at an average price of CHF 88.50.



Notes to the Statutory Financial Statements

7. Participation rights and options in the ownership of management bodies

as at December 31

	Number	Total value in TCHF	2022	Number	Total value in TCHF	2021
Participation rights in the ownership of						
Management bodies	18 115	1 513		25 661	2 708	
Option rights in the ownership of*						
Management bodies	42 196	4 280		40 781	2 878	

* Provisionally determined

8. Other information

in CHF 1000.-

as at December 31

	2022	2021
Lease obligations not recorded in the balance sheet	847	313
Guarantees in the name of Hero AG in the favour of third parties	19 228	19 206
Contingent liabilities	300	300

9. Number of employees

	2022	2021
The average number of full time employees was	between 50 to 249	between 50 to 249



Notes to the Statutory Financial Statements

10. Events after the balance sheet date

There have been no significant events between December 31, 2022, and the date of authorization of the financial statements that would require any adjustments or disclosure.

11. Bonds

Type of bond	Subordinated bond
Nominal value issued	CHF 200 million
Valor number	34172587/ISIN CH0341725874
Interest rate	2.125%
Maturity period	No fixed maturity
Maturity date	No fixed maturity

Type of bond	Senior bond
Nominal value	CHF 135 million
Valor number	34172588/ISIN CH0341725882
Interest rate	1.00%
Maturity period	October 28, 2016 to October 28, 2026
Maturity date	October 28, 2026



Proposal of the Board on the appropriation of retained earnings

in CHF 1000.-

	2022	2021
Loss of the year	(19 817)	(12 764)
Amount carried forward from last year	183 172	198 858
Gain from disposal of Treasury Shares	69	105
AVAILABLE FOR DISTRIBUTION	163 424	186 199
Total dividend amount		
2022: CHF 1.63 on 6 213 272 registered shares of CHF 10.- par value	(10 128)	(3 027)
BALANCE CARRIED FORWARD	153 296	183 172

In the name of the Board of Directors:

Giovanni Ciserani

Chairman Board of Directors



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To the General Meeting of
Hero AG, Lenzburg

Zurich, 6 March 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Hero AG (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of income for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 166 to 180) comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Investments and related income statement accounts

Area of Focus Primary functions of the Company include holding investments in its subsidiaries as well as financing and monitoring the group's activities. For statutory purposes, the Company is required to assess the valuation of its investments and determine potential impairments on an individual basis (refer to notes – accounting principles). Furthermore, the Company is required to evaluate the recoverability of its loans to subsidiaries. We consider investments and loans to subsidiaries significant to our audit as the amounts concerned are material and the assessments involve judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates.

Our audit response We examined the Company's valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information.

Our audit procedures did not lead to any reservations concerning the recognition and measurement of investments and related income statement accounts.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTSuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Mirco Scruzzi
Licensed audit expert

01 Company information

02 Financial report

03 Sustainability report

Working to deliver what is good for our planet, products, and people.

You can find the details of our actions and projects in our four implementation pillars.

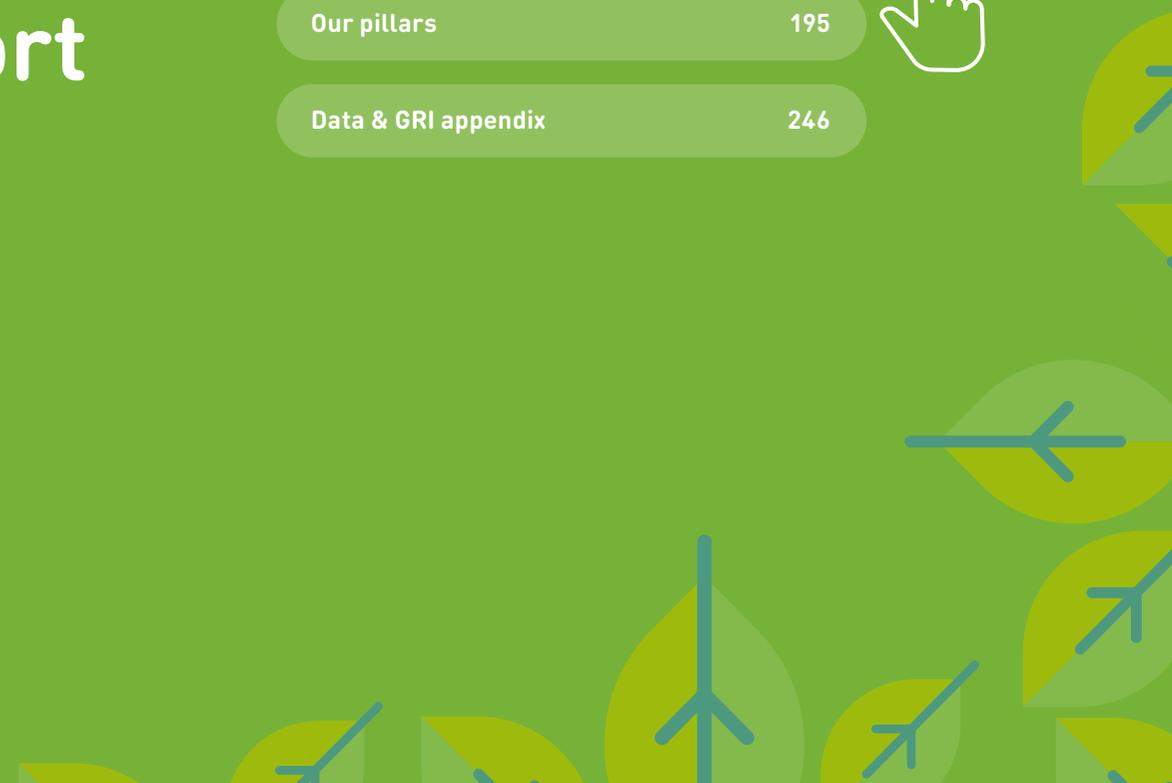
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Introductions

Leopold Oetker

Member of the Hero Group Board of Directors and main Sustainability Commitment sponsor

This year, for the first time, we are presenting our sustainability (Environmental, Social, and Governance - ESG) information in the same report as our financial information. We have made this important change because it is a more accurate reflection of how we operate; our passion for sustainability is at the very heart of our business – it is what drives our long-term success, so it deserves the same high profile as our earnings.

Since our founding more than 130 years ago, our mission has been to conserve the goodness of nature. Today, this means more than minimally processing fruit and vegetables (although this still very much applies). It means working with our suppliers to help *them* conserve the goodness of nature, too, by optimizing production and packaging, and farming using climate-friendly practices. It means using natural resources – like energy and water – sparingly, while fostering biodiversity and pollinators.

Our business thrives when our people thrive, and this is an equally important part of our sustainability strategy. We want our people to have long and fulfilling careers, and for Hero to be a place where everyone feels fully able to be themselves and learn from each other. This is why we invest in developing our people, and why we are launching our Diversity, Equity, and Inclusion program. We also care about our communities – wherever we operate in the world, we fundraise for good causes, donate our products and time, and strive to be a good neighbor.



Introductions



Christine Crosby

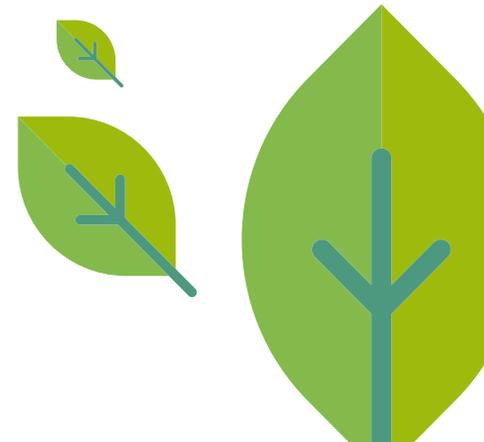
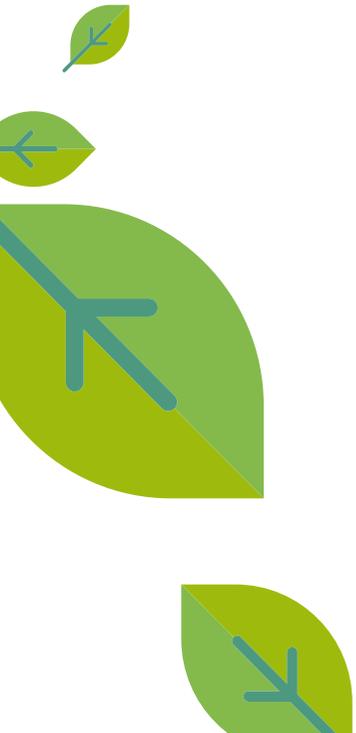
Sustainability Director Hero Group

We want to deliver for our planet, products, and people. Our sustainability strategy concentrates our efforts on the topics where we can make the biggest difference.

Encouraging people to embrace a planetary health diet is good for their health and for the health of our planet, too. By innovating and reformulating our products and communicating with our consumers, we are driving demand for more sustainable food. Achieving this means considering our entire value chain, from helping our suppliers embrace sustainable agriculture to striving to achieve net neutral production in our factories and inspiring our consumers to embrace fruit and vegetables. All this while playing an active role in our communities and keeping our people safe and motivated.

We have laid strong foundations for our sustainability strategy and, during 2022, began turning these implementation plans into concrete actions. Our focus over this year was on embedding sustainability in our functions. Through training and effective communication, we are making sure that people in every area of our business are driving our sustainability agenda. We now have baseline data that we can track year on year so we can measure and monitor our progress towards our ESG goals. We have also put in place the infrastructure, management routines and governance that will keep us focused on outcomes.

Around the world, our teams are fully engaged and committed to making it happen. Together, we will work – step by step – to deliver on our ambition and long-term goals.





Our sustainability strategy

Climate is at the center of our Group commitment to be a sustainable business, and our sustainability strategy is the toolkit we use to meet this commitment. While elements of climate risk are inherent across all four pillars of our strategy, climate is most relevant to Pillar 2: Net Neutral Production. You can read more on our strategy, targets, and activities under Pillar 2 page 207).

We are also aware that a core element of tackling climate change is understanding future likely impacts and doing our best to mitigate them now. For this reason, and in line with the recommendations of the TCFD, we worked with our external sustainability advisors in 2022 to develop a climate scenario analysis model which is relevant and applicable to Hero's global business and supply chains. We tested this methodology with three illustrative products to understand what the potential physical and transitional risks and opportunities might be in two different climate scenarios to 2030. In 2023, we hope to fine tune this methodology further and explore these scenarios on a wider range of products and locations. As we improve our understanding of these climate risks and opportunities and their potential impact, we can begin to assess our resilience to these scenarios, and update and adjust our strategy in future years to improve on it.



Our sustainability strategy

Our sustainability commitment

Our ambitions

Planet
To give back to nature more than we take.

Product
To conserve nature’s goodness via naturally healthy food.

People
To positively contribute to the lives of the people who make Hero a success.

Our strategy



1 Sustainable Sourcing
We work in partnership with our suppliers on sustainable agriculture and fair labor conditions. We are also innovating to make our ingredient sourcing and packaging more sustainable.



2 Net Neutral Production
We are making our operations carbon neutral by conserving energy and water, reducing waste, switching to renewable energy, and balancing our footprint.



3 Naturally Healthy Food
We aim to capture and conserve the quality and goodness of nature and are always innovating to make our products better for both people and the planet.



4 Purposeful People
We strive to keep our team feeling engaged, included, and motivated. We support employee development, safety at work and social responsibility in our vcommunities.

In defining our goals, we work to support the United Nations Sustainable Development Goals for 2030. Particularly:



Our sustainability strategy

Hero's value chain

We select the best possible ingredients from suppliers we trust, and turn them into natural, tasty, and nutritious products that are enjoyed by millions of people around the world.



1

Purchasing from trusted farmers

We select very best quality raw materials that nature has to offer. We aim to buy these ingredients directly from farmers we know and trust, and support them to give back to nature through promoting biodiversity and good soil health.

2

Innovative products

We begin by formulating the healthiest recipes, using nutrient-rich ingredients and minimizing processed sugar. Then, we work to continuously improve them.

3

Light touch manufacturing

Our careful manufacturing processes preserve the natural goodness of raw ingredients and keep our products natural. Our exhaustive quality controls ensure our products are nothing less than perfect.



Sustainable packaging

We keep our products safely sealed in convenient packaging that is easy to open, use, and recycle.

4

5



Efficient logistics

We move our products around as efficiently as possible, using full loads, careful route planning, and the most appropriate form of transport.

6

Happy consumers

Our products are enjoyed by 200 million consumers in countries across the world.



Our sustainability strategy

Hero Group Taskforce on Climate Related Financial Disclosures (TCFD) Statement 2022

In our 2021 Sustainability Report, we announced our intention to further develop our governance, strategy, risk management systems, metrics, and targets for our global business, in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD). In the year under review, we focused on integrating climate risk into our Enterprise Risk Management system, worked on establishing a science-based carbon reduction target, and developed a methodology for climate scenario analysis. In the coming year, we will develop these processes further and ensure we address any remaining gaps in the recommendations of the TCFD. We will also continue to align with other developments on non-financial reporting (both mandatory and voluntary) and improve our transparency and overall sustainability mitigation in 2023.



The following statement, which we believe is consistent with the TCFD Recommendations and Recommended Disclosures, details the progress we have made to identify and manage the risks and opportunities arising from climate change and the potential impact on our business. You will also find climate-related disclosures throughout our report, but particularly in the chapters on our Risk Management (page 190), Carbon Footprint (page 193), Net Neutral Production (page 207), and in our GRI and Data Tables appendix (page 246).

[Learn more about TCFD >>](#)





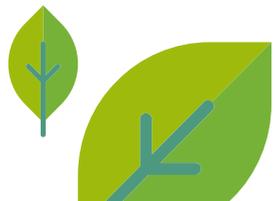
Our sustainability strategy

Risk management

We understand the importance of integrating climate risks and opportunities into our day-to-day business processes and decision making, which is why we focused much of our effort this year on updating our Enterprise Risk Management system to ensure that climate is fully considered and integrated. While climate was captured in isolation under a separate sustainability risk category previously, this year we adjusted our internal process to ensure that climate is considered within each of the 15 risks within our risk catalogue. Through this new approach, we are ensuring that every risk owner considers the impact of climate in their functional area and identifies and implements mitigations as appropriate.



We are particularly proud of the progress we made in this space in 2022 where we believe we now fully align with the recommendations of the TCFD. We will use this work to inform the evolution of our strategy over the short, medium and long term, and consider the resilience of our business against climate-related risks based on a scenario where global warming reaches or exceeds 1.5 degrees Celsius. To understand more about our standard approach to enterprise risk management, please see page 47 within the financial section of this report.



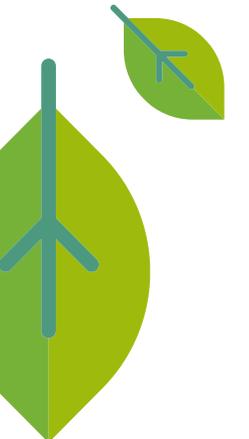
Governance

Our Group Sustainability Director is responsible for the delivery of our Group sustainability strategy and initiatives. She is supported by two Group Sustainability Managers and a Sustainability Data Analyst who track progress against our key climate goals.

We also have a Steering Committee focused on sustainability issues, including climate, which meets bi-annually to discuss strategy and progress. These meetings are chaired by our Group Sustainability Director and attended by sponsors on the Executive Board, including our Chief Executive Officer, Chief Business Officer, and Chief People Officer. In addition, our Group Sustainability Director presents to the Executive Board six times a year and to the Board of Directors twice a year. The Executive Board and Board of Directors have final review and sign off on our annual Sustainability Report and Enterprise Risk Management process – both of which include the latest detail on climate risks and opportunities, and what we are doing as a company to tackle these.

You can read more on our Governance structure on page 27.





Our sustainability strategy

Multi-disciplinary steering community

Steering team



Leopold Oetker



Rob Versloot



Christian Schierbaum

Sustainability leads



Christine Crosby



Julia Schäfer



Antonio Peran



Garnt Nieuwsma



Marleen v/d Wende

Pillar leads

1 Sustainable Sourcing



Désiré Mouanga-Biayenga

2 Net Neutral Production



Kyriakos Kasapidis

3 Naturally Healthy Food



Luis Manuel Sanchez



Sebastian Portius

4 Purposeful People



Rob Versloot

Cluster leads

Our cluster leads are supported by a team of experts located in each cluster.



Catharina Tennefors
Northern Europe



Tuba Kengil
Hero MEA Turkey



Ana Paula Ferraz
Hero Brazil



Pasquale Minuto
Beech-Nut



Alexander Sergeev
Hero Russia



Sebastian Portius
Central Europe



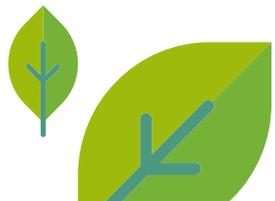
Dolores Iniesta
Southern Europe



Kenneth Verschooten
Global Export



Chloe Douglas-Crampton
Baby Gourmet

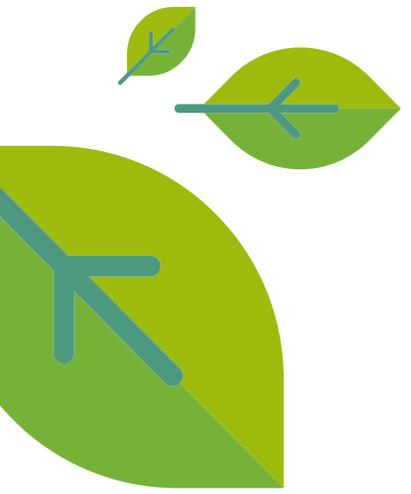
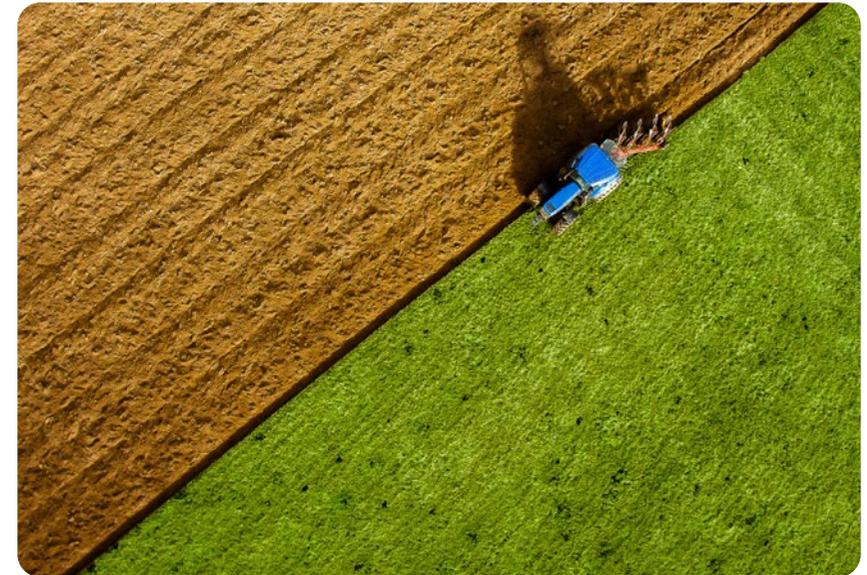




Our sustainability strategy

Metrics and targets

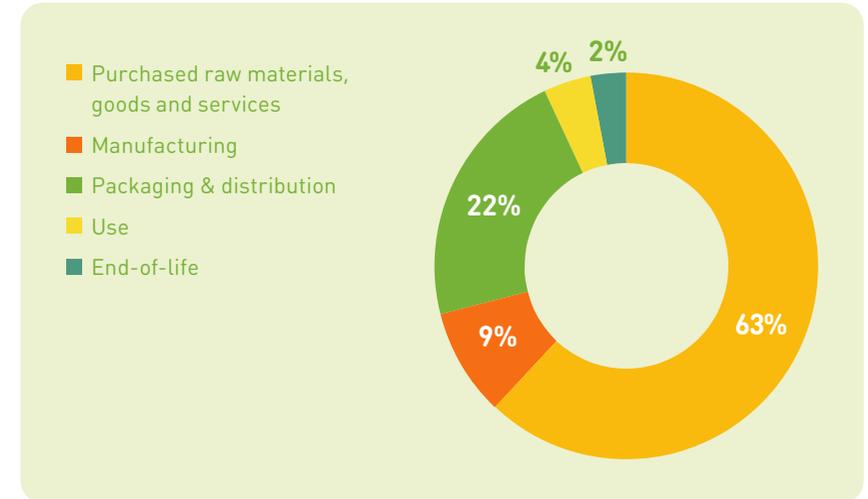
The Hero Group continues to report its full Scopes 1 and 2 carbon footprint and additional set of emissions and energy metrics - all of which can be found within our Data and GRI appendix (page 246). We are in the process of implementing a centralized emissions reporting tool and will report Scope 3 emissions in the next reporting period. We review our material issues at least every three years and will update metrics as required as part of this process. In 2022, we focused on improving our data collection, accuracy and transparency, as well as submitting our climate targets to the Science Based Targets initiative (SBTi), which we believe will be confirmed in 2023. We are fully committed to avoiding deforestation and, looking ahead, intend to move to Forest, Land and Agriculture (FLAG) Science Based Targets. For more information, please see page 193.





Our carbon footprint

We are proud to announce that, in line with the Science Based Targets initiative (SBTi) Net-Zero Standard), the Hero Group is committed to achieving Net-Zero emissions across our full value chain by 2050. We have chosen 2019 as our baseline year as we have a reasonable level of data and this calendar year is more reflective of 'business as usual' than the previous couple of years which were impacted by the Covid-19 pandemic. As you would expect for a company in the food sector, the majority of our greenhouse gas impacts – about 90% of our overall emissions – are Scope 3 (our indirect emissions resulting from value chain activities). The remaining emissions (Scope 1 and Scope 2) are from direct and indirect emissions associated with the production of our products.



Corporate Carbon Footprint 2022

We are implementing a new ESG (Environmental, Social and Governance) Tool Solution that will help us to automatize the complexity behind the Corporate Carbon Footprint Calculations and ESG Data management. This will offer us a more accurate starting point regarding our climate risk mitigation strategy but also a robust corporate carbon footprint across Scopes 1-3 within our value chain. Therefore, while we continue to gather and improve our data for the tool, we are only able to report our Corporate Carbon Footprint 2022 under Scope 1 and Scope 2, while we finish our Scope 3 calculations during the





Lenzburg factory

Our carbon footprint

following months. Our aim is to be a sustainability data-driven company when following our Sustainability Roadmap to Net Zero and we hope our new ESG Tool will be the catalyst for this.

For Sustainability Report 2022 (without Commercial entities)	t CO2 eq
Scope 1	38,579
Scope 2	5,154
Total	43,733

Methodology

Our Corporate Carbon Footprint has been calculated following the guidelines of the GHG (Greenhouse Gas) Protocol Corporate Accounting and Reporting Standard. The 2022 results show our GHG emissions footprint in 2022 (January to December) under Scope 1 and Scope 2, from all our manufacturing sites (operational control approach).





Our pillars

1 Sustainable Sourcing



2 Net Neutral Production

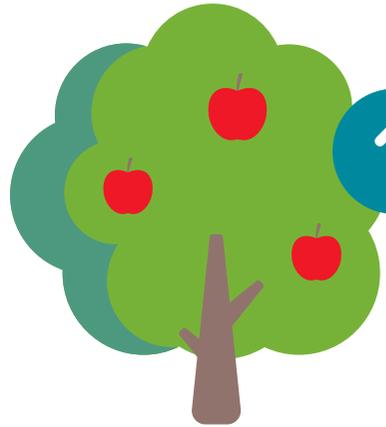


3 Naturally Healthy Food



4 Purposeful People





1

Sustainable Sourcing

Partnering with our suppliers

Hero is a global company, and we make a huge range of products across a variety of categories. This makes our ambition to build sustainability into our approach to sourcing no small task: it requires a clear set of objectives, and meaningful collaboration with our many suppliers, whether they are providing us with ingredients, packaging, finished goods, or services.

We recognize that the success of our efforts will depend on forming successful partnerships, and on working together over time to cut carbon emissions, protect the natural world, and improve conditions for workers.



We are approaching the task systematically. We spent 2022 training our procurement teams to build our internal capacity and improving our systems so that we could embed sustainability in our procurement and decision-making processes. Training is a substantive and ongoing principle to prepare our team for interaction with suppliers around sustainability topics. EcoVadis – a supply chain management tool – and our new Sourcing Playbook play key roles here.

We were methodical in embedding our new approach, working category by category (starting with the most material) to ensure sustainable sourcing was part of business as usual, whether for buying ingredients, packaging, services, or any of the myriad things we need to run our business. We now have a concrete model for engaging our suppliers based on known risk hot spots, how advanced they are on their sustainability journey, and whether, how, and when we have opportunities to work collaboratively with them.





Sustainable Sourcing

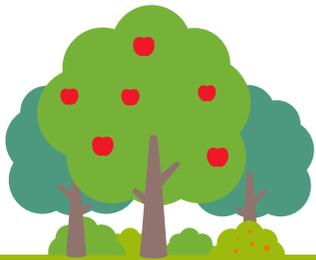
Partnering with our suppliers

We intend this coming year to propose a range of ideas and actions to empower our supply base to improve their sustainability credentials. Our suggestions will be based on how much impact an action might have and how much value it could generate for the supplier over time.

I know that 2023 will be a busy year for me and my team as we move into the implementation phase of our strategy and, by next year, I am confident that we will be able to report back on many successful new projects and partnerships.



Désiré Mouanga-Biayenda, VP Procurement Hero Group





Sustainable Sourcing

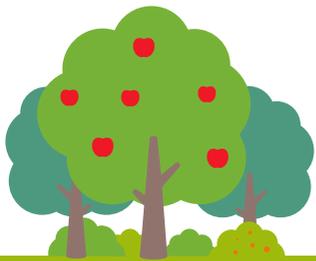
Maintaining our high standards

Our Sourcing Playbook brings our sustainability strategy to life within our supply chain: it provides clear guidance on our sourcing strategy, and the decision-making process, as well as setting out the high standards we expect for everything we source. Now that we have integrated our sustainability requirements and key criteria, we use the Playbook to guide our choice of materials and suppliers, as well as to define the terms of our trading relationship with suppliers.

To increase transparency in our supply chain, we use external tools and certification systems which give us access to information about a supplier's approach to corporate social responsibility and sustainability. These tools are integrated into our supplier assessment tool, meaning that sustainability is always considered when we select a supplier and when we evaluate its performance towards Hero standards. Over time, we aim to increase the weight of the sustainability performance in our assessment tools.



We began using EcoVadis in 2022. This tool is helping to improve transparency on our suppliers' sustainability ambitions and achievements, as well as guiding us on risk hot spots and areas for potential improvement within our supply chain. By 2025, we intend to have at least half of our sourcing spend certified as sustainable through EcoVadis and/or similar recognized global standards.





Sustainable Sourcing

Maintaining our high standards

To ensure our people can use our Sourcing Playbook and are getting full value from EcoVadis, we have been rolling out training for lead buyers and procurement leaders from all regions. June 2022 saw a three-day sustainable sourcing workshop in our Murcia (Spain) office, and we plan to roll out more specific material category training in 2023. Our team is supported by four internal EcoVadis Champions – focused on each of our four procurement categories (Ingredients, Packaging, Indirects, and Third-Party Manufacturing) – who guide the onboarding of our suppliers.

In 2022 we updated our Code of Conduct which clearly states our expectations in a range of areas such as trust and integrity, human rights, employee welfare and labor, as well as sustainability and environmental practices.

We request that all our direct suppliers sign the updated version to clarify that these are contractual obligations.



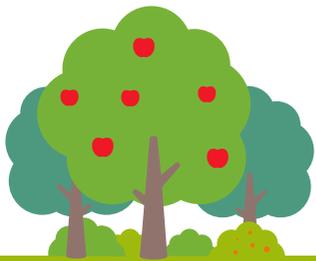
Promoting agricultural best practice

Farmers are custodians of the land. We all benefit when they take a long-term view and care for the natural world so that it can be productive for years to come.

At the Hero Group, we are proactive in supporting our farmer suppliers to adopt the principles of sustainable agriculture. In May 2022, we published our Sustainable Farming Principles, which set out what we believe farmers need to do to take care of the land, soil and water, as well as what they can do to improve working and living conditions for themselves and their workforce.

We choose to buy commodities, such as cocoa or palm oil, that have been certified as sustainable wherever possible, relying on external organizations such as the Rainforest Alliance and RSPO.

[Sustainable Farming Principles >>](#)





Sustainable Sourcing

Promoting agricultural best practice



Project
Cultivar

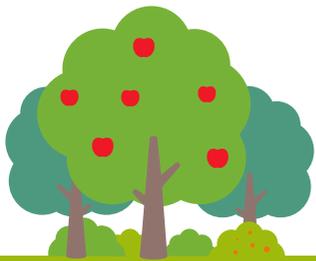
Supporting farmers in Brazil

In Brazil, we launched a project to encourage small-scale fruit farmers to engage with the food industry rather than sending all their produce direct to retail. During 2022, we built on our existing relationships to begin educating fruit farmers on the importance of protecting soil and local ecosystems. The project – Cultivar (Cultivate) – supports farmers with guidance in four areas: mindset, land management, manufacturing processes, and worker welfare. To reach as many farmers as possible, we created an easy-to-follow manual that provides advice in a clear and consistent way.

As a result of our guidance, one of our national suppliers is standardizing their processes for cleaning and sanitizing fruit to meet our high quality standards. The supplier uses an agronomist engineer to monitor its operations and is now working with its network of producers to raise awareness of the importance of managing soil and water resources with care, and of using pesticides sparingly.

Partnering with our supplier on sustainable cereals

The supplier of cereals for our Semper brand is reducing their environmental impact of producing oats, wheat, and rye. By adopting sustainable agriculture practices, the supplier is growing cereals that have half the associated carbon emissions of conventional Swedish grains, as well as having a positive impact on biodiversity. Using a mass balance approach to track the chain of custody on these cereals, this supplier partnership is helping us transition to more sustainable versions of our key ingredients without having to alter our existing recipes. This model is one we hope to replicate with other suppliers across the Group.





Sustainable Sourcing

Promoting agricultural best practice

Building an evidence base for biofertilizer

In 2021, we launched a pilot project in Spain to prove that a switch to biofertilizer is better for the environment while having no negative impact on yields. The use of biofertilizer means switching nitrates for biological nitrogen-fixing agents and other less environmentally damaging compounds. The pilot compared the use of biofertilizer on two hectares of carrot fields in Cartagena with a conventional plot in nearby Guardamar. The results showed that the carrots grown using biofertilizer required 10% less water to achieve the same yield, with no impact on organoleptic characteristics – in other words they tasted and looked just as good. The study helped us reaffirm our commitment to sustainable agricultural practices with our suppliers and to recommend that they apply similar practices to their own crops.

Pilot project biofertilizer

10%

less water to achieve the same yield



Working with others to drive change

We recognize that better food systems are key to transitioning towards a sustainable economy and we therefore need to collaborate with others to drive change. In 2021, we joined the European Carbon+ Farming Journey Coalition, a European farmer-centric initiative catalyzed by the World Economic Forum. This ambitious multi-stakeholder group is committed to decarbonizing our food industry by working throughout the food and agriculture value chain to accelerate farm-level transition to sustainable agriculture and progress towards the goals of the European Green Deal. We are co-leading a working group that is focused on sharing best practice on sustainable sourcing and advising on harmonized procurement specifications.

In April 2022, the coalition released a report entitled *Transforming Food Systems with Farmers: A Pathway for the EU*. This report outlines a pathway to addressing the economic, institutional, and technological challenges currently hindering the case for change within the EU.





Sustainable Sourcing

Promoting agricultural best practice

99% of raw cocoa was Rainforest Alliance certified



Rainforest Alliance cocoa

Our ambition is to source 100% Rainforest Alliance certified raw cocoa which will give us confidence that its production has not contributed to deforestation. In 2022, 99% of our raw cocoa was Rainforest Alliance certified – up from 57% in 2021 – and we will increase that to 100% in the year ahead through trusted and proven schemes.

Deforestation-free sugar

Most of the sugar that we buy comes from beets grown in Europe. Not only does this reduce the transport kilometers when compared with sugar derived from sugarcane, it also reduces the risk of buying sugar from deforested land – a known issue related to sugar cane farms in some countries. We choose to support suppliers in these regions that work within recognized certification schemes such as Rainforest Alliance and Smeta, or that work directly with the United Nations Food & Agriculture Organization (FAO). Where possible, we choose to support smallholder farmers and to partner with them to improve on-farm productivity, social engagement, and environmental benefits.



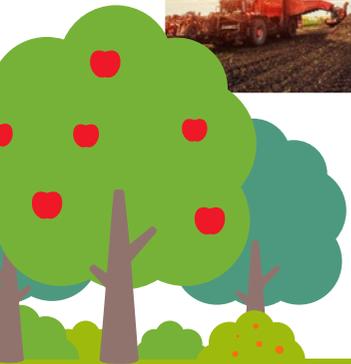
Phasing out palm oil

Palm oil production is linked to deforestation, habitat loss, and climate change. For this reason, we have a target of 0% palm oil in our Baby & Toddler Food products by 2025 and no more than 10% palm oil in our Healthy Snacks range by 2025. The majority of our baby food, milk, cereals, porridge, infant formula and supplementary nutrition have been palm oil-free for several years.

18 palm-oil-free flavours



However, palm oil is still present as part of individual ingredients in a small number of our products in our Healthy Snacks and Natural Spreads ranges, and we are working with the suppliers of those ingredients to switch to palm-oil free alternatives. In Scandinavia, a few Semper gluten-free snacks still contain palm oil, and we are looking for alternative recipes that affect neither texture nor taste. In the meantime, we only use palm oil that is certified according to Roundtable for Sustainable Palm Oil (RSPO) or Green Palm standards.





Sustainable Sourcing

Promoting agricultural best practice

In Germany, we use certain flavors that contain palm oil in very small quantities. We have been able to switch 18 of these 24 flavors to palm-oil-free versions and will remove it from the final six when we have found a suitable alternative.



Collaborating with development agencies

We wish to diversify our sustainable sourcing supply to help build resilience in the face of anticipated resource limitations. We have begun collaborating with established, credible development agencies to select farms in the Balkans, Europe, and Egypt that can provide us with high quality, sustainably-grown produce.

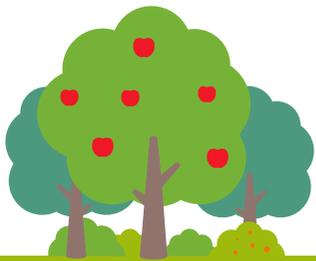
Egypt ranks first in the world for the quality of their frozen strawberries and, in 2022, we began a collaboration with the United States Agency for International Development (USAID) to identify farmers who are using sustainable growing methods so we can import their produce for use in our Spanish and German production sites. USAID's local knowledge and technical expertise has allowed us to quickly identify suppliers able to

meet our high standards for sustainability, quality and safety, and we hope to replicate this partnership model to procure sustainably-grown fruit from other countries in the future.

Our relationship with USAID has also connected us with berry farmers able to supply our local production site in Egypt. The warmer climate in Egypt means that the blueberries, blackberries, and raspberries that we need to make our jams have not been widely grown in the country traditionally. However, the use of greenhouses, best agricultural practices, and biofriendly pollination are now making it possible and we were able to procure quantities of locally-grown raspberries in 2022. With USAID's help, we hope to build relationships with other local berry farmers.

Supporting developing countries

While we aim to source locally where we can, we buy significant volumes of tropical fruit from developing countries including mangoes from Mexico, Colombia, Mali and India, and bananas from Costa Rica, Guatemala, and Ecuador.





Sustainable Sourcing

Fostering biodiversity through pollinator programs

It is now well documented that biodiversity is in decline around the world. While the causes are complex, we can be certain that deforestation and industrial agriculture have played a significant role. Biodiversity decline is a serious hazard for the food supply chain, particularly the impact on pollinator species.

As we set out in our Sustainable Agricultural Principles, we believe that sustainable farming is key to maintaining healthy ecosystems and their services. Farming must contribute to fostering a diversity of animal and plant life, which means protecting and supporting pollinators through responsible farming and the creation of suitable habitats.



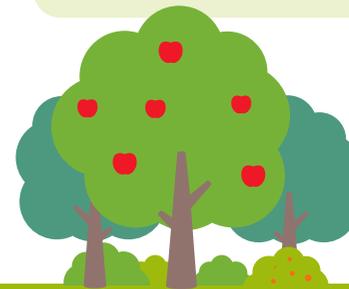
Our *bee careful* program aims to educate our suppliers on the importance of encouraging pollinator species. It works to support them to reduce their pesticide use and increase measures to protect them – such as introducing or maintaining floral margins around their fields or installing ‘bee boxes’ where pollinators can live and breed.



In 2022, we launched an academic collaboration with the New York University’s Stern Center for Sustainable Business, which aims to quantify the return on investment of pollinator-friendly farming practices for our farmers and suppliers, as well as our own business. Using the Return on Sustainability Investment (ROSI™) methodology, they are helping us to assess the impact of various pilot projects and identify opportunities to scale successful ideas in other markets and geographies.

Educating farmers in Spain

In Spain, we encourage our farmer suppliers to plant floral margins around their fields and, in 2022, introduced *bee careful 2.0*, a project that aims to educate farmers on good practice for protecting pollinators and raise their awareness of which pesticides are dangerous to bees.





Sustainable Sourcing

Fostering biodiversity through pollinator programs

Biodiversity-friendly farming in Germany

For several years, we have offered our farmers a free consultation on pollinator-friendly farming with an agronomist. In 2022, seven farms welcomed this support, and dozens more added a ‘pollinator hotel’ to their land to provide habitats for helpful insects. We have also continued to partner with Naturschutz Bund (NABU), a German conservation organization, to plant pollinator-friendly trees in northern Germany. Our funding has enabled them to plant over 2,500 high-stem fruit trees – exceeding our original target of 2,000.



2,500
trees planted



We have been exploring other ways that we can support pollinator-friendly farming practices and surveyed 52 German cherry and redcurrant farms to explore opportunities for collaboration. Over 80% of respondents were eager to work with Schwartzau on sustainability at their farms and we have already initiated two projects.

The first is a partnership with a redcurrant farmer to explore ways to reduce the use of fungicides, herbicides, and pesticides. Our financial support – as well as the security of a long-term contract with us – has enabled the farm to invest in a new mechanical crop duster which is

cutting herbicide use by over 20%. They are also experimenting with sowing red clover amongst young plants since this can help fix nitrogen and improve the nutritional balance of the soil, reducing the need for fertilizers.

The second, launching in 2023 with cherry farmers, will explore the impact of planting flowers in the middle of the tractor tramlines that run alongside the cherry trees.

Protecting honeybees in Egypt

During 2022, our team in Egypt collaborated with different industry stakeholders to support bees and raise awareness of their importance to human life. We continue to support a project that aims to preserve native indigenous bees from extinction, and promote natural, safe treatments for varroa mite and other bee diseases. We also participated in an EU-funded capitalization program on developing beekeeping and the honey industry across Mediterranean countries, sponsored a workshop on honeybee industry challenges, and presented at the Egyptian Honey Festival to educate both beekeepers and consumers on the practices we require for our high quality honey.





Sustainable Sourcing Better packaging

By 2025, all the products made in our factories will be sold in packaging that is

100% recyclable



By 2025, all the products made in our factories will be sold in packaging that is 100% recyclable. We have a target of at least 50% from recycled sources too, helping to reduce our use of virgin materials and stimulating the market for recycled materials. Another element of our packaging strategy is clear labelling: we want to make it as easy as possible for our consumers to know how to dispose of our packaging in the correct place.

During 2022, we rolled out our new Group-wide [Sustainable Packaging Principles](#), both internally and to our suppliers. As well as setting out our principles and goals, the guidelines ensure that we have a shared understanding of terms like 'recyclable' and 'contains recycled content'.

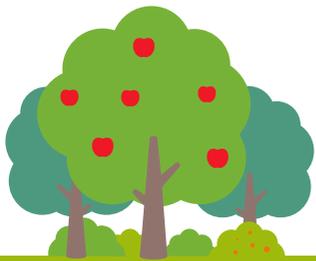
The next step on our journey towards better packaging is the introduction of the Holistic Hero Packaging Mission, a sustainable packaging approach which aims to ensure that all the packaging we put on the market is evaluated to ensure it can be reduced, reused, or recycled.

Rethinking our packaging

During 2022, we used artificial intelligence to help optimize the 340g glass jars that we use for a variety of Schwartz products. We created a digital twin of our usual jar and used the technology to assess how much material we could remove and still maintain the jar's performance. We estimated it could reduce the weight by around 16% – not only reducing input costs, but also cutting associated carbon emissions by as much as 4%. The new jar is now undergoing feasibility tests and is expected to be rolled out at scale in 2023.



Sometimes it is more about rethinking design than technical packaging innovations. For instance, we redesigned the packaging of our Semper gluten-free pasta to remove the plastic window on the front, and instead print a photograph of the product on a fully recyclable cardboard box. Semper has also used smarter design to reduce the weight of its milk-free cereal products, removing 36% of the paper and 5% of the plastic of the original packaging.





2

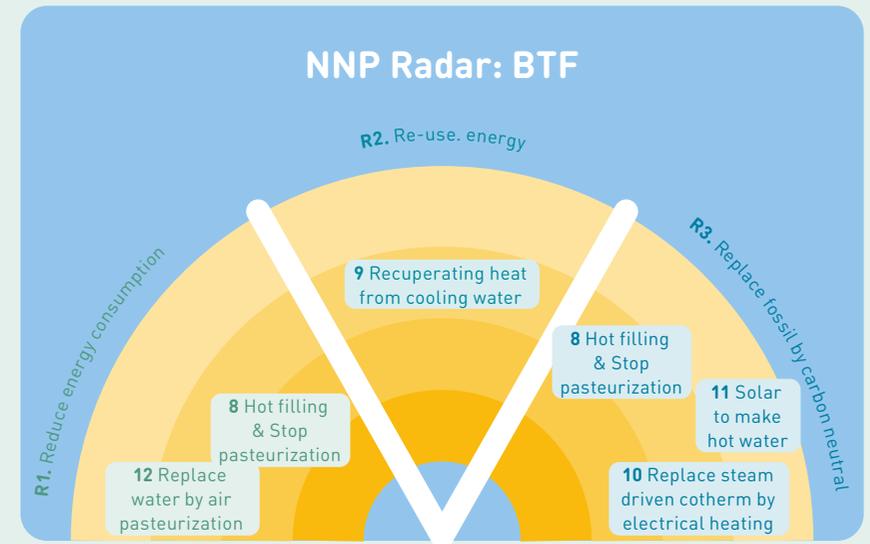
Net Neutral Production

Reducing our impact

We have set ourselves the bold ambition to make our production processes net carbon neutral. This means both reducing the energy we use – we plan to halve our energy use by 2030 – and purchasing or generating green energy.

To ensure we achieve our goals, sustainability is being purposefully embedded in our business. We closely track and plan our capital expenditure on sustainability. In 2022, approximately 6% of our capital expenditure contributed to our climate positive objective.

To make sure we are making the right investments, we are actively engaging with external experts. They support us in co-shaping our Net Neutral Roadmap in terms of defining and prioritizing our pipeline of projects. These will help us deliver our sustainability agenda in a timely and financially-sensible manner, as well as make a step change to shift towards renewable energy.



In addition to our work on energy, we remain focused on actively managing our water use and reducing waste.



Kyriakos Kasapidis, CFO Supply Chain Hero Group



Net Neutral Production

Developing our roadmap



We are working with external consultants who are reviewing our production facilities and process flows to identify available technologies that can drive the delivery of our ambitious Net Neutral agenda. To help us reach our goals, we want to make rapid and dramatic reductions to our energy use. During 2022, we conducted workshops in our facilities in Spain and Germany – the source of around 90% of our factory emissions in Europe – to discuss technologies, agree opportunities, and plan future capital expenditure. We have identified 35 potential category-aligned projects, linked to more than 60 actions, and are now assessing the cost and impact of each one before prioritizing our expenditure program for the next six years.

New technology is constantly being developed, so we recognize the importance of continuously looking for more effective energy-saving equipment and more efficient ways of working.

Alongside this work on energy efficiency, we are also looking at the source of the energy we use. In October 2022, we initiated a partnership with Schneider Electric to help us deliver a step change in the type of energy we use, away from fossil fuels and towards renewable energy sources. Our intention is to harmonize our approach at a Group level. With the uncertainty in the energy markets seen during 2022 and expected to continue into 2023, this project will allow us to control our costs and manage risks as we move towards more sustainable forms of energy.

The first step in our process is to look at our existing power supply contracts to identify risks and opportunities, and to confirm our carbon baseline. From there, we will assess the opportunities available in each market – including purchasing green energy from the grid and making further investments in on-site and off-site renewable energy generation.





Net Neutral Production

Embracing green electricity

In several markets, we already purchase 100% renewable electricity from the local or national energy grid. In northern Europe, for instance, we are making good use of hydropower: our Swiss plant has been run on 100% hydropower since 2017 and our Semper plants in Götene and Korsnäs, Sweden, have done the same since 2020. In addition, the steam used in the Götene plant is generated by a local heat plant using biomass as its energy source. Our facilities in Brazil, Germany, and Spain are also run on green energy.

However, becoming climate positive means generating our own renewable energy on site, too. In Egypt we have on site photovoltaic panels accounting for around 6% of the plant's electricity use; and in Spain, we are building a new factory to make our baby and toddler food pouches and will be installing photovoltaic panels which will be connected to new charging stations for electric vehicles.



Götene Plant Sweden

Our journey to net zero

Our journey to net zero begins with making sure we are being as efficient with energy as possible – this means using less energy and looking for ways to reuse energy when possible.

Over the last year, we have made a series of adjustments and investments to reduce our energy use. Some of these are small, such as swapping incandescent lightbulbs for more energy-efficient LED bulbs in our Egypt plant. Others are larger, such as optimizing the heating and cooling systems in one of our factories in Spain, or our investments in our jam-making facility in Germany (see case study on page 210).

Behavior plays a key role too, and we have raised awareness among line operators and team leaders of the importance of switching off lights and equipment when they are not needed. In Germany, for instance, all employees receive online training on energy and environmental management. In one warehouse, we estimate that simply by raising awareness through training, we were able to reduce our energy use by 10%.





Net Neutral Production

Embracing green electricity

Investing in cutting energy use

In 2022, we moved most of our jam production in Germany from an old site to a newer, more efficient facility nearby. The new site has been fitted out with energy-efficient equipment and is laid out to ensure the best possible use of space. The building is arranged over three floors, and we use gravity to move the jam through the three stages of production: preparation, cooking, and filling. This has significantly reduced our demand for heat and energy.

Producing jam creates excess heat which warms the factory. We use a special air distribution system to bring the temperature down and these have now been adapted to make them more energy efficient: we pipe the cooling air into the facilities at ground level, so it does not have to compete with the warm air collecting near the ceiling of the production hall. In an adjacent factory, we have taken steps to reduce the solar gain by 15% by using light-reflecting roofing materials, saving energy on cooling.



The mains water supplied to our factories has a high mineral content (colloquially known as hard water) which can cause a build-up of calcium carbonate in our machinery. This in turn reduces the efficiency of our heat exchangers and requires more energy to clean. We opted to install a water softening system to counter this.





Net Neutral Production

Embracing green electricity

Benelux green roof

Hero Benelux installed a blossoming green roof on their offices this year, specially designed to nurture the bee population in and around the municipality of Breda. Bees were considered throughout every design aspect of the roof, equipped with special grasses, bee shelters, flowers and water



pools. Installed as a part of an initiative brought forward by the local council, which asked consumers and companies to install green roofs across the city, our green roof is a great addition to Hero Benelux's continuing initiative to support both local and national bee populations. Other projects have included a print campaign to encourage consumers to take part in the Netherlands national bee counting initiative, supporting a local farm with bee-friendly measures and planting flowers in the streets surrounding their offices to continue their support of the local bee community.

Factory natural gas reduction

During 2022, the Hero Spain team reduced the average energy consumption per ton produced by over 5% compared to 2021. This was achieved in production and distribution facilities through measures such as insulation improvements, changes in the management of utilities, optimization of processes, and reduction of temperatures in some cleaning processes, as well as renewal of accessories, and changing the production process of infant cereals, eliminating a previous cereal toasting stage.

Numerous measures have also been implemented to reduce electricity consumption in the factory, with a new air compressor reducing the ratio of electricity consumption to the volume of air produced by more than 15%. This translates into savings of some 205 MWh (€55,000) and a 35% reduction in air conditioning use during the summer in the office building. We estimate that the new machine contributed 25% of the savings and the other 10% was due to organizational and awareness-raising measures.

Average energy consumption per ton down **5%**





Net Neutral Production

Reducing emissions from staff business travel



In 2021, we launched a new green travel policy which aimed to engage our people in the important task of reducing emissions from business travel. We set and achieved an ambitious goal to halve business travel compared with a pre-pandemic baseline year of 2019. In 2022, we actively communicated the green travel policy, set up a dashboard to track our progress, and shared best practice recommendations among employees. This led to a reduction in business air travel and emissions by more than half (-56% and -53% respectively) compared with 2019.

	2019	2022	2022 vs. 2019
CO2 in M kg	1.8	0.85	-53%
Distance in M km	8.8	3.9	-56%

Another way we promote green travel is by making it easier. To encourage people to swap their car for a bike, our three factories in Germany now have secure charging stations for e-bikes and employees receive a staff discount at the local bike shop. We also introduced a charging station for electric bikes in Switzerland and plan to introduce charging stations in other factories and offices in the year ahead, including in the Netherlands.

Improving our logistics

As well as cutting energy use in our production facilities, we are also looking at how we can use less energy in our distribution processes. This means finding ways to cut journey distances, optimize loads, and explore alternative fuels. In Sweden, we invested in cutting road kilometers by bringing our warehousing closer to our Semper production site in Götene. Previously, we were making journeys of 140 kilometers to warehouse finished products ready for distribution. Today, the storage site is just two kilometers away, and is nearer to most of our Nordic customers, too.

Better still, the new building is powered by renewable energy and built according to the Green Building standard, which means that it uses at least 25% less energy compared to the Swedish National Board of Housing, Building and Planning's requirements for new buildings.

Factory to warehouse distance cut from 140 km to **2 km**





Net Neutral Production

Improving our logistics

Choosing green partners

For the past decade, our logistics and warehousing in Switzerland has been managed by Galliker, which is committed to 'green logistics'. Over

95% of its fleet is emission standard Euro 6 and a further 2% use alternative fuels, including liquid gas, electricity, and hydrogen. In addition, they optimize how they use their vehicles, avoid empty runs, and only use temperature controls for chilled goods.



Working towards zero waste

Our ambition is to create zero waste, which means diverting waste from landfill by finding other uses for it. We are working on the creation of a common waste management strategy across the Group and, in the meantime, are finding solutions at the local level, based on the national waste infrastructure.



Food waste is an area that has generated thoughtful innovation in many of our markets. In Sweden, we collaborated with food waste specialists to find markets for our crispbread crumbs and now send these to be turned into three useful products: ethanol, feed for cows, and carbon dioxide for beverage production.





Net Neutral Production

Working towards zero waste

In Germany, our food waste is used to create animal feed and anything that is unfit for animals is used to create biogas. Our pilot project to find a use for cherry pits and raspberry seeds has led to an ongoing relationship with the company Schierbecker which uses them in a variety of ways. In 2022, they took over 85 metric tons of our cherry pits and processed them for use in both the food and beauty industries.

When we have finished goods in our distribution centers with a short shelf life, we aim to send them to discounter stores or donate them instead of throwing them away. For more information on food donations, see page 239.

In addition to food waste, we also have waste arising from the packaging in which our ingredients are delivered. Where practical, we favor reusable packaging. In Spain we have over 20,000 reusable pallets – we send these to our fruit and vegetable suppliers to transport their produce. The pallets are washed and returned for reuse.

Cutting factory waste in Götene, Sweden

Cutting factory waste in Götene, Sweden Changing our approach to waste has been a team effort: we needed everyone in our facility to understand our objective (creating zero waste) and play their full part in delivering it. We began by holding an in-depth waste workshop which then led to the creation of several project groups dedicated to a specific challenge.

Having agreed what needed to change, we then ran training sessions for relevant people, and improved the layout and location of our recycling stations to make them more intuitive to use. As a result, we have halved the amount of general waste being sent for incineration, instead, diverting it for reuse and recycling. We have also cut product waste by over a third since 2021 by fine-tuning production processes and production planning.





Net Neutral Production

Treating water with respect

Water is one of nature's most precious resources, and we aim to use it sparingly and carefully - we have a target to reduce water consumption by 30% by 2030, and to return our wastewater back to local water courses appropriately cleaned.

Our operations in Switzerland have succeeded in delivering a reduction in water consumption every year since 2013 by improving processes and technology use. For example, our factory teams are better targeting machinery cleaning and increasing lot and batch sizes. We also realize opportunities to recycle water across our European factories, including optimizing washing steps of filled jam portions in Germany. These types of process improvements are common across Hero production facilities globally and actively shared and adopted as best practice.



Although we add water to a few of our products, most of our water used at Hero factories is due to factory processes such as cooling or cleaning. Our wastewater, therefore, is largely contaminated by just two things: product residues, and cleaning agents.





Net Neutral Production

Treating water with respect

Reducing the impact of wastewater in Sweden

In Sweden, we work closely with the wastewater treatment plant in the municipality of Götene (where our Semper factory is based) to explore ways to reduce the environmental impact of our wastewater. By enlarging the water tanks at the treatment plant, and monitoring the wastewater pH more closely, we were able to significantly reduce the use of pH-neutralizing acid and lye.

We also separate as much liquid product residue from our wastewater as possible, so it can be collected by an external company which uses it to create biogas. We have also reduced the volume of water we send to the treatment plant [by how much since when?] by redirecting an amount of rainwater and condensation water to a nearby wetland where natural microbiological purification occurs before it flows into the Götene River.

Resource management training in Germany

In Germany, a team of trainees from one of our factories participated in a resource management project led by the Chamber of Industry and Commerce.

The volunteers received training via a series of workshops about the importance of using resources like energy and water efficiently. They were then invited to devise a project that would help the company save energy or water.

Our team chose to review the water used in our cooling processes and working with internal and external experts over a 10-week period, explored ways to reuse the water in the cooling tunnel in one of our jam factories. We are now considering how we can apply the learnings from this trial across the wider business.





Net Neutral Production

Compensating for our remaining emissions



We recognize that while cutting our use of energy and switching to renewables are the right steps to be taking, the nature of food manufacturing means that we will always produce some carbon emissions. It is our intention to compensate for any remaining emissions by buying high quality carbon compensation credits.

In a number of markets, we are already doing this. In the Benelux region, for example, we choose to offset the emissions from our distribution system by purchasing Green Care projects. In the UK, our Organix team offset employee travel emissions – both commuting and business travel – with Carbon Footprint Ltd, which plants trees on our behalf in the UK, helping to reduce deforestation and absorb CO2. In addition to these formal schemes, we also choose to plant trees ourselves. Since 2012, Hero Spain has planted more than 4,000 native trees in a natural park in Murcia to help balance its emissions. In Italy, we have partnered with the Treedom Project to do similar work.

Our ultimate aim is to invest in carbon removal projects within our own supply chain – known as insetting. This has the double benefit of removing carbon from our value chain and building resilience in our supply chain.

Planting from a distance

In 2022, Hero Italy teamed up with locally-founded Treedom, first platform in the world that allows you to plant a tree from a distance and follow the story of the project online, to plant 1,500 trees in different parts of the world. Consumers purchasing Hero Frutta di Stagione can scan a QR code on the lid and are given their 'own' tree, which was planted internationally. They can watch its growth development via the link. Treedom also provides information on the environmental and social impact of the tree varieties planted. Hero Italy plans to continue this scheme in 2023.





3

Naturally Healthy Food

Sharing the goodness of nature

Our mission is to delight consumers by conserving the goodness of nature. That means offering our customers the best quality natural ingredients with a minimum of processing.

We know that a diet that is better for the planet is one that is better for our bodies, too, and we are using our brands to help educate consumers about the benefits of a planetary health diet. As part of this, we have increased our use of fruits, vegetables, wholegrains and nuts, and introduced more 'plant-forward' meals in our Baby & Toddler Food ranges.

We also remain committed to improving the naturalness of our products. This year, our team of scientists and nutritionists helped us to introduce yet more organic products and continue to take steps to reduce or replace highly-processed ingredients.



Christian Schierbaum, Chief Business Officer Hero Group





Naturally Healthy Food

Our ambition

Our ambition is to promote and supply products that are good for us and the planet.

In every new product we develop, or every recipe we change, we want to:

- Increase our offer of fruit, vegetables, wholegrains, and nuts
- Improve the naturalness of our products, for example, by increasing our organic offer and reducing highly-processed ingredients
- Leverage our brands to educate our consumers about sustainable, healthy diets.



Grounded in science

Changing our diet can help us improve our health and the environment at the same time. Recent external scientific studies demonstrated that shifting towards a more sustainable diet, such as the Planetary Health Diet, is the greatest lever to ensure we can continue to feed our growing population.





Naturally Healthy Food

Our 13 commitments

Baby & Toddler Food

55% of our meals offering to use only non-meat proteins by 2025.

0% palm oil in our products by 2025

 **55%** of our products to be Organic by 2025

90% of our pureed products to contain 0% starch and fruit concentrates by 2025

75% of our cereals and snacks contain whole grains* or legumes** by 2025

*Minimum content of whole grain: 30%
 **Minimum content of legumes: 20%

Healthy Snacks

Minimize the use of palm oil to **10%** of our offerings and any use from certified segregated sources by 2025

100% of our products to use cocoa by 2025 & nuts by 2030 are from certified sustainable sources

A further **20%** reduction in the use of 'unhealthy' ingredients by 2025 (sugar, saturated fats, and salt)

Establish a range of fruit or vegetables based products by 2025

55% of our cereal bars to contain whole-grains and/or nuts by 2025

Natural spreads

0% highly processed sugars by 2025

35% of our jams offerings with reduced sugar by 2025

Advocate for the Bee and its role in biodiversity and sustainable farming





Naturally Healthy Food Sustainable brands

Our recently-developed Brand Sustainability Commitments define what each of our brands can do to make a meaningful difference to people and the planet. One such commitment is our aim to prioritize plant-based diets. We worked in partnership with the Umeå University in Sweden on the OTIS study, which explored the impact on eating behaviors of systematically exposing weaning infants to a variety of vegetables and fruit. Based on this study, we created recipes for baby and toddler food in 2022 to support parents in making planetary health-oriented meals after weaning their babies to vegetables and fruit. Organix and Semper are among our brands putting vegetables front and center, with new products designed to be delicious and nutritious stepping-stones towards more complex flavors. We feel that a more planet- and body-friendly approach to food is important for the millions of people who benefit from our brands each year.

Semper STEP app

Semper developed the Sustainable Taste Eating Program – known as STEP – to provide systematic guidance to introducing a child to fruit and vegetables in the best possible way. It is based on Swedish science and developed in co-operation with pediatricians and nutritionists. Semper made the method available as an app in 2021, guiding parents to introduce vegetable and fruit purées with a distinctive sour, and bitter taste over a 24-day period, training their baby's taste buds to prefer natural food.





Naturally Healthy Food

Sustainable brands

New products in Semper Eko range

We added three new organic porridges to our Semper Eko range in 2022. The unsweetened porridge pouches contain no concentrated fruit juice and are enriched with iron and zinc, which are important for a child's development.



New Sunar BIO products

We have been producing infant formula for the Czech Republic and Slovakia under the Sunar brand since the 1950s. Over the last decade, we have introduced Baby & Toddler Food products such as milk-based cereals and ready-to-eat meals in these markets. In 2020, we launched our first Sunar BIO products and expanded the range in 2022 to include three new ready-to-eat organic meals, three puffed organic snacks in playful shapes, and three new milks containing organic cream and no palm oil.



Helping create adventurous, happy, and healthy eaters

In 2022, Organix launched a brand-new range of delicious organic baby meals created for every stage of the developmental journey from first tastes to active toddlers. Each meal contains a minimum of 55% vegetables and pulses. The range has been developed in line with planetary health diet guidelines, using ingredients such as grains and prioritizing plant-based proteins such as chickpeas and lentils. They also come in 100% recyclable and re-useable clear pots.





Naturally Healthy Food

Embracing the goodness of nature

Our healthy, natural, and sustainable products may be inspired by nature, but they are confirmed by science. That’s the reason why we carry out research in collaboration with several research centers and universities around the world, defining what the food industry needs to do our strategy to benefit both the planet and the future of our society.

Our research program covers five four main strategic areas which are aligned with our mission to ‘conserve the goodness of nature’: human milk, optimal complementary feeding, food naturalness, minimal processing, and food sustainability.

We share our research results by publishing reports in peer-reviewed journals and scientific congresses.

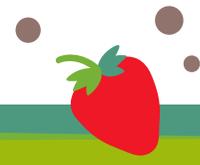
Hidden vegetables in Beech-Nut snacks

Our US-based baby food brand Beech-Nut introduced Crispeas in 2022, made by baking peas with a touch of sunflower oil and sea salt. They also

created Mini Waffles with Hidden Veggies, delicious snacks made with real fruit and vegetables, such as butternut squash and strawberries, providing a lower-sugar alternative to conventional cookies, biscuits, bars, and full sugar treats.

Organix makes healthy snacks for three-to-six-year-olds

We are always looking for ways to shake up the baby snacks market and, during 2022, Organix introduced a new range of snacks designed to make it easier for little ones to stay on a healthy eating path for longer. Developed for three-to-six-year-olds, the range comprises seven delicious and nutritious snacks, including Oaty Bars and Wholegrain Llama Puffs, that help to steer children away from less healthy options such as crisps and biscuits. Organix also launched a trio of products in the baby finger food and toddler snack category: Rice Cake Clouds, Weaning Wands, and a limited-edition Blueberry & Apple Oaty Bar.





Naturally Healthy Food

Embracing the goodness of nature



Semper signposting healthier products

In the Nordic countries, a keyhole symbol is used to help consumers quickly and easily identify products that have less sugar and salt, and more whole-grains, fiber, and healthy fats. In 2022, we added the logo to four new Semper gluten-free products which were well received by consumers.

Research programs

Our Hero Group Research & Development team, together with our internal Nutrition Community, are collaborating with a global network of experts from academia and the food industry to transform science into action and maximize our efforts to improve health, food naturalness, and food sustainability. We pay special attention to the needs of younger consumers as children’s nutrition is key for their future development.



Health Index (HI) & Nutri-Score

For our products targeted to adults, we use Nutri-Score to evaluate their nutritional quality. For our infant products, we created our own Health

Index in 2015. We continuously update the index regarding the latest knowledge on infant nutrition.

Food Naturalness Index (FNI)

Together with the Swiss Federal Institute of Technology – ETH Zürich (Switzerland) and University of Murcia (Spain), we developed the FNI to help us define and measure ‘naturalness’ in food. It creates a relationship between food naturalness and other aspects such as organic farming, use of additives, and the degree of processing.



Our Goodness of Nature (GON) index

This index is based on the latest scientific developments and nutritional guidelines and helps inform our product innovation and reformulation. The proprietary algorithm is based on two main components: the FNI (Food Naturalness Index) and the Health Index / Nutri-Score.





Naturally Healthy Food

Food safety



Our customers trust us to deliver safe, high-quality products. Maintaining food safety is therefore core to our business. We rigorously test our products after selecting only the best ingredients. Testing is thorough and runs continuously from production to finalization and regularly thereafter to ensure our products meet the highest possible quality standards.

We ensure standardization in our approach across different markets through the Group's VP of Quality. Our standards are implemented at a factory level and are overseen at each of our manufacturing sites by their respective Head of Quality. Sites share their best practice and we keep a close eye on trends, vulnerabilities, and new regulations. From these we can work to ensure the safety of our products. This year, we reviewed our approach to crisis management and focused on improving data collection and traceability to give us full oversight at Group level. In 2023, we aim to move more of our food safety management online to allow for easier data management.

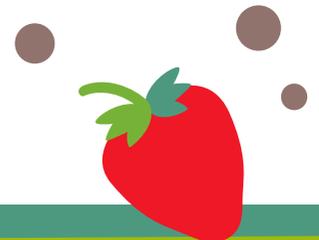
Baby Gourmet named Best All-round Clean Baby Food

Baby Gourmet was the first baby food brand to receive the coveted Clean Label Project Purity Award in the US, attesting to the quality of the ingredients we use. The Healthline Parenting website named Baby Gourmet the *Best All-round Clean Baby Food* of 2022.



Innovation awards granted to Hero Spain

We strive to contribute to healthier diets and easier-to-interpret labels. In Spain, more than 80 quality and food safety audits were done on our products, and innovation awards were granted by organizations such as the European Food Transition and Carrefour.





Naturally Healthy Food

Food safety

Organic products

Choosing organic products can help create a diet that is equally positive for people and nature. Our Schwartau brands have been certified as organic since 2020 and passed the annual organic audit in 2021. Our organic range currently includes Schwartau Extra Bio and Gemüeglück spreads.

Semper named best gluten-free producer

We are proud that the Norwegian Celiac Association chose to award the prize for *Best Gluten-free Producer* to Semper for our varied, widely available, and growing range of gluten-free products.



Using our brands to raise awareness of the importance of pollinators

Bees and other pollinators are a critically important part of our food chain: by transferring pollen between flowers, they play a vital role in the reproductive system of many of the plants that provide us with fruit, nuts,

and vegetables. However, climate change, the misuse of chemicals, habitat loss, and disease are causing pollinator populations to decline worldwide.

Fruit is, of course, vital to our business, so we are taking action to help reverse this worrying trend. In addition to our projects to boost bee populations (see pages 227 and 242), we are using the power of our brands to raise awareness of the importance of bees.





Naturally Healthy Food

Raising biodiversity awareness in Brazil

In Brazil, we have formed a partnership with the NGO *Bee or Not To Be*, supporting them to defend and maintain all bee species. As part of this project, we are raising awareness of the importance of pollinators through on-pack communication. Our limited-edition 'jam of the year' was released to the market in late 2022 carrying the logo of the Bee Friendly Company

Project. We are now discussing with *Bee or Not To Be* what else we can do to educate employees' families and local communities, and how we can support our fruit farmers with bee hotels.

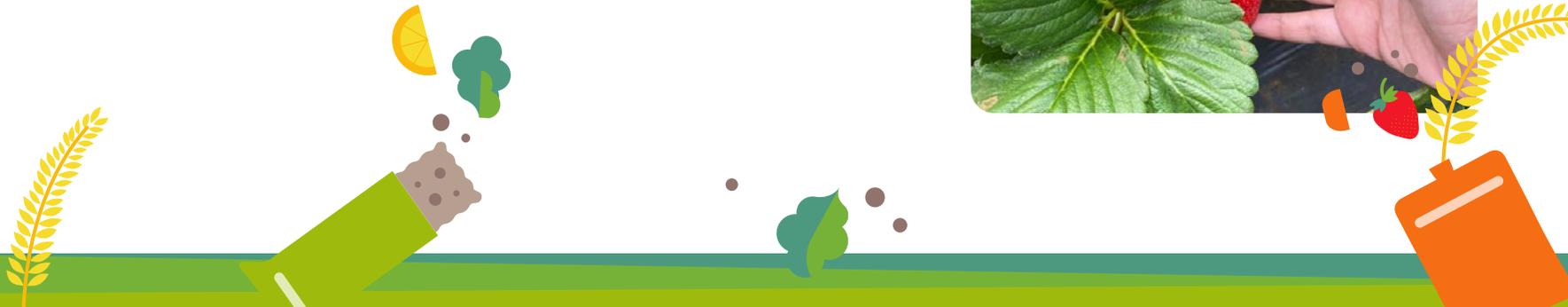


Bee-helper jam in Germany

Every year since 2015, we have raised awareness of the importance of pollinator health via a Bienenhelfer jam – which translates as 'bee-helper' jam. Each year, we change the variety on sale. As well as using our packaging to direct consumers to our *bee careful* website, where we explain the value of pollinators and the worldwide risks to their health, we donate €0.05 to a bee-friendly project for every jar sold. Over the last three years, we have gifted this money to an environmental NGO, allowing them to plant more than 2,500 high-stem fruit trees in northern Germany, creating the equivalent of five hectares of bee-friendly meadow orchards.



2,500
trees planted





4

Purposeful People

Taking care of our employees and communities

For Hero, sustainability means caring for both the planet and for people; the fourth pillar of our sustainability strategy steers us to make sure we are doing right by people. That means the people who work for us, as well as the people in our communities to whom we can offer support.

Our people are the reason that Hero is such a successful business. Their passion, commitment and motivation drive our business forward. That's why we take great care to keep them safe, motivated, and engaged in our mission. A big focus for us this year has been scoping and initiating our Diversity, Equity, and Inclusion strategy (see page 235), which will be launched Group-wide in 2023. We have set ourselves a target to achieve gender balance at all levels of leadership by 2030 and I am pleased that our approach is already bearing fruit – in 2022, we welcomed our first female leader to the Executive Board and our second will join in early 2023.

We care deeply about our communities and seek ways to offer support to those who need it. As a food business, donating our products is a core part of this, but we also fundraise and volunteer our time for a wide range of worthy causes.

Hero may be a group of multiple companies spread across a range of geographies, but our values unite us: we all aim to nourish others by treating everyone with honesty, care, and respect.



Rob Versloot, CEO & a.i. Chief People Officer





Purposeful People

Living our values

Hero is a company that is driven by its values: they define us and give us a sense of belonging – especially because we work in so many different sites around the world. In 2021, we conducted an extensive listening exercise to make sure we had the right values in place to guide us into the future, and that they resonated with our people.

Based on this, we wanted to create a way to acknowledge people in our business who were embodying our values. Throughout 2022, different countries introduced activities to recognize the work done by colleagues who demonstrably lived our values. By raising awareness of their actions and examples, we can all be inspired, celebrate their achievements, and feel proud of Hero's approach.





Purposeful People

A great place to work



We aspire to make Hero a great place to work. In other words, we hope the people who work here feel engaged by their jobs, proud of how we operate, and keen to build a career with us over the long term.

Part of this is about supporting our people to feel connected to our core mission and values. We continued throughout 2022 to communicate and engage with our people through our intranet, the Hero TV broadcasts and quarterly Townhall meetings, and internal social media. Through these communication channels we aim to give our people a deeper understanding of how Hero works by covering different topics in depth. In 2022, chosen topics included sustainability, digitalization, procurement, eCommerce, and new product innovation.

Most of us spend half our waking hours during the week at work, so it is important that our sites are welcoming and engaging. For those who want it, the workplace can be a social space too, and we organize activities and events to boost camaraderie. In June 2022, for instance, the team at Baby Gourmet in the US enjoyed an employee scavenger hunt, splitting into teams and competing across the city to take a series of playful photos.

Being a good employer isn't just about concentrating on the positives though; it is also about how we support our people when times are hard. In 2021, we introduced an Employee Assistance Program at Schwartau which provides professional short-term counselling for our employees and their relatives. The confidential service is free of charge and can help our people manage challenges around their health, or issues that are causing them personal or professional stress – such as money troubles, bereavement, or family breakdown. Our people can access the counselling service on site, by phone, or online via video calling. During 2022, 57 people used the service.





Purposeful People

A great place to work

Hybrid working

The pandemic showed us that we can be productive without being in the office every day of the week, so we now encourage hybrid working and virtual meetings. Our Semper business, for instance, developed a hybrid model where employees, whose duties allow, are invited to work from home 40% of their time. We have supported this approach in all our businesses through the continued digitalization of meetings as well as processes that help people to implement this flexible arrangement. Not

only does this dramatically reduce the amount we all need to travel, reducing our carbon emissions from staff commuting and business travel, but we also notice that there are advantages for staff wellbeing, too.



Voicing concerns

We want to ensure that our employees, suppliers, consumers, communities, and anyone with an interest in our business can voice concerns about how we conduct our business, without fear of reprisal.

In 2022, we launched a new SpeakUp program in the Nordic countries. SpeakUp is a confidential reporting channel managed by an independent third-party provider. Anyone wishing to report potentially unethical, unsafe, or unlawful practices can call the whistleblowing hotline, 24/7, 365 days a year. The phone number has been communicated to all staff and is on posters throughout our facilities. Each call is assessed, followed up, and investigated (if appropriate) by an assigned case manager, with regular reports to senior management. Themes, insights, and lessons learned are shared appropriately.

In 2022, two issues were reported to SpeakUp. We are expanding the SpeakUp employee initiative to our other Group facilities in coming years.



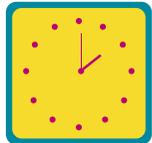


Purposeful People

A great place to work

Onboarding new teammates

In 2018, our German baby and toddler food business, erdbär, opted to restructure as a holacracy. This shift away from a traditional management hierarchy and bureaucracy and towards empowering individuals has boosted employee engagement and satisfaction and reduced turnover. In 2022, they took steps to ensure that the onboarding process for new employees also reflected their approach: every new starter now receives a personalized welcome, a lavish care package, and is bestowed with a fruit or vegetable nickname. One recent joiner commented: "Everyone at erdbär is really passionate about our mission – you can feel that you'll always be taken care of from the start."



Nourish others

One of our four company values is to 'Nourish others'. We have brought that to life in our German sites in 2022 by introducing book exchange shelves in each facility so our people can pass on books they read to others.



Nourish others





Purposeful People

Engaging our people on the issue of sustainability

Given that we employ thousands of people all over the world, we recognize that we can have a meaningful impact by inspiring them to be custodians of the natural world.



three thousand
square meters of land
in wildflowers

In the Nordics, for instance, we sent all our employees information about pollinators along with a packet of wildflower seeds, enough to cover three thousand square meters of land in wildflowers.

In Egypt, we invited a group of our employees' children to write and perform a song about conserving the goodness of nature. We recorded the song and filmed a music video to accompany it, and then uploaded it to YouTube.

Training and development

We want to help our people to be the best they can be and offer support in two key ways: regular constructive feedback and opportunities to learn new skills. We aim to provide feedback in the moment and, in addition, every year each employee meets with their line manager for a structured conversation about their performance and career ambitions.

For those looking to grow their skills or prepare for more responsibility, we provide a range of training opportunities. As well as a multitude of local training programs that reflect specific local needs, we also have several global programs in place such as our Everyone Hero Experience, our international onboarding program. We also offer dozens of courses via our digital training platform, accessible anywhere, anytime, and covering topics relevant to both business and personal development.





Purposeful People

Training and development



Building a strong talent pipeline is crucial for our ongoing success and we invest in preparing and developing our leaders through three bespoke training programs:

- Leader Route is a workshop designed to help supervisors, and those preparing to become managers, to cultivate visionary forward-thinking, tactical execution skills, and team awareness.
- Leader Track helps managers find their authenticity and learn how to motivate and engage team members in the strategy, vision, and mission of the company.
- The Power of One Leadership Experience allows leaders to better understand their leadership style and how it aligns with the company values, mission, and strategy.



Supporting the workforce of tomorrow

We support an initiative called 'Frühstarter' – early starter – by inviting groups of university students from across Germany to visit our Schwartau site for a taste of what it's like to work in food manufacturing. These twice-yearly events are attended by people from across our business who make presentations on topics such as marketing, product development, and sustainability. Afterwards, we exchange ideas, encourage discussion, and invite feedback.

In addition to these events, we offer straightforward internships lasting one semester, and provide support to students who choose to write their Bachelor's or Master's theses on aspects of our business.

internships lasting
1 semester





Purposeful People

Diversity, Equity, and Inclusion



Nourish others

We treat everyone with honesty, care and respect, and provide our people, customers, and consumers with what they need to thrive. It's about Honesty, Empowerment, Respect and Diversity.

One of Hero's four values is to 'Nourish Others'. In practice, this means treating everyone with honesty, care, and respect. This is the value that underpins our new Diversity, Equity, and Inclusion strategy, which is being launched in 2023.

Our new strategy outlines our ambition to be a company for all, irrespective of race, creed, sexual orientation, or gender. Delivering on this ambition will involve improving our practices and removing barriers so people can bring their whole selves to work. We were pleased that in 2022, a woman joined the Executive Board of Hero Group, and another joins in early 2023, meaning that one-third of our top leadership team is female. From 2023 onwards, we will ensure that all candidate shortlists are gender balanced for all roles. We are also planning to introduce a system of sponsors who will mentor high-potential women. We believe our new strategy will help us to promote even more women into senior roles within the company.





Purposeful People

Diversity, Equity, and Inclusion

We have formed a working group made up of people from across the business and countries to deliver on key actions such as making sure that our people have a say on issues relating to diversity, equity, and inclusion. We also want to understand better how inclusive our people believe Hero is as an employer and where we can improve, so we are adding a relevant section to our new Hero Pulse Employee Survey, launching in 2023. This features five new questions that ask about our people’s sense of belonging and their experience of fairness and equality. This information will give us a baseline of our people’s experience and where we can improve over time.

Other key areas of focus are communication and training. We are taking steps to educate our people by using our communications channels to build a common language around the topics of diversity, equity and inclusion, and include relevant training in our learning and development onboarding, too.



Hero in Switzerland: Gender pay balance

A study carried out this year (2022) by an independent body found no pay gap between women and men working for Hero in Switzerland. More than 200 colleagues were compared in the study, which found that the difference in pay was only marginal between the sexes. The near parity in pay shows that for Hero, gender is not a determining factor when it comes to pay.



For Hero, gender is not a determining factor when it comes to pay





Purposeful People

Keeping our people safe



Our top priority at each of our eight production facilities around the globe is keeping people safe. As you would expect, we have a Health & Safety leader at each site, and operate comprehensive safety protocols, including training our people to spot and mitigate safety risks and hazards. We also provide task-specific safety training for any jobs that require it.

During 2022, we took steps to further improve our safety procedures by identifying where we lead and where we lag on safety. This led to the creation of a new safety policy that has been communicated to all sites. To test the efficacy of our processes and procedures, we conducted a



self-assessment against ISO45001, an international standard for health and safety at work. Although we scored well in all our facilities, the exercise highlighted some additional improvement opportunities. As a result, we have generated a global safety improvement action plan – Strive for Zero – implemented at the beginning of 2023. The plan strives for zero fatalities, zero serious accidents, and zero minor accidents.

Safety best practice in Turkey

We share best practices across the Group so all our markets can benefit from good ideas. In Turkey, we made a number of operational adjustments in 2022 to improve the safety of our people. We no longer rely on manual handling in our Bag Dumping Station, opting instead for a lifted operation. Working at height is a high-risk activity and we have introduced lifelines on all sailor ladders and across our roofs so our people can attach their personal protective equipment to secure anchors. We have also introduced new lights on our forklift trucks which shine a blue light a few meters in front to alert pedestrians when they are on the move.





Purposeful People

Keeping our people safe

Vaccination drive in Germany

Covid-19 continues to cause economic disruption as well as presenting a real health risk to the more vulnerable members of our society. We want to play our full part to support the efforts of national governments to vaccinate their populations and have encouraged our people to take up the vaccine. In Germany, we offered all our employees a vaccine in 2021, and a booster in 2022. In January 2022, 245 colleagues and 105 family members chose to receive a vaccine through us.

Semper introduces new system for handling chemicals

Effective Health & Safety processes are typically aimed at preventing accidents and injuries in the workplace. In 2022 in the Nordics, we took steps to make it easier for our people to understand how chemicals – such as cleaning agents and laboratory chemicals – should be handled. Our new digital system provides easy access to information on the properties of different chemicals so anyone using them can see the risks and use the appropriate personal protective equipment.



Challenging times

In 2022, the Hero Group launched the 50K Challenge where employees were encouraged to be active in any sport or other physical activity. The aim of the six-month event was to get encourage colleagues to be more active, thereby improving their health. Hero Group CEO Rob Versloot also participated actively in a parallel CEO challenge where he pledged to get fit. He was joined by 170 colleagues who ran, swam, rowed, climbed, kayaked, and cycled just under 47,000 kilometers in 210,000 minutes of activity – we didn't quite make the target, but our people are enjoying better health as a result.



The 50K Challenge was part of the company's campaign to support colleagues preparing to implement the Group-wide PHI digitalization project.



Purposeful People

Supporting our communities



As a thriving business, Hero is already making a difference in our local communities by providing well-paid, meaningful employment to thousands of people. However, our responsibility doesn't stop there: we want to be a good neighbor and to take care of the people around us. Every year, we raise money for good causes, and donate our time and our products to organizations that need them.

Supporting local communities

In Canada, the team at Baby Gourmet donated over 150,000 meals during 2022 through its *Heart of Baby Gourmet* program. In the US, our Beech-Nut team continues to support the 'No Kid Hungry' initiative, which aims to end child hunger in the US. In 2022, Beech-Nut donated 17,300 units of baby food to local charity United Way in the Greater Capital Region for their 'Stuff the Bus' campaign to help feed hungry families around Albany, New York – close to our production site.

Beech-Nut also donates products throughout the year. In September, it held its sixth annual *Beech-Nut Gives Back* event where it gave away food parcels to the local community. This year it provided a record-breaking 1,015 boxes of food for families.

In October, it donated 36,000 Oaty Bars and Crispeas Toddler snacks to the Red Cross to distribute to families affected by Hurricane Ian, one of the worst hurricanes ever to hit Florida.

Earlier in the year, our Beech-Nut team joined the CDPHP Workforce Challenge, the biggest running event in the Capital District of New York. 10,000 people joined the run, sporting t-shirts with the slogan 'Run like your toddler is coming for your snacks!'. Between them, they raised \$31,000 for the Oakwood Community Centre, a neighborhood food bank and community space.





Purposeful People

Supporting our communities



Helping displaced Ukrainian families

Following Russia's invasion of Ukraine, the Hero Group fully condemned the violence, expressing shock and sadness at the suffering the conflict is causing.

Individual companies around the Group donated nearly 400 pallets worth of products and around €150,000 – including direct staff contributions – to organizations helping Ukrainian families escape the devastation brought about by the war.

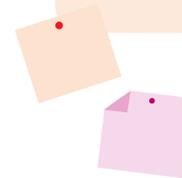
In addition, we suspended non-essential food exports to Russia and stopped all investment in the country. However, we took the decision to continue to export baby food to ensure continued availability to Russian parents. We chose to donate all profits from the sales of these goods to humanitarian organizations supporting people fleeing the violence in Ukraine.



Fighting food waste

Our Semper team in Sweden continued to fight food waste while contributing to the local community by donating food to charity, including the Food Mission, Stockholm City Mission, the Norwegian Poor House, and the Finnish Operaatio ruokakassi (Operation Food Bag).

The team also donated a personal present to Operation Smile at Christmas, a non-profit which provide vital healthcare to children who would otherwise not have access. The total donation is enough for three nutrition camps in Madagascar, which will help 90 malnourished children build up their strength before their cleft lip and palate surgery.





Purposeful People

Supporting our communities

Solidarity with children

We are a long-time supporter of the McDonald’s Children’s Aid Foundation which supports the families of seriously ill children. In 2022, we committed to sponsor one of 12 apartments they provide for the families of sick children being treated at Lübeck Hospital. We also made a donation to support the construction of a new specialist hospital that serves children and adolescents in Lübeck with psychiatric disorders and mental illnesses, as well as those in acute crisis and emergency situations. And, in June, several colleagues raised sponsorship money by participating in the Foundation’s SOLO Charity Ride.

Schwartau has sponsored the Schleswig-Holstein Music Festival for several years because it is one of Germany’s most important classical and cultural events. In 2022, we also supported the ‘Musikfeste auf dem Lande’ (Music Festivals in the Countryside) that welcomed visitors to



concerts at beautiful estates in Schleswig-Holstein over six weekends. These events were specifically aimed at children and younger fans of classical music. As well as championing the arts, these events also provided an opportunity to engage youngsters on the issues of biodiversity loss, and the importance of pollinators.

At Christmas, we held a wishing tree campaign where 80 children from the region submitted their Christmas wishes which were then fulfilled by our employees, with financial support from the company.





Purposeful People



Professor Jürgen Tautz

We want to help educate the public about the critical importance that pollinator species play in promoting biodiversity. Since we first launched our digital platform www.bee-careful.com in 2015, we have been supported by Professor Jürgen Tautz, one of the world's foremost experts in pollinator species. The website is underpinned by his extensive knowledge of the importance of bees and has become one of the leading resources about bee health. In various markets, we have created bespoke versions of this website to connect consumers to information about bee health in their own country. In 2022, almost half a million unique users visited these sites.

In addition to our virtual bee education efforts, we have several information points in the real world, too. In northern Germany, we opened the Bee Pavilion at the LandPark Lauenbrück wildlife park, an entertaining and contemporary exhibit that aims to engage visitors of all ages on the importance of bees and biodiversity. And in the Netherlands, we have set up an educational bee building at Wolfslaar, a children's farm in Breda where we have offices.



half a million
unique users



The website is one of the
**leading
resources**
about bee health





Purposeful People

How we govern our sustainability program

Good governance is an important part of any sustainability strategy, and at Hero we have built a strong team and a comprehensive process to ensure that our program of work gets the management, oversight, and support it needs to be a success. Towards the end of 2022, we reviewed our sustainability governance structure with a view to simplifying and embedding it within the functional areas of the business, empowering countries to be responsible for implementation of our sustainability plans. We are implementing these changes in 2023 and there will be more detail in next year's report.

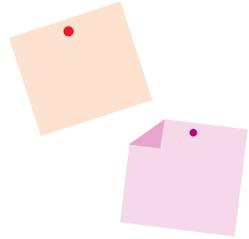
Senior sponsorship

The sustainability strategy is owned and led at the very highest level of our business. Our Chief Executive Officer is ultimately accountable for its delivery and our sustainability community falls under his responsibility. He sponsors the sustainability strategy, along with our Chief Business Officer and Chief People Officer. They ensure that the profile of the strategy remains high, and that sustainability is considered in every major

business decision. They also help remove obstacles to progress, or find extra funding as required.



In addition, we have an individual senior-level executive who is responsible for each of the four pillars of our strategy. They are the functional directors whose area of the business is largely responsible for delivering on the targets set in each pillar. For instance, our VP Procurement is the pillar lead for our program of work on pillar 1 (Sustainable Sourcing), and our Chief Business Officer steers and our VP Research & Development leads our work on pillar 3 (Naturally Healthy Foods). Our four pillar leads meet with the sustainability team each month – and as required by each project – to review dashboards that allow us to track progress towards our targets.





Purposeful People

How we govern our sustainability program



Sustainability team

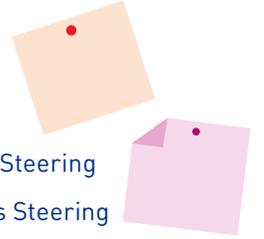
Our Group-wide sustainability strategy and initiatives are the responsibility of our Group Sustainability Director. She reports directly to the CEO and is supported by full-time team members: an Innovation & Sustainability Manager who has oversight of pillars 2 and 3; a Sustainability Manager who leads on pillar 1 and our *bee careful* program; and a Sustainability Data Analyst who is responsible for collecting and analyzing the data we use to set and track our targets. The sustainability broader team is comprised of functional and country leads.

The core team manages the overall governance of the program, including running workshops, building an engaged community across all our markets, and managing data and reporting. The core team presents to the Steering Committee to agree new targets and activities.

Steering Committee

Together, the sustainability team and the pillar leads form a Steering Committee for our sustainability strategy. Every quarter, this Steering Committee meets to discuss key topics and make decisions about how to bring our sustainability strategy to life. These meetings are chaired by our Group Sustainability Director.

In addition, our Group Sustainability Director presents to the Executive Board six times a year and to the Board of Directors twice a year.





Purposeful People

How we govern our sustainability program

Cluster and country champions

Within each market or brand, there is a dedicated sustainability lead who coordinates either local or brand sustainability activity in support of our Group ambitions and scorecard. They have responsibility for tracking relevant data, building the business case for action against each of the four pillars, and ensuring we are on track towards our goals. They are also accountable for deepening the understanding of sustainability among their colleagues through sharing best practice and regular communications – including contributing to our external reports.

This group of champions meets three times a year for Sustainability Community Workshops – working sessions where projects are shared so all markets and brands can benefit from new ideas and best practice case studies.





GRI Tables

Pillar 1: Sustainable Sourcing KPIs

KPI	Value
Proportion of spend on local suppliers ¹	58%
% of palm oil purchased from a certified sustainable source	90%
% of raw cocoa purchased from a certified sustainable source ²	99%
Total weight of packaging purchased (kg)	120 million
% recycled content of packaging ³	35%
% recyclability of packaging ³	74%

1. Local suppliers are defined as being located in the same country as the entity from which the materials (direct goods) are procured. Data excludes spend from Hero Group's commercial entities.

2. Data excludes Hero Turkey due to data collection issues.

3. Recycled content and recyclability information provided to Hero by packaging suppliers.





GRI Tables

Pillar 2: Net Neutral Production⁴

KPI	Value
Energy consumption	288,429 MWh
Proportion of energy consumption generated from renewable sources	19%
Change in total energy consumption (vs. 2021)	+2.6%
Energy intensity	1.3 MWh per mt produced content
Scope 1 emissions (tCO ₂ e)	38,121 t CO ₂ eq
Scope 2 emissions (tCO ₂ e)	5,353 t CO ₂ eq
Total waste generated ⁵	26,955 mt
Total food waste generated ⁶	14,070 mt
Total water consumption	1,382,423 m ³

4. The Pillar 2 data excludes Hero Group’s commercial entities which do not have their own manufacturing sites (these are not materially significant across the Group data totals).

5. Excludes all waste data from Semper due to data collection issues.

Hazardous waste from Beechnut, Brazil, Egypt and Switzerland are not included due to data collection issues.

6. Excludes all waste data from Semper due to data collection issues.

Includes renewable energy produced on site from Hero NFI.





GRI Tables

Pillar 3: Naturally Healthy Food

KPI	Value
% of products for kids (> 3 years old) with Nutri-score A or B	69%
% of products for adults with Nutri-score A, B or C ⁷	53%
% of products with a minimum 'very natural' score according to the Food Naturalness Index (>3.5) ⁷	73%
% of Baby & Toddler Food meals with more than 60 calories	90%
% of Baby & Toddler Food meals with a high contribution of vegetables and legumes (min. 40 %)	47%
% of Baby & Toddler Food meals following Planetary Health Principles on meat reduction	46%
% of Baby & Toddler Food products that are a 'source of' or 'rich in' fiber ⁸	26%
% of Baby & Toddler Food products that are organic ⁸	56%
% of cereal-based Baby & Toddler Food products containing whole grains (min. 30%) or legumes (min. 20%)	42%
% of Baby & Toddler Food products without palm oil	95%
% of puréed Baby & Toddler Food products without starch and fruit concentrates	94%
% of Healthy Snacks products containing whole grains (min. 30%) and / or nuts (min. 40%)	29%
% reduction in sugar content across our Healthy Snacks product lines (against 2020 baseline)	-5.4%
% reduction in salt content across our Healthy Snacks product lines (against 2020 baseline)	0.0%
% reduction in saturated fat content across our Healthy Snacks product lines (against 2020 baseline)	-4.9%
% of jam offerings with reduced sugar (<40g)	31%
% of Natural Spreads products without highly processed sugars	96%
% reduction in sugar content across our jams (against 2020 baseline)	-4.9%

7. This considers all products in the Baby & Toddler Food, Health Snacks & Natural Spreads categories.

8. Products are classed as 'organic', 'rich in' fiber or a 'source of' fiber when they have externally-certified labelling on the product marketing them in this way





GRI Tables

Pillar 4: Purposeful People

KPI	Value
Total number of employees at end of reporting period	4,131
Gender breakdown for entire workforce	Female = 38% Male = 62%
Gender breakdown for full-time workforce	Female = 37% Male = 63%
Gender breakdown for part-time workforce	Female = 65% Male = 35%
Age breakdown of entire female workforce	Under 30 years old = 15% 30-39 Years old = 29% 40-49 years old = 28% 50 years old and over = 28%
Age breakdown of entire male workforce	Under 30 years old = 12% 30-39 Years old = 29% 40-49 years old = 29% 50 years old and over = 29%
Gender breakdown of senior leaders ⁹	Female = 38% Male = 62%
Age breakdown of senior leaders ⁹	Under 30 years old = 0% 30-39 Years old = 10% 40-49 years old = 46% 50 years old and over = 44%
Total number of new hires	569
Gender breakdown of new full-time hires	Female = 35% Male = 65%

9. Senior Leader considered to be: Executive Board member, Cluster General Manager, Country Manager, VP Category, Group SC and Heads of Function





GRI Tables

Pillar 4: Purposeful People

KPI

Value

Age breakdown of new hires

Under 30 years old = 35%
 30-39 Years old = 28%
 40-49 years old = 24%
 50 years old and over = 13%

Number of employees that left the company (employee turnover)

614

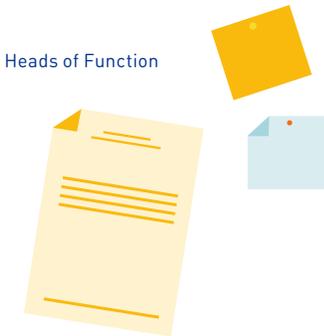
Gender breakdown of leavers

Female = 41%
 Male = 59%

Age breakdown of leavers

Under 30 years old = 33%
 30-39 Years old = 33%
 40-49 years old = 17%
 50 years old and over = 17%

9. Senior Leader considered to be: Executive Board member, Cluster General Manager, Country Manager, VP Category, Group SC and Heads of Function





GRI Tables

GRI Context Index 2022

Global Reporting Initiative (GRI) Index 2022

The Global Reporting Initiative provides a common language, enabling us to share our impacts in a form that can be most easily understood. The following index indicates where in this sustainability report, or in our other corporate communications, you will find information pertaining to a particular GRI indicator. These indicators are explained in more detail on the GRI website: www.globalreporting.org. The data in this report relates to the fiscal year ending December 31, 2022, unless otherwise stated.

Statement of use	The Hero Group has reported in accordance with the GRI Standards (2022) for the period January 2022 – December 2022 (unless otherwise stated)
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	None apply





GRI Tables

GRI Context Index 2022

GRI Standard	Disclosure	Response
	2-1 Organizational details	Our Company page 12-51
	2-2 Entities included in the organization's sustainability reporting	Our Methodologies, page 156 (excl. holding companies, China and Madre Natura AG).
	2-3 Reporting period, frequency and contact point	Hero is in the process of developing a new ESG data management tool. Due to associated administrative challenges, we were unable to provide updated Scope 3 data for 2022 in time for our report publication.
	2-4 Restatements of information	Hero is in the process of developing a new data collection tool. Due to associated administrative challenges, we were unable to provide updated Scope 3 data for 2022 in time for our report publication.
	2-5 External assurance	We have not obtained external assurance for non-financial data as the focus has been on combining our reports and continuing data improvements. We plan external assurance in future years.
GRI 2: General disclosures	2-6 Activities, value chain and other business relationships	Our value chain page 188, Sustainable sourcing page 196 and Our categories page 15.
	2-7 Employees	4,131 FTEs
	2-8 Workers who are not employees	Not currently reported
	2-9 Governance structure and composition	Group structure page 27
	2-10 Nomination and selection of the highest governance body	Group structure page 28
	2-11 Chair of the highest governance body	Group structure page 28
	2-12 Role of the highest governance body in overseeing the management of impacts	Group structure page 28
	2-13 Delegation of responsibility for managing impacts	Internal organisation page 31





GRI Tables

GRI Context Index 2022

GRI Standard	Disclosure	Response	
GRI 2: General disclosures	2-14	Role of the highest governance body in sustainability reporting	This report has been reviewed and signed off by Hero’s Board of Directors. Group structure page 28
	2-15	Conflicts of interest	Hero Code of Conduct www.hero-group.ch/hero-glance Note the Code of Conduct available at this link was updated and relaunched in January 2023.
	2-16	Communication of critical concerns	Not currently reported.
	2-17	Collective knowledge of the highest governance body	The Board of Directors is updated by the Group Sustainability Director bi-annually and governs the sustainability agenda through the Executive Board. Page 243
	2-18	Evaluation of the performance of the highest governance body	Board and management compensation, Compensation of the Executive Board page 44
	2-19	Remuneration policies	Board and management compensation, Compensation of the Executive Board page 44
	2-20	Process to determine remuneration	Board and management compensation, Compensation of the Executive Board page 44
	2-21	Annual total compensation ratio	Not currently reported
	2-22	Statement on sustainable development strategy	Our Sustainability Commitment Joint Chairman / CEO message page 7, Board of Directors page 35 and Sustainability Director page 185.





GRI Tables

GRI Context Index 2022

GRI Standard	Disclosure	Response	
GRI 2: General disclosures	2-23	Policy commitments	<p>The Hero Group’s fundamental business principle is to create long-term success for our owners, to be sustainable, and ultimately create value for society. Hero Code of Conduct www.hero-group.ch/hero-glance</p> <p>Further information on our policies including our Risk and Information policies can be found throughout our report. Internal organization page 31, information policy page 46, insurance program page 51, page 212,page 237.</p> <p>Our Sustainability Commitment www.hero-group.ch/sustainability-commitment</p>
	2-24	Embedding policy commitments	Embedding policy commitments is the responsibility of each business within the Group.
	2-25	Processes to remediate negative impacts	This year we have trialed the roll out of a whistleblowing tool in our Nordic regions, however, remediation of negative impacts is the responsibility of each business within the Group.
	2-26	Mechanisms for seeking advice and raising concerns	Individual businesses within the Group also have their own mechanisms for raising concerns and seeking advice. Hero Code of Conduct www.hero-group.ch/hero-glance





GRI Tables

GRI Context Index 2022



GRI Standard	Disclosure	Response
	2-27	Compliance with laws and regulations
		<p>The Hero Group did not record any significant incident of non-compliance with laws and regulations in environmental areas, which resulted in the inexistence of monetary sanction across its global operations in 2022.</p> <p>The Hero Group did not record any significant incident of non-compliance with laws and regulations in socio-economic areas, which resulted in no significant monetary sanctions across its global operations in 2022.</p> <p>Data excludes Hero Portugal, Hero Russia, and Baby Gourmet due to data collection issues.</p> <p>For information on Hero’s compliance laws and regulations in environmental, social or economic areas across its global operations in 2022 please see section Corporate Governance, page 27.</p>
	2-28	Membership associations
		<p>At the Group level, we are members of several industry associations including the EU Carbon+ Farming Coalition, EIT Food, and SAI Platform. Our brands are also members of local, contextually-relevant associations. In Germany, Schwartau is a member of NaBu Schleswig-Holstein – Naturschutz Bund and the German Lebensmittelverband. Hero Spain is a member of Ecoembes, a non-profit organization that coordinates the recycling of light household packaging in Spain. While based in Egypt, Hero MEA is member of the Confederation of Egyptian European Business Associations (CEEBA). More details can be found in their annual reports.</p>
	2-29	Approach to stakeholder engagement
		See our chapters on Pillar 1 - Sustainable Sourcing and Pillar 4 - People for more information on how we work with suppliers, employees and communities, page 225.
	2-30	Collective bargaining agreements
		Not currently reported.





GRI Tables

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Procurement Practices

GRI 3: Material Topics 2021	3-1	Process to determine material topics	Read about our approach to materiality here.
	3-2	List of material topics	Read about our approach to materiality here.

Economic Performance

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here.
	201-1	Direct economic value generated and distributed	Key figures, page 5.
	201-2	Financial implications and other risks and opportunities due to climate change	The Hero Group Taskforce on Climate Related Financial Disclosures (TCFD) Statement 2022 , page 190.
	201-3	Defined benefit plan obligations and other retirement plans	Financial report, note 22, page 119.
	201-4	Financial assistance received from government	Not applicable, we do not receive significant financial assistance from government that would materially affect our position. There is no government presence in the shareholding section See Shareholders & capital structure, page 29 for further detail on income .

Energy

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here.
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GRI Tables

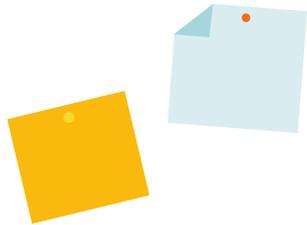
GRI Context Index 2022

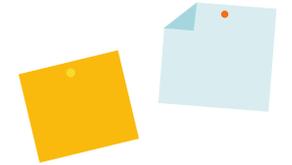
Energy

GRI 302: Energy 2016	302-1	Energy consumption within the organization	The Hero Group's production operations consumed 288,429 MWh of energy in 2022. This data excludes energy use for Hero's commercial entities which use immaterial amounts of energy relative to our manufacturing operations.
	302-3	Energy intensity	1.3 MWh per mt produced content. This data excludes energy use for Hero's commercial entities which use immaterial amounts of energy relative to our manufacturing operations.
	302-4	Reduction of energy consumption	The Hero Group increased its energy consumption by 2.6% between this reporting period and last reporting period. This data excludes energy use for Hero's commercial entities which use immaterial amounts of energy relative to our manufacturing operations.

Water and effluents

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
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GRI Tables

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Water and effluents

GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	See 'Treating Water with Respect', page 216.
	303-2	Management of water discharge-related impacts	See 'Treating Water with Respect', page 216.
	303-3	Water withdrawal	The Hero Group withdrew 1,382,423 m ³ of water during the reporting period, of which 881,705 m ³ came from groundwater sources and 500,718 m ³ came from municipal sources. This data excludes waste from Hero Group's commercial entities which use immaterial volumes of water compared to entities which have their own manufacturing sites.
	303-4	Water discharge	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.
	303-5	Water consumption	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.

Biodiversity

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 303: Water and Effluents 2018	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.
	304-2	Significant impacts of activities, products and services on biodiversity	See 'Fostering biodiversity through pollinator programs', page 204.
	304-3	Habitats protected or restored	See 'Fostering biodiversity through pollinator programs', page 204.
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.





GRI Tables

GRI Context Index 2022

Emissions

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here.
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	See 'Net Neutral Production' data table, page 247.
	305-2	Energy indirect (Scope 2) GHG emissions	See 'Net Neutral Production' data table, page 247.
	305-3	Other indirect (Scope 3) GHG emissions	The Hero Group has not calculated Scope 3 emissions for this reporting period. We are in the process of implementing a centralized emissions reporting tool and will report Scope 3 emissions in the next reporting period.
	305-4	GHG emissions intensity	See 'Net Neutral Production' data table, page 247.
	305-5	Reduction of GHG emissions	See 'Net Neutral Production' data table, page 247.
	305-6	Emissions of ozone-depleting substances (ODS)	Incorporated in our Scope 2 emissions reporting. See 'Net Neutral Production' data table, page 247.
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Incorporated in our Scope 2 emissions reporting. See 'Net Neutral Production' data table, page 247.

Waste

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here.
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GRI Tables

GRI Context Index 2022

Waste

GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	See 'Working towards zero waste', page 213.
	306-2	Management of significant waste-related impacts	See 'Working towards zero waste', page 213.
	306-3	Waste generated	The Hero Group generated 14 mt of hazardous waste and 26,955 mt of non-hazardous waste during the reporting period This data excludes: - Waste from the Hero Group's commercial entities which produce immaterial volumes of waste compared to entities which have their own manufacturing sites. - Waste from Semper due to data collection issues. - Hazardous waste from Beech-Nut, Hero Brasil, Hero NFI, and Hero Switzerland due to data collection issues.
	306-4	Waste diverted from disposal	During the reporting period, the Hero Group diverted 11,468 mt of waste from disposal, all of which occurred through recycling. This data excludes: - Waste from the Hero Group's commercial entities which produce immaterial volumes of waste compared to entities which have their own manufacturing sites. - Waste from Semper due to data collection issues. - Hazardous waste from Beech-Nut, Hero Brasil, Hero NFI, and Hero Switzerland due to data collection issues.





GRI Tables

GRI Context Index 2022

Waste

GRI 306: Waste 2020	306-5	Waste directed to disposal	<p>During the reporting period, the Hero Group directed 15,501 mt of waste to disposal, of which 13,440 mt was incinerated and 2,061 mt was sent to landfill.</p> <p>This data excludes:</p> <ul style="list-style-type: none"> - Waste from the Hero Group’s commercial entities which produce immaterial volumes of waste compared to entities which have their own manufacturing sites. - Waste from Semper due to data collection issues. - Hazardous waste from Beech-Nut, Hero Brasil, Hero NFI, and Hero Switzerland due to data collection issues.
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Supplier Environmental Assessment

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	<p>During the reporting period, the Hero Group started using EcoVadis to evaluate our suppliers.</p> <p>All new suppliers are now asked to join the EcoVadis platform, while the Hero Group is also onboarding existing suppliers beginning with our key and strategic suppliers.</p> <p>By the end of the reporting period, 74 suppliers were screened with 63 achieving at least a bronze medal. A further 33 suppliers began their EcoVadis questionnaires during the reporting period and were currently in progress at the end of the reporting period.</p> <p>Additionally, new suppliers must fill a supplier self-declaration as part of the quality management onboarding process which asks questions about certifications and memberships around social and environmental aspects.</p>
	308-2	Negative environmental impacts in the supply chain and actions taken	See our 'Sustainable Sourcing' chapter for more details, page 196.





GRI Tables

GRI Context Index 2022

Employment

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	569 new employee hires - Gender split: 35% female; 65% male - Age split: 35% <30 years old; 28% 30-39 years old; 24% 40-49 years old; 13% >50 years old 614 leavers - Gender split: 41% female; 59% male - Age split: 33% <30 years old; 33% 30-39 years old; 17% 40-49 years old; 17% >50 years old
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.
	401-3	Parental leave	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.

Occupational Health and Safety

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Two of the Hero Group’s manufacturing sites are ISO 45001-certified (Egypt & Spain) and our remaining six manufacturing sites are in the process of implementing the necessary processes required for certification. The Hero Group’s Health & Safety policy will be announced in Q1 2023 and will set the organizational vision, mission, and objectives in relation to health and safety management across the Group.





GRI Tables

GRI Context Index 2022

Occupational Health and Safety

GRI 403: Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	<p>A comprehensive risk assessment was completed in 2022 which mapped gaps between the current state of affairs and ISO 45001 at all manufacturing sites. The results of this analysis have been analyzed and used to inform major improvement actions for 2023 and beyond.</p> <p>Incident management procedures are in place at all manufacturing sites with regular recording and reporting of incident lagging indicators. Health and safety running procedures and documentation are in place at all manufacturing sites, complying with national laws and regulations. A good practice of sharing the learning points of lost time incidents among manufacturing sites as part of safety community monthly meetings.</p>
	403-3	Occupational health services	<p>Good ergonomic standards are applied at all manufacturing sites to mitigate the potential risk of excessive manual handling activities.</p>
	403-4	Worker participation, consultation, and communication on occupational health and safety	<p>Periodic health check-ups are done regularly as part of national laws and regulations. Health and safety committees are in place and fully implemented at six our manufacturing sites, with the remaining two sites on the way for full implementation in 2023.</p> <p>Worker participation channels are implemented and accessible by workers at all manufacturing sites. Examples include: toolbox talks, safety tours, safety meetings and near miss/hazard alert cards.</p>
	403-5	Worker training on occupational health and safety	<p>At all manufacturing sites, as part of their training plans, workers receive regular health and safety training sessions on essential topics, such as forklift safety, manual handling, physical, mechanical and chemical risks.</p>
	403-6	Promotion of worker health	<p>Periodic health check-ups are done regularly as part of national laws & regulations.</p> <p>Hero promotes worker health with local programs and Group initiatives (e.g., the Target 50K Challenge) plus offers access for all employees to the Good Habitz platform for short health and safety trainings (e.g., sleep, stress).</p>





GRI Tables

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Occupational Health and Safety

GRI 403: Occupational Health and Safety 2018	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<p>A comprehensive risk assessment was completed in 2022 which mapped gaps between the current state of affairs and ISO 45001 at all manufacturing sites. The results of this analysis have been analyzed and used to inform major improvement actions for 2023 and beyond.</p> <p>A work permit system to assess and mitigate potential risks of critical activities is in place and fully implemented at six our manufacturing sites, with the remaining two sites on the way for full implementation in 2023.</p> <p>A contractor management system is fully implemented at six our manufacturing sites, with the remaining two sites on the way for full implementation in 2023.</p>
	403-9	Work-related injuries	There were 75 instances of work-related lost time injuries across the Hero Group in the reporting period.

Training and Education

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here here .
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.
	404-2	Programs for upgrading employee skills and transition assistance programs	During the reporting period, 109 employees attended our leadership programs, 56 attended our Leader Track program, 28 attended Leader Route, and a further 25 employees attended PO1 Leadership Experience.
	404-3	Percentage of employees receiving regular performance and career development reviews	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.





GRI Tables

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Diversity and Equal Inclusion

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Gender split of entire workforce: 38% female; 62% male Gender split of senior leaders: 38% female; 62% male Age breakdown of entire workforce: 15% <30 years old; 29% 30-39 years old; 28% 40-49 years old; 28% >50 years old Age breakdown of senior leaders: 0% <30 years old; 10% 30-39 years old; 46% 40-49 years old; 44% >50 years old Senior leaders defined as Executive Board member, Cluster General Manager, Country Manager, VP Category, Group SC and Heads of Function
	405-2	Ratio of basic salary and remuneration of women to men	tion unavailable/incomplete. We are working to improve our data collection for future reporting periods.

Supplier Social Assessment

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	During the reporting period, the Hero Group has started using EcoVadis to evaluate our suppliers. All new suppliers are now asked to join the EcoVadis platform, while the Hero Group is also onboarding existing suppliers beginning with our key and strategic suppliers.
			By the end of the reporting period, 74 suppliers had been screened with 63 achieving at least a bronze medal. A further 33 suppliers began their EcoVadis questionnaires during the reporting period and were currently in progress at the end of the reporting period.
			Additionally, new suppliers must fill a supplier self-declaration as part of the quality management onboarding process which asks questions about certifications and memberships around social and environmental aspects.





GRI Tables

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Supplier Social Assessment

GRI 414: Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	See our 'Sustainable Sourcing' chapter for more details, page 196.
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Customer Health and Safety

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	We are in the process of improving our data collection. For more information see our approach to 'Food safety' page 95.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During the reporting period, there were 10 product recalls for food safety reasons across the Hero Group's operations.

Customer Privacy

GRI 3: Material Topics 2021	3-3	Management of material topics	Read about our approach to materiality here .
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Within the reporting period, there were zero confirmed breaches of data privacy. Data excludes Hero Portugal, Hero Russia, and Baby Gourmet due to data collection issues.





GRI Tables

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Our reporting methodologies

It is our intention to communicate transparently and to be robust in our approach, hence we have included data where it is available. However, we are in the process of establishing a Group-wide data collection tool. In the next year we will improve our existing processes with the intention to increase the data that we disclose. We worked with external partners to review our data. Where we do not have specific KPI data we are confident in reporting this year, be that for accuracy or completeness reasons, we provided a narrative update in the main body of the report on our key activities and ambitions.

Our reporting year is January 1 to December 31. Any site or business acquired or divested part-way through a reporting year is not required to provide its annual data to the Hero Group in that year. Metrics reported in here may have different start dates but still cover a 12-month period closely aligned with the Hero Group's financial year. Where different reporting periods have been used, this has been clearly stated.

Calculating our GHG emissions

The Hero Group reports full GHG emissions in carbon dioxide equivalent (CO₂e) in tonnes. In 2022, we calculated our corporate footprint (Scope 1 and Scope 2) manually due to challenges and delays in setting up our new data collection tool. We will improve our data collection and report in line with the GHG Protocol in next year's report. See 'Our Carbon Footprint' for further information.



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