



Corporate Social Responsibility Report

2021

WE SUPPORT



STATEMENT OF SUPPORT AND BUSINESS CHALLENGES

A decade of membership and implementation of the United Nations Global Compact (UNGC) principles is behind us, and we have systematically improved our business and social responsibility, in particular in the area of human rights, labour conditions, contribution to the community, environmental protection and the fight against corruption.

Responsible and sustainable business operation has been the strategic direction of our company, whether it concerns the relationship with employees, consumers, subcontractors, business partners, community or attitude towards the environment. Doing business in accordance with the UNGC principles and assuming responsibility for the role and influence of our company in the local and wider community are integral parts of our daily business.

However, it is important to emphasize that the context of Dukat corporate social responsibility is significantly wider than the UNGC principles that we primarily report on. The incentives for milk production in Croatia are of great significance both for the company and for the sustainability of rural areas where our farmers – milk producers live and work. Furthermore, the dedication to consumers through focus on the best raw materials and quality of Dukat's products, continuous monitoring of consumer's needs, high innovation activities rate and paving the road to new trends in the domestic dairy industry have been our strengths ever since 1912.

Thus, 2021 was also marked by comprehensive process of redefining the value of Dukat brand whereby we emphasized 110 years of dedication to consumers and domestic dairy industry, which is also reflected in our slogan "Dedicated to you since 1912" which will become a part of the redesigned Dukat's logo.

We started the year with a major corporate social responsibility project "Dukat for Banovina – Milk Drop, a Kindness Waterfall", whereby we have provided the residents of Banovina who lost their homes in the earthquake with nearly HRK 1 million, more than 15 tonnes of dairy products and 50 tonnes of animal feed.

We initiated the largest corporate forestation project in Croatia as part of our annual creative art contest "I love milk!", as well as the first major project of circular economy, whereby the waste cardboard packaging from production is used as a raw material for the production of paper towels and paper for us at Dukat.

As in the year before, the Covid pandemic had a significant influence on our business operations at all levels and also on the business results of our company. Our focus was on the care for our employees and the protection of their health, and on ensuring the unhindered continuation of all business processes. Furthermore, a strong growth of input costs has marked the year and announced one of the key challenges in the period to come. However, in spite of all the business challenges, in 2021 Dukat showed resilience and financial stability, as well as dedication to responsible and sustainable business operations.

Apart from the above mentioned, this report also presents a summary of all the activities pertaining to the implementation of the UNGC principles and Sustainable development goals. In addition, 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.



Duško Glišić
Director

Zagreb, May 2022

DUKAT D.D. – 110 YEARS OF DEDICATION TO CONSUMERS AND EVERY DROP OF MILK

Dukat d.d. (hereinafter: Dukat), with its registered seat in Zagreb, is a leading dairy in Croatia with unique 110 years of legacy in milk repurchase and processing. At the same time, Dukat is also the largest milk purchaser in Croatia and purchases high quality milk in as many as 15 counties in the country.

Thanks to organic growth and acquisitions, Dukat is transforming into a regional dairy group, the Dukat Group, which comprises eight production plants and 13 associated companies in Croatia, Slovenia, Bosnia and Herzegovina, Serbia, North Macedonia, Kosovo and Bulgaria.

In Croatia, the Dukat Group currently employs 1,538 people in three production plants: in Zagreb, Bjelovar and Karlovac (KIM Mljekara Karlovac), as well as in its related companies LA LOG for transport and distribution and B.P.A.C. Auto for car rental and leasing.

In 2021, Dukat has achieved revenue from sales in the amount of HRK 1.9 billion, 84.3 per cent of which was made on the domestic market.

Since 2007, Dukat has been operating as part of the Lactalis Group, a leading global dairy group and a centre of excellence for the development and expansion of the dairy industry in Croatia and South-East Europe.

For 110 years, Dukat has been dedicated to listening and

satisfying the needs of our consumers and the local dairy industry. Quality, innovativeness and the implementation of the latest technological advancements have ensured Dukat holds the position of a market leader and the pioneer of new trends in the local and regional dairy industry.

Apart from its consumers, Dukat is also dedicated to the collection and processing of top-quality raw milk produced by Croatian dairy farms. In 2021, Dukat cooperated with 1,900 milk producers and collected 184.4 million kilograms of fresh raw milk, whereby it confirmed its status as the largest milk collector in the country.

Its production range consists of milk, fermented products, cheese, cream, dairy spreads, desserts and butter. In 2021, Dukat produced 192.6 million kilograms of products. The product range included 494 Dukat, Sirela, President and Galbani brand products. In 2021, 38 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, and Societe, and its total sales range comprises nearly 700 dairy products.

The products and innovations developed and commercialized in Croatia are today available in 67 markets worldwide. Despite the coronavirus crisis, Dukat and KIM Mljekara Karlovac have

continued their successful export operations in 2021 and achieved an export volume growth of 4 per cent. Along with the increase of export volume towards Italy, France, BiH and Romania, in 2021 Dukat also started exporting its dairy products to a new market: Ukraine. The product range intended for export includes around 200 products.

Dukat has implemented international standards that ensure top quality, security and food safety: ISO 9001 for Quality Management Systems, FSCC 22000 and IFS for Food Safety Management, 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.

In addition to numerous domestic and international awards and medals for quality, Dukat's milk is the holder of the label *"Milk from Croatian farms"* and some of the most popular products are holders of the label *"Croatian Quality"* and *"Croatian Creation"* for many years now.

THE DUKAT GROUP IN CROATIA IN NUMBERS (2021)



No. 1

dairy industry

3

production plants:

Zagreb, Bjelovar, Karlovac

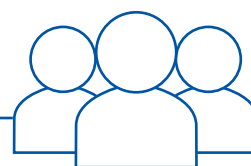
3

associated companies:

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

1,538

employees



EUR 283.1

million turnover

No. 1

milk collector

248

**million kilograms of total
processed milk**

1,900

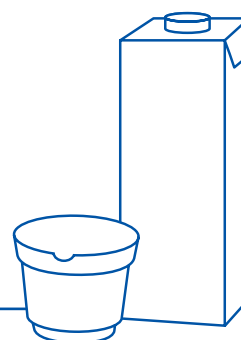
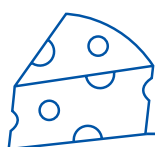
co-operators

494

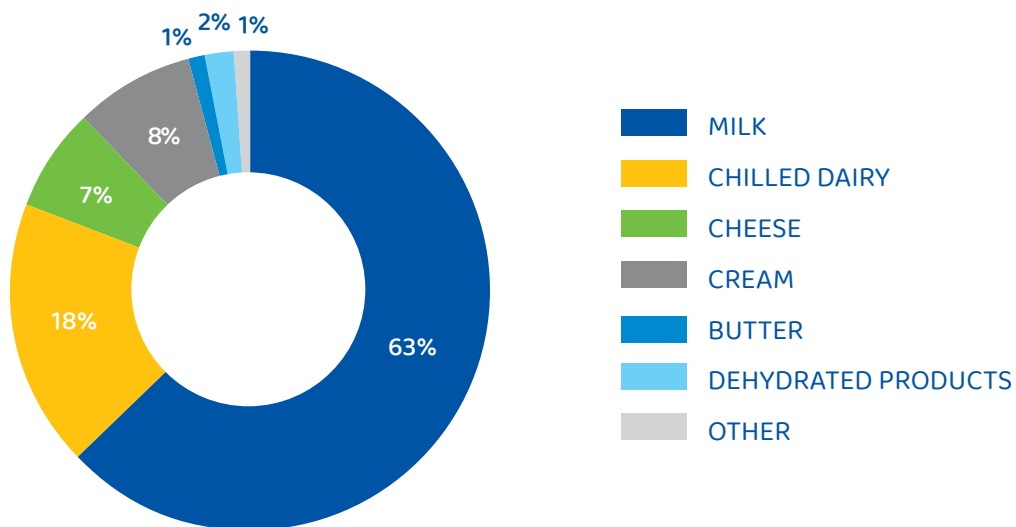
products

38

**new products introduced
on the Croatian market**



SALES VOLUME DISTRIBUTION PER PRODUCT CATEGORIES



PLANTS, WAREHOUSES AND PLATFORMS



Human rights

1



PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights within their 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 2021, there were four requests for the protection of the employees' dignity, but no circumstances have been

found in these cases that would represent a violation of employees' dignity. In 2020, as in 2019, there were no reported cases of the violation of employees' dignity, so Dukat continues to work on raising 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 its Code of Conduct for more than 20 years, which integrates the principles of employees' conduct in accordance with the ethical, moral and

professional standards and generally accepted civil values. The code has been updated and provides a framework for the

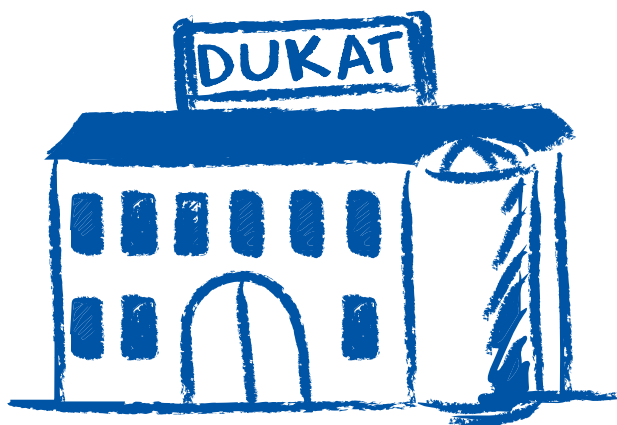
employees for daily activities and conduct in the workplace, including their attitude towards other stakeholders.

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. In 2021, we started working on the Diversity Policy and the related Action plan.

Working conditions

2



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, and cares for health and safety at work.

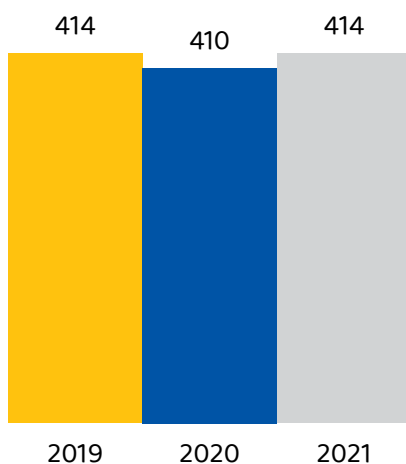
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING



Dukat has a 20-year-long tradition of association and collective bargaining, and 27 per cent 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.

In 2021, 414 employees, or 27 per cent, belonged to the Trade Union of those Employed in the Agriculture, Food, Tobacco and Water Industries of Croatia.

UNION MEMBERS



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 consolidated version of the Collective Agreement signed on 21.12.2017 with amendments and supplements (2019-2020) was printed as a pocket edition and handed to each employee of Dukat at the beginning of 2021.

In 2021, the entitlements of employees were further expanded. As of November 2021, all employees are entitled to food allowance, and also have the right to a gift for a child up to the age of 15.

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 monthly 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.

HEALTH PROTECTION AND SAFETY AT WORK

HEALTH PROTECTION

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

Bearing in mind that 2021 was marked by the coronavirus pandemic, when it comes to health protection, the focus was, along with the regular activities, to primarily protect the health and well-being of employees and to ensure unhindered

continuation of business activities at all business levels.

CORONAVIRUS SPREAD PREVENTION MEASURES

The Covid-19 pandemic has brought significant changes to all segments of life, including the work environment. Due to the peculiarities of the routes of transmission, all persons working in an environment with a large number of people are at increased risk of coronavirus infection.

In order to prevent the spread of the pandemic, 600 employees from all three production

locations (Zagreb, Bjelovar and Karlovac), from six logistics centres and from two related companies were vaccinated against Covid-19 in 2021.

Also, the implementation of all preventive measures established after the outbreak of the pandemic in 2020 was successfully continued in order to protect the health of all employees and ensure the smooth running of business processes. This has confirmed that only responsible behaviour of all individuals can help the combat against coronavirus.

FREE MENTAL HEALTH ASSISTANCE FOR EMPLOYEES

In the attempt to provide support to its employees in dealing with the stress, anxiety and discomfort as a consequence of the coronavirus epidemic and the earthquakes, Dukat organized free mental health assistance for its employees. In cooperation with a private psychological counselling company, since April 2020, all employees of Dukat and related companies in Croatia have the opportunity to arrange individual psychological counselling sessions with accredited psychologists.

REGULAR HEALTH PROTECTION ACTIVITIES

A preventive seasonal influenza vaccination is organized at the premises of Dukat Group in Croatia each year. Due to a specific epidemiological situation caused by the Covid-19 epidemic, this year we have also placed a special emphasis on influenza vaccination. In December 2021, 150 employees from all three production locations (Zagreb, Bjelovar and Karlovac), from six logistics centres and from two related companies were vaccinated. Compared to the previous year, in 2021 we recorded a decrease in the number of vaccinated employees by 33 per cent and an increase of 63 per cent compared to 2020.

Dukat also regularly performs carrier tests. The reason for this is to ensure food safety and to check the health status of employees participating in the production process, storage and food transport. In 2021, these tests were done on 415 employees, which is 14 per cent more than in 2020, when the tests covered 365 employees and more than in 2019, when the tests covered 410 employees.

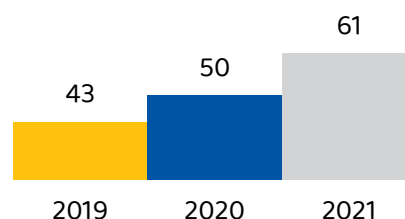
In-house training on the personal hygiene of employees, food and employee safety and targeted training on food safety in the supply chain (warehouse workers)

was organized for 165 employees in 2021. Compared to 2020, these activities included 106 per cent more employees, while compared to 2019 these activities included 34 per cent fewer employees. The largest decline in the number of employees covered by the training was recorded in 2020 due to the Covid-19 pandemic, which has significantly reduced the number of training sessions organized "face-to-face".

TRADITION OF BLOOD DONATIONS AT THE DUKAT GROUP IN CROATIA

The tradition of blood donations organized at Dukat plants dates back to 1979, with occasional interruptions during the Croatian War of independence (1991–1994) and in 2020 and 2021 due to the Covid-19 pandemic. Despite the

unfavourable epidemiological situation, 61 employees responded to the calls to donate blood and thus showed that blood donation is based on a partnership between blood donors, the community and the transfusion centre.



PROTECTION AND SAFETY AT WORK

One of the important goals of the Dukat Group in Croatia is to provide all the employees with working conditions that do not jeopardize their life and health, i.e. to avoid injuries, occupational and other diseases.

The employees' workplace is surrounded by various dangers. These dangers can cause injuries or adverse effects on the body and the employees' ability to work. Therefore, efforts are made to eliminate or mitigate such dangers by setting the prescribed warning signs and instructions for safe work, testing the work equipment and using prescribed equipment for personal protection.

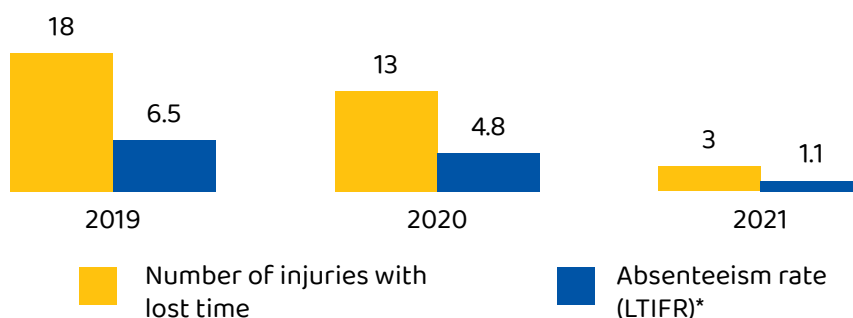
Dukat Group in Croatia is working on the systematic education and training of employees in production, warehouses and logistic centres in order to decrease the number of workplace injuries and increase the safety and health protection of employees.

Preliminary and periodic medical examinations at Dukat and KIM are regularly carried out for all employees in workplaces with special working conditions. In 2021, this included 716 employees (12 per cent more than the year before). In 2021, 663 employees of Dukat and KIM were trained in occupational safety and fire protection, which is 13 per cent more than in the previous year.

A total of three injuries were recorded in Dukat and KIM in 2021.

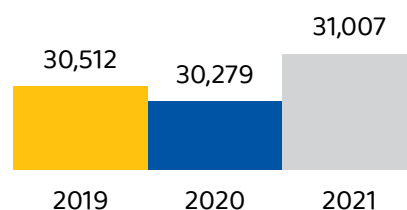
The lost time injury frequency rate (LTIFR) represents an indicator used to evaluate the success of our safety efforts. It is a global measure of the number of accidents and injuries that result in at least one day of lost time per million of working hours, and this indicator is monitored for all our employees. The results for 2021 are significantly better compared to the results in 2020 – LTIFR decreased from 4.8 to 1.1, which represents a reduction of 77 per cent.

NUMBER OF WORKPLACE INJURIES



NUMBER OF SICK DAYS

The number of calendar sick days in 2021 was 2.4 per cent higher than in 2020, which is not surprising given the continuation of the coronavirus pandemic.



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

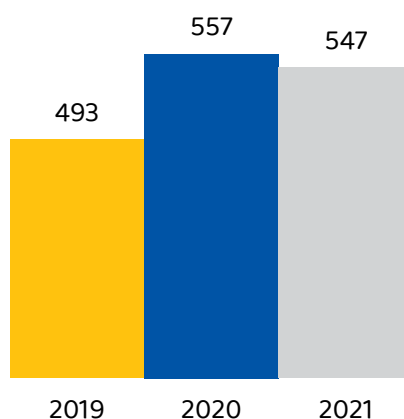
LEAVES OF ABSENCE

In addition to providing a safe work environment, Dukat makes sure its employees have carefree parental leave, regardless of gender. In 2021, the maternity and parental leave was used by 31 employees: 24 women and 7 men, i.e. the same number of mothers and 6 fathers more than in the year before. We have continued to implement parenting measures and to harmonize the business and parental obligations in 2021 as well, as stipulated by the Collective Agreement:

- 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

In 2021, 18 employees that became parents during the year have received an allowance for a new family member, while in 2020, 38 employees have exercised this right.

NUMBER OF PAID LEAVE DAYS



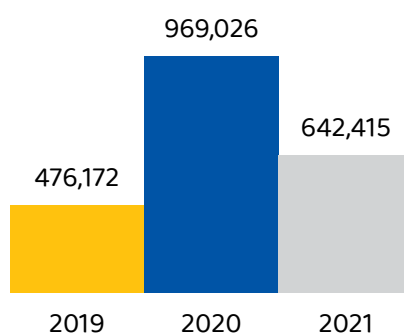
In 2021, the employees used 547 days of paid leave, which was 2 per cent less than the previous year. In 2020, employees used 557 days of paid leave, and in 2019 they used 493 days. Employees are entitled to paid leave based on their right to be absent from work in the event of marriage, the birth of 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.

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 2021, Dukat responded positively to all requests from its employees and allocated HRK 642,415 for this purpose. Although the total amount of aid is lower by more than HRK 300,000 compared to 2020 (HRK 969,026), when HRK 554,000 was

paid to the employees whose homes were destroyed in the earthquake, the amount of aid (excluding the reconstruction aid) is realistically higher than in 2020.

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

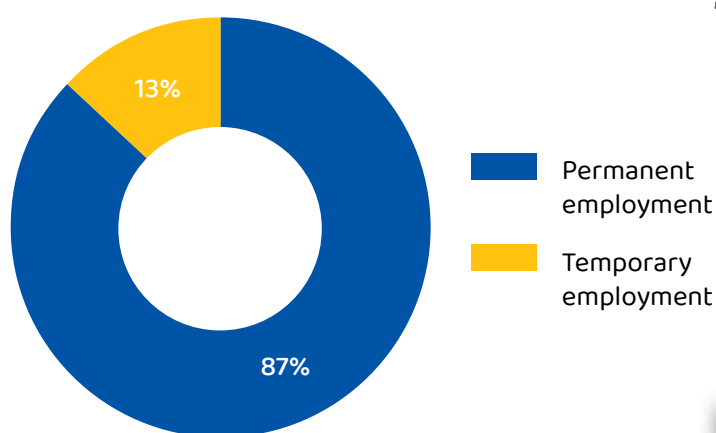
- Dukat leisure cycling club
- Dukat Futsal Team

Although in a significantly reduced scope due to epidemiological measures, in 2021 Dukat also supported the recreational sport activities of its employees.

EMPLOYEE DATA

TYPE OF EMPLOYMENT

In 2021, Dukat had 1,206 employees, which is 9 employees or 0.77 per cent more employees than the year before. Out of the total number of employees, 87 per cent are permanent employees, which is 1 per cent 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 part-time employees, members of the union or not. Employee fluctuation rate is 17.8 per cent, which is 8.4 per cent higher than the year before.



Year	Total number of employees	Permanent employment	Temporary employment
2019	1,251	1,039	212
2020	1,197	1,032	165
2021	1,206	1,054	152

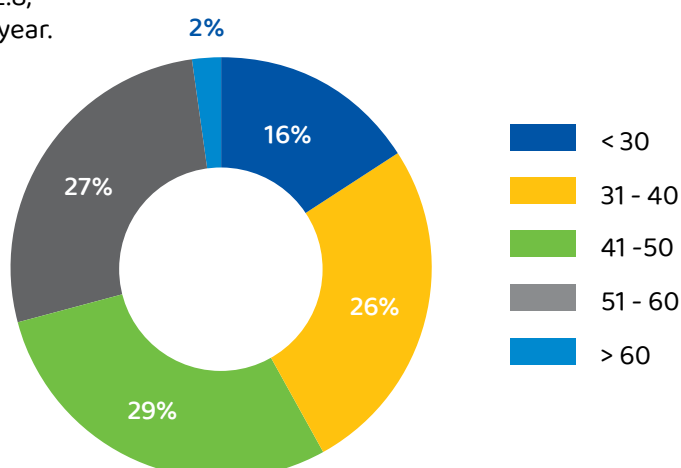
EMPLOYMENT OF YOUNG PEOPLE AND PEOPLE ABOVE 50 YEARS OF AGE

Young people aged 18 to 30 make up 16.3 per cent of Dukat employees, and 132 new people under 30 were employed in 2021 – 50 remained employed. In 2021, Dukat employed 6 people above the age of 50, of which 4 are still employed.

AGE STRUCTURE

At the end of 2021, the average employee age was 42.8, which is 1.15 per cent less compared to the previous year.

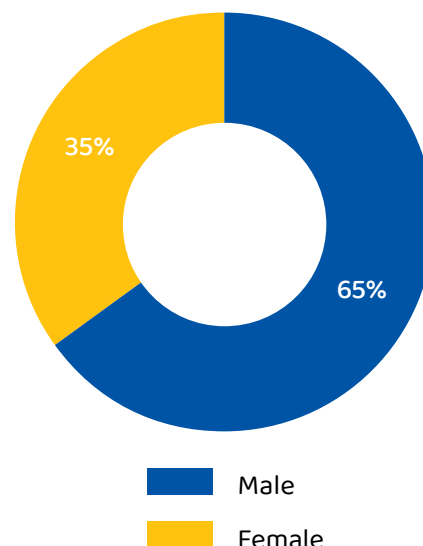
Age of employees	Number of employees 2019	Number of employees 2020	Number of employees in 2021
< 30	205	179	197
31 - 40	319	303	314
41 - 50	355	342	347
51 - 60	342	344	329
> 60	30	30	20
Total	1,251	1,197	1,206



GENDER

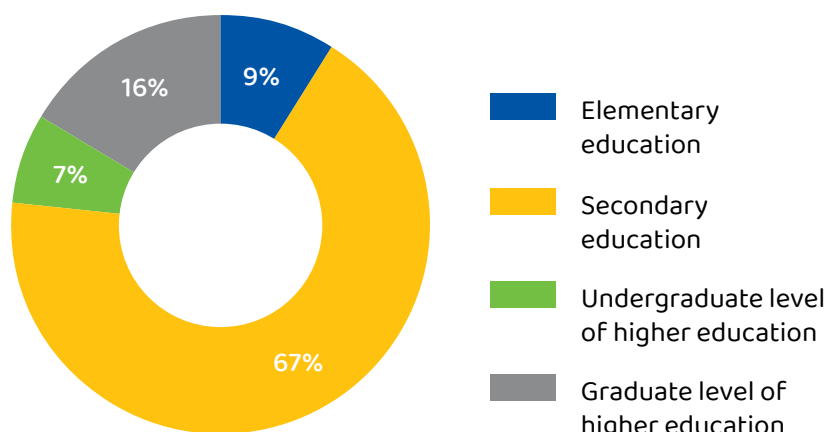
The majority of Dukat employees are men (65 per cent), while women account for 35 per cent, which is identical to 2020.

Gender	Number of employees 2019	Number of employees 2020	Number of employees in 2021
Male	812	779	789
Female	439	418	417
Total	1,251	1,197	1,206



EDUCATION

The majority of employees (67 per cent) have a high school diploma, while 23 per cent have a college and university degree, which is the same as the ratio from the year before.



COMPOSITION OF GOVERNANCE AND MANAGEMENT

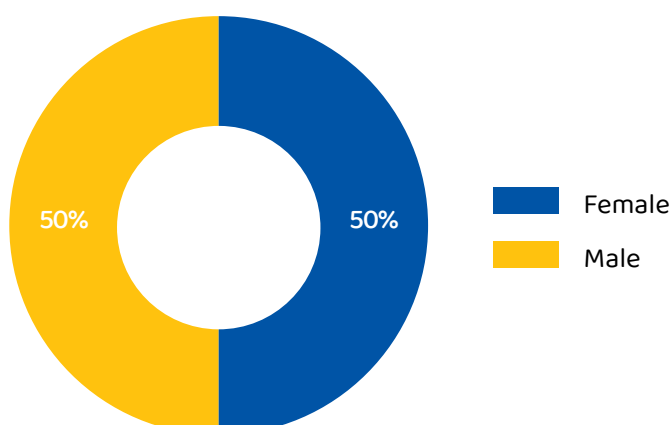
In 2021, the share of women in governance and management positions at Dukat was 50 per cent, which is 1 per cent less compared to 2020. The past several years have shown an increasing trend in the share of women in governance and management positions (from 35 per cent in 2012 to 50 per cent in 2021).

A high percentage of women is represented in managerial positions – 27 per cent in executive positions (2 per cent more than in the year before) and 24 per cent 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 per cent, and in senior management (executive and regional directors) it is 100 per cent, while in the high management (sectoral directors) it is 96 per cent.

Year	Gender	Average age	Number
2019	Male	46	44
	Female	47	47
2020	Male	47	45
	Female	46	47
2021	Male	47	44
	Female	45	44



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 2021, the average net salary per employee was 1.3 per cent

higher than in 2020. Total non-taxable expenses increased by 6.15 per cent compared to the year before.

Based on the Decision on the announcement of the Covid-19 epidemic on the territory of Croatia, Dukat has organized work from home for 226 employees.

During 2021, 70 employees 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 2020, a total of 85 employees were promoted.

DUKAT LEISURE CYCLING CLUB

Despite the radical decrease in the number of activities due to the coronavirus pandemic, during its tenth year, the Dukat Leisure Cycling Club (RBK Dukat) continued to 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 the employees. The club has 130 members – employees of Dukat and its associated companies in Croatia.

The members of the club participated in three demanding mountain bike races in 2021: Helter Skelter in Rabac, Rab Island Hero on Rab and the Krk'n'Roll MTB marathon on Krk and in the second year of the 100 km long bicycle race – Gravelman Zagreb. All the members of the club proudly wear the jerseys in the colours of the first line of dairy products enriched with proteins – Dukat Fit.

At all three production sites, World Cyclists' Day (July 16) was celebrated with promotional activities designed for employees who ride their bicycles to work.



THE EDUCATION AND DEVELOPMENT OF EMPLOYEES

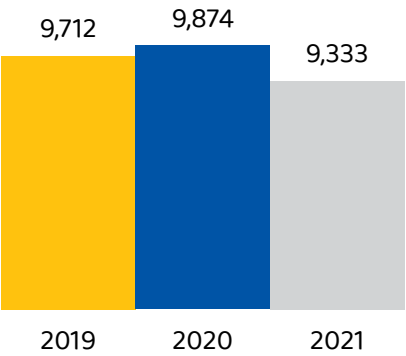
We are a treasury of unique professional knowledge and skills acquired over 110 years of organized purchase and processing of milk, which we selflessly share with our employees. We encourage them to learn, to develop and build their successful careers, and to be open to new challenges of modern life and business. That is why significant means and efforts are invested in the education and training of employees.

In 2021, specialized and development training accounted for 82 per cent of the total number of training sessions at Dukat, which is 5 per cent more than in 2020 and 2019. The legally required training accounts for 18 per cent of the total number of training sessions, which is 5 per cent less compared to the previous two years.

In 2021, the average annual expenditure for education was HRK 1,886 per employee (compared to HRK 1,510 the year before and HRK 1,251 in 2019), while 842 employees were included in some form of education (compared to 718 the year before and 762 in 2019).

In 2021, employees participated in 9,333 hours of education, compared to 9,874 in 2020 and 9,712 in 2019. The average number of education hours per employee was 7.8 in 2021, compared to 8.2 in 2020 and 7.8 in 2019.

EDUCATION HOURS



INTERNAL EDUCATION

As part of internal knowledge transfer practice, a total of 38 internal education sessions were held for 484 employees of Dukat in 2021, compared to 33 in-house sessions for 385 employees in 2020, which is 20 per cent more employees covered by in-house education than the year before and at the same level as in 2019. The topics covered included food safety, product safety protection, hygiene of the premises, equipment and tools, dangers of food and food poisoning and infectious disease epidemiology; safe machine operation; manual forklift operation; introduction of new machines; operator training; occupational health and safety topics, fire protection; data and complaints gathering, processing and analysis; market competition. 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 2021, in-house training was organized for 150 employees, which is once again a large increase compared to 2020 when 23 employees attended the in-house training, and represents a return to the 2019 level when 177 employees attended the in-

house training. The reason for this is the increase in regular and seasonal employment in 2021 and the return to the numbers achieved in 2019, in spite of the circumstances caused by the Covid-19 pandemic.

INTRODUCING NEW EMPLOYEES TO THE COMPANY AND ITS ACTIVITIES

Following the already common practice, 30 new employees underwent induction training in 2021 to get acquainted with the organization, main business processes and activities, which is four times more than in the previous year. During group and individualized induction programmes, employees visited key departments and were introduced to milk and dairy goods processing and production in all three Croatian plants. The induction training was organized for 7 employees in 2020 and for 12 employees in 2019.

EMPLOYEE DEVELOPMENT PROJECTS

Dukat is systematically investing in the development and professional training of employees. Some of the educational and development programmes organized in 2021 include:

Development programme title	Number of employees	Total no. of hours
Controlling development programme	7	42
Manager development programme at the Zagreb and Bjelovar plants – "Industrial reboot" (2 modules)	20	560
Manager development programme at the Zagreb and Bjelovar plants – "Industrial reboot" – We care about resilience (5 modules)	20	400
Development programme "1st time managerettes" (4 modules)	10	290
Development programme "1st time managerettes" – We care about resilience (5 modules)	10	200
IT development programme – IT Agility (2 modules)	24	560
IT managers development programme	3	9
Sales development program "Commercial reboot" (2 modules)	55	731
360° Feedback for Sales, Key buyer Team Lead	7	56
Development programme for the managers of the "Milkademy" milk purchase programme (Module 1)	6	90
Supply chain development programme, 3 groups	75	600
Legal affairs development programme	5	40
Development programme for the 1st line directors "Leading transformation"	12	240
Communication workshop for Sales and Supply Chain "Communication for successful cooperation"	8	56
Accounting development programme	9	72
HR development programme	19	152
Business coaching	15	69
Total:	305	4,167

In 2021, the development training accounted for 66 per cent of the total number of training sessions at Dukat, while this percentage was 48 in 2020. Overall, one or more development programmes were completed by 235 employees (268 employees in 2020), i.e. slightly less than 20 per cent of the total number of employees (22 per cent in 2020). The total number of hours of development training was 4,168 hours (2,115 hours in 2020), of

which, due to the unfavourable epidemiological situation, 3,248 hours were realized through virtual (online) training (compared to 1,868 hours in 2020), which makes 78 per cent of the total development training, while this ratio was 88 per cent in 2020.

In addition to the mentioned development programmes, a large number of internal workshops and professional

training sessions on various topics were conducted in 2021; the technical training included training for the Tetra Pak fillers for technicians (servicing staff), training session for the work with new Tetra Pak machines (On the Job Training Session), training sessions for the work with Sidel blowers and for work at height, anti-explosion protection, various Lactalis Quality webinars and other online training sessions.

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 2021, 15 per cent of

the Dukat Group's employees in Croatia were included in the performance appraisal system. In addition to the standard *Management review* project, a performance evaluation

for employees in Production, Maintenance and Quality was also carried out in 2021, making the total percentage of evaluated Dukat employees greater than 50 per cent.

PROFESSIONAL PRACTICE

Due to the unfavourable epidemiological situation, and in order to ensure the protection of employee health and safety of products, a significantly smaller number of student internships

were completed in 2021 compared to the 2019 before the pandemic, when 17 student internships were completed. Also, 11 internships were completed in 2021, 8 in Zagreb and 3 in Bjelovar,

i.e. 83 per cent more than in the previous year, when 6 students and pupils did their internship at Dukat, which is 35 per cent less than in 2019 (10 students and 7 pupils).

SURVEY ON EMPLOYEE ENGAGEMENT AND SATISFACTION AT GROUP LEVEL

In the middle of the year, the Lactalis Group launched its first global survey on employee engagement and satisfaction in all major markets of the Group, and in Croatia the project was implemented in the autumn of 2021. By participating in an anonymous survey, the employees were given the opportunity to influence the design of their own work environment and to improve their work experience at the company. Nearly 75 per cent of employees in Croatia completed the survey, and gave their opinion about the positive aspects of the company's operations, but also on areas for improvement, all in order to create an even better work environment and work experience.

The results of the survey were presented to the employees in the spring of 2022.

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 the Dukat Group in Croatia and all the employees are invited to nominate their colleagues and project teams. In 2021, the most successful employees, managers, teams, mentors, "young hopes", and the most successful sales representatives were selected and also a lifetime achievement award was awarded.

A total of 16 individual awards were awarded (seven for the best employees, three for "young hopes" and the best mentors, one for lifetime achievement, one for the sales representative and the manager of the year) and also two team awards. A virtual announcement of best employees has been organized in accordance with the circumstances, while the best employees have received plaques from their managers.



EMPLOYER PARTNER CERTIFICATE FOR EXCELLENCE IN WORKING WITH EMPLOYEES

In May 2021, Dukat, together with its subsidiaries KIM Mljekara Karlovac and La Logo, was awarded the Employer Partner Certificate, which rewards the employers who demonstrate and practice excellence in managing their employees. In addition to the Excellence in Challenges award received in the autumn of 2020, this is the second major award awarded to Dukat for Employee Management, given by Selectio, Croatia's leading consulting company in the field of human resources management.

Dukat and its subsidiaries in Croatia achieved the best results in the areas of human resources management strategy, quality of the employment process and its treatment of the employees. An independent certification team has thus confirmed that the human resources management function at Dukat is indeed a strategic business partner and that it is continuously working on improving its processes.

Dukat also confirmed that it has an optimally designed recruitment process and that it pays great attention to recruiting good candidates and helping new employees to familiarize themselves with the work of the company. In addition, praise was given to the programmes, surveys and focus groups through which Dukat employees can give their suggestions for business improvement, and the well-being initiatives organized by the company for the employees, such as free psychological counselling, training in team and personal resilience, several forms of flexible work arrangements, the number of days of annual leave that is significantly above the legal minimum and incentives to play sports and live a healthy life.



INTERNAL COMMUNICATION

Various channels are used for internal communication: email, VPN mobile system, intranet (internal portal), the in-house newsletter Contact, HR, Marketing and Trade newsletters, notice boards, meetings and "face-to-face" communication. In 2021, as in 2020, "face-to-face" communication has been replaced by online formats.

The in-house magazine Contact, published 4 times a year, 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.

Noticeboards 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 noticeboards. 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.

In order to improve the internal communication, Dukat started preparing HR and Marketing e-newsletters in 2017, i.e. 2018, while the e-newsletter of Trade marketing was introduced in 2021. The HR newsletter

informs the employees about key education, promotions, new employment and organizational changes, changes related to legislation and employees' rights. The newsletter is distributed twice a year and apart from the e-version, it is also placed on the bulletin boards.

The marketing newsletter notifies the employees about new products and the most significant marketing campaigns. The newsletter is distributed quarterly, and apart from the e-version, it is also available on the noticeboards.

The latest Trade & Sales newsletter provides an overview of the activities of Trade Marketing and Field Sales, and in 2021, two issues of e-newsletters were published.



EMPLOYEE BENEFITS

For its employees and employees of subsidiaries in Croatia, Dukat offers a number of benefits as additional benefit and stimulus to spend quality leisure time, while also generating savings. Due to the pandemic, the employees used the available benefits and discounts to a significantly lower degree in 2021, and mostly used free tickets for the Zagreb Zoo thanks to the long-term sponsorship and cooperation between Dukat and the Zagreb Zoo. In addition to the Zoo, the employees and members of their families were granted various discounts from about 10 partners, from theatres and museums through carriers to hotels.



CATEGORY MANAGEMENT U PLODINAMA

Kao lider na tržištu mliječnih proizvoda, Dukat se bez imalo skromnosti može nazvati ekspertom u području upravljanja kategorijama. Primer je i suradnja s Plodinama, kupcem koji sa 100 prodavaonica drži 9,1 posto tržišnog udjela u mliječnom segmentu 10,4 posto. Prodajno mjesto **Plodine Zagrebe**, u Zagrebu, **prodavaonica je broj 2** (oni 3 posto naše volumenske prodaje u Plodinama).



Nove prilike za jačanje brenda u mliječnoj kategoriji

U travnju je pokrenut projekt koji je obuhvatio predlaganje kompletnog mliječnog odjela prodavaonice Plodina u Zagrebu. Cilj projekta je približiti policu mliječnog asortimana krajnjem potrošaču, skratiti put do onoga kako to potrošač vidi. Vodi smo računa o nizu bitnih komponenti, poput slaganja po glavnim kategorijama (mliječno, jogurt, funkcionalni jogurti, dječji segment i sl.) i potkategorijama proizvoda (mliječno po namjeni, funkcionalnost), potkategorijama slaganja van transportnog pakiranja i kupnje pojedinačnih proizvoda (udaljavanje od prometa volumenskih pakiranja). Također smo i grupirali proizvode u vertikalne ili horizontalne blokove radi bolje vidljivosti. Ova je stavka posebno bitna za kategorije u kojima je Dukat lider (Dukatos, b. Aktiv LGG, Cokoladno mliječno, Ribani i President).

Slaganjem proizvoda prema kategorijama, funkcionalnosti i brandovima olakavamo potrošaču izbor i potpuno dođemo kupcu. Uz definiranje **planograma** – plana slaganja proizvoda na police, Dukat je dobio priliku uređiti jedan dio prodavaonice. Koristeći boju i vizualnih elemenata svojih brandova, prepoznatljiv vizual i poruka, pojačali smo vidljivost Dukata i na suprotan način potaknuli kupce na odabir naših brandova.



Ovom prilikom zahvaljujemo kolegama i kolegicama koji su sudjelovali u ovom projektu na predanosti i angažmanu.



Dukatova nova proljetna inspiracija!

BREAKING NEWS!

ZAGREBAČKI SIR OPET POTVRDIO SVOJU DOMINACIJU NA TRŽIŠTU

Na sljepom testu koji se organizira još od 2013. godine, Zagrebački sir je i ove godine **ostvario svoj niz nepobjedivosti**. Ustaj jednom je uspješno pobijedio glavnog konkurenta i uspio rekonstruirati visok rezultat: **73% potrošača uvijek siru odabire Zagrebački sir** u odnosu na konkurenta. Ovakvom pobjedom potrošači su pokazali kako Zagrebački sir nadmoćno dominira kad su u pitanju sir i sirer te da potvrdu trudu i napor uloženi u stvaranje ovog vrhunskog proizvoda.

VIŠE OD MILIJARDU DOBRIH BAKTERIJA

OBRAMBENA INICIJATIVA IZ b. AKTIVA!

Dak se vi fokusirate na ono važno u svom životu, više od milijardu dobrih bakterija u b. Aktivu™ LGG® u volumenskoj 80g i 400g i onom najvažnijem – vašem imunitetu. Rezultati istraživanja nezavisnih laboratorija potvrđuju su da se u siru b. Aktivna naša **više od milijardu dobrih bakterija** koje su svakodnevno, sudjeluju u izgradnji našeg obrambenog sustava. To je informacija koju bi svatko trebao znati i zato smo je na našoj obalici posebno istaknuli u simboličnom prikazu štita. Jasno isticanje štita proizvoda statim uspostavlja komunikaciju prema potrošačima naša je misao po čemu se trudi i tako djelovati i u budućnosti. Ovine se b. Aktiv još jednom pokazao kao opasakutni lider na tržištu i predvodnik po načinu marketinškog komuniciranja prema potrošačima. S dobrim štitom, sve je lakše.

bolji imunitet

Imajte na umu, jed manje vidljiva dio našeg asortimana – funkcionalna sirnica. Njezine imaju svega nekoliko vrsta, ali svaka sadrži veliku količinu dobrih bakterija, koje su svakodnevno, sudjeluju u izgradnji našeg obrambenog sustava. Imajte na umu, jed manje vidljiva dio našeg asortimana – funkcionalna sirnica. Njezine imaju svega nekoliko vrsta, ali svaka sadrži veliku količinu dobrih bakterija, koje su svakodnevno, sudjeluju u izgradnji našeg obrambenog sustava.

Community

3



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 healthcare, healthy habits (activity, recreation and sports), childcare, 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 2021, Dukat's donations programme focused on strategic donations of milk and 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 2021, Dukat donated 187 tonnes of dairy products, which is 50 per cent less than in 2020 which was marked by the pandemic and the earthquakes, but Dukat still donated 29 per cent more than in 2019. Through its regular and extraordinary donations programme, in 2021 Dukat provided 52,000 children and adults who live in poverty and are unfortunately unable to afford these products themselves with more than 940 thousand dairy meals, from Vukovar to Dubrovnik.

Since the systemic food donation programme was initiated in 2015 (2015–2021), Dukat has donated 1,605 tonnes of dairy products in total, with a procurement value of HRK 15.9 million (no VAT) and with a sale value of HRK 22 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 for people). 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. Sustainable consumption and production patterns; 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 programme, in 2021, 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 and Lipik, humanitarian association "Friends of St. Martin" Beli Manastir, humanitarian

association "Duga" Vukovar, 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 Velika, humanitarian association "Dar dobrote" Našice, humanitarian association "Naš san, njihov osmijeh" Pula, Depaul Association Croatia Rijeka, humanitarian association "Kolajna ljubavi" Imotski, Children and Youth Aid Association "Radost" Pleternica, Saint Vinko Paulski Association Đakovo

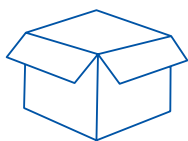
- **Homes for children:** Zagreb Home for Children, Home for Children "Maestral" Split, St. Joseph Home for Children Hrvatski Leskovac, St. Frances Vugrovec House, Vladimir Nazor Service Center, Home for Education of Children and Youth in Karlovac
- **Soup kitchens:** Caritas soup kitchens in Osijek, Slavonski Brod, Vinkovci, Daruvar, Sisak, Zadar, Šibenik, Split, Knin and St. Anthony of Padua Parish in Zagreb



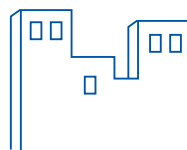
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DONATIONS OF DAIRY PRODUCTS TO HUMANITARIAN ORGANIZATIONS IN 2021

187 tonnes
1,605 tonnes
2015-2021



HRK 2.1 million
sales value (no VAT);
HRK 22 million 2015-2021



66
associations
and institutions
receiving donations



52,170 beneficiaries
of which
14,000 are children

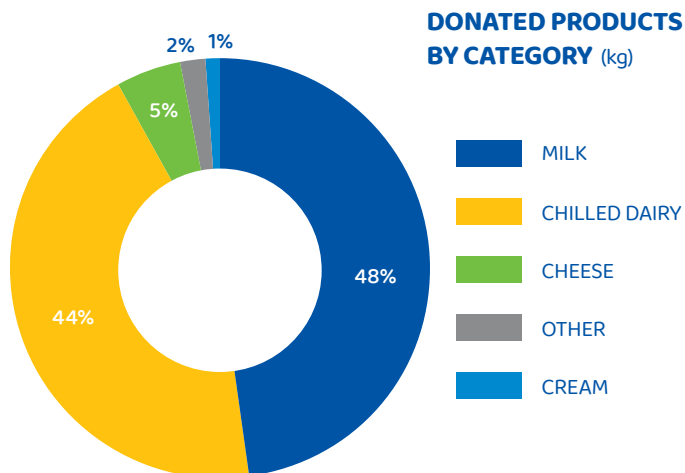


937 thousand
dairy meals

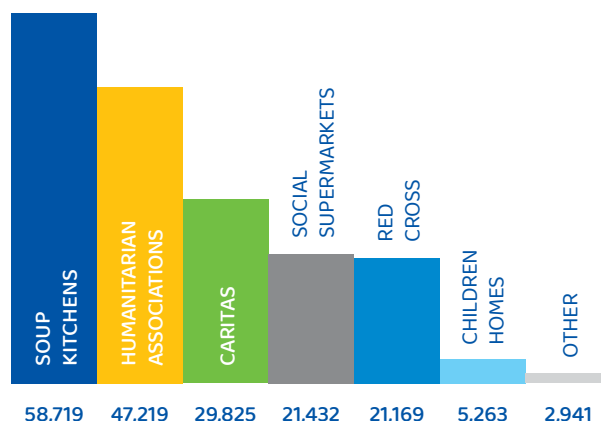
446 donations
in
436 shipments



HRK 279,850
logistics costs



DONATIONS BY TYPE OF RECIPIENT (kg)



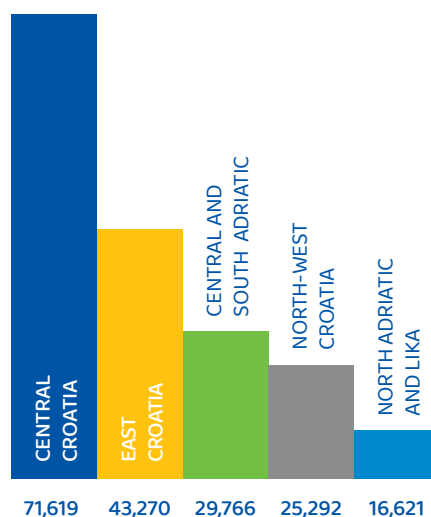
DONATIONS BY COUNTY

	(kg)
CITY OF ZAGREB AND ZAGREB COUNTY	40,829
OSIJEK-BARANJA	24,309
SISAK-MOSLAVINA	20,624
PRIMORJE-GORSKI KOTAR	15,960
VARAŽDIN	15,169
SPLIT-DALMATIA	10,312
ŠIBENIK-KNIN	9,062
MEĐIMURJE	7,555
ZADAR	7,057
BROD-POSAVLJE	7,005
KARLOVAC	6,798
POŽEGA-SLAVONIA	6,015
VUKOVAR-SRIJEM	5,940
BJELOVAR-BILAGORA	3,368
DUBROVNIK-NERETVA	3,335
KOPRIVNICA-KRIŽEVCI	1,766
KRAPINA-ZAGORJE	800
ISTRIA	661

Total sum

186,567

DONATIONS BY REGION (kg)



- **Social supermarkets:** Social supermarket Belišće, Social supermarket GDCK Krapina, Social supermarket, "Kruh sv. Elizabete" Rijeka, Social supermarket Karlovac, Social supermarket Varaždin
- **Red Cross city offices:** Buje, Čakovec, Ivanić Grad, Osijek, Sisak, Solin, Zagreb, Zaprešić, Županja
- **Caritas and Diocese:** Caritas of the Zagreb Archdiocese, Caritas of the Dubrovnik Diocese, Vrbovsko Parish, Caritas of the Varaždin Diocese, Caritas of the Poreč and Pula Dioceses, Caritas of the Archdiocese of Rijeka, Caritas of the Požega Diocese, Caritas of the Archdiocese of Đakovo-Osijek
- **Other:** Remar Croatia Association, Reto center Split, Home for Addicts – "Susret" community Zagreb and Okučani, Center for Missing and Abused Children Osijek, Center for Rehabilitation Rijeka, Karlovac Women's Group "Korak", Family Association "Voli život" Jalžabet; Community Services Centre Split

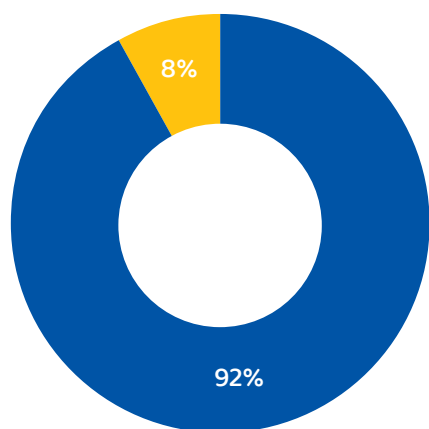
EXTRAORDINARY DONATIONS OF PRODUCTS FOR CITIZENS IN AREAS AFFECTED BY THE EARTHQUAKES

In addition to regular donations of its products, in response to the new needs caused by the earthquakes in Sisak-Moslavina County, immediately after the earthquakes, by the end of 2020, Dukat introduced extraordinary donations of milk and other dairy products for the citizens particularly affected by the earthquake. The largest number of donations was delivered to Caritas of the Sisak Archdiocese and the Sisak Red Cross throughout the year, but Dukat also readily joined the humanitarian actions of various associations and initiatives to help the unfortunate citizens in the first few months.

A total of 16 tonnes of milk and dairy products have been donated for these purposes in 2021, with the market value (no VAT) of HRK 217,000.

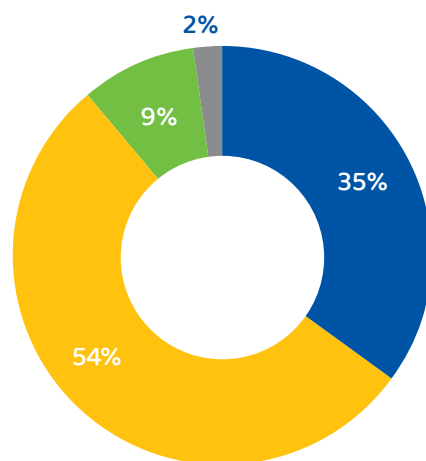
Despite the difficult business circumstances due to the epidemic, as well as the fact that recipient organizations that before the Covid-19 pandemic used to come for donations could not do so from March 2020 due to Dukat's internal epidemiological measures, Dukat's logistics regularly delivered all donated goods to more than 60 locations throughout Croatia.

EXTRAORDINARY DONATION SHARE (kg)



- Regular donations
- Extraordinary donations

EXTRAORDINARY DONATIONS BY CATEGORY (kg)



- Milk
- Chilled dairy
- Cheese
- Other

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

Dukat's leadership role in food donations among food companies in Croatia was recognized by the public four years in a row when Dukat was given the "The Best Donor" award. Dukat earned its fourth recognition as the largest single food donor in the domestic food industry in 2020, which donated 373 tonnes of food, and the largest company with the highest value of donated food compared to annual revenues in 2020 (sales value of donated food in 2020: HRK 4.9 million sales value without VAT). This recognition was awarded by the "Food Network" platform and MEP Biljana Borzan, with the aim of rewarding the greatest donors, increasing the 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. Recognition "Najdonator 2020" was awarded to Dukat in December 2021.



DUKAT FOR BANOVINI – NEARLY HRK 900,000 DONATED TO HELP THE RESIDENTS OF BANOVINI

"Dukat for Banovina – A drop of milk, a waterfall of kindness" is a socially responsible project by which Dukat, over the period of three months (from late March to late June 2021) set aside 50 lipa from each sold bottle of bottled fresh milk to help the residents of Banovina whose homes were destroyed in the earthquake. In the mentioned period, Dukat provided additional HRK 380,953 from this action, which was added to the extraordinary donation

of HRK 500,000 donated at the beginning of 2021, all paid to a special account of the state budget for the reconstruction of Banovina. Thus, the total amount of Dukat's donation to help the citizens of Banovina affected by the earthquake reached almost HRK 900,000.

In addition to the mentioned donations of financial resources, Dukat donated 16 tonnes of milk and dairy products to the inhabitants of Banovina,

and 50 tonnes of animal feed and 6,300 m2 of foil for the protection of farm buildings to its subcontractors, thus helping them to continue uninterrupted milk production in the area endangered by earthquakes.



MILK PRODUCERS

Dukat, the leading milk collector in Croatia, with 110 years of dedication to milk collection and processing, is a factor of stability, development and sustainability in the domestic dairy sector.

Responsible and sustainable partnership with milk producers, encouraging milk production and living in rural parts of the country are fundamental determinants of Dukat's responsible business.

In 2021, Dukat, the largest milk collector in Croatia, acquired 184.4 million kg of fresh raw milk from local dairy farms, which is 0.6 per cent less than the year before. Despite the decline in milk production in Croatia over the

past ten years, in its collecting area, Dukat is constantly improving the production and quality of produced milk, thanks to significant investments in the development of its subcontractors. Thus, in 2021,

in its collecting area, Dukat recorded an increase in average production and collection per producer from 85,201 kg of milk/year in 2020 to 97,028 kg/year in 2021, which is an increase of 13.9 per cent.

During 2021, Dukat collected milk from 1,900 milk producers across the country, of which as many as 50 per cent are small milk producers. With all the milk producers, large, medium or small alike, Dukat nurtures a long-term partnership, which also contributes to the development of rural areas in Croatia. Dukat collects fresh milk every day in 15 counties, and more than a half of its milk is purchased in Osijek-Baranja and Bjelovar-Bilogora counties.

We are committed to dairy farming and the Croatian rural areas, and we approach all our farmers with the aim of creating a sustainable and responsible partnership. That is why today we collect milk from the third generation, the grandchildren of our subcontractors.

Furthermore, year after year, Dukat invests significant amounts of its own funds in the stimulation and development of the business of the milk producers it works with, thus having a positive impact on increasing the quality and quantity of milk produced in

its region. In 2021, the total investment of Dukat into subsidizing primary milk production in Croatia amounted to HRK 51.7 million, which is 3.6 per cent less compared to 2020, when it amounted to HRK 53.6 million.



Family farm Hubzin from Čabradi



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. 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.



Dukat supports farms that integrate goals aimed at reducing the impact of milk production on the environment into their business. "Green" farms in the Dukat purchase system implement a number of environmentally responsible practices, such as a regenerative approach to agriculture, the use of energy from renewable sources and the circular economy, thus contributing to the preservation of the environment.

In line with the UN Global Sustainable Development Goals, we support the development of small farmers, which today make up as much as 50 per cent of our fresh milk suppliers. In this way, we encourage the development of dairy farming and contribute to the sustainability of life in Croatian rural areas.



Family farm PA-VITA from Sesvete

SEASONAL DISCOUNT FOR SUBCONTRACTORS FOR THE AUTUMN SOWING

In order to facilitate the preparation and execution of autumn sowing for its subcontractors with the aim of improving the animal feed and milk production efficiency, in September and October 2021 Dukat paid more than HRK 2 million to the subcontractors as part of the seasonal autumn sowing bonus. This incentive measure is also a response to

the difficult conditions of milk production, primarily due to extremely unfavourable climatic conditions. Prolonged high temperatures that marked the summer had a negative impact on milk production, so the two-month bonus was intended to help the farmers prepare for autumn sowing and create the conditions for efficient milk production in the last part of the year.



Family farm Đurenec from Polonje

HELP TO MILK PRODUCERS AFFECTED BY THE EARTHQUAKE

Immediately after the devastating earthquakes that hit the Sisak-Moslavina County at the end of 2020, Dukat came to the aid of its subcontractors, milk producers who were affected by the earthquake. From the end of 2020 until the spring 2021, Dukat donated 50 tonnes of animal feed and 6,300 m² of foil for coverage and protection of roofs on damaged houses and farm buildings. Despite the extraordinary circumstances, the regular milk collections have continued, and field collection employees provided the necessary assistance and support to the affected farmers.

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 sustainability 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

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.

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. In addition to numerous domestic and international awards and medals for quality, Dukat's milk is the holder of the label "Milk from Croatian Farms" and some of the most popular products are holders of the label "Croatian Quality" and "Croatian Creation" for many years now.

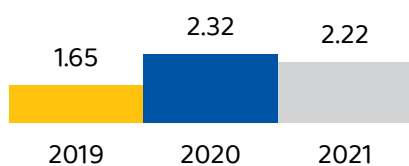
Dukat's Quality, environmental and food safety management policy confirms the focus on the continuous improvement of quality on all business levels, as well as the use of appropriate energy sources and raw materials, to achieve the satisfaction of consumers, employees, suppliers and business partners, 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 email, also includes communication via Dukat's Facebook page, is open to opinions, comments and inquiries by consumers about products and therefore presents a

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 2021, 7 per cent more contacts (questions, complaints, comments, proposals and praise) were recorded through the Customer Service than in 2020. Thirty per cent of the total number of contacts were complaints, which is 2 per cent less compared to 2020. The total number of complaints is almost identical to 2020, i.e. in 2021 only 8 more complaints were recorded when compared to the previous year. If we observe the number of product complaints per million items sold (ppm), there was a minor drop in the ppm. The drop in ppm is the result of investments in the modernization of production plants made in 2021 and higher sales in 2021 compared to the 2020 which was marked by the pandemic.

CONSUMER COMPLAINTS IN PPM – CROATIAN MARKET



Since 2015, we have also been monitoring consumer/retailer 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 amounts to 5.3 kg of disputable products per 100 tonnes of delivered products.

INVESTMENTS IN THE NEW PRODUCTION LINES AND EQUIPMENT AT THE ZAGREB PLANT

In the beginning of 2021, we have initiated a major and demanding cycle of investments within the Zagreb factory refurbishment, which is aimed at improving quality, streamlining the production processes and improving the work efficiency, and which is to be implemented in three phases. The first phase of the project was commissioned in May 2022. This phase incorporated the preparation, testing and installation of new and modern equipment for mixing and adding powder for the preparation of fermented and sterilized products, valued at HRK 26 million. This phase was concluded by the commissioning of the new equipment for fermented products, desserts and sterilized products, which improved the control of the products and production processes, balanced the product

quality and improved work conditions for the employees. The investment was co-financed by the EU funds.

The second phase of the factory reconstruction project started in March 2022 and together with the third phase will last for two years. Over this period, we will optimize the fermentation, pasteurization, arrival of the products to the fermented products filling line, cream pasteurization and tank use, and also modernize the central equipment washing unit (CIP) and evaporation condensers. Our aim is to increase the production efficiency, improve product quality and save energy, as well as to improve the production process control. The total value of the investment is around HRK 58 million and will be co-financed from EU funds.

Furthermore, in September 2021, we initiated a reconstruction and modernization project at the sterilized products plant, which included the installation of the new Tetra Pak® filling stations, new palletizers and transporters, as well as the modernization of the accompanying computer system. The purpose of this project, which was completed in November, was to improve the production efficiency, improve the work conditions for the employees and enable the launch of a new functional packaging for durable products. The replacement of the filling station increased the filling capacity from 6,000 to 8,000 units per hour and allowed for a relatively quick change of the packaging volume (0.5 l and 1 l).



THE FIRST LINE OF "SMART" YOGHURTS IN CROATIA

As an innovator and the leader of new trends in the local dairy industry, Dukat was the first company in the Croatian market to launch the "smart" yoghurt line – Dukat Triple 0%. Dukat Triple 0% is a new generation of yoghurts that has triple health benefits – no milk fat, no added sugar and no lactose, but rich in fibre.

With its carefully designed composition, this line contributes to better eating habits of the consumers. It is free of all the ingredients that have to be cut down in our daily diets to preserve the most valuable asset we have – our health. Apart from the innovative "smart" yoghurt concept, the line is also characterised by the innovative design of the packaging which clearly communicates the unique concept and functional characteristics of the product. In addition, Triple 0% yoghurts are packed in cardboard packaging and cups with cardboard wrapper, which reduces the amount of plastic in the cups by 50 per cent compared to the standard plastic cup.

The Dukat Triple 0% line includes four yoghurts: two nature flavours, in a 190 g cup and 500 g cardboard packaging, fruit yoghurt with apples, raspberries and strawberries in a 190 g cup and vanilla yoghurt in 500 g cardboard packaging.



10TH ANNIVERSARY OF THE CREATIVE ARTS COMPETITION "I LOVE MILK!"

In 2021, Dukat celebrated the 10th anniversary of our longest-lived social responsibility project – creative arts competition "I love milk!". The competition is organized with the aim to educate the youngest pupils about the importance of regular consumption of milk and milk products for their growth and development and to incite creativity and arts. In addition, from 2020, the competition also opened new topics relating to the environmental protection.

After our planet Earth as the topic in 2020, the topic of the 10th anniversary competition were the forests, whereby Dukat wanted to draw attention of the children to the invaluable importance of forest preservation and renewal for the sustainability of life on Earth. Simultaneously with the competition, which took place in October and November 2021, we also announced the direct contribution of children and Dukat to the preservation of Croatian forests – the planting of the trees for each contestant in the competition and for the teachers and schools participating in the competition. Thanks to the number of received pupil's art works, Dukat, together with Croatian Forests, planted 10,000 seedlings of beech and oak on the territory of Vrbovski and Velika Gorica in spring 2022. This afforestation drive, which was individually one of the largest



corporate afforestation actions in the country, also gathered around the employees of Dukat who planted 1,000 red oak seedlings in a young forest near Velika Gorica in March 2022.

Over the past ten years, more than 42,000 pupils from primary schools all over Croatia participated in the "I LOVE MILK!" competition, with more than 7,300 pupils from 200 primary schools in 2021 alone. We have awarded ten best art works, eight chosen by an independent professional jury and two by the visitors of the Dukat's Facebook page.



Along with our traditional partnership with the Modern Art Museum Zagreb, which has been the partner of the project since the beginning, and the sponsorship of the Ministry of Science and Education, our Anniversary edition was also supported by the Ministry of Economy and Sustainable Development.

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.

"DUKATIĆI - NATURE'S GUARDIANS" – A NEW EDUCATIONAL ECO-PROJECT

In order to educate the pupils about the importance of environmental protection and the importance of natural resources, on the Earth Day 2021, Dukat launched its new educational eco-project "Dukatići - Nature's Guardians". The project consists of the Little nature protection school with short and educational stories designed to teach the pupils more about environmental protection and waste disposal, with an accent on proper treatment of Dukat packaging, all organized at the website www.DukaticiCuvajuPrirodu.hr. Every story ends in a quiz and the pupils who manage to successfully solve all the tasks become the holders of the title "Dukatić - Nature's Guardian" and the proud

owners of a diploma sent by e-mail, followed by a printed diploma sent to their home. The number of *Dukatići* has reached 4,000 by the end of 2021 and the project continued in spring 2022 by adding a new topic – forest preservation ("Dukatići - Forest's and Nature's Guardians").

The project was implemented in cooperation with Biotek, an association for the promotion of biology and similar sciences, under the patronage of the Ministry of Health and Education. Also, the latest edition of the project "Dukatići - Forest's and Nature's Guardians" was supported by the Ministry of Economy and Sustainable Development and by the Croatian Forests.



Environment

4



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 2021, 7 per cent more packaging was put into circulation by Dukat compared to 2020, while 7 per cent less packaging was put into circulation in 2020 than in 2019. The percentage of material used as recycled input material was less than 3 per cent.

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

Type of packaging material (t)	2021	2020	2019
Metal (Al bottle for whipped cream 250 ml)	44	38	44
Paper/cardboard	2,187	2,120	2,116
Multi-layer packaging with a predominant paper component	1,400	1,359	1,330
PET	527	486	569
Polymers	2,648	2,393	2,775
Total	6,806	6,396	6,834

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

Type of packaging material (t)	2019	2020	2021
Multi-layer paper packaging	1,330	1,360	1,400
Paper/cardboard	2,100	2,120	2,200
PET	600	480	530
HDPE	2,000	1,070	2,000
Other polymers (PS, PE)	800	1,330	700
Metals	44	38	44

REDUCED USE OF PLASTICS IN THE PACKAGING

One of Dukat's permanent goals is to reduce our environmental impact and to decrease the amount of plastics in the packaging of Dukat's products. Accordingly, even before the EU Single Use Plastic Directive entered into force, Dukat initiated a comprehensive process to reduce the share of plastic in product packaging. Therefore, since April 2021, we have removed the additional plastic lid with the teaspoon from the 200 g President fresh cheese. The plastic teaspoons were replaced by paper teaspoons in the on the go packaging 190 g SenSia Snack and in the smallest milk packaging (0.2 l),

the plastic straws were replaced by paper straws. **With this, we have managed to reduce the overall amount of plastic in the Dukat product packaging by 11 tonnes at the annual level.**

In addition, while developing the new products, Dukat strives to reduce the thickness of plastic cups by adding a cardboard wrapper which serves as a reinforcement, as in Dukat Triple 0% 190 g yoghurt cup, for example. This helps us reduce the plastic content by 50 per cent compared to the standard plastic cup.



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 and 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, the energy consumption increased from June to September.

In 2021, the total power consumption at the Zagreb Plant was 22,508,192 kWh, which is 0.4 per cent less than in 2020. In 2020, power consumption was 4 per cent lower than in 2019. The ratio of consumed power per tonne of processed milk was 241 kWh/t in 2021, and in 2020 it was 251 kWh/t, meaning that 1 per cent more power per tonne of product was consumed in 2020 than in 2019.

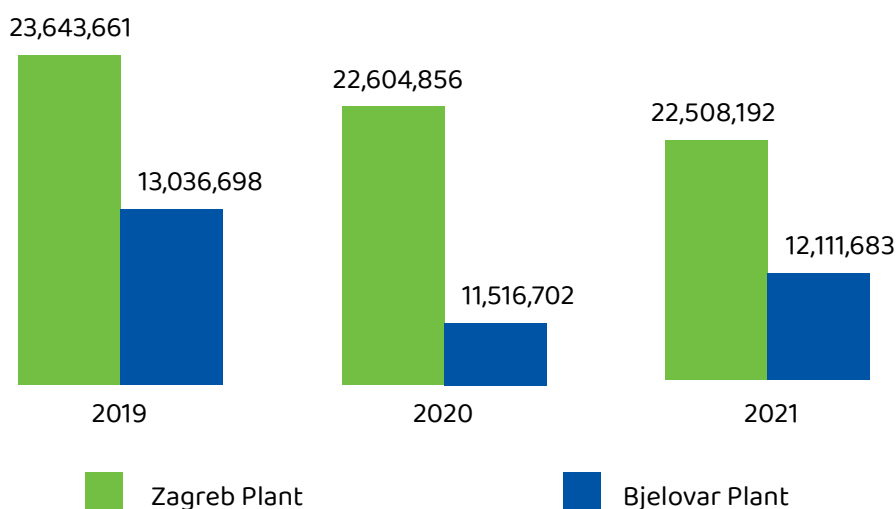
The total power consumption at the Bjelovar Plant in 2021 was 12,111,683 kWh, which is 5 per cent more compared to

2020 (11,516,702 kWh) but less compared to 2019 (13,036,698 kWh). The reason for the increase of power consumption in 2021 lies in the increase of production volume compared to 2020. The consumption is lower compared to 2019 due to the division of power consumption between the

finished goods warehouse and the production plant. The ratio of consumed power and production in 2021 amounted to 140 kWh/t, the same as in 2020 (140 kWh/t of processed milk) and 12.5 per cent less compared to 2019 (160 kWh/t).

TOTAL POWER CONSUMPTION (kWh)

Power (kWh)	2019	2020	2021
Zagreb Plant	23,643,661	22,604,856	22,508,192
Bjelovar Plant	13,036,698	11,516,702	12,111,683



PHOTOVOLTAIC POWER PLANT CONSTRUCTED IN ZAGREB

By the end of 2021, at our Zagreb plant, we have completed the construction of the 800 kW photovoltaic power plant which was commissioned in May 2022. The solar power plant consists of 2,684 photovoltaic panels covering the area of 4,900 m² installed on warehouse roof. Thanks to the construction of this power plant, Dukat will receive 5–6 per cent of its electricity from the Sun. Apart from the savings and increased energy efficiency, this will reduce the CO₂ emissions by around 230 tonnes per year and produce 970 MWh of green energy each year.

The total value of the investment was HRK 4.5 million, of which 50 per cent was supplied from the European Agricultural Fund for Rural Development and the Republic of Croatia in the form of grants, while the remaining 50 per cent was provided by Dukat from its own funds. The project was implemented as part of the Measure 4, Operation 4.2.2. "Use of renewable energy sources".



STEAM

In 2021, the total steam consumption was 40,527 tonnes, which is 10 per cent more compared to the steam consumption the year before. In 2020, steam consumption was 2.3 per cent lower than in 2019.

Steam (t)	2019	2020	2021
Zagreb Plant	38,063	37,178	40,527

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.

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. Natural gas and electricity are being purchased.

In 2021, 2,855,844 m³ of gas were used, which is 7 per cent more

than in 2020 (2,680,666 m³) and 6.8 per cent more than the consumption in 2019 (2,674,032 m³). The reason for higher consumption lies in the increased production in 2021 compared to the previous two years.

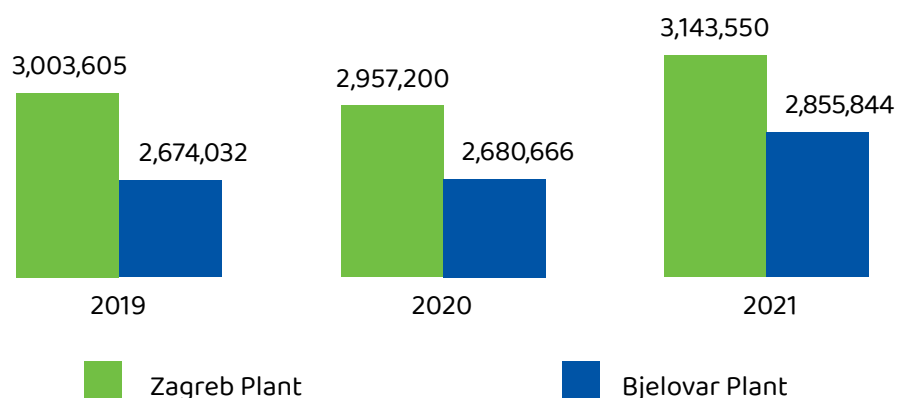
In 2021, 3,143,550 m³ of gas were consumed, which is 6.3 per cent higher compared to the gas consumption in 2020. In 2020, 2,957,200 m³ of gas were consumed, which is 1.5 per cent less compared to the gas consumption in 2019.

TOTAL GAS CONSUMPTION (m³)

Gas (m ³)	2019	2020	2021
Zagreb Plant	3,003,605	2,957,200	3,143,550
Bjelovar Plant	2,674,032	2,680,666	2,855,844

The emissions of pollutants into the air from both plants were measured in December 2021 and the values met the prescribed emission limit values according to the Ordinance on limit values of pollutants in the air.

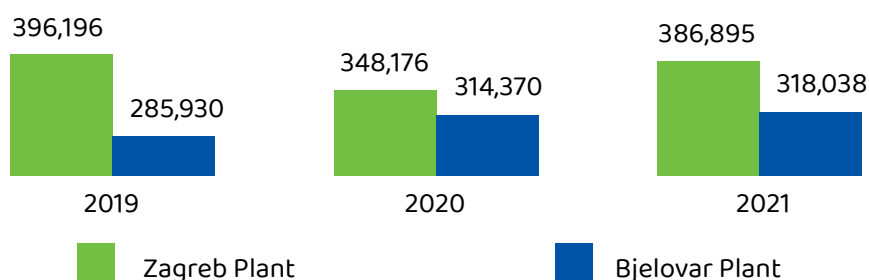
The Bjelovar Plant "Sirela" at the address Velike Sredice 11 in Bjelovar has its own production



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)	2019			2020			2021		
	Quantity (m³)								
	Public water supply	Own well	Total	Public water supply	Own well	Total	Public water supply	Own well	Total
Zagreb Plant	3,060	393,136	396,196	1,761	346,415	348,176	2,769	384,126	386,895
Bjelovar Plant	20,476	265,454	285,930	103,681	210,689	314,370	46,050	271,988	318,038

ZAGREB PLANT

In 2021, the total water consumption was 386,895 m³, which is 11 per cent more than the total water consumption in 2020. Water consumption from the public water supply was 2,769 m³, which is 57 per cent more than in 2020. Water consumption from own well was 384,126 m³ or 11 per cent more than in 2020. In 2020, the total water

consumption was 348,176 m³, which is 12.1 per cent less than the total water consumption in 2019 (396,196 m³). Water consumption from the public water supply was 1,761 m³, which is 42 per cent less than in 2019 (3,060 m³). Water consumption from own well was 346,415 m³ or 11.3 per cent less than in 2019 (393,136 m³).

The index of production (IP per kg of processed product) in 2021 amounted to 4.15, i.e. 7 per cent more than the year before when it amounted to 3.9. The index of production in 2020 was lower by 7.5 per cent compared to 2019.

BJELOVAR PLANT

Total water consumption in 2021 (318,038 m³) was insignificantly higher (by 1 per cent) compared to the consumption in 2020 (314,370 m³) and by 11 per cent higher compared to the consumption in 2019 (285,930 m³). The reason for this increase in water consumption lies in the increase of production volume.

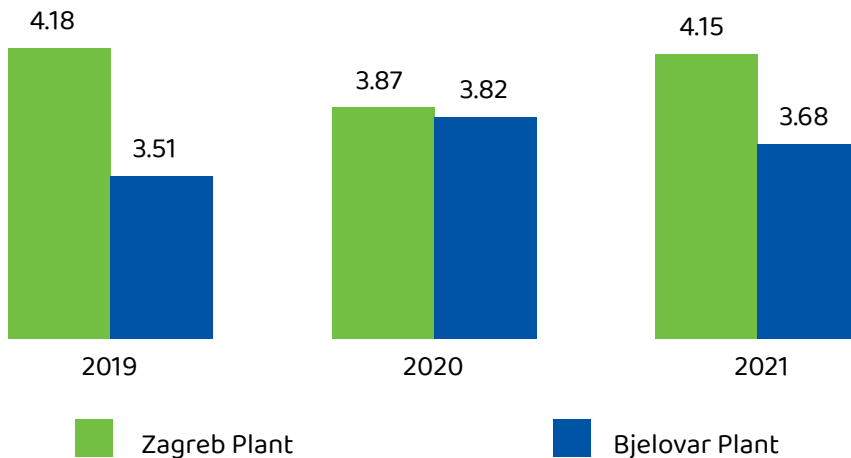
Water consumption from the public water supply was 46,050

m³, which is 56 per cent lower than in 2020 (103,681 m³) and higher than in 2019 (20,476 m³). This significant difference in the use of public water in 2020 compared to 2019 is the result of the drying of the old well in 2020, while the new well was introduced by the end of 2020. The consumption of water from our own wells in 2021 amounted to 271,989 m³, 29 per cent more compared to 2020 (210,689 m³)

and 2 per cent more compared to 2019 (265,454 m³).

In 2021, the average ratio of water consumption to processed milk was 3.68 l of water/kg of processed milk, which by 4 per cent lower than in 2020 (3.82 l of water/kg of processed milk) and 5 per cent higher than in 2019, when it amounted to 3.51 l of water/kg of processed milk.

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 2021 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 2021

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	3,250
Carbon dioxide (CO ₂)		3,054,436
Carbon monoxide (CO)	HR EN 15058:2008	157
Data on fuel type and consumption		
Fuel name	Fuel consumption	Lower heating value
Natural gas	1,571,775 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)	206.8	
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	1,988
Carbon dioxide (CO ₂)		3,054,436
Carbon monoxide (CO)	HR EN 15058:2008	157
Data on fuel type and consumption		
Fuel name	Fuel consumption	Lower heating value
Natural gas	1,571,775 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) 2019	Quantity of emissions: total (kg/yr) 2020	Quantity of emissions: total (kg/yr) 2021
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	134.97	75.29	72.64
Carbon monoxide (CO)	HRN EN 15058	52.72	29.41	28.38
Carbon dioxide (CO ₂)	/	981,150.17	547,304.94	528,038.93
Particles (PM 10)	/	7.91	4.41	4.26

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) 2019	Quantity of emissions: total (kg/yr) 2020	Quantity of emissions: total (kg/yr) 2021
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	1,864.67	1,786.07	461.71
Carbon monoxide (CO)	HRN EN 15058	206.27	180.05	180.35
Carbon dioxide (CO ₂)	/	3,838,479.60	3,350,526	3,356,235.81
Particles (PM 10)	/	30.94	27.01	27.06

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) 2019	Quantity of emissions: total (kg/yr) 2020	Quantity of emissions: total (kg/yr) 2021
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	82.83	665.10	145.8
Carbon monoxide (CO)	HRN EN 15058	10.86	88.68	56.95
Carbon dioxide (CO ₂)	/	202,024.16	1,650,259.28	1,059,262.96
Particles (PM 10)	/	1.63	13.30	8.54

WASTEWATER

ZAGREB PLANT

There were no deviations of individual parameters (oxygen chemical consumption, BPK5, pH, total oils and fats value) in 2021 from the set values of the water management licence 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 1,100 m³/day, and the processed wastewater outflows meet the limit values under the water management licence. Outflowing wastewater

is discharged into the public sewage of the City of Bjelovar after the treatment procedure.

In 2021, a total of 336,415 m³ of technological wastewater was processed by the wastewater

treatment plant, which is 17 per cent more than in 2020 (287,642 m³) and 40 per cent more than in 2019 (239,985 m³).



The average COD value (chemical oxygen demand) in the water, after the purification process, was 277.4 mg/l, which is 22 per cent higher than in 2020 (227.5 mg/l) and 11 per cent higher than in 2019 (250.0 mg/l).

According to the Decision on drainage and wastewater treatment, published in the Official Gazette of Bjelovar No.

2/2000, the increased pollution factor was calculated based on the results of wastewater analyses (on a monthly basis) until November 2019. From the same month, according to the Decision on drainage and wastewater treatment, published in the Official Gazette of Bjelovar No. 4/2019, it is calculated according to the factor of 1.50.

The sludge resulting from the wastewater treatment process is not being centrifuged and is transported with approx. 2.5 per cent of solid matter, and thus the overall quantity amounted to 12,312 m³, which is 18 per cent more than in 2020 (10,416 m³) and 16 per cent more than in 2019 (10,589 m³).

WASTE

WASTE GENERATING AND PROCESSING

Systematic waste management is one of the fundamental components of the environmental management system. Reusable 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.

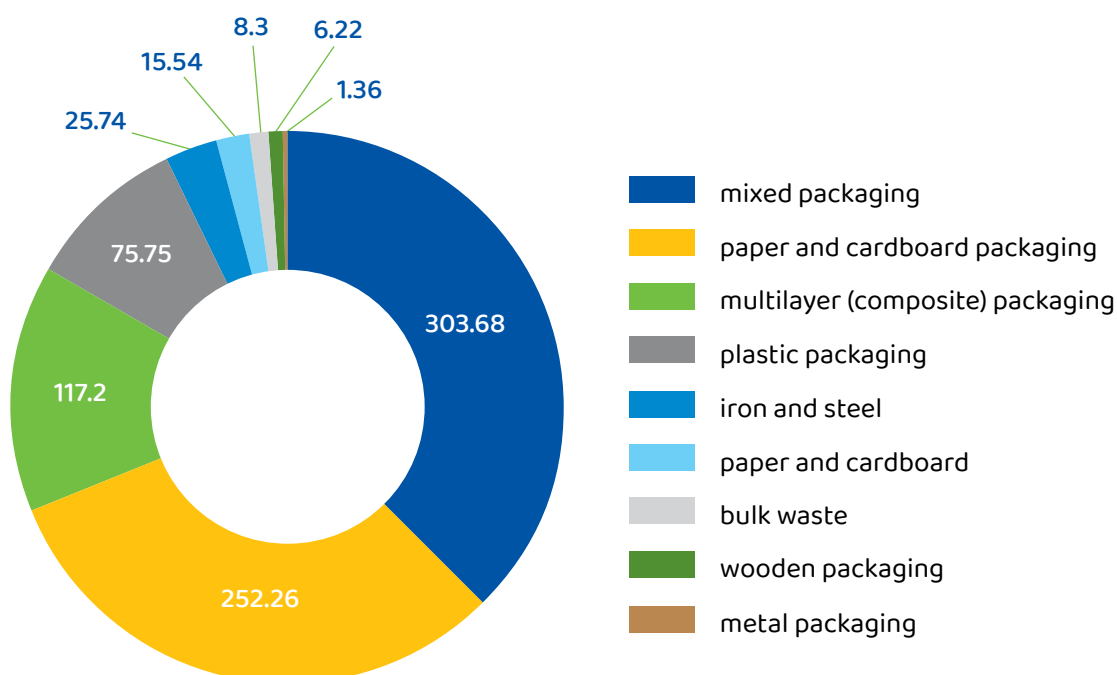
ZAGREB PLANT

In 2021, at the Zagreb Plant, 829 tonnes of waste were collected and selected, which represents an increase of 14 per cent compared to the previous year and is nearly

identical (822 tonnes) to 2019. In 2020, the total volume of separated waste received was 724 tonnes, which is 12 per cent less than in 2019. In the total

balance, mixed packaging was the most collected, followed by wastepaper 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 (72,660 kg) constitute the largest part of non-hazardous waste, 20 per cent more than in the previous year, while the total waste amounted to 134,110 kg. A total of 8,253 kg of hazardous waste was collected in 2021 (1 per cent

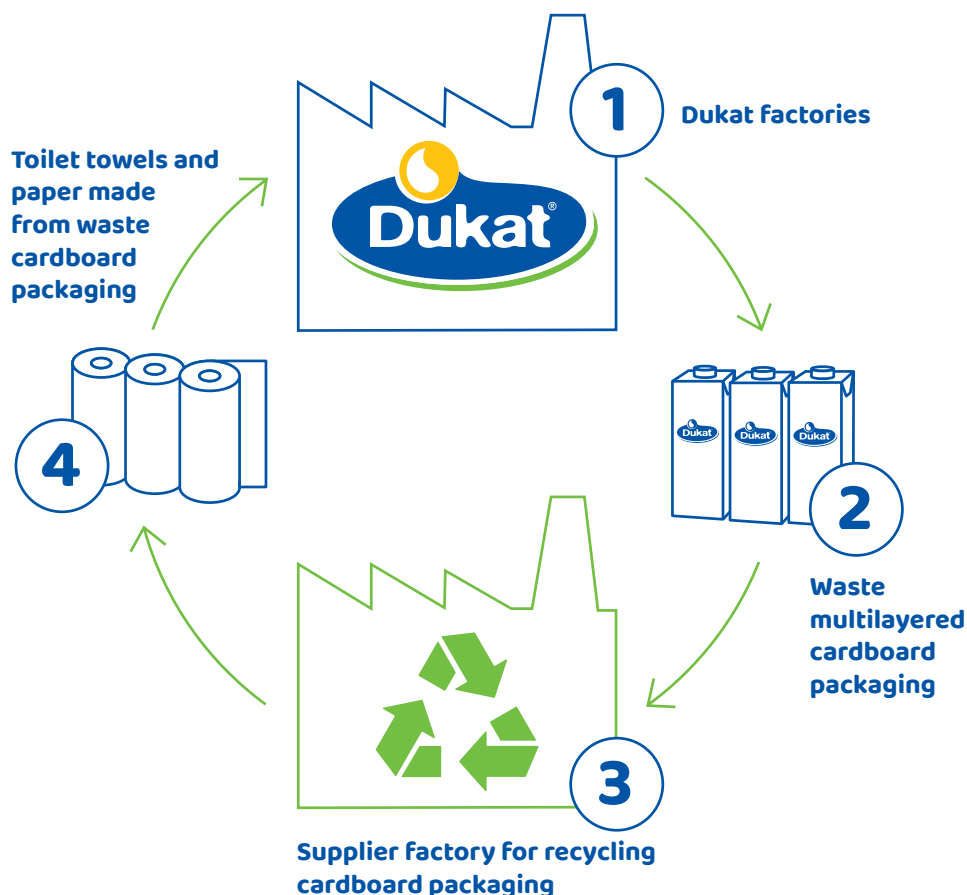
less than in the previous year), mostly packaging that contains hazardous substances or has been contaminated by hazardous substances (5,673 kg).

In 2020, waste plastic and foil (60,440 kg) account for the largest part of non-hazardous

waste, which is 17.7 per cent less than in the previous year. A total of 8,346 kg of hazardous waste were collected in 2020 (11.4 per cent less than in 2019), mostly packaging that contains hazardous substances or has been contaminated by hazardous substances (5,942 kg).

CIRCULAR ECONOMY PROJECT – FROM WASTE CARDBOARD PACKAGING TO PAPER TOWELS AND TOILET PAPER

In the last quarter of 2021, Dukat launched its first circular economy project, which uses waste multilayer cardboard packaging generated during production as a raw material for the production of paper towels and toilet paper and their holders. The manufactured paper products are returned to Dukat where it is used by employees for personal hygiene and maintenance of work areas. The project was launched in cooperation with the Italian company Lucart, which separates waste multilayer cardboard packaging collected at the Zagreb plant into three components: cellulose, aluminium and polyethylene (PE) and then uses them as raw materials for the production of paper towels and toilet paper (cellulose) and holders (aluminium and PE). With this project, around 140 tonnes of packaging waste per year becomes a raw material for the production of hygienic products, whereby Dukat reduces the release of around 114,000 kilograms of carbon dioxide into the atmosphere and prevents the logging of around 1,800 trees per year. The project is set in accordance with the vision of circular economy, which implies the introduction of changes into business and everyday life on the principle of Reuse, Reduce, Recycle.



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

After a break in 2020 due to an unfavourable epidemiological situation, in 2021 Dukat employees once again joined the largest volunteer environmental action "World Cleanup Day", a part of the global initiative "Let's Do It World!". Seventy-one 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 (33 m³), employees donated a total of 115 working hours voluntarily joining the clean-up. In the past nine years, 589 Dukat Group employees in Croatia participated in the action, and by joining forces freed the environment from more than 230 cubic metres of waste.



CONSUMPTION OF CHEMICALS

ZAGREB PLANT – CONSUMPTION OF WASHING AND DISINFECTING AGENTS

Total volume of washing and disinfecting agents (kg)	2019	2020	2021
	1,266,210	1,248,254	1,233,002

In 2021, 1.2 per cent less washing and disinfecting agents was consumed at the Zagreb Plant than the year before, and in 2020, the Zagreb Plant consumed 1.4 per cent less washing and disinfecting agents than in 2019.

BJELOVAR PLANT – CONSUMPTION OF CHEMICALS IN THE WASTEWATER TREATMENT PLANT

Total volume of chemicals utilized in the wastewater treatment plant (kg)	2019	2020	2021
	176,055	168,755	208,785

In 2021, the total volume of chemicals used in the wastewater treatment plant (208,785 kg) was 24 per cent higher than in the previous two years. In 2020, the total volume of chemicals used in the wastewater treatment plant was 4.1 per cent lower than in 2019.

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 2021. 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 2021, all suppliers received the highest grade regarding their impact on the environment.

GOALS FOR 2022

- 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



Anti-corruption and corporate governance

5



ANTI-CORRUPTION

Dukat applies strict anti-corruption standards in its daily operations, in accordance with the relevant internal documents and corporate policies of the Lactalis Group and operates in compliance with the applicable regulations. Being aware of the importance of responsible and ethically based conduct, Dukat implements the Whistleblower Protection Act, as well as its own Anti-Corruption Policy. Also, while being listed on the Zagreb Stock Exchange, Dukat applied the Corporate Governance Code of the Zagreb Stock Exchange.

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 email and the intranet.

In 2020, Dukat started implementing the Rulebook on the protection of whistleblowers, adopted in line with the Whistleblower Protection Act, and also appointed a confidential person and the deputy. Dukat has thus ensured that all whistleblowers are protected, and that all the necessary

measures are implemented to stop harmful activities and to remedy their consequences. Furthermore, an Anti-Corruption Policy implementation project was initiated in 2020. After the successful implementation of the first phase of this project and the adoption of the Anti-Corruption Policy for both Dukat and all companies within the Dukat Group, in the second phase, the training sessions were organized and held for the first line of directors to raise awareness of the importance of this topic, the risks and consequences. The training consisted of a series of practical examples and guidelines, and included a questionnaire that each participant was required to complete in the end. The training sessions continued in 2021.

- **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."

In addition, 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

A more detailed elaboration of the permitted or impermissible behaviour of employees is prescribed by the Anti-Corruption Policy, which entered into force in October 2020.

In 2021, Dukat did not find any irregularities in the company's operations in the procedure conducted by the appointed confidential person, the same as in 2019 and 2020.

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 2021, 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:

- **Business operations in accordance with the Companies Act, internal acts and good corporate practice, and additionally, while being listed on the Stock Exchange, the Capital Market Act and the Corporate Governance Code of the Zagreb Stock Exchange.**

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.

As of 8 April 2021, Dukat shares were no longer listed on the Zagreb Stock Exchange, and until then Dukat regularly published relevant business data on the Zagreb Stock Exchange for its shareholders, investment firms and the business sector. Before being delisted from the Zagreb Stock Exchange, all relevant business information were submitted to the Croatian Financial Services Supervisory Agency (HANFA), the Croatian News Agency (HINA), within the prescribed deadlines, and after being delisted, Dukat continued to publish relevant data at 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 2021, 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 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.

Internal control systems of Dukat and Dukat Group

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 Managing Directors and the Supervisory Board members were appointed pursuant to the positive legislations.

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 powers prescribed by the applicable Statute of the Company.

On 18 February 2021, the General Assembly of Dukat passed a Decision on the transfer of shares of minority shareholders and Dukat's own shares to the main shareholder B.S.A. International S.A. against a severance payment. By virtue of a decision of the Commercial Court in Zagreb dated 6 April 2021, the decision of the General Assembly was entered in the court register and the main shareholder – B.S.A. International S.A. – was registered as the sole shareholder of Dukat. Then on 7 April 2021 SKDD d.d. transferred the shares of minority shareholders and Dukat's own shares to B.S.A. International S.A. and the severance was paid, and on the same day the Zagreb Stock Exchange d.d. decided that as of 8 April 2021 Dukat shares would no longer be listed on the regular market.

Until the transfer of shares of Dukat's minority shareholders, the Shareholders have realized the rights guaranteed by laws and regulations, and had 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 could 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 2021, Dukat Inc. has:

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

All the above-mentioned bodies work in line with the applicable regulations and internal acts of the company.



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REPORT PROFILE

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