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**CORPORATE
SOCIAL
RESPONSIBILITY
REPORT**

WE SUPPORT



STATEMENT OF SUPPORT AND BUSINESS CHALLENGES

Behind us is the eighth year of membership and the application of the United Nations Global Compact (UNGC) principles, whereby we improve the socially responsible business operation of our company in the area of human rights, labour, contributions to the community, environmental protection and the fight against corruption.

Responsible business operation, in accordance with the UNGC principles, has been the strategic direction of our company, whether it concerns the relationship with employees, consumers, business partners, cooperators, social community or attitude towards the environment. Assuming responsibility for the role and influence of our company in the local community and wider is an integral part of our business strategy and commitment to sustainable business operation.

Furthermore, we also seek to incorporate the Sustainable Development Goals into our business strategy to ensure the long-term sustainable growth of our company and all our stakeholders. Nevertheless, we emphasize that the context of Dukat Inc. corporate social responsibility is significantly wider than the UNGC principles that we primarily report on. Namely, the incentives for primary and sustainable milk production are of great significance for the company and the rural areas where our farmers live and work, as well as the entire economy of our country.

In addition, we invest our knowledge and experience in the promotion of proper and balanced nutrition and healthy habits. The focus on the quality and safety of our products, as well as constant innovation and improvement in all areas, are the cornerstones of our development and sustainability.

In 2019, we continued to record unfavourable sectoral trends from previous periods. Namely, the Croatian dairy sector has been recording a steady decline in the number of milk producers, fresh milk production and an increasing shortage of own milk production for the past ten years.

At the same time, the domestic dairy sector is burdened by the placement and import of finished dairy products, especially UHT milk and semi-hard cheese from the European Union countries and beyond, which are marketed at extremely low prices that the domestic dairy industry is incapable of competing with.

Despite the difficult conditions in which it operates, in 2019, Dukat Inc. continued to base its operations on the principles of corporate social responsibility and sustainability, placing the focus on its employees and consumers. Furthermore, we strive to adapt the range of milk, dairy products and cheese to the needs and resources of consumers of all age groups, insisting on their top quality. Innovations and the reinvention of products and recipes confirm our long-standing position as an innovator and leader of new trends in the domestic dairy industry.

Together with the overview of activities related to the application of UNGC principles, this report also follows the Global Reporting Initiative (GRI) Standards and European Commission guidelines on non-financial reporting. This provides our stakeholders with a clear and relevant framework for comparing our activities with previous and future ones, which we will continue to report on.



Alen Fontana
Director

Zagreb, March 2020

DUKAT Inc. – THE LEADING DAIRY INDUSTRY IN CROATIA WITH A CENTURY-OLD TRADITION

Dukat Inc. (hereinafter: Dukat), with its registered office in Zagreb, is the leading dairy industry in Croatia with a century-old tradition in the production of milk and dairy products, which has grown into a regional company as the result of organic growth and acquisitions. With 8 production plants in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and North Macedonia, the Dukat Group is currently the leading regional dairy industry. In addition to Dukat, the Dukat Group comprises 14 associated companies with registered offices in Croatia, Slovenia, Bosnia and Herzegovina, Serbia, North Macedonia, Kosovo and Bulgaria.

In Croatia, the Dukat Group currently employs 1,577 people in three production plants: in Zagreb, Bjelovar and KIM Mljekara Karlovac, which is also an associated company, as well as in its two associated companies LA LOG for transport and distribution and B.P.A.C. Auto for car rental and leasing. In 2019, Dukat has achieved revenue from sales in the amount of HRK 1.83 billion, 84.7 percent of which was on the domestic market.

Since 2007, Dukat has been operating as part of the Lactalis Group, the leading global dairy group and

the leading global cheese manufacturer, which makes it the centre for the development and expansion of the dairy industry in Croatia and South-East Europe.

As the flagship brand for milk and dairy products, Dukat successfully responds to the demands and needs of consumers. Innovativeness, insistence on quality and the implementation of the latest advancements in the food and dairy industry have ensured Dukat would hold the position of market leader and the pioneer of trends in the dairy industry.

Dukat bases its operations on the processing of top-quality raw milk produced by Croatian dairy farms. In 2019, Dukat cooperated with 2,543 milk producers, purchasing 185.1 million kilograms of fresh raw milk, confirming its status as one of the largest purchasers of fresh raw milk in the country.

Its production range consists of milk, chilled dairy, cheese, cream, dairy spreads, desserts and butter. In 2019, Dukat produced 197.8 million kilograms of products in its range, comprising 467 Dukat, Sirela, President and Galbani brand products. In 2019, 42 new dairy products were introduced to Croatian

consumers. Dukat also markets the branded products of companies operating within the Lactalis Group, such as Alpsko mleko, MU, Lactel, Parmalat, Societe, etc., and its total sales range comprises more than 600 dairy products.

Dukat exports its products and innovations developed and commercialized on the domestic market to approximately 80 countries around the world: in Europe, Africa, Asia, the Middle East, French Overseas Territories and Central America. In 2019, the export to Bosnia and Herzegovina, Serbia, North Macedonia, Denmark, the Czech Republic, Romania, France, Italy, Spain and Portugal significantly increased, with export growth of 14 percent compared to the year before.

Dukat has implemented international standards that ensure top quality, safety and food safety: ISO 9001 Quality Management Systems, ISO 22000 Food Safety Management, IFS, HACCP, as well as Kosher and Halal certificates for specific product groups. Dukat also has the ISO 14001 Environmental Management System certificate, as well as the ISO 50001 Energy Management System since 2017.

THE DUKAT GROUP IN CROATIA IN NUMBERS (2019)

No. 1

dairy industry



3

production plants

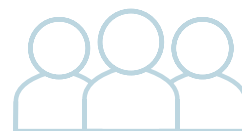
3

associated companies

KIM Mljekara Karlovac, La Log, B.P.A.C. Auto

1,577

employees



EUR 332.56

million turnover

251.1

million kilograms of total
processed milk

2,543

co-operators

42

new products introduced on the
Croatian market

467

products



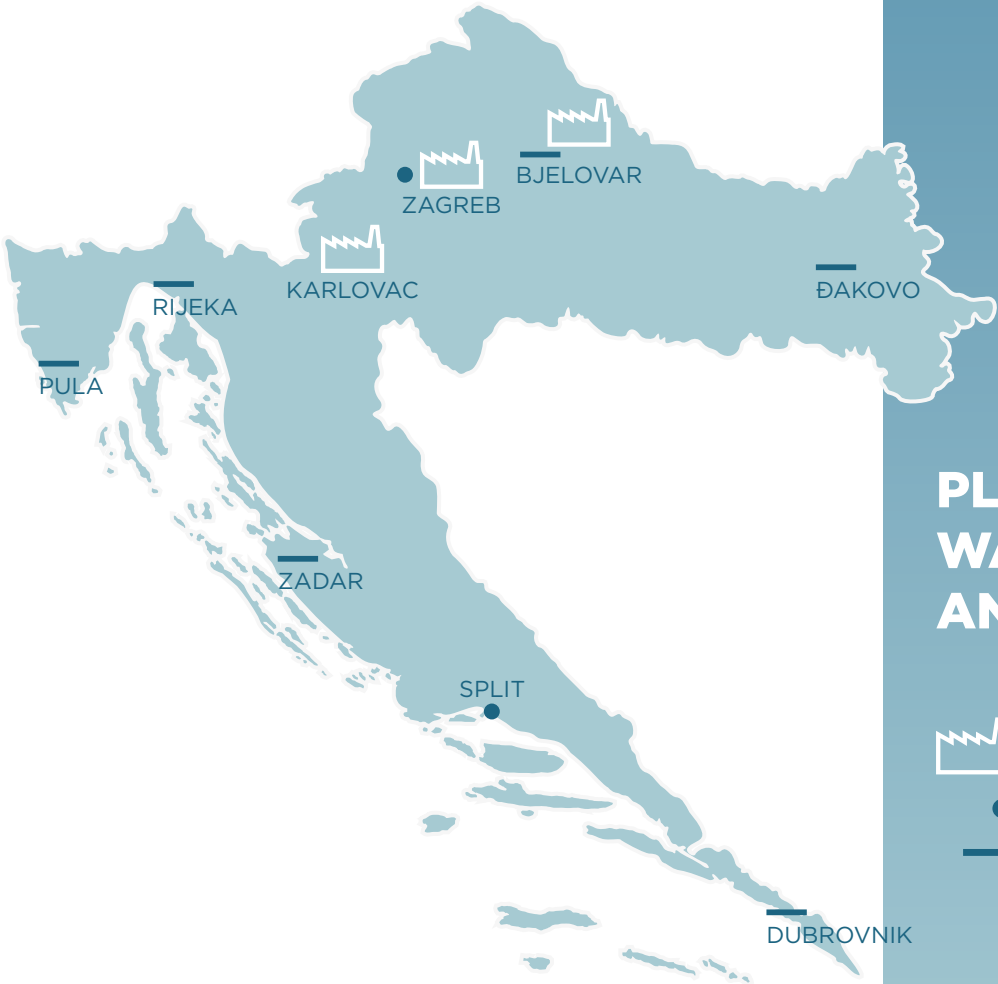
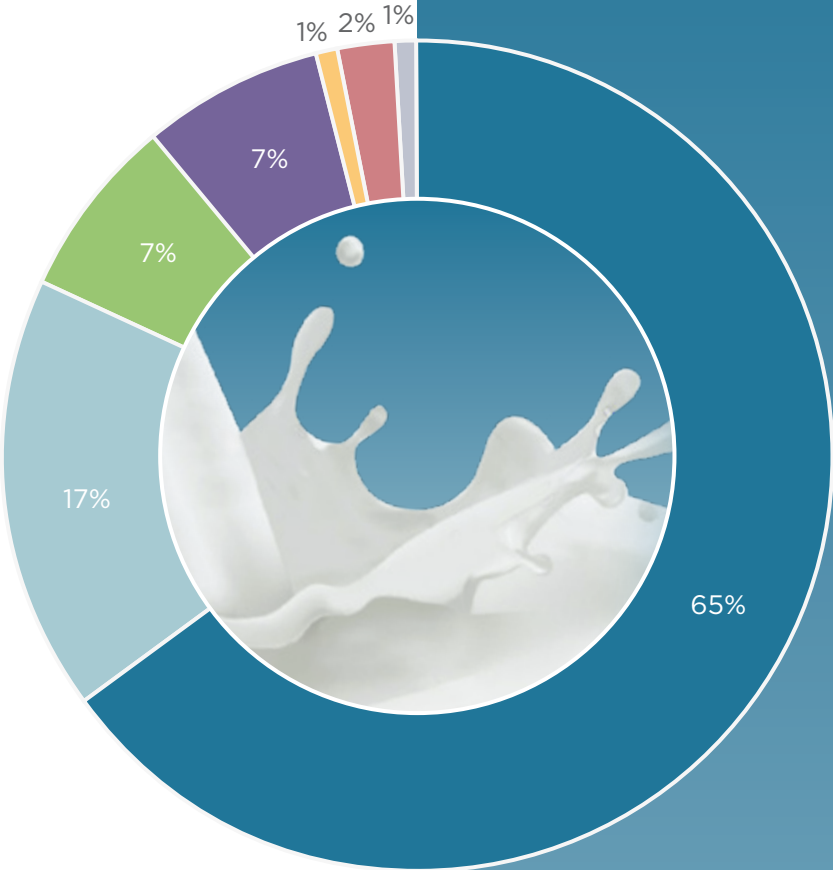
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umbrella brands



VOLUME DISTRIBUTION PER PRODUCT CATEGORIES

- milk
- chilled dairy
- cheeses
- cream
- butter
- dehydrated products
- other



PLANTS, WAREHOUSES AND PLATFORMS

- PLANTS
- CENTRAL WAREHOUSES
- PLATFORMS
(logistic centres)



HUMAN RIGHTS

Dukat fully respects human and labor rights based on the Constitution, EU directives, international conventions, and internal documents

PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights within its area of influence

PRINCIPLE 2

Make sure that they are not complicit in human rights abuses

Dukat fully respects human and labour rights based on the Constitution, laws and other regulations of the Republic of Croatia, EU directives and international conventions. Dukat guarantees and promotes human rights protection through good business practice and a number of internal documents – Work Regulations, the Collective Agreement and the Code of Conduct. These documents are available to employees on the Intranet - internal Dukat portal.

RIGHT TO DIVERSITY AND EQUAL OPPORTUNITIES



At Dukat, differences among people are accepted in an open and tolerant manner regardless of their age, nationality, ethnic origin, religion, gender, language and socioeconomic status.

All employees have equal opportunity for success and the position in the company depends entirely on the performance and success of each individual.

In human resources management, we pay special attention to adherence to the principle of diversity and equal

opportunities. We respect all rights and regulations that prohibit child labour, forced or compulsory labour, and protect the dignity of employees by guaranteeing equality and protection from sexual harassment for employees and persons undergoing the recruitment process.

PROTECTION OF EMPLOYEES' DIGNITY

Dukat consistently implements regulations and directives of the European Union and Croatia related to the suppression of discrimination and the protection of employee dignity, and procedure protocol in case of a violation of dignity is embedded in the Work Regulations and the Code of Conduct. In the event of a complaint or a request for the protection of dignity, the

Management Board appoints a Commission consisting of three independent members: a trade union representative, an administrative service representative and a person appointed to receive and address employees' complaints related to the protection of dignity. An identical protocol is also planned for all forms of discrimination and sexual harassment.

In 2019, as was the case in 2017, there were no reported cases of violation of employees' dignity, while in 2018, there were four reported cases. This is the result of Dukat's efforts to raise the awareness of employees on the importance of respecting diversity, nurturing high-quality interpersonal relations and cooperation, and generally on building a positive organizational culture.

CODE OF CONDUCT

Dukat has had the Code of Conduct since 1998, integrating the principles of employees' conduct in accordance with the ethical, moral and

professional standards and generally accepted civil values. The code was amended in 2003 and it serves as a framework for daily activities

and conduct in the workplace, including the attitude towards other stakeholders.

DIVERSITY CHARTER

As a company whose relationship with its employees rests on non-discrimination and respect for diversity, at the end of 2017, Dukat signed the Diversity Charter in Croatia. The aim of the initiative is to promote diversity as one of the fundamental values of modern society, enabling each person to realize their full potential. It is one of the prerequisites for the development of creativity, innovation and individual talents in the workplace. As a signatory of the Charter, Dukat is working on internal policies of respecting diversity and an action plan for its implementation.

In order to ensure a higher level of protection and confidentiality of the personal data of its employees and business partners, in November 2019 Dukat appointed a Data Protection Officer, in line with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27.4.2016 (General Data Protection Regulation), even though the provisions of said Regulation do not make this mandatory.



WORKING CONDITIONS

Dukat respects and guarantees all labor rights and systematically works to improve the quality of work environment and experiences, education and development of employees, health and safety at work

PRINCIPLE 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 5

The effective abolition of child labour, and

PRINCIPLE 4

The elimination of all forms of forced and compulsory labour;

PRINCIPLE 6

The elimination of discrimination in respect of employment and occupation.

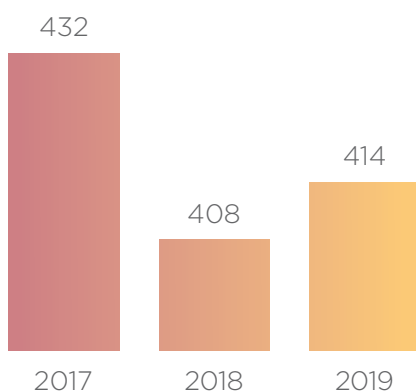
Dukat respects and guarantees all labour rights prescribed by law and the Constitution, and systematically works on improving the quality of the work environment and experiences, education and development of employees, care for health and safety at work.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING



Dukat has a 20-year-long tradition of association and collective bargaining, and 33 percent of its employees are members of the Trade Union of those Employed in the Agriculture, Food, Tobacco and Water Industries of Croatia (PPDIV). Partnership with the representatives of workers is continuously improved through cooperation and communication with the Works Council.

TRADE UNION MEMBERS



In 2019, 414 employees, or 33 percent, belonged to the Trade Union of those Employed in the Agriculture, Food, Tobacco and Water Industries of Croatia.

Compared to similar companies in the region, the Collective Agreement ensures a higher level of rights arising from employment. The Agreement applies to all employees, regardless of whether they are trade union members, have permanent or temporary employment, or are working full-time or part-time. The Collective Agreement signed for 2018 and 2019 was printed as a pocket edition and handed to each employee of Dukat at the beginning of 2018. It additionally expanded the material benefits of employees, especially when it comes to supporting the parents of infants and young children (allowance for each infant, a paid day off work for child's first day of kindergarten and school) and employees who are ill (allowance for sick leave exceeding 120 days increased by 66 percent).

A set of employee benefits is available to employees based on the Collective Agreement:

- Allowance for sick leave exceeding 120 days
- Allowance for annual vacation
- Christmas bonus
- Reimbursement of transportation costs

- Jubilee award
- Assistance for days spent in the hospital
- Assistance in the event of an Act of God
- Assistance to families in the event of the employee's death
- Gift in-kind for Easter
- Allowance for each new-born child

Furthermore, employees are entitled to the following bonuses on salary: bonus for years of service, bonus for work in shifts, bonus for work on Sundays and holidays, and meal allowance. All Dukat employees are also insured against accidents, regardless of whether they are permanent or temporary, full-time or part-time employees.

Dukat fosters regular and open communication with the trade union and the Central Works Council and provides them with information about decisions of importance to the economic and social status of employees. The Management Board informs the Works Council about the business results, plans, organizational changes and other important issues annually and when necessary.

CORPORATE VALUES

Ambition, engagement and simplicity are the key values of Dukat that are strongly woven into the corporate culture of the company and into the everyday work of our employees. By applying these values in their work, our employees contribute to the achievement of the goal: to provide the best milk to as many people as possible.

Our employees are the backbone of our business, corporate culture and success. We inspire them to constantly learn and develop by investing in education and the development of specialized skills. In the desire to reach their full potential and ambitions, we enable them to develop their career within Dukat and other associated companies.

HEALTH PROTECTION AND SAFETY AT WORK



Dukat pays special attention to health protection and safety at work, and encourages employees to engage in recreational activities and sports. It supports and additionally rewards employees who are volunteer blood donors by giving them a day off and organizing an excursion.

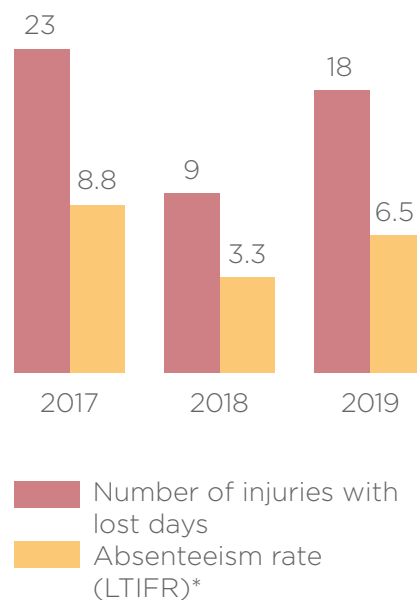
A preventive seasonal influenza vaccination is organized at the company premises each year. In November 2019, 92 employees were vaccinated on three production locations (Zagreb, Bjelovar and Karlovac) and in the logistics centres, which is 19.5 percent more employees than the year before.

Dukat also regularly performs carrier tests, for the protection of food safety and for checking the health status of employees participating in the production process, storage and food transport. During 2019, these tests were done on 410 employees, while in 2018

and 2017 the tests covered 750 employees each year. The reason for this decrease in the number of employees tested is the amendment of the Law on the Protection of the General Population from Infectious Diseases, which prescribes that the schedule of health controls shall change from 1 January 2019 and shall be valid for a full year, instead of for six months. In May and November 2019, 110 employees attended training and passed the hygiene minimum exam, which is 17 percent more compared to the year before. In-house training on the personal hygiene of employees, food and employee safety and targeted training on food safety in the supply chain (warehouse workers) was organized for 250 employees, which is 35 percent less compared to 2018, but 30 percent more than in 2017. Preliminary and periodic medical examinations are regularly carried out for all employees at workplaces with special working conditions. In 2019, this included 443 employees (12.7 percent more than the year before). The Health and Safety at Work Committee holds

regular meetings on the topic of safety and health protection to discuss the proposals of employees on the improvement of work conditions and health protection at work. Two committees (Zagreb and Bjelovar Plant) have 11 members, accounting for 0.9

NUMBER OF WORKPLACE INJURIES



percent of the total number of employees.

In all three production plants (Zagreb, Bjelovar and Karlovac), together with the

* LTIFR - Lost Time Injury Frequency Rate. Calculation: number of workplace injuries with lost time x 1,000,000 / hours of work

logistics centre in Split and all platforms in Croatia, a total of 18 workplace injuries has been recorded in 2019, which is two times more compared to the previous year. All the recorded injuries were minor injuries. No injuries required the employee to be admitted for treatment at a hospital or out-patient clinic, as is usually the case with major injuries.

Nine workplace injuries were registered in 2018 (seven minor and two major), which is 61 percent less than the year before when there were 23 workplace injuries. In 2019 there was an increase in the number of lost workdays due to injuries – from 697 days in 2018 to 987 days in 2019, which is an increase of 42 percent.

Dukat is working on the systematic education of employees in production, warehouses and logistic centres in order to decrease the number of workplace injuries and increase the safety and health protection of employees. The Occupational Safety and Protection Policy

and the 12 Golden Rules of Safety at Work have been implemented for the fourth year in a row, and both documents are handed to new employees.

In 2019, the number of sick days decreased by one percent compared to the year before, while in 2018 it was 9 percent lower than in 2017.

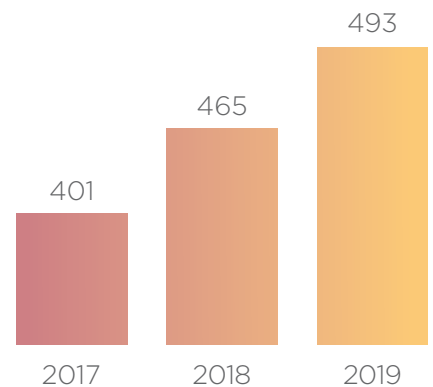
PARENTAL LEAVE



In addition to providing a safe workplace, Dukat makes sure its employees have carefree parental leave, regardless of gender. In 2019, parental leave was used by 26 employees – 23 women and three men, which is nearly two times more than in the previous year (14 employees). The number of fathers – employees who are using parental leave has increased compared to the year before, when this right was used only by two fathers. The newly introduced measures from the previous year continue to be implemented in 2019 in accordance with the Collective Agreement. These are:

- Allowance for each new-born child
- Paid day off for the child's first day of kindergarten and school
- Day off for pregnant women to perform their prenatal examinations once a month

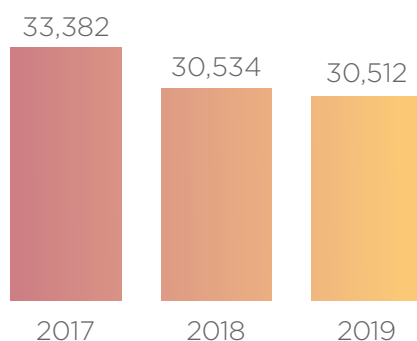
NUMBER OF PAID LEAVE DAYS



In 2019, thirty employees that became parents during the year have received an allowance for a new family member.

In 2019, the employees used 493 days of paid leave, which was 6 percent higher than the previous year. In 2018, employees used 465 days of paid leave and in 2017 they used 401 days. Employees are entitled to paid leave based on their right to be absent from work in the event of marriage, the birth of a child, the death of a family member, serious illness or emergency treatment of close family members, the voluntary donation of blood, moving and natural disasters. Furthermore, in 2018, employees were granted paid leave for the first day of their child's kindergarten or school.

NUMBER OF SICK DAYS

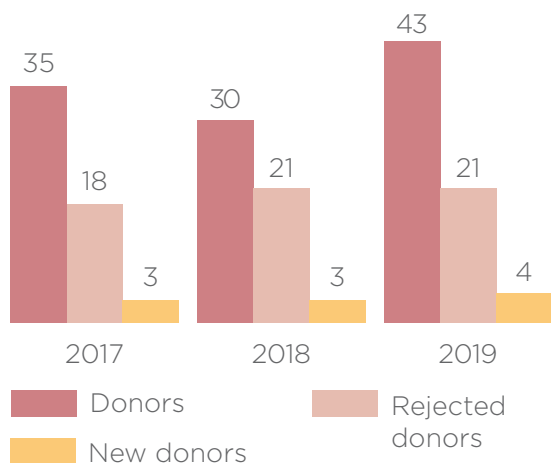


THE TRADITION OF BLOOD DONATIONS BY DUKAT EMPLOYEES

Forty-three employees donated blood in 2019 in two organized volunteer blood drives in the workplace, compared to 30 employees who donated blood the year before. In October, volunteer blood donor month, 25 employees of Dukat and associated companies (KIM and La Log) who are also long-time volunteer blood donors, socialized

during a one-day trip to North-West Croatia, visiting Varaždin and OPG Hadžić in Međimurje. The excursion organized by Dukat is an almost 40-year-old tradition and a reward of sorts for employees who selflessly help others by donating blood.

VOLUNTEER BLOOD DONORS

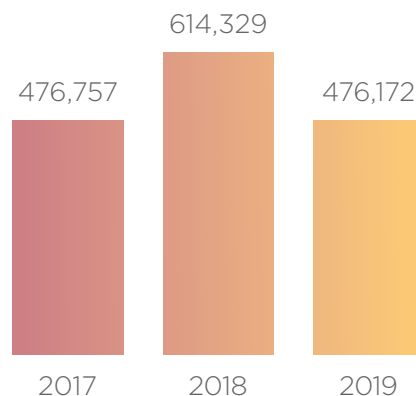


EMPLOYEE AID

Dukat helps its employees and their families overcome difficulties by providing them with financial aid in various situations, and alongside using the rights to different types of aid from the Collective Agreement, it acknowledges their requests

related to the improvement of social status, medication payments, therapies, medical aides and the like. In 2019, Dukat responded positively to such requests from its employees and allocated HRK 476,172 for this purpose, which is the same as in 2017.

AMOUNT OF FINANCIAL AID TO EMPLOYEES (HRK)



Supporting the care for the health of its employees, Dukat encourages them to participate in recreational and sports activities, including coming to work by bicycle, co-financing such employee

initiatives, especially those in which employees account for the majority of members:

- Sports Club Sirela
- Voluntary Fire Brigade Sirela Bjelovar

- Dukat leisure cycling club
- Dukat Futsal Team
- Participation of employees of Dukat and its affiliates in Ljubljanske Mlekarne Sports Games in Ljubljana

EMPLOYEE DATA

TYPE OF EMPLOYMENT

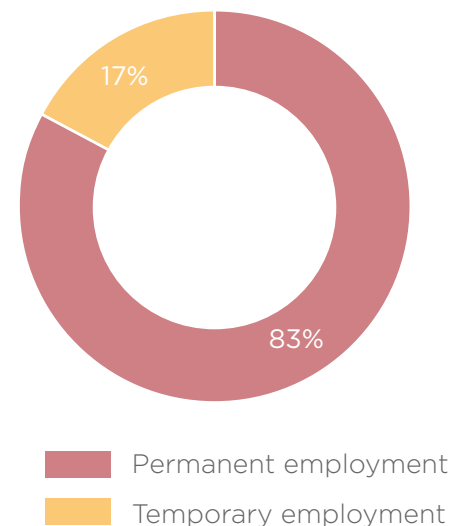
In 2019, Dukat had 1,251 employees, which is 16 employees or 1.3 percent fewer employees than the year before. Out of the total number of employees, 83 percent are permanent employees, which is 3 percent more compared to the year before. Work rights,

as well as the rights under the Collective Agreement and benefits, are applied equally to all employees, regardless of whether they are permanent or temporary, full or half-time employees, members of the union or not.

Employee fluctuation rate is 20 percent, which is 1 percent

lower than the year before but still relatively high, mostly due to the large number of seasonal workers with temporary employment during the summer season.

Year	Total number of employees	Permanent employment	Temporary employment
2017	1,213	980	233
2018	1,267	1,008	257
2019	1,251	1,039	212



EMPLOYMENT OF YOUNG PEOPLE AND PEOPLE ABOVE 50 YEARS OF AGE

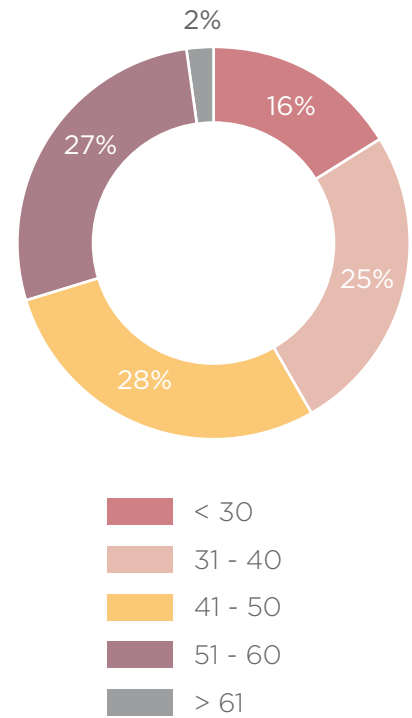
Young people aged 18 to 30 make up 16 percent of Dukat employees, and 91 new people under 30 were employed in 2019 – 39 remained employed, while 52 who were mostly seasonal workers left the company. In 2019, Dukat employed 14 people above 50 years of age, of which 7 people remained employed.

AGE STRUCTURE

At the end of 2019, the average employee age was 42.5, which is half a year more compared to the previous year. Until 2018, we were witnessing a trend of the gradual rejuvenation of employees over the past seven years (average age in

2013 was 44), which was the result of hiring young people and retiring older employees. Furthermore, we have a trend of employing people over 50, which is affecting the age structure of the employees.

Age	Number of employees 2017	Number of employees 2018	Number of employees 2019
< 30	183	227	205
31 - 40	298	316	319
41 - 50	380	378	355
51 - 60	333	323	342
> 61	19	23	30
Total	1,213	1,267	1,251

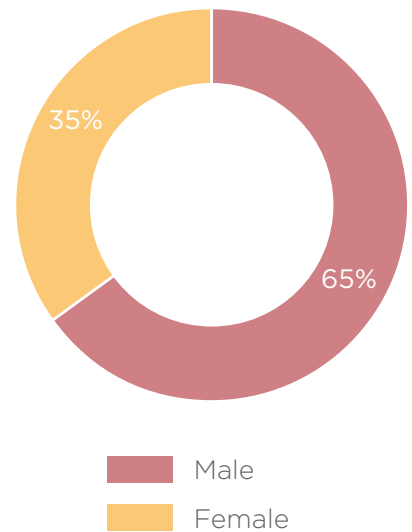


GENDER

The majority of Dukat employees are men (65 percent), while women account for 35 percent, which

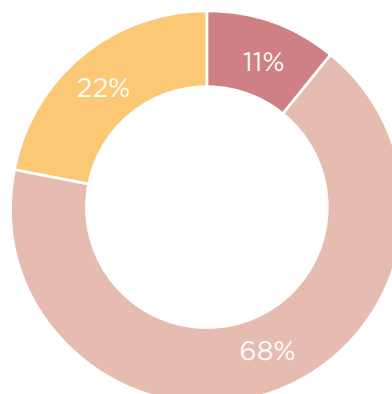
is one percentage point more in favour of women compared to the year before.

Gender	Number of employees 2017	Number of employees 2018	Number of employees 2019
Male	791	836	812
Female	422	431	439
Total	1,213	1,267	1,251



EDUCATION

The majority of employees (68 percent) have a high school diploma, while 22 percent have a college and university degree, which is the same as the ratio from the year before.



- Elementary School
- Secondary school
- Higher school and faculty

A NEW MOMENTUM IN SEASONAL EMPLOYMENT

The project "Season 2019" was initiated at the end of 2018 with the aim of systematically reviewing the challenges from the previous seasons and designing solutions at various levels of operations. The processes in the entire supply chain were improved, accompanied by the implementation of a new strategy for attracting, rewarding and educating seasonal workers.

An integrated communication campaign "May this be your season" was designed and implemented, which, in addition to the advertising and launching of the new website www.sezonaudukatu.hr, also included an internal project "Recommend a new seasonal worker". Together with the full-time employees, the seasonal activities were carried out by 89 seasonal workers in Logistics,

Sales and Production, compared to 95 in 2018. All the activities that were implemented were also fruitful in terms of keeping the existing and attracting new employees. This resulted in half as many rotations of employees in Logistics during the 2019 season compared to previous years, whereas the rotation of employees at plants has been reduced by 20 percent.



COMPOSITION OF GOVERNANCE AND MANAGEMENT



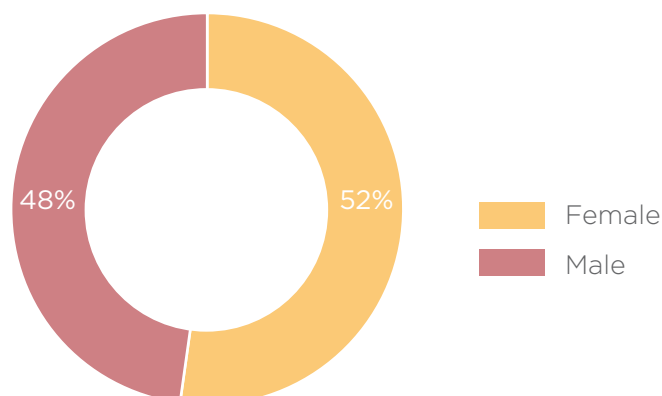
In 2019, the share of women in governance and management positions at Dukat was at the same level as in 2018 (52 percent). The past several years have shown an increase trend in the share of women in governance and management

positions (from 35 percent in 2012 to 52 percent in 2019). A high percentage of women is represented in managerial positions – 25 percent in executive positions and 26 percent in managerial positions.

We pay special attention to hiring domestic labour and local experts, for executive and

management positions as well. The share of Croatian citizens in the top management (Dukat Inc. directors) is 50 percent, and in senior management (executive and regional directors) it is 90 percent, while in the high management (sectoral directors) it is 96 percent.

Year	Gender	Average age	Number
2017	Male	45	41
	Female	44	49
2018	Male	45	43
	Female	46	47
2019	Male	45.8	44
	Female	46.8	47



RATIO OF SALARIES AND BENEFITS, AND PROMOTIONS

Salary and benefits policies are based solely on the type and complexity of the job, responsibility, knowledge and skills necessary for carrying out tasks and achieving results, excluding any form of discrimination based on gender, nationality, religion or any other personal features.

In 2019, the average net salary per employee was 1 percent higher than in 2018. Total non-taxable expenses increased by 431 percent compared to the year before.

During 2019, 519 employees, or 41 percent were promoted to new jobs, based on their

acquisition of new knowledge and skills within the framework of their jobs, and taking over new responsibilities within and between departments (horizontal and vertical promotion). In 2018, a total of 469 employees were promoted.

DUKAT LEISURE CYCLING CLUB

During its eighth year, the Dukat Leisure Cycling Club (RBK Dukat) continued to actively work on encouraging the everyday use of bicycles and promoting the environmental, health and social benefits of recreational cycling, simultaneously inspiring cooperation and team spirit among employees. The club has 154 members – employees of Dukat and its associated companies in Croatia.

The year 2019 was marked by numerous cycling events and races. Club members participated in nine cycling events, two of which they organized themselves. They explored the beautiful scenery of Central Istria and the surroundings of Ozalj on two wheels. Other than their common recreational rides, members of RBK Dukat also participated in six challenging mountain-bike races: Rabac, Fužine, Baška, Vodice, the “Catch the Wind” race on the island of Brač, and the “Krka Trophy” in Drniš. While participating in cycling events and races, cycling more than 10,000 kilometres and promoting healthy habits and an active lifestyle, in 2019 the

club members continued to proudly wear Dukat Fit colours – the line of products enriched with protein.

As in previous years, in August 2019, members of the Club participated in the organization of Dukat's eighth cycling race Dukat Fit at Lake Jarun and they competed in the race.



THE EDUCATION AND DEVELOPMENT OF EMPLOYEES

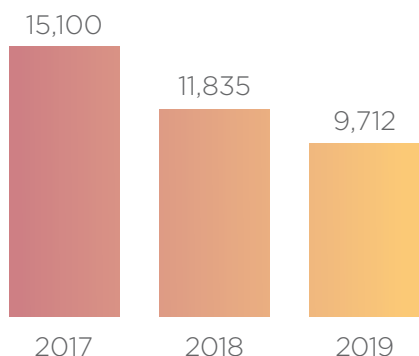


In human resources management, Dukat remains true to its mission – to recruit and retain capable, professional and motivated employees, who act proactively in constantly changing conditions, create new values and achieve personal and professional fulfilment. That is why significant means and efforts are invested in the education and training of employees.

In 2019, specialized and development education accounted for 77 percent of the total number of educations at Dukat, which is the same as in 2018 and five percent less than in 2017. Legally required training accounts for 23 percent of the total education, the same as in the year before, but five percent more than in 2017.

In 2019, the average annual expenditure for education was HRK 1,251 per employee (compared to HRK 1,533 the year before and HRK 1,519 in 2017), while 762 employees were included in some form of education (compared to 940 the year before and 915 in 2017).

EDUCATION HOURS



In 2019, employees participated in 9,712 hours of education, compared to 11,835

in 2018 and 15,100 in 2017. The average number of education hours per employee was 7.8 in 2019, compared to 9.4 in 2018 and 12.4 in 2017.

INTERNAL EDUCATION

As part of internal knowledge transfer practice, a total of 46 internal education sessions were held for 490 employees of Dukat in 2019, compared to 49 in-house sessions for 640 employees in 2018 (23.4 fewer employees covered by in-house education than the year before) and 34 in-house sessions for 557 employees in 2017. The topics covered food safety, product safety protection and hygiene, self-control on manufacturing lines, good manufacturing and hygiene practices, food fraud, food safety in the logistic processes, safe warehouse work, handling the electrical-manual forklift, MS Excel, occupational health and safety topics and working hours records. All education sessions were held by Dukat's in-house trainers.

Training related to hygiene and food and employee safety is also continuously carried out for new employees in Production and Logistics (focusing on operators,

auxiliary workers, warehouse workers and drivers). In 2019, in-house education was organized for 177 employees, which is 8.6 percent more compared to 2018 when 163 employees attended the in-house education, the same as in 2017 (176 employees).

INTRODUCING NEW EMPLOYEES TO THE COMPANY AND ITS ACTIVITIES

Following the already common practice, 12 new employees of Dukat underwent induction training in 2019, to get acquainted with the organization, main business processes and activities. During group and individualized induction programs, employees visited key departments and were introduced to milk and dairy goods processing and production in all three Croatian plants. Induction training was organized for 10 employees in 2018 and for 23 employees in 2017.

EMPLOYEE DEVELOPMENT PROJECTS

Dukat is systematically investing in the development and professional training of employees. Some of the educational and development programs organized in 2019 include:

TALENT POOL JUNIOR DEVELOPMENT AND EDUCATION PROGRAM

In 2019, we completed a large development and education program for talented employees and potential for 18 employees under the age of 30. The program, which was initiated in 2018, incorporated three modules and familiarized the attendees with various topics: understanding Dukat's business context and environment, values and manner of work, the development of fundamental managerial skills, understanding the principles of controlling and developing business communication and personal influence. In addition to the workshops, the attendees worked on projects and presented the results in front of a panel of judges consisting of senior management members. Near the end of 2019, the attendees participated in a "Development centre", i.e. in a set of tests simulating various aspects of the business environment, where the team of experts evaluated and assessed their success and degree of competence development.

360° DEVELOPMENT PROGRAM FOR THE CENTRAL PLANNING TEAM

Bearing in mind that the new Supply chain business function was formed at the beginning of 2019, as a result of the merging of the Logistics and Central planning teams, an assessment of the Central planning team was organized in the autumn according to the 360° method. This is a tool that was frequently and successfully used for development purposes in other departments, such as Sales, Marketing and Controlling. After the processing of the results, all the participants in the assessment received an individualized report with recommendations for development and participated in an interview in the presence and with the support of the business partner for the Supply chain and his/her superior officer.

INTERNAL KNOWLEDGE TRANSFER AND DAILY LOGISTICS MANAGEMENT

To preserve the quality of Dukat's internal education, the emphasis in 2019 was placed on improving the training skills of the in-house trainers. Three employees from the hygiene and sanitary protection and work safety department from Zagreb and Bjelovar, five colleagues from the Logistics department from Zagreb and Split and five colleagues from

the Zagreb Plant attended 148 hours of training in total. The goal of the workshop is to provide new in-house trainers with the tools necessary for the efficient structuring and transfer of internal knowledge and the efficient motivation of new employees, while the existing trainers were provided with continuous support in the implementation of important in-house educations.

MAINTENANCE ACADEMY AND INDUSTRIAL ACADEMY

Two major international development and education programs organized during 2019, the Maintenance Academy and Industrial Academy, were each attended by one candidate from Dukat. The second cycle of the Maintenance academy gathered 17 attendees - maintenance managers and experts from various countries. While attending three modules of theoretical and practical activities, the attendees mastered the tools for risk assessment, the development of preventive maintenance and the achievement of maximal savings.

The Industrial Academy is organized with the goal of achieving the exchange of best practices in project management, improvement in the industrial domain and in the domain of production team management.

THE “PULS 2019” PROJECT FOR THE BJELOVAR AND KARLOVAC PLANTS AND LOGISTICS AT THE LOCATION

Encouraged by the success of the “Puls 2019” project organized in the autumn of 2018 with the employees of the Zagreb Plant and Logistics in Zagreb and Split, the project was also organized in Karlovac and Bjelovar Plants in 2019. The project gathered around

focus groups consisting of employees from Production, Quality and Maintenance, as well as Logistics from the Bjelovar and Karlovac Plants. The focus of the workshops was on the challenges brought by frequent and quick changes in the dynamic business environment with the goal for the employees of giving their personal contribution to the efficient management of changes, by presenting their

opinions and proposals for the improvement of work within their own domains. A total of 116 employees were divided into 12 groups in Bjelovar, while a total of 67 employees were divided into 8 groups in Karlovac. The results of the workshops and action plans were presented to the Plant and Logistics managers to enable their implementation as soon as possible.

In addition to the above-mentioned development programs, a large number of in-house workshops and modular training sessions covering various topics were organized in 2019. Some training sessions included practical work on Tetrapak fillers, while others dealt with understanding the FSSC 22000 standard and the development of social skills such as efficient stress management or the improvement of supervisory skills.

PERFORMANCE APPRAISAL

Performance is evaluated each year within the *Management review* project and an individual development plan is created for employees with recognized high potential. In 2019, 13 percent of employees

were included in the performance appraisal system, almost the same as in the previous year.

In addition to the standard *Management review* project,

performance evaluation for employees in Production, Maintenance and Quality, was also carried out in 2019, making the total percentage of evaluated Dukat employees greater than 50 percent.

PROFESSIONAL PRACTICES AND VISITS



We continued our cooperation with vocational secondary schools in Zagreb and Bjelovar, and for this reason, in 2019, seven students completed their professional internship at the Zagreb and Bjelovar plant.

University students also do their internships at Dukat. During 2019, ten students did their internship at Dukat,

which is one more than in the previous year.

Furthermore, Dukat also traditionally hosts professional visits of students from the Food Technology and Biotechnology Faculty (dairy science and nutrition engineering programs), Veterinary Faculty, Agronomy Faculty, Chemical Engineering and Technology Faculty at the University of Zagreb, University of Applied Health

Sciences in Zagreb and the Faculty of Food Technology at the University of Karlovac. During the visit, students take a tour of the Zagreb Plant and are introduced to the entire production process, from the reception of milk to production and storage. In 2019, Dukat hosted seven such visits and 312 students (5 percent less than in 2018) visited Dukat and its Zagreb Plant.

ANNUAL AWARDS

At the end of each year, prizes are awarded to the most successful employees, managers and teams who excelled in their work, achieved results and the application of the corporate values throughout the year. Rewarding exceptional individuals and teams is a 20-year-old tradition of Dukat and all employees are invited to nominate their colleagues and project teams. In addition to the three already traditional prize categories (the most successful employees, manager and team) and two newer categories - the most successful "young hope" for employees

below 30 years of age introduced in 2017 and the most successful sales representative, introduced in 2018 - another new category has been introduced in 2019 - "thank you for your support", the award for the best mentor. A total of 13 individual awards were presented to individuals in 2019 (five for the best employees, three for young hopes, two for the best mentors, one for the sales representative, one for the manager of the year and one lifetime achievement award) and one award was presented to a team comprising 23 employees.



INTERNAL COMMUNICATION

Various channels are used for internal communication: Intranet (internal web), e-mail, VPN mobile system, the in-house newsletter Contact, notice boards, meetings and "face-to-face" communication.

The in-house magazine Contact, published quarterly, is intended for employees of Dukat and associated companies in Croatia. Representatives of various departments

and associated companies participate in creating it, and other employees may also participate with their stories and photographs.

Notice boards are particularly important for employees in production and logistics, as they have no access to the Intranet. Information about company events, the launch of new products, employee benefits, etc. are regularly posted on notice boards.

Space for trade unions and works council's notices is also provided.

Furthermore, Dukat fosters an open-door policy, which implies direct communication with the department management. As well as directly, employees can contribute their remarks, comments and ideas anonymously, using boxes for comments and ideas placed at all production sites.

To improve internal communication, at the end of 2017, Human Resources started the practice of informing employees about key human resources activities, promotions, new employment and organizational changes, changes related to legislation and employees' rights by way of an electronic newsletter. The newsletter is distributed twice a year and apart from the e-version, it is also placed on the bulletin boards.

In 2018, Marketing also launched a newsletter to inform employees about new products that were launched on the market, as well as the most significant marketing campaigns. The newsletter is distributed quarterly, and apart from the e-version, it is also placed on the bulletin boards.



EMPLOYEE BENEFITS

Dukat offers its employees and employees of associated companies in Croatia a number of benefits as an additional benefit and stimulus to spend quality leisure time, while also generating savings. As a long-time sponsor of the Zagreb ZOO, Dukat employees have access to free passes to the ZOO all year round. The list of benefits

is expanded each year, so employees get cheaper passes to the Museum of Illusions, reprise shows at the Croatian National Theatre in Zagreb and shows at the "Histrionski dom" Culture Centre. A permanent discount was arranged for Dukat employees in four Ghetaldus optics stores, covering the entire line, and FlixBus offers

cheaper bus tickets for travel to two thousand destinations. Employees can also benefit from arranged discounted prices to swimming pools and the World of Saunas at Terme Tuhelj. These benefits apply to employees and to their family members or friends accompanying them.



COMMUNITY

Dukat launches and supports projects that contribute to improving the quality of life and well-being of the community, families and individuals, and it systematically invests in the promotion of primary milk production and product development and quality

CONTRIBUTION TO THE COMMUNITY

Dukat launches and supports projects that contribute to the improvement of the quality of life and well-being of the local community, families and individuals. These projects include health care, healthy habits (activity, recreation and sports), and encouraging education related to a proper and balanced diet. It also systematically invests in the promotion of primary milk production, product development and quality.

DONATIONS OF OWN PRODUCTS FOR HUMANITARIAN ORGANIZATIONS AND INSTITUTIONS



In 2019, as in the previous five years, Dukat's donations program focused on strategic donations of dairy products to humanitarian institutions (soup kitchens, social supermarkets and humanitarian associations) that care for especially vulnerable groups of adults and children throughout Croatia. These are primarily associations and organizations registered with the Ministry of Agriculture as intermediaries in the food donation chain, to which Dukat has been making regular donations since 2015.

In 2019, Dukat donated 145 tons of dairy products. Through its regular donations program, Dukat provided 43,000 children and adults who live in poverty and are unable to afford these products themselves with more than 740 thousand dairy meals, from Vukovar to Dubrovnik.

Since the systemic food donation program was initiated in 2015 (2015-2019), Dukat has donated 1,045 tons of dairy products in total, with a procurement value of HRK 11.1 million (no VAT) and with a sale value of HRK 15 million (no

VAT). Apart from influencing the better quality nutrition of the socially endangered population and the quality of life in general, these donations of Dukat also contributed to the fight against hunger and the consequences of poverty, thus contributing to the achievement of goals 2 and 3 of the UN Sustainable Development Goals (Goal 2: Zero hunger and Goal 3: Good health and well-being).

At the same time, with these donations, Dukat reduced the quantity of discarded products and, along with the positive social and humanitarian impact, the project also generated a positive environmental impact, thus contributing to the UN Sustainable Development Goal target 12.3. (12. Responsible consumption and production; target 12.3. calls for cutting food waste at the retail and consumer level and reducing food losses along production and supply chains).

As part of the strategic food donation program, in 2019, Dukat donated its products with close expiration dates to the following registered intermediaries in the food donating chain:

- **Humanitarian associations:** humanitarian association "Rijeka ljubavi" Osijek, humanitarian association "Putevi milosti" Osijek, humanitarian association "Friends of St. Martin" Beli Manastir, humanitarian association "Duga" Vukovar, humanitarian association "Put mira" Mirkovci, Association of Parents with Children Suffering from Malignant Illnesses "Hrabro dijete" Nova Gradiška, Association for Aiding Children with Disabilities "ADHD and I" Dugo Selo, humanitarian association "fra Mladen Hrkač" Zagreb, Homeless center "Milosrđe" Karlovac – Center for homeless people Karlovac, City of Valpovo Roma Association, Roma Association "Sara" Torjaci, Association Veličanka, humanitarian association "Dar dobrote" Našice, humanitarian association "Naš san, njihov osmijeh" Pula
- **Homes for children:** Zagreb Home for Children, Home for Children "Maestral" Split, St. Joseph Home for Children, St. Frances Vugrovec House, Vladimir Nazor Service Center, Home for Education of Children and Youth in Karlovac

- **Soup kitchens:** Caritas soup kitchens in Osijek, Slavonski Brod, Vinkovci, Daruvar, Sisak, Zadar, Šibenik, Split, Knin and St. Anthony of Padua Parish in Zagreb
- **Social supermarkets:** Social supermarket Siget, Social supermarket Belišće, Social supermarket GDCK Krapina,

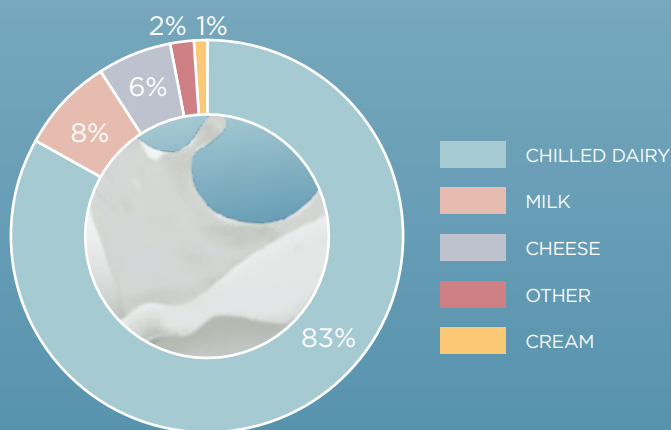
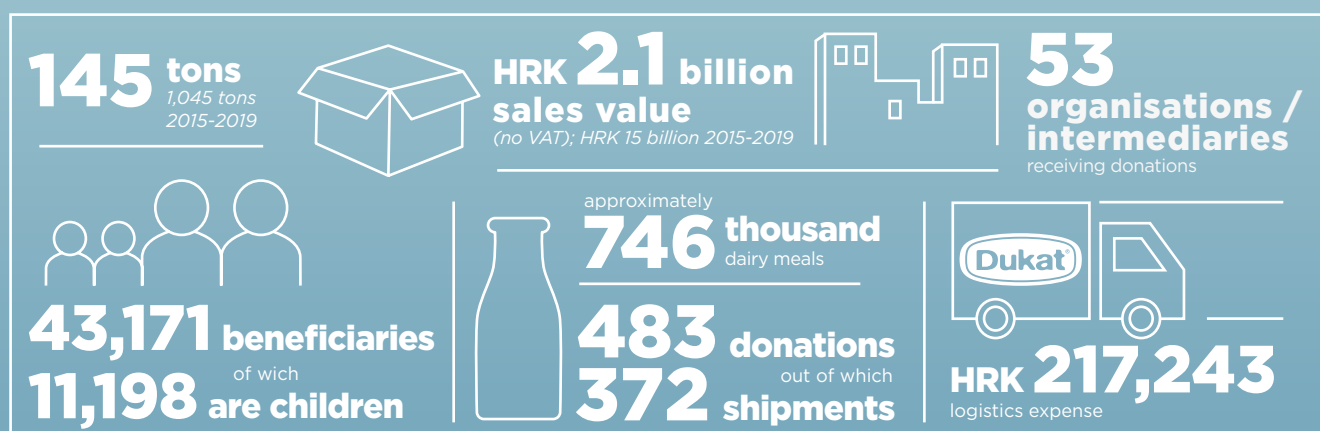
Social supermarket „Kruh sv. Elizabete“ Rijeka, Social supermarket Karlovac

- **Red Cross:** Buje Red Cross, Čakovec Red Cross, Ivanić-Grad Red Cross, Sisak Red Cross, Solin Red Cross, Županja Red Cross
- **Caritas and Diocese:** Caritas of the Zagreb Archdiocese,

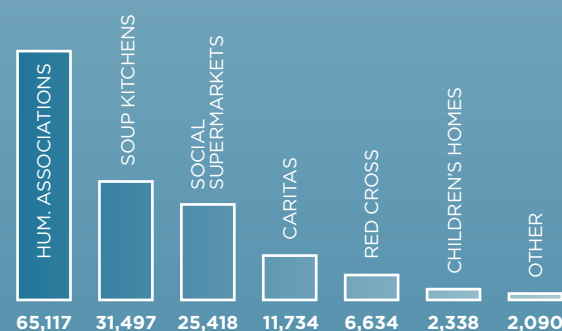
Caritas of the Dubrovnik Diocese, Vrbovsko Parish

- **Other:** Remar Croatia Association, Reto center Split, Home for Addicts – “Meeting” community, Center for Missing and Abused Children Osijek, Center for Rehabilitation Rijeka, Karlovac Women’s Group “Step”

DONATIONS OF DAIRY PRODUCTS TO HUMANITARIAN ORGANISATIONS IN 2019



DONATIONS BY TYPE OF RECIPIENT (in kg)

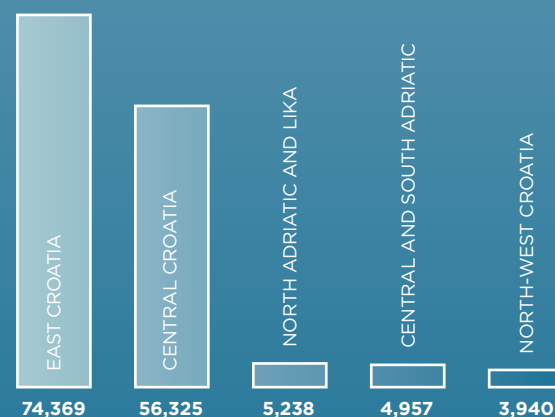


DONATIONS BY COUNTY (in kg)

OSIJEK-BARANJA	43,538
CITY OF ZAGREB	41,052
VUKOVAR-SRIJEM	17,454
BROD-POSAVLJE	11,756
SISAK-MOSLAVINA	5,979
BJELOVAR-BILAGORA	5,186
PRIMORJE-GORSKI KOTAR	4,413
KARLOVAC	4,108
KOPRIVNICA-KRIŽEVCI	2,639
SPLIT-DALMATIA	2,453
POŽEGA-SLAVONIA	1,621
ŠIBENIK-KNIN	1,452
MEĐIMURJE	1,178
ZADAR	952
ISTRIA	824
KRAPINA-ZAGORJE	124
DUBROVNIK-NERETVA	100

TOTAL in kg 144,829

DONATIONS BY REGION (in kg)



THE SECOND RECOGNITION FOR BEING THE LARGEST DONOR OF FOOD IN CROATIA

Dukat's leadership role in food donations in Croatia was recognized by the public two years in a row when Dukat was given the "The Best Donor" award. Dukat deserved this second recognition as the largest single donor of food in Croatia in 2018, donating 192 tons of food, i.e. a quarter of the total food donated, and as the largest donor in the category of producers. This recognition was awarded by the MEP Biljana Borzan and the "Food

Network" platform, with the aim of rewarding the greatest donors, increasing awareness of food donation issues and inspiring other companies to donate. The basic selection criteria were the data on donations in the previous year, which the companies are required to report under the Ordinance on conditions, criteria and methods for donating food. The recognition was awarded to Dukat in April 2019 at the European Parliament in Brussels.

MILK PRODUCERS

Dukat, one of the leading milk purchasers in Croatia, is an important factor for the stability and sustainability of the domestic dairy sector.

Encouraging development of primary milk production in Croatia is one of the strategic determinants of Dukat's socially responsible business.

In 2019, Dukat, one of the largest milk purchasers in Croatia, acquired 185.1 million kg of fresh raw milk from local dairy farms, which is 2.8 percent less than the year before. The decrease in milk purchase is the result of declining milk production in Croatia, a negative trend recorded by the domestic dairy sector for a number of consecutive years. With this decreased milk production, in 2019, the domestic dairy sector also witnessed a drop in the number of milk producers.

In 2019, Dukat purchased milk from 2,543 large, medium and small milk producers all across Croatia. Dukat nurtures long-term partner relationships with the majority of these milk producers, contributing to the development of rural Croatia. Furthermore, Dukat continuously invests significant amounts of its own funds in the stimulation and development of the business of the milk producers it works with, as well as the stimulation of milk production in Croatia

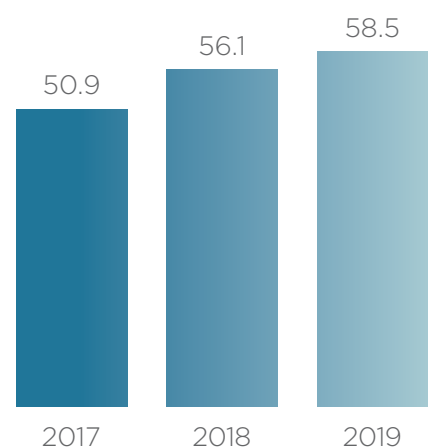
in general. In 2019, Dukat subsidized the purchase raw materials for milk production for its cooperants with HRK 58.5 million. In 2019, the total investment of Dukat into subsidizing milk production in Croatia was 4.4 percent higher than in 2018.

Thanks to Dukat's continuous investment in the domestic primary sector, in terms of investing its own financial resources and in terms of counselling and support by Dukat's team of veterinaries and agronomists, Dukat has been recording a continuous increase in the quality of produced milk within its collection area.

As Dukat's business is based on the processing of fresh raw milk of the highest quality, produced on domestic dairy farms, Dukat milk carries the label "Milk from Croatian farms", awarded by the Croatian Agriculture Agency, specifically the Croatian Agency for Agriculture and Food.

Building and nurturing long-term partnerships with milk producers, the secured placement of produced milk, the timely payment of financial obligations towards milk producers, professional education and counselling, improvement of milk production through higher quantities and a better quality of produced milk, as well as free market competition, are the foundations for the long-term cooperation between Dukat and the milk producers and for the sustainability of the domestic dairy sector.

TOTAL INVESTMENTS IN SUBSIDIZING PRIMARY MILK PRODUCTION (HRK MILLION)



MEMBERSHIPS IN ASSOCIATIONS THAT PROMOTE SUSTAINABLE DEVELOPMENT



In 1998, Dukat was one of the founders, and since then a member of the Croatian Business Council for Sustainable Development (HR BCSD), a non-profit institution of the private sector encouraging sustainable development in the economy. Along with its long-standing membership in HR BCSD, Dukat is also

an active member of other associations that promote sustainable development and environmental protection, such as the Community for CSR and the Community for environmental protection in the economy of the Croatian Chamber of the Economy, EKO-Ozra and GIUPAK (Economic interest grouping for packaging and environmental protection).

Since 2012, Dukat has been a member of the United Nations

Global Compact, the world's largest corporate social responsibility initiative, as well as the Croatian Network of Global Compact.

In 1998, Dukat was one of the founders, and since then a member of the Croatian Business Council for Sustainable Development (HR BCSD), and since 2012 a member of the United Nations Global Compact and the Croatian Network of Global Compact.

FOCUSING ON PRODUCT QUALITY



The greatest attention is paid to the quality and safety of products to fulfil the demands and expectations of consumers. Therefore, our products not only have to meet certain quality standards, such as ISO 9001, ISO 22000, IFS, HACCP, and Kosher and Halal certificates for specific product groups, but they strive to exceed them in accordance with internal quality standards.

Dukat's Quality, environmental and food safety management policy confirms the focus of the company on the continuous improvement of quality on all business levels, as well as the use of appropriate energy sources and raw materials, to achieve the satisfaction of consumers,



all employees, suppliers and business partners, generating positive effects on the community and the financial results of the company.

Having recognized the importance of two-way communication with consumers, ensuring a timely and complete response, Dukat has had a free Consumer Phone since 1998, and was the first dairy industry and one of the first in the Croatian food industry to introduce a free hotline for consumers. This communication channel (currently Customer Service), which in addition to phone

and e-mail, also includes communication via Dukat's Facebook page, is open to opinions, comments and inquiries by consumers about products and as such presents valuable source of information and an incentive for continued improvement. It also represents one of important internal tools for tracking consumer satisfaction and product quality.

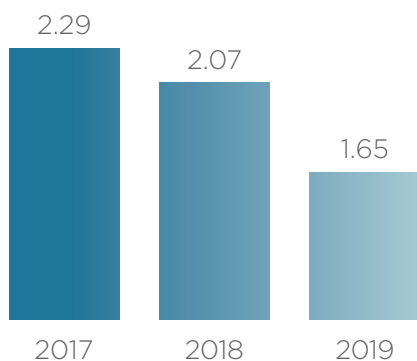
In 2019, 25.1 percent of the total number of contacts (complaints, comments and praises) received by the Customer Service were complaints, which is 19.1

Dukat is the first dairy industry and one of the first in the Croatian food industry to introduce a free hotline for consumers in 1998, currently Customer Service, which includes telephone and email communication, as well as communication via social networks.

percent less than in 2018. If we break down complaints by plants, the Bjelovar Plant recorded a decrease in the number of complaints by 11.5 percent and the Zagreb Plant recorded a 28.5 percent decrease, while the number of complaints at the Karlovac Plant decreased by 20.8 percent compared to 2018. The same trend was recorded if we observe the number of product complaints per million items sold (ppm). All three plants in Croatia recorded a decrease in the number of complaints per million items sold.

Of the total complaints received, a visit from a sales representative and the replacement of the product

CUSTOMER COMPLAINTS PER MILLION ITEMS SOLD (PPM)

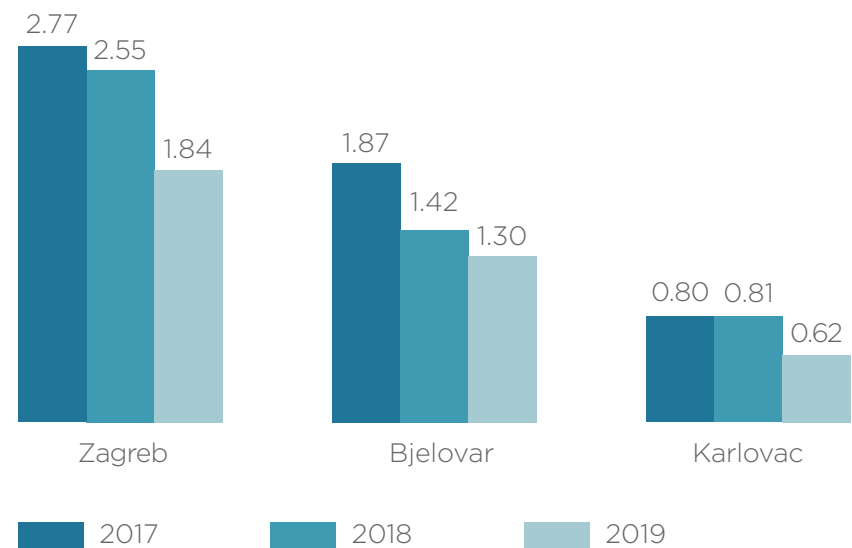


was accepted by 66.7 percent of consumers (compared to 58.4 percent the year before), while others were satisfied with just an apology.

Since 2015, we have also been monitoring consumer complaints in terms of

frequency and intensity. A stable trend is also noticeable in this domain. The average is 15-20 complaints per 100,000 processed delivery orders. The intensity of complaints is low and in 2019 amounted to 2.5 kg of disputable products per 10 tons of delivered products.

CUSTOMER COMPLAINTS PER MILLION ITEMS SOLD (PPM) BY PLANT



Dukat was the first food and dairy company in Croatia to launch expert panels for the sensory evaluation of products in 2016, comprising specially trained external associates. In addition to two panels with 31 panellists in total, products are also regularly evaluated by Dukat's 14 long-term tasters - employees who are members of the two plant panels.

INVESTMENTS IN THE NEW PRODUCTION LINES AND WAREHOUSES AT THE BJELOVAR PLANT

In the spring of 2019, we have commissioned new production lines and a newly built cold storage for finished products at our Bjelovar Plant (Sirela), with the financial support of the European Agricultural Fund for Rural Development. The total cost of the investment was HRK 43.5 million, of which Dukat invested HRK 22.2 million, the European Agricultural Fund provided HRK 18.1 million and the Government of the Republic of Croatia provided HRK 3.2 million. In 2019, at our Bjelovar Plant, we have processed 82.5 million litres of fresh raw milk into fresh, semi-hard

and hard cheeses and butter. This investment shall form a basis for the further development, production and export of authentic, high-quality cheeses, such as Sirela Podravec, Ribanac, Dimsi, Trapist, Bjelovar salty cheese and others.

By the end of 2020, Dukat will have invested an additional HRK 14 million from its own funds into the Bjelovar Plant, aiming to further increase the production capacity and strengthen competitiveness.

DISCOUNT STORES OPENING

Trying to meet the needs of its fellow citizens with a lower material status, in 2019, Dukat continued to expand discount stores that sell Dukat, Sirela, President and Galbani brands of milk, dairy products and cheese at lower prices compared to regular stores. In addition to the discount stores in Dolac in Zagreb and in Bjelovar, in Slavonski

Brod and at the Jarun market in Zagreb (opened in 2018), a fifth discount store was opened in 2019 as the third store in Zagreb, at Trešnjevački market. With the above said, all Dukat discount stores also sell products that are about to expire, with prices 50 to 70 percent lower than regular prices.

THE DUKAT FIT CYCLING RACE AND THE DUKATINO RACE FOR CHILDREN



With the aim of promoting urban cycling as an ecologically acceptable manner of transport and an activity that positively influences the health of individuals and families, in 2019, Dukat once again organized the “Dukat Fit” race and the “Dukatino race for children” in Zagreb. In five categories, 571

cyclists of all ages participated in the race, which is 6,9 percent less than in the previous year, but 44 percent of the participants were children.

The eighth Dukat cycling race in Zagreb was held before the European Mobility Week and under the patronage of the Mayor of the City of Zagreb. Since 2012, more than 4,000 cyclists, children and adults, have participated in ten races (eight in Zagreb and two in Zadar) organized by Dukat.



DUKAT'S OPEN DOOR DAYS FOR STUDENTS



As part of “Dukat’s Open Door Days”, an educational and fun project implemented under the patronage of the Ministry of Science and Education since late 2012, Dukat has been hosting third and fourth graders from Croatian elementary schools for one day every month during the school year. During their visit to Dukat and its Zagreb Plant, students have the opportunity to learn about the milk’s route “from the field to the table” and about the significance of the everyday consumption of

milk and dairy products for the proper growth and development of children.

In 2019, the Zagreb plant was visited by 670 students from 13 elementary schools from Zagreb and the surrounding areas, which is 60.7 percent more students than the year before.

Since the project was launched, 3,709 students visited Dukat and its Zagreb Plant (October 2012 – December 2019), and the great interest in this program is demonstrated by the fact that all the terms have been fully booked for almost two school years in advance.



EIGHTH CREATIVE DRAWING PROJECT “I LOVE MILK!”



Since 2012, Dukat has been holding the creative drawing competition “I love milk!” to encourage the public to create proper dietary habits and draw attention to the importance of daily milk consumption, especially among school-age children. In the past eight years, 24,309 elementary school students and their teachers from all parts of Croatia participated in the competition.

In 2019, a total of 3,305 artworks were received for the competition from 178 elementary schools. The four winning drawings of the funniest milk packaging, selected by an independent jury, were used for a

limited series of Dukat’s UHT milk packaging. The announcement of the winners and half-day educational and creative workshops for the grades of the awarded students were held in the beginning of 2020 at the Museum of Contemporary Art in Zagreb, a partner in the project that has been involved since its inception.

The competition is held under the patronage of the Ministry of Science and Education and the Ministry of Health. All the participants in the competition were sent personalized thank-you-letters, while some teachers also received mentorship certificates necessary for their further professional development.





ENVIRONMENT

Dukat has been building its own environmental management system, continuously reducing its impact on the environment

PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8

Undertake initiatives to promote greater environmental Responsibility,

PRINCIPLE 9

Encourage the development and diffusion of environmentally friendly technologies.

Strategically focused on a responsible attitude towards the environment and operations in accordance with the sustainable development policy, over time, Dukat has been building its own environmental management system, continuously reducing its negative impact on the environment. ISO 14001 and 50001 certificates are evidence of Dukat's efforts and continuous improvements in the area of environmental protection and efficient energy management.

MATERIALS



PACKAGING

As a large-scale producer, we take care of the environmental acceptability of our products and strive to introduce economic and environmentally friendly packaging materials. In compliance with the Ordinance on packaging and packaging waste, Dukat prepares quarterly and annual reports on the types and volumes of packaging put into circulation, and it prepares additional monthly reports. We bear the cost of packaging waste disposal and management in accordance with the reports.

In 2019, 1.5 percent more packaging was put into circulation by Dukat compared to 2018, while 0.5 percent less packaging was put into circulation in 2018 than in 2017. The percentage of material used as recycled input material was less than 3 percent.

DATA ON PACKAGING PUT INTO CIRCULATION (t) – DUKAT Inc.

Type of packaging material (t)	2017	2018	2019
Metal (Al bottle for whipped cream 250 ml)	35	40	44
Paper/ cardboard	2,091	2,065	2,116
Multi-layer packaging with a predominant paper component	1,287	1,299	1,330
PET	595	593	569
Polymers	2,754	2,729	2,775
TOTAL	6,762	6,726	6,834

TOTAL WEIGHT OF PACKAGING PUT INTO CIRCULATION (t) – DUKAT Inc.

Type of packaging material (t)	2017	2018	2019
Multi-layer paper packaging	1,280	1,300	1,330
Paper/cardboard	2,100	2,100	2,100
PET	600	600	600
HDPE	2,000	1,300	2,000
Other polymers (PS, PE)	750	1,400	800
Metals	35	40	44

ENERGY

Since 2017, a system of energy management according to ISO 50001 for processes of the development, production and distribution of dairy

products is being implemented at the Zagreb and Bjelovar plants, at logistic locations in Dubrovnik, Split, Zadar, Rijeka, Pula and Đakovo, as well as

at the locations of associated companies (KIM Mljekara Karlovac, LA LOG i B.P.A.C. Auto).

POWER

Energy consumption is approached with great care and efforts are made towards savings in all stages of operations: in designing power plants and technological processes, rational and efficient process management and regular and quality maintenance. Due to the increased production demand during the summer months and the intensive use of the cooling system during summer, the energy consumption increased from June to September.

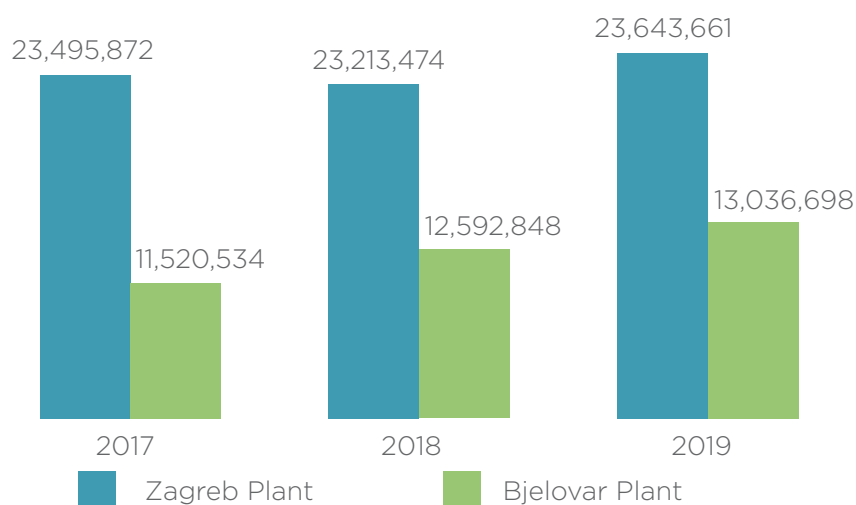
In 2019, the total power consumption at the Zagreb Plant was 23,643,661 kWh, which is 1.5 percent more than in 2018. In 2018, power consumption was 0.3 percent lower than in 2017. The ratio of consumed power per ton of processed milk was 248 kWh/t in 2019, and in 2018 it was 247 kWh/t, meaning that nine percent more power per ton of

product was consumed in 2018 than in 2017.

The total power consumption at the Bjelovar Plant in 2019 was 13,036,698 kWh, 3.5 more compared to 2018 when the consumption amounted to 12,592,848 kWh. In 2018, the total power consumption was 8.5 percent higher than in 2017.

The ratio of consumed power and production in 2019 amounted to 160 kWh/kg of processed milk, i.e. 17 percent more compared to 2018 (137 kWh/kg). The ratio of consumed power and production in 2018 is 11 kWh/t higher than in 2017 (126 kWh/t) and, on average, is higher than the average in the past five years.

TOTAL POWER CONSUMPTION (kWh)



Power (kWh)	2017	2018	2019
Zagreb Plant	23,495,872 kWh	23,213,474 kWh	23,643,661 kWh
Bjelovar Plant	11,520,534 kWh	12,592,848 kWh	13,036,698 kWh

INVESTMENT IN A PHOTOVOLTAIC POWER PLANT WITH THE SUPPORT OF EU FUNDS

In 2019, as part of Measure 4, operation 4.2.2. "Use of renewable sources of energy", Dukat was granted co-financing for the construction of an 800 kWh solar power plant in Zagreb. The total value of the investment is HRK 4.5 million, of which the European Agricultural Fund for Rural Development and the Republic of Croatia will cover 50 percent in non-refundable funds, while the other 50 percent will be invested by Dukat from its own funds. The implementation of the project is planned for summer 2020, after which the warehouses and logistics buildings will be covered with photovoltaic panels that will generate 5 percent of the electricity requirement from the sun.

STEAM

In 2019, the total steam consumption was 38,063 tons, which is 0.5 percent less compared to the steam consumption the year before. In 2018, steam consumption was 5 percent higher than in 2017.

Steam (t)	2017	2018	2019
Zagreb Plant	36,324 t	38,257 t	38,063 t

GAS

Two combustion plants, each of 4.4 MW, are installed at the site of the Zagreb Plant, which are categorized as medium combustion plants according to the Ordinance on limit values for pollutant emissions into the air. The plants are fuelled by natural gas.

In 2019, 3,003,605 m³ of gas were consumed, which is 0.6 percent lower compared to the gas consumption in 2018. In 2018, 3,020,480 m³ of gas were consumed, which is 3.2 percent higher compared to the gas consumption in 2017.

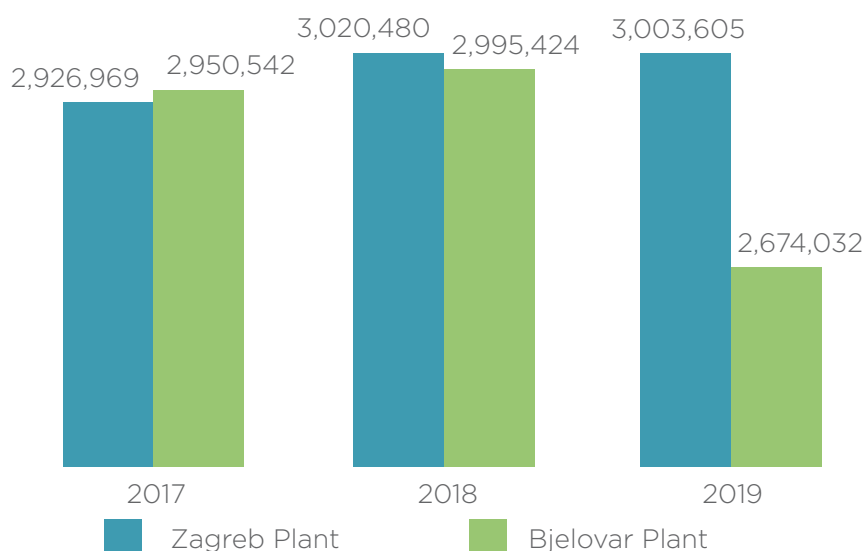
The emissions of pollutants into the air from both plants were measured in December 2019 and the values met the prescribed emission limit values according to the Ordinance on limit values of pollutants in the air.

Bjelovar Plant has its own production of heat energy –

steam in two boilers with a total power of 9.9 MW and one 1.16 MW thermogen for producing hot air. In 2019, 2,674,032 m³ of gas was used, which is 11 percent less than the consumption in 2018. In 2018, 2,995,424 m³ of gas was used, which is 1.5 percent more than the consumption in 2017.

The ratio of gas consumption to production in 2019 was 32.59, while the average amount in 2018 was 32.92 m³ gas/t of processed milk. The ratio of gas consumption to production in 2017 was 32.62 m³ gas/t of processed milk.

TOTAL GAS CONSUMPTION (m³)



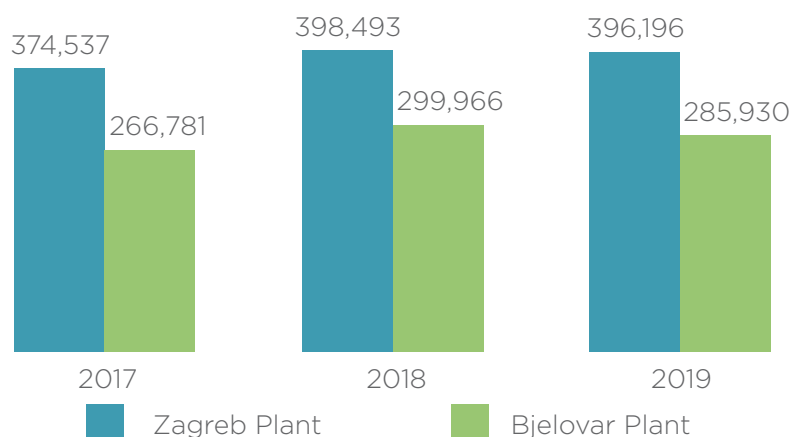
Gas	2017	2018	2019
Zagreb Plant	2,926,969 m ³	3,020,480 m ³	3,003,605 m ³
Bjelovar Plant	2,950,542 m ³	2,995,424 m ³	2,674,032 m ³

WATER



Dukat assigns great importance to economic water consumption and constantly seeks new ways to reduce its consumption. Both plants (Zagreb and Bjelovar) draw the majority of their water from their artesian wells, while the rest is from the public water supply.

TOTAL WATER CONSUMPTION (m³)



Water (m³)	2017			2018			2019		
	Quantity (m³)								
	Public water supply	Own well	Total	Public water supply	Own well	Total	Public water supply	Own well	Total
Zagreb Plant	7,408	367,129	374,537	5,519	392,974	398,493	3,060	393,136	396,196
Bjelovar Plant	3.520	263.261	266.781	21.408	278.558	299.966	20.476	265.454	285.930

ZAGREB PLANT

In 2019, the total water consumption at the Zagreb Plant was 396,196 m³, which is 0.6 percent less than the total water consumption in 2018. Water consumption from the public water supply was 3,060 m³, which is 44.6 percent lower than in 2018. Water consumption from own well

was 393,136 m³ or 0.04 percent more than in 2018. In 2018, the total water consumption was 398,493 m³, which is 6.4 percent more than the total water consumption in 2017.

The index of production (IP per one kilogram of a produced product) was higher in 2019

than in 2018 and amounted to 4.2 compared to 4.15 in 2018. In 2017, the index of production was 4.0 and was the same as the index of production the year before.

BJELOVAR PLANT

In 2019, the total water consumption was 4.7 percent lower (285,930 m³) than the total water consumption in 2018 (299,966 m³). In 2018, total water consumption was 11.1 percent higher than the total water consumption in 2017 (266,781 m³).

Water consumption from the public water supply was 20,476 m³, which is 4.4 percent lower than in 2018. Water consumption from the public water supply in 2018 was 21,408 m³, which is much higher than in 2017 (3,520 m³). The consumption of water

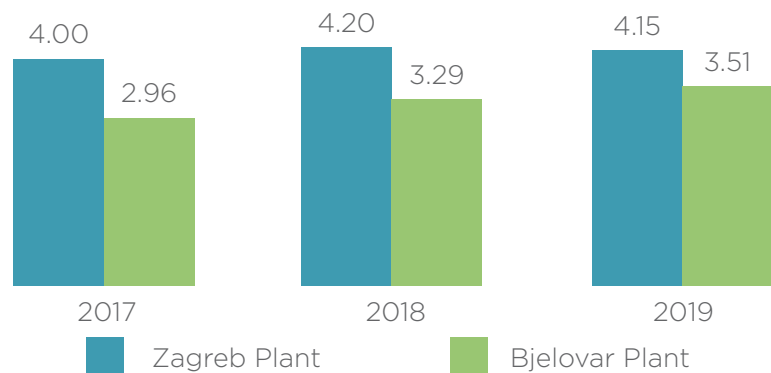
from our own wells is 265,454 m³, i.e. 4.7 percent less compared to 2018 (278,558 m³), while the consumption of water from our own wells in 2018 was 5.8 percent higher compared to the consumption in 2017.

In 2019, the average ratio of water consumption to processed milk was 3.51 l of water/kg of processed milk, which is higher than in 2018, when it was 3.29 l of water/kg of processed milk. The reason for this is the lower quantity of processed milk, which caused shorter production cycles and more frequent washing between such cycles. In 2018, the average ratio

of water consumption to processed milk was 2.9 l of

water/kg of processed milk, which is higher than in 2017.

INDEX OF PRODUCTION (l water/kg of processed milk)



EMISSIONS INTO THE AIR



ZAGREB PLANT

As mentioned above in the section on Gas, there are two combustion plants running on natural gas at the site of the Zagreb Plant.

The emissions of pollutants into the air from both devices were measured in 2019 and the values meet the prescribed

emission limit values under the Ordinance on limit values for pollutant emissions into the air.

EMISSIONS INTO THE AIR FROM THE FUEL COMBUSTION PROCESS TO OBTAIN THERMAL ENERGY IN 2019

Data on the type and quantity of emissions from outlet 1		
Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Nitrogen oxides as nitrogen dioxide (NO ₂)	HR EN 14792:2007	2,969
Carbon dioxide (CO ₂)		2,903,866
Carbon monoxide (CO)	HR EN 15058:2008	150
Data on fuel type and consumption		
Fuel name	Fuel consumption	Lower heating value
Natural gas	1,501,802 m ³ /god.	34,640
Data on emission measurement results		
Gas fuel:		Natural gas
Substance	Measurement result (mg/m ³)	
Nitrogen oxides as nitrogen dioxide (NO ₂)	197	
Carbon monoxide (CO)	10	

Data on the type and quantity of emissions from outlet 2

Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Nitrogen oxides as nitrogen dioxide (NO ₂)	HR EN 14792:2007	1,919
Carbon dioxide (CO ₂)		2,903,866
Carbon monoxide (CO)	HR EN 15058:2008	150

Data on fuel type and consumption

Fuel name	Fuel consumption	Lower heating value
Natural gas	1,501,802 m ³ /yr	34,640

Data on emission measurement results

Gas fuel:	Natural gas
Substance	Measurement result (mg/m ³)
Nitrogen oxides as nitrogen dioxide (NO ₂)	127
Carbon monoxide (CO)	10

BJELOVAR PLANT

There are four sources of emissions of pollutants into the air at the site of the Bjelovar Plant:

- two outlets from boiler chimneys – emissions of combustion products,
- one outlet from the thermoelectric generator for the production of hot air (milk drying plant) -

emissions of combustion products,

- one outlet of the milk drying plant's de-duster (non-energy) - organic dust.

The emissions of pollutants into the air were measured and the values meet the prescribed emission limit values under the Ordinance on limit values for

pollutant emissions into the air. According to the Decision on the amendment of the Environmental permit, date 12 January 2018, the limit value for the emission of total powder substances from the dryer was increased from 20 mg/m³ to 60 mg/m³.

EMISSIONS INTO THE AIR FROM THE THERMOELECTRIC GENERATOR CHIMNEY AND BOILER CHIMNEYS 1 AND 2 (BJELOVAR PLANT)

Type of outlet: **Thermoelectric generator chimney**

Data on the type and quantity of emissions from outlets

Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Carbon monoxide (CO)	HRN EN 15058	57.72
Carbon dioxide (CO ₂)	/	981,150.17
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	134.97
Particles (PM 10)	/	7.91

Type of outlet: **Boiler chimney 1**

Data on the type and quantity of emissions from outlets

Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	1,864.67
Carbon monoxide (CO)	HRN EN 15058	206.27
Carbon dioxide (CO ₂)	/	3,838,479.60
Particles (PM 10)	/	30.94

Type of outlet: **Boiler chimney 2**

Data on the type and quantity of emissions from outlets

Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	82.83
Carbon monoxide (CO)	HRN EN 15058	10.86
Carbon dioxide (CO ₂)	/	202,024.16
Particles (PM 10)	/	1.63

WASTEWATER



ZAGREB PLANT

There were no deviations of individual parameters (oxygen chemical consumption, BPK₅, pH, total oils and fats value) in 2019 from the set values of the water management license for discharge into the public sewerage system of the city of Zagreb recorded at the site of the Zagreb Plant.

Technologies for reducing emissions into water

- Filters have been installed in production plants sewers that separate labels, caps and other materials.
- Chlorine-based chemicals have been replaced with peroxide- and acetic acid-based formulas.
- Technological processes in the plant have been optimized; the milk processing plants are regularly maintained to prevent the discharge of organic matter into the sewerage system.

BJELOVAR PLANT

The Bjelovar Plant has its own wastewater treatment plant with a capacity of 1100 m³/ day, and the processed wastewater outflows meet the limit values under the water management license. Outflowing wastewater is discharged into the public sewage of the City of Bjelovar after the treatment procedure.

In 2019, a total of 239,985 m³ of technological wastewater was processed by the wastewater treatment plant, which is insignificantly (0.4 percent) more than in 2018. (239,128 m³). In 2018, 10.4 percent more water was treated compared to 2017 (214,332 m³).

The average COD value (chemical oxygen demand) in

the water, after the purification process, was 250.0 mg/litre, which is less than in 2018 when the COD was 297.7 mg/litre. The average COD value (chemical oxygen demand) in the water, after the purification process, was higher in 2018 than in 2017 when the COD was 173.3 mg/litre. Compared to the output COD in 2018 (298 mg/L), in 2019 (250 mg/L), there is a noticeable reduction in the output COD, which is the result of the quantity of processed milk and the decrease in the overall production.

In 2019, the average Fx (wastewater treatment factor) was 1.30 and in 2018 it was 1.12. The cause of the increase of Fx is the increase of the input water COD in 2019 (COD =

3,329 mg/l), compared to 2018 (COD = 2,796 mg/l).

The wastewater treatment factor in 2018 (1.12) was lower compared to 2017 (1.15), which is the result of the better efficiency of the water treatment device.

The sludge resulting from the wastewater treatment process is not being centrifuged and is transported with approx. 2.5 percent of solid matter, and thus the overall quantity amounts to 10,589 m³.

WASTE



WASTE GENERATING AND PROCESSING

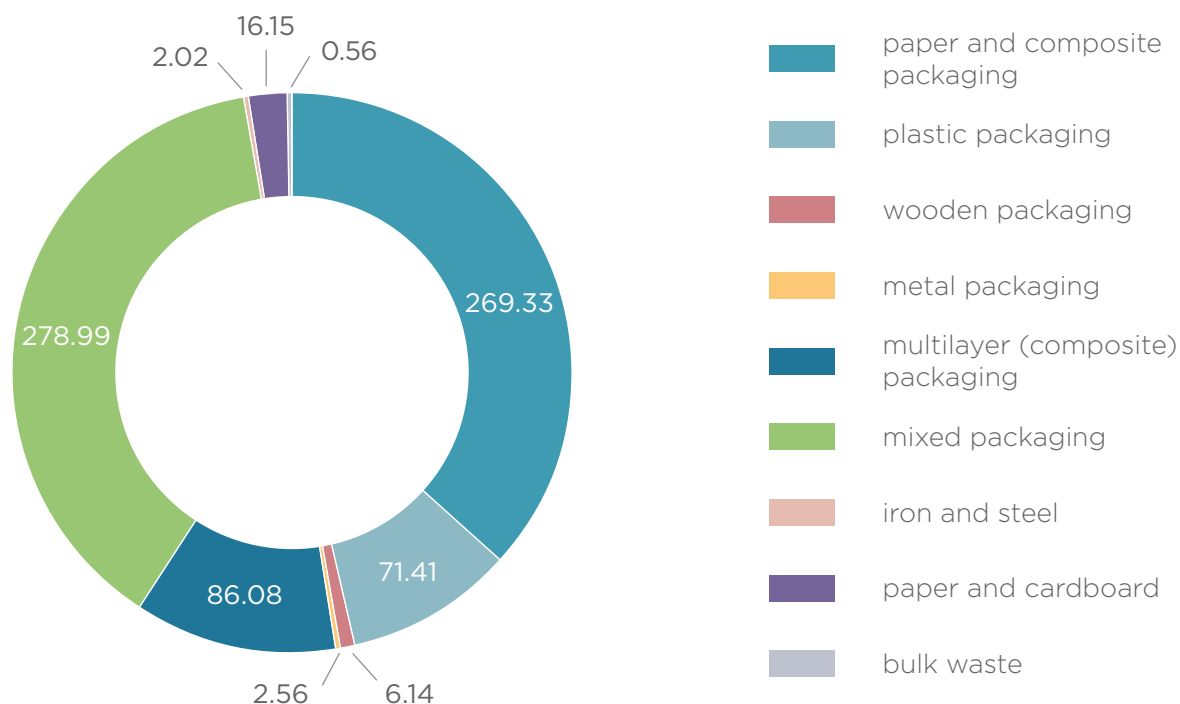
Systematic waste management is one of the fundamental components of the environmental management system. Re-usable waste with valuable characteristics that can be used is collected and stored separately. Dukat's constant objective is to manage waste in an environmentally efficient manner. Precisely for this reason, continuous efforts

are directed at the prevention and constant reduction of generating all types of waste and waste management in accordance with economic principles. It is also the objective of the company to reduce communal waste generating by increasing the selection of generated waste.

In 2019, at the Zagreb Plant, 822 tons of waste were

collected and selected, which represents an increase of 1 percent compared to the previous year. In 2018, the total volume of separated waste received was 814 tons, which is 1 percent less than in 2017. In the total balance, mixed packaging was the most collected, followed by waste paper and cardboard and multilayer packaging waste.

NON-HAZARDOUS WASTE AT THE ZAGREB PLANT BY CATEGORY (t)



BJELOVAR PLANT

At the Bjelovar plant, waste plastic and foil (73,440 kg) constitute the largest part of non-hazardous waste, which is 15 percent more than in the previous year (63,720 kg). A total of 9,424 kg of hazardous waste were collected (11 percent more than in 2018),

mostly packaging that contains hazardous substances or has been contaminated by hazardous substances (5,733 kg). In 2018, plastic packaging was the type of non-hazardous waste that was collected the most (63,720 kg). A total of 8,479 kg of hazardous waste

were collected (8.4 percent more than in 2017), mostly packaging that contains hazardous substances or has been contaminated by hazardous substances (4,800 kg).

CONSUMPTION OF CHEMICALS



ZAGREB PLANT - CONSUMPTION OF WASHING AND DISINFECTING AGENTS

In 2019, 4 percent more washing and disinfecting agents were consumed at the

Zagreb Plant than the year before, and in 2018, the Zagreb Plant consumed 10 percent

more washing and disinfecting agents than in 2017.

Total volume of washing and disinfecting agents	2017	2017	2019
	980,372 kg	1,081,123 kg	1,128,560 kg

BJELOVAR PLANT - CONSUMPTION OF CHEMICALS IN THE WASTE WATER TREATMENT PLANT

In 2019, the total volume of chemicals utilized in the wastewater treatment plant was 27 percent higher than in 2018. Due to the decrease in production volume, the Plant has to use smaller batches and

to carry out cleaning more often, resulting in the increase of chemicals.

In 2018, the total volume of chemicals utilized in the wastewater treatment plant was 23 percent lower than in

2017. Consumption of caustic soda was 12.1 percent lower in 2018 than in 2017 due to the new manner of work of the wastewater treatment plant.

Total volume of chemicals utilized in the waste water treatment plant	2017	2018	2019
	179,500 kg	138,200 kg	176,055 kg

NOISE

Noise for the day and night work conditions at the Zagreb Plant site ranges within the legally permissible limits.

Based on the measured noise levels within the Bjelovar Plant and based on the

acoustic requirements, the noise level does not exceed the permissible values for the "day-night" time period. Also, thanks to the noise protection measures taken, by repairing the compressor holes and by turning off noisy

devices during night work (the ice water compressor and ventilation on the street-facing façade), noise levels during the night conditions do not exceed the permissible values.

COMPLIANCE

In accordance with the legal provisions, Dukat makes an annual assessment of adherence to (compliance with) the legal and other environmental regulations.

No deviation from the legal and other regulations and requirements was recorded in 2019. There were also no extraordinary situations

recorded and there was no need to undertake any of the prescribed measures in the event of incidents.

SUPPLIER EVALUATION REGARDING THE IMPACT ON THE ENVIRONMENT



As part of the annual supplier evaluation, regarding the impact on the environment, the following activities are assessed:

- Frequency of environmental disasters at the point

of delivery (activities of suppliers or carriers did not cause any pollution at the plant in the course of last year: accidental gas dispersion or emission, spilling of liquids, fire)

- Adherence to environmental requirements (supplier or carrier adheres to prevention

plans, security protocols, rules for unloading the remains of liquid cargo at the bottom of the tank (stripping), waste separation rules, etc.)

- The offer to reimburse the costs incurred by damage (in cases when the delivered product generates waste or

by-products, the supplier can offer a recycling path for such waste, e.g. packaging)

- Environmental awareness (supplier contacted us

offering solutions related to environmental protection - waste recycling, reduction of waste at the source, etc.).

In 2019, all suppliers received the highest grade regarding their impact on the environment.

GOALS FOR 2020

- The education and information of employees on the obligations of Dukat according to the new environmental legislation
- Commitment to the lasting improvement of energy efficiency through monitoring the realization of established EPIs (energy performance indicators)
- Design that improves energy efficiency
- Decrease the impact of plants on the environment
- Decrease the amount of waste generated

DUKAT EMPLOYEES VOLUNTEER IN A CLEAN-UP CAMPAIGN FOR THE EIGHTH TIME

In 2019, Dukat employees once again joined the largest volunteer cleaning campaign "Green clean-up - one day for a clean environment", part of the global "Let's do it!" movement. Seventy employees from all three production plants in Croatia participated in the action and cleaned up three illegal dumping sites in Zagreb,

Bjelovar and Karlovac. Along with collected waste (34 m³), employees donated a total of 123 working hours voluntarily joining the clean-up. In the past eight years, 518 Dukat, KIM and La Log employees participated in the action, freeing the environment from more than 200 cubic meters of waste.





ANTI-CORRUPTION AND CORPORATE GOVERNANCE

Dukat applies strict anti-corruption standards in accordance with relevant internal documents and corporate policies

PRINCIPLE 10

Businesses should work against corruption in all its forms, including extortion and bribery

Dukat applies strict anti-corruption standards in its daily operations, in accordance with the relevant internal documents and corporate policies and operates in compliance with the applicable regulations. Aware of the importance of responsible and ethically-based conduct, Dukat applies the Zagreb Stock Exchange's Corporate Governance Code.

ANTI-CORRUPTION

Dukat's anti-corruption activities can be divided into several main areas:

- **Systematic improvement of the adherence to laws, rules of operation, good business practices and ethical business practice**

This objective is achieved through the constant improvement of business processes and the education of Dukat employees responsible for the legality of operations and the management of business processes related to business practice issues and constant legislative and business changes. Business processes are also set and monitored so that they are always in compliance with the principles mentioned in the introduction, by adopting and enforcing internal by-laws, procedures and work instructions that are regularly communicated by e-mail and the Intranet.

- **Internally regulated procedures and work instructions**

The Code of Conduct, available to employees on

the Intranet, expressly states that "the employee shall receive salary for his/her work at the company. Any other receiving or giving of money, inappropriate gifts or services is not in compliance with the company's by-laws and is therefore forbidden."

The system of internal controls and prescribed procedures ensures the impartiality and objectivity of the employees and management, and risk of corrupt actions and bribery is minimized through:

- clearly defined and prescribed ethical standards of business conduct required of the employees and management
- regularly assessing the conditions of cooperation with potential suppliers and customers
- separate competences and processes in the process of the procurement of goods and services
- separate levels of business decision-making on donations and sponsorships
- the procedure for prior legal and financial control of each contract entered into with suppliers and customers

There were no recorded reports on the suspicion of corruption or incidences of corruption in 2019 or the previous years.

It is Dukat's strategic commitment not to provide any material or non-material support to any political party or candidate, on the national or local level. Dukat's employees, as individuals, are free to provide material support to any political party or candidate of their choice, from their own funds and in their free time, which is the responsibility and decision of each individual.

In 2019, Dukat was not a party to any of the procedures initiated for conduct that is contrary to the free market competition principle, anti-trust or monopoly practices.

CORPORATE GOVERNANCE

Dukat's corporate management activities include:

- **Operations in accordance with the Companies Act, Capital Market Act, regular adoption and implementation of the Zagreb Stock Exchange Corporate Governance Code**

In this way, the legality, transparency and publicity of operations are protected and corporate governance of the highest rank is ensured, posing a systematic obstacle to corruption and abuses. Dukat is quoted on the Zagreb Stock Exchange, where it regularly publishes relevant business information for shareholders, investors and the business community. In addition to the Zagreb Stock Exchange, all important information is submitted to the Croatian Financial Services Supervisory Agency (HANFA), the Croatian News Agency (HINA), and is published on the company's website, in accordance with relevant regulations.

- **The implementation of practice concerning competition**

Dukat approaches competition as one of its top priorities in operations and invests great effort into everyday business practices to assess each economic activity from this aspect as well. Accordingly, in 2019, we actively worked on the continued education of all

key employees at Dukat and the Dukat Group and all its associated companies in the region (Slovenia, Serbia, Bosnia and Herzegovina and North Macedonia) in order to ensure the continued application of competition rules in business.

In accordance with the practice promoting respect for the rules of competition, Dukat cooperates with the Croatian Competition Agency on a regular basis, submitting all the data required by the Agency and regularly participating in the Agency's research into milk and dairy goods, as well as distribution trade markets.

In March 2019, Dukat continued its participation in the research of contractual relations in the milk and dairy product sector in Croatia, carried out by the Agency for the Protection of Market Competition since 2018. It submitted all the requested information, documentation and responses within the set deadline to the Agency for the Protection of Market Competition.

THE IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE

Dukat Inc. (hereinafter: Dukat) voluntarily applies the Corporate Governance Code of the Zagreb Stock Exchange, which is available on the Dukat and Zagreb Exchange websites, as well as in Dukat's administrative

offices. Application of the Code has contributed to the improvement of high corporate governance standards and business transparency, which is completely aligned with the positive legislation.

The Code establishes procedures for the actions of bodies in charge of decision making and ensures the prevention of conflicts of interest, efficient internal supervision, and an efficient system of responsibility. There is a clearly established responsibility system for every subsidiary on the Dukat Group level, and Dukat as a parent company actively participates in all major decisions made individually by the management of the subsidiaries, in accordance with the regulations and internal acts of the subsidiaries.

The Code regulates the mandatory publication of financial statements and price-sensitive information, all in an attempt to improve the transparency of information for current and potential investors and to ensure equal conduct towards all interest holders.

Dukat's decision-making bodies fully apply the provisions of the Corporate Governance Code in managing company operations.

The overall internal control systems of Dukat and of the Group include:

- An appropriate organization structure on all levels, with the separation of duties and defined reporting mechanisms towards upper management
- Internal controls integrated into business processes and activities
- Accounting and administrative policies and procedures within control functions related to key risks
- A double model of corporate management comprising the Management and Supervisory Boards

The basis of the internal control system of Dukat and the Group is the internal policy, which defines the basic principles, structure and functions of the internal control activities, which contributes to regular corporate governance and the promotion of transparent business. The main features are as follows:

- Set of accounting policies related to the preparation of the Annual report in accordance with the International Financial Reporting Standards adopted in the EU and the Accounting Act
- The internal audit of Dukat that supervises the overall activities of Dukat and the Group, with the aim of estimating the adequacy of established internal controls system

The Internal Audit reports and findings are adopted by the Management Board and the Audit committee of Dukat. The Internal Audit department of the parent company Dukat Inc. is also responsible for the internal audit of the activities of the subsidiaries within the Dukat Group.

Dukat holds 197 treasury shares, which make up 0.00657 percent of the share capital of the company.

The Supervisory Board member – workers' representative holds 800 shares, which makes up 0.02667 percent of the company share capital.

The managing directors and Supervisory Board members are appointed pursuant to the positive legislation.

All amendments of the Statute are adopted by the General Assembly pursuant to the positive legislation and the full text of the Statute is available on the company website, at the business offices of Dukat and the Commercial Court.

The General Assembly acts in accordance with the applicable Statutes of the company.

Shareholders realize the rights guaranteed by applicable regulations, and have access to all information relevant

to the business operations of the company and making appropriate investment decisions by publishing reports and information in accordance with the applicable regulations, by way of the Croatian Financial Services Supervisory Agency (HANFA), the Zagreb Stock Exchange (ZSE), the Croatian News Agency (HINA), as well as the company website (www.dukat.hr). Furthermore, the shareholders receive all additional information from the Shareholders Record Office kept by the company.

In November 2019, the company also appointed the person in charge of investor relations, which provided the shareholders and investment public with additional access to information that is significant for the adoption of investment decisions.

On 31 December 2019, the company has:

- two Managing directors who run business operations and represent the company severally and without limitations
- Supervisory Board
- Audit Committee

All these bodies operate in accordance with the applicable regulations and internal regulations of the company.

LIST OF TABLES AND CHARTS

Dukat Group in Croatia in numbers (2019)	4
Volume distribution per product categories	5
Plants, warehouses and platforms	5
Union members	9
Number of workplace injuries	10
Number of sick days	11
Number of paid leave days	11
Amount of financial aid to employees (HRK)	12
Volunteer blood donors	12
Type of employment	13
Age structure	14
Gender	14
Education	14
Composition of governance and management	15
Donated products by category (kg)	24
Donations by type of recipient (kg)	24
Donations by county (kg)	24
Donations by regions (kg)	24
Total investments in subsidizing primary milk production (HRK million)	25
Customer complaints per million items sold	27
Data on packaging put in circulation (t)	31
Total weight of packaging put in circulation (t)	31
Total power consumption (kWh)	32
Total steam consumption (t) - Zagreb plant	33
Total gas consumption (m ³)	33
Total water consumption (m ³)	34
Index of production (l water/kg of processed milk)	35
Emissions into the air from fuel combustion process to obtain thermal energy at the Zagreb Plant	35
Emissions into the air from thermoelectric generator chimney and boiler chimneys 1 and 2 (Bjelovar Plant)	36
Non-hazardous waste at the Zagreb plant by category (t)	39
Zagreb plant – consumption of washing and disinfecting agents	39
Bjelovar plant - consumption of chemicals in waste water treatment plant	40

Report Profile

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