



COMMUNICATION
ON PROGRESS

2015



Network Croatia
WE SUPPORT

Statement of continued support and business challenges

It is my pleasure to present to you our fourth Communication on Progress, as a demonstration of application and commitment to the United Nations Global Compact principles, covering activities of Dukat Dairy Industry Inc. in the area of human rights, labor, environment and anti-corruption in 2015.

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

We systematically apply and promote the United Nations Global Compact principles in the area of human rights protection, labor, environment and anti-corruption. Nevertheless, we emphasize that the context of Dukat's socially responsible operations is significantly wider. Incentives to primary and sustainable agricultural production, especially milk production, are of great significance for the company and for the community in which we operate. Furthermore, we invest our knowledge and experience in promotion of proper and balanced nutrition and healthy habits.

Negative economic and sector trends continued in 2015: from further decline in purchasing power and optimism of Croatian citizens, changes in consumer habits to the ever weaker competitiveness of milk producers and dairy industry. The accumulated problems of the dairy sector have been further increased by the Croatian accession to the EU, whereby the CEFTA market was lost and import of cheaper dairy products from the EU significantly increased. Russian embargo in food imports from Europe further undermined the Croatian import-export balance, especially in the dairy sector as Croatia became one of the markets for placement of European surpluses of UHT milk and semi-hard cheese. With the above, 2015 was marked by the elimination of milk quotas in the European Union, leading to increased milk production in EU countries and creating additional downward pressure on the price of raw milk and finished dairy products. This deflation that is generated by local and global macroeconomic changes has been a great threat to the dairy sector for a few years now, and it will also mark the year 2016.

Despite exceptionally difficult conditions in which it operates, in 2015 Dukat Dairy Industry Inc. continued to base its operations on the principles of sustainability, adjustment to the needs and possibilities of Croatian consumers, renovation and development of new products and investment in quality. At the same time, it continued to optimize business processes and costs, and to increase the efficiency on all levels of business operations.

However, we are aware there is still room for further progress in responsible operations, and reporting to our stakeholders on implemented activities is an important part of the acknowledgement of our contribution and motivation to continue improving our practice in this field. This report, therefore, together with the overview of activities related to the application of UNGC principles, provides the answer to a number of G4 sustainability indicators in accordance with the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative. This provides our stakeholders with a clear and relevant framework for the comparison of our activities with the previous and the future ones, which we will continue to report on.

Despite numerous challenges we face, we remain committed to the improvement of our responsible business practices, presented to you in the text that follows.



Alen Fontana
Director

Zagreb, May 2016

Dukat - leading dairy industry in Croatia with a century-old tradition

With 8 production plants in Croatia, Slovenia, Bosnia and Herzegovina, Serbia, and Macedonia, Dukat Group is currently the leading regional dairy industry.

Dukat Dairy Industry Inc. (hereinafter: Dukat), with registered office in Zagreb, is the leading dairy industry in Croatia with a century-old tradition in production of milk and dairy products, which has grown into a regional company as a result of organic growth and acquisitions. With 8 production plants in Croatia, Slovenia, Bosnia and Herzegovina, Serbia, and Macedonia, Dukat Group is currently the leading regional dairy industry. In addition to Dukat, Dukat Group comprises 13 associated companies with registered offices in Croatia, Slovenia, Bosnia and Herzegovina, Serbia, Macedonia, Kosovo and Bulgaria.

Dukat Group currently employs more than 1400 people in Croatia, in three production plants: in Zagreb, Bjelovar and KIM Mljekara Karlovac, which is also its associated company, and in two associated companies - LA LOG for

transport and distribution and B.P.A.C. Auto for rental and leasing of cars. In 2015, Dukat has achieved revenue from sales in the amount of HRK 1,632.9 million, of which 88.9 percent on the domestic market.

Since 2007, Dukat has been operating as part of Lactalis Group, the leading global dairy group and the leading global cheese manufacturer, which makes it the center for development and expansion of dairy industry in Croatia and South East Europe.

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

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Dukat bases its operations on the processing of top quality raw milk produced by Croatian dairy farms.

Dukat bases its operations on the processing of top quality raw milk produced by Croatian dairy farms. In 2015, Dukat cooperated with almost four thousand milkproducers, purchasing 203 million kilograms of fresh raw milk, 39.5 percent of total milk collection in Croatia, thus confirming its status of the largest milk purchaser and processor in Croatia. Its production range consists of milk, dairy products and cheese, comprising almost 400 products, part of which is exported to over 92 world countries. Approximately 40 new products are introduced to the Croatian market annually.

It is exactly the local milk of the highest EU quality and investments into the development of new technologies that contributed to Dukat's entering the 73 markets in Africa, Asia, Middle East, French Overseas Territories, Central America and Europe, where it has been exporting its thermized dairy desserts produced at the Zagreb Plant since 2013.

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

This report provides an overview of activities implemented in 2015 (01/01 - 31/12/2015) in Dukat Dairy Industry Inc. and does not cover the activities of associated companies operating within the Dukat Group.

In addition to the overview of activities related to the implementation of UNGC principles, the report also provides the answer to a number of G4 sustainability indicators of the Global Reporting Initiative in the area of labor, human rights, environment and society as a whole.

DUKAT IN CROATIA IN NUMBERS (2015)

No. 1

dairy
industry

251 million

kilograms of
processed milk



**HRK
2.172 million**

turnover

1.463

employees



3.875

cooperators



39,5%

of total milk
collection in
Croatia



**3 associated
companies**

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

3

production
plants



**almost
400**

products

42

new products
introduced to the
Croatian
market

4

umbrella
brands





1. HUMAN RIGHTS

Dukat fully respects human and labor rights based on the Constitution, laws and international conventions, as well as on internal documents

PRINCIPLE 1

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

PRINCIPLE 2

make sure that they are not complicit in human rights abuses

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

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 and gender, language and socioeconomic status. All employees have equal opportunity for success, and their position in the company depends

entirely on performance and success of each individual.

In the area of 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 labor, forced or compulsory labor, and protect dignity of employees by guaranteeing equality and protection from sexual harassment of 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 suppression of discrimination and protection of employees' dignity, and procedure protocol in case of violation of dignity is embedded in Work Regulations and Code of Conduct. In the event of a

complaint and a request for 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 protection of dignity.

Identical protocol is also planned for all forms of discrimination and sexual harassment.

There were no reported cases of violation of employees' dignity in 2015 or in 2014.

Code of Conduct

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

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

including the attitude towards other stakeholders.



2. LABOR

Dukat respects and guarantees all labor rights and systematically works on improving the quality of work environment, education and development of employees

PRINCIPLE 3

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

PRINCIPLE 4

the elimination of all forms of forced and compulsory labor;

PRINCIPLE 5

the effective abolition of child labor

PRINCIPLE 6

the elimination of discrimination in respect of employment and occupation

Dukat respects and guarantees all labor rights prescribed by law and the Constitution, and systematically works on improving the quality of work environment, education and development of employees, care for health and safety at work, and contribution to the community in which it operates.

Freedom of association and collective bargaining

Dukat has an 18-year-long tradition of association and collective bargaining, and 40 percent of its employees are members of the Trade Union of the Employed in Agriculture, Food, Tobacco and Water Industries of Croatia (PPDIV). Partnership with the representatives of workers is continuously improved through cooperation and communication with the local works councils and the Central Works Council.

A decline in the number of trade union members was recorded in 2015 (from 44 percent in 2014 to 40 percent in 2015) due to reduced subscriptions of new members and gradual retirement of senior 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 them

being trade union members, having permanent or temporary employment, working full-time or part-time. A new addition to the Collective Agreement was signed in 2015, ensuring the same level of employees' rights and confirming the continuity of transparent organization of rights arising from employment, in unaltered form.

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 employee's death
- Gift in-kind for Easter

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, meal allowance. All Dukat employees are also insured against accidents, regardless of them being 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 for the economic and social status of employees. Management Board informs the Works Council on the business results, plans, organizational changes and other important issues annually and when necessary.

Health protection and safety at work

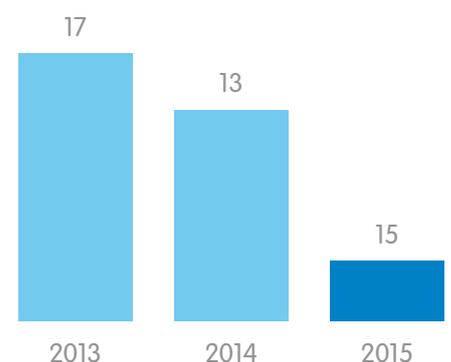
Dukat supports employee initiatives in all forms of humanitarian work and provides incentives and additionally rewards employees who are voluntary blood donors by granting them a day off work and by organizing a joint excursion. Preventive seasonal influenza vaccination is organized at the company premises every year.

Preliminary and periodic medical examinations are regularly carried out

for all employees at workplaces with special working conditions, including 38.7 percent of employees in 2015 and 31.1 percent the year before.

Every three months, Health and Safety at Work Committee holds meetings on the topic of safety and health protection to discuss the proposals of employees on improvement of work conditions and health protection at work. Two committees (Zagreb Plant and Bjelovar Plant) have 7

Number of injuries at work



members, accounting for 0.6 percent of the total number of employees.

Five minor injuries at work were registered in 2015, which is 61.5 percent less than the year before when there were 13 injuries at work. Four men and one woman were injured, and majority of injuries (three)

happened in the workplace, while 2 employees were injured coming to work and leaving work. A significant decrease on injuries at work has been recorded in the past three years, among other things, due to systematic education of employees in production, warehouses

and logistic centers, and the "Safety and Health Protection Minute" program.

In 2015, the total number of work days lost due to injuries has significantly decreased - 133 lost work days compared to 369 lost work days due to injuries in 2014.

Number of sick days



In 2015, the number of sick days decreased by 6 percent compared to the year before, due to a number of implemented measures for the protection of employees'

health, such as greater mobility of employees between various production lines, introduction of ventilation system to the pasteurization line at the Bjelovar Plant, increased use of lifts instead of hand transfer of goods, etc.

In 2015, parental leave was used by 17 women and 1 man who returned to work after their parental leave had expired. In 2015, the employees used 452 days of paid leave (compared to the 411 days in 2014), based on their right to absence from work in the event of marriage, birth of a child, death of a family member, serious illness or emergency treatment of close family members, moving and natural disasters.

Dukat shows social sensitivity by covering the cost of treatment and medical aids that are not on the reimbursement list of the Croatian Institute for Health Insurance, when requested by lower-income employees.

Supporting the care for the health of its employees, Dukat encourages them to participate in recreational and sports activities, including coming to work by bicycle, co-financing such employee initiatives, especially those in which employees account for the majority of members:

- Sports Club Sirela
- Sirela Volunteer Fire-fighting Society
- Dukat Leisure Cycling Club

DUKAT LEISURE CYCLING CLUB

During its fourth year, Dukat Leisure Cycling Club actively worked on encouraging everyday use of bicycles and promoting the environmental, health and social benefits of recreational cycling, simultaneously inspiring cooperation and team spirit among employees. The club records constant increase in the number of members, and at the end of 2015 it had 150 members - employees of Dukat and its associated companies in Croatia.

In 2015, Dukat organized its first internal cycling championship "Fast & Safe", which included seven races on different locations in Zagreb and its surroundings, in male and female categories. Twenty Dukat employees competed in the races that took place from March to September 2015, and first place winners in male and female categories of all races were rewarded.

Once again, the June-held cycling marathon in Plitvice posed a real challenge for the club where 12 employees and club members participated alongside

1100 competitors, successfully finishing a very challenging marathon and conquering the mountainous terrain.

Club members also participated in the organization and competition of Dukat's fourth cycling race "A Healthy Habit" that took place on Jarun in September 2015.

TRADITION OF BLOOD DONATIONS BY DUKAT EMPLOYEES

On 25 October, the World Blood Donor Day, 25 employees of Dukat - volunteer blood donors socialized during a one-day excursion for volunteer blood donors. The excursion organized by Dukat is almost a 40-year-old tradition and sort of a reward for employees who selflessly help others by donating blood. In 2015, 64 employees donated blood in two blood drives organized in the workplace.

During its fourth year, Dukat Leisure Cycling Club actively worked on encouraging everyday use of bicycles...



...and promoting the environmental, health and social benefits of recreational cycling...



...simultaneously inspiring cooperation and team spirit among employees.



Education and development of employees

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

In 2015, specialized and development education accounted for 86 percent of the total number of educations at Dukat, compared to 80 percent in 2014, recording constant growth over the

past years. Legally required training accounts for 14 percent of total education, compared to 20 percent in 2014.

In 2015, the average annual expenditure per employee for education increased to HRK 1,700 (compared to HRK 1,340 the year before), while 930 employees were included in some form of education, which is an increase of 41 percent compared to the year before. The total number of education hours increased - in 2015 employees participated in 10,100 hours of education, compared to 8,200 hours of education in 2014.

Internal education

As part of internal knowledge transfer practice, the total of 9 internal educations were held for 250 employees of Zagreb and Bjelovar plants in 2014. The topics covered food safety, product safety protection, self-control on manufacturing lines, good manufacturing and hygiene practice. Educations were held by Dukat's in-house trainers for Production. Training related to hygiene and food and employee safety is also continuously carried out for employees in Production and Logistics.

Internal education on the quality of products and services for Sales employees

Internal education on the quality of products and sales services was held for Sales employees. The purpose of education

was timely and proper disclosure of non-quality products, proper application of procedures regarding remarks and complaints of customers and consumers, and the manner of monitoring objections to products. Education was held by the Director of Quality for Croatia on all locations in Croatia and it included 120 Sales employees.

Application of the competition rules

In 2015, Legal Affairs conducted a program of compliance with competition rules in Southeast Europe. The first phase of the program included the adoption and implementation of the Lactalis Group Code of Conduct on the application of the rules governing competition. The second phase included the training of management and key employees that come or could come into contact

with these rules in their every business operations. Thirty employees of Dukat participated in the education. There were 13 educations held for 152 employees in the region markets.

Induction of new employees to the company and its activities

Following the already common practice, 16 new employees of Dukat and from the countries of Dukat Group underwent induction training in 2015, to get acquainted with the strategy, organization, main business processes and activities. During the individualized induction program, employees visited key departments and were introduced to milk and dairy goods processing and production in all three Croatian plants.

EMPLOYEE DEVELOPMENT PROJECTS

The work on educational and development projects continued in 2015:

Education and development program "The path of leadership"

Organized by the Croatian Human Resources team, a new development program "The path of leadership" started in the second half of 2015 for managers and managerial resources of various organizational Dukat units in Croatia. As part of the program, which is divided into three modules, participants discover and build their leadership potential, learn about leadership styles, goal setting and leadership roles as motivator, and they master important communication tools for successful management. The first module was held in late 2015 under the title "The power of persuasion in leadership and management".

PARTNERSHIP ON THE PROJECT "EXPERIENCE IS GOLD"

In 2014 Dukat partnered up with Poslovni dnevnik on the project which proved to be the driver of inclusion of students with disabilities in the labor market, and a project that will help tear down social prejudice and barriers related to their employment. As part of the project, one student with disabilities completed her traineeship in Dukat during September and October, and she is the second to do so since the project was launched. Otherwise, Dukat employs 35 people with disabilities, who greatly contribute to the achievement of common business goals.

Educational program for Sales managers

In 2015, education in personal and technical skills was held for Sales managers as a continuation of the development program for Sales that was initiated in 2014. Education "Situational leadership" was held in November, for 14 managers of Operational Sales and Gastro Sales, with the accent on the adoption of new methods and skills for optimal management of teams and individuals.

Educational program for Logistics

At the end of 2015, Dukat began a development program designed for executives, warehouse managers, top warehouse workers and Logistics shift managers. The program included planned simulation modules for various business situations, individual and group analysis and series of exercises for participants to develop leadership skills, negotiation skills, to deepen their knowledge about the quality and safety of work, so they could become more competent managers.

Performance appraisal

Performance is evaluated each year within the People review project and individual development is created for employees with recognized high work

potential. Readiness for international mobility is also assessed and defined with the employees. In 2015, 11 percent of employees were included in the

performance appraisal system, compared to 10 percent in 2014.

Traineeship

As in the previous years, we continued successful cooperation with vocational secondary schools in Zagreb, Bjelovar and Križevci, and five students of Vocational School in Bjelovar completed traineeships in the Bjelovar Plant in 2015.

Students of the faculties of Agronomy, Food Technology and Biotechnology, Business and Economy and other faculties also do their internships in Dukat. In 2015, 14 students completed their internships in Dukat. Dukat also

partnered up with Poslovni dnevnik on the project „Experience is Gold“. As part of that project one student with disabilities completed her internship in Dukat in 2015.



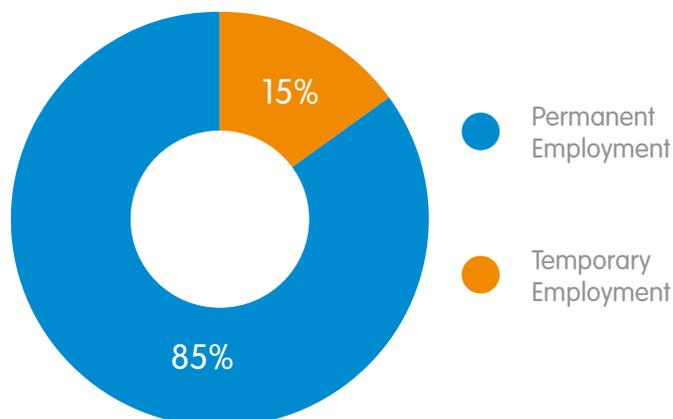
Data about employees

Type of employment

Year	Total number of employees	Permanent Employment	Temporary Employment
2014	1,116	1,008	108
2015	1,152	978	174

Dukat has 1,152 employees, 85 percent of which have permanent employment contracts, compared to 90 percent in 2014. Labor rights, rights arising from the Collective Agreement and benefits apply equally to all employees, regardless if they have permanent or temporary employment, full-time or part-time employment, and if they are union members.

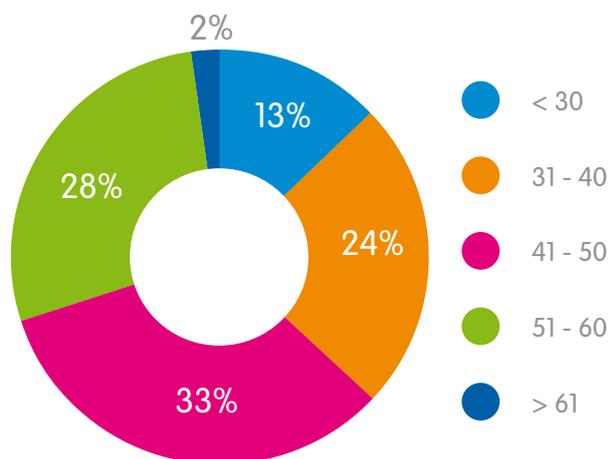
The total of 156 people were employed in 2015 (which is 26.3 percent more compared to the year before), 34 of which women. Employee turnover rate was 10.7 percent, slightly higher than in 2014 when it was 9.5 percent.



Age structure

Age of employees	2014	2015
< 30	139	155
31 - 40	255	271
41 - 50	383	380
51 - 60	320	326
> 61	19	20
Total	1,116	1,152

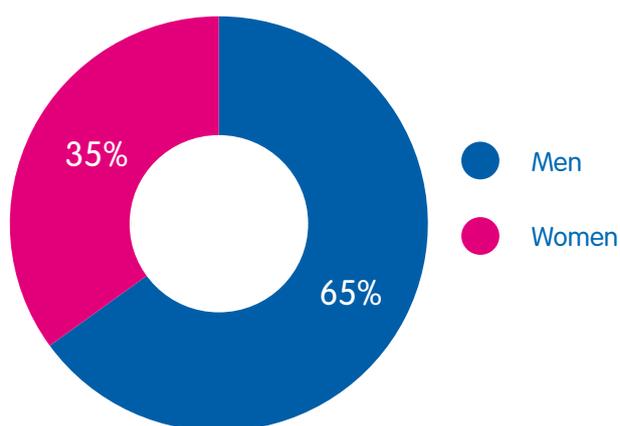
The average age of employees at the end of 2015 was 44 same as at the end of 2014.



Gender

Gender	2014	2015
Men	725	751
Women	391	401
Total	1,116	1,152

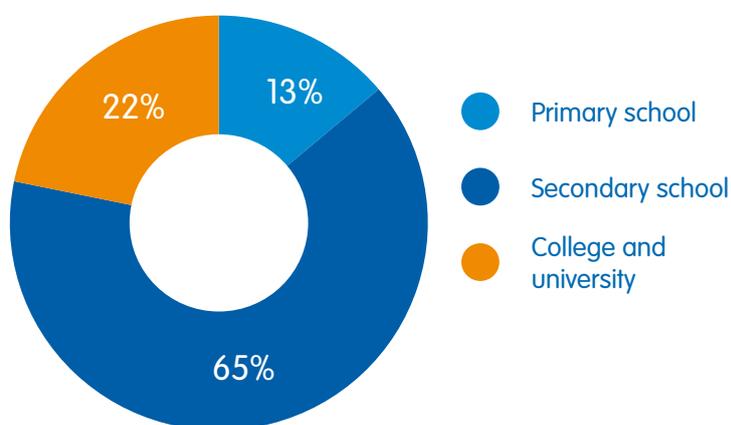
The majority of Dukat employees are men (65 percent), while women account for 35 percent, which is identical to the ratio of the year before.



Education

Education	2014	2015
Primary school	155	145
Secondary school	720	752
College and university	241	255
Total	1,116	1,152

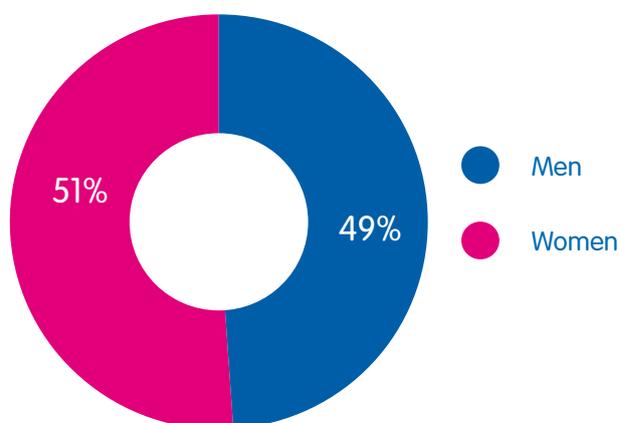
The majority of employees (65 percent) have secondary school qualifications, while 22 percent of employees have college and university degrees.



Composition of governance and management

Year	Gender	Average age	Number
2014	Men	44	49
	Women	43	41
2015	Men	44	45
	Women	44	46

In 2015, the share of women in governance and management positions at Dukat was 51 percent, which is significantly higher than in 2014, when it was 46 percent. The past three years show significant increase of the share of women in governance and management positions (from 35 percent in 2012 to 51 percent in 2015).



We pay special attention to hiring of domestic labor and local experts, including for management positions. The share of Croatian citizens in the top management is 33 percent and in senior management 80 percent.

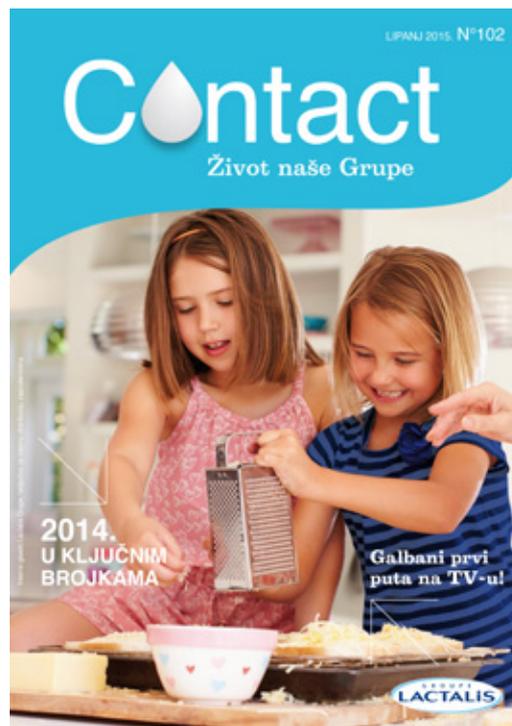
The ratio of salaries and benefits

The salary and benefits policy is based solely on the type and complexity of the

job, responsibility, knowledge and skills necessary to complete tasks and results, excluding any form of discrimination based on gender, nationality or any other personal characteristic. The average

gross salary per employee increased by 2 percent compared to 2014, or 7 percent compared to the average net salary in 2014.

Internal communication



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

Local version of the in-house magazine Contact, published quarterly, is intended for the employees of Dukat and the Dukat Group. Representatives of various departments and associated companies participate in creating it, and other employees may also participate with their stories and photographs.

Notice boards are particularly important for employees in production and logistics, as they have no access to the Intranet. Information about company events, launch of new products, employee benefits, etc. are regularly posted on notice boards. Space for trade unions and works council's notices is also provided.

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

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

Contribution to the community

Dukat launches and supports projects that contribute to the improvement of quality of life and well-being of the local community and individuals. These projects include health care, caring for healthy habits, child care, encouraging education

related to proper and balanced diet, moving, and participation in humanitarian campaigns. In 2015, the donations program focused on providing dairy products to especially vulnerable groups of adults and children.

In 2015, through donations of funds and own products, Dukat invested in:

DONATIONS OF DUKAT PRODUCTS TO SOUP KITCHENS, SOCIAL SUPERMARKETS AND HUMANITARIAN INSTITUTIONS

As traditional donor of dairy products to vulnerable social groups, in 2015 Dukat donated 219 tons of dairy products to soup kitchens, social supermarkets and humanitarian associations who care for disadvantaged citizens and children across Croatia, as part of 570 donations-deliveries. Since the first donations to the Zagreb Archdiocese Caritas in February and partnership with the newly opened social supermarket in Zagreb, the list of regular recipients of Dukat's donations grew throughout the year to 37 soup kitchens, social supermarkets and humanitarian associations, providing dairy products to over 20,000 citizens and children in need, from Vukovar to Split and Knin.

Financial donations

- **Health care and rehabilitation:** Zagreb Rehabilitation Center
- **Sports:** Sirela bowling club

Donations in own products

- **Homes for children:** Zagreb Home for Children, St. Frances Vugrovec House, St. Joseph Home for Children, Home for Children "Maestral" Split
- **Humanitarian organizations and campaigns:** Humanitarian Association "Rijeka ljubavi", Center for Missing and Exploited Children, Humanitarian Association "Putevi milosti", Humanitarian Association "Put mira", Humanitarian Association



One of the regular donations of Dukat dairy products to Humanitarian Association "Rijeka ljubavi" in Osijek

"Duga" Vukovar, Association "Poljski cvijet", Association of Parents with Children Suffering from Malignant Illnesses "Hrabro dijete" Nova Gradiška, Humanitarian Association "Zagrebački humanitarci", Association of Single Parents "Gogy", Association for Aiding Children with Disabilities ADHD and I, Association of Blind Đakovo, Association of Persons with Disabilities Bjelovar, Association of Persons with Disabilities Križevci, Humanitarian Association Remar Croatia, Humanitarian Association fra Mladen Hrkač, Association MoST, Reto center - Friends of Hope, humanitarian campaign *Dobro je činiti dobro (It's good to do good)* in Đakovo, humanitarian campaign *Dodji, vidi, pomoz!* *izbjegloj djeci (Come, see, help children refugees)*, humanitarian play for children's homes in Zagreb

- **Soup kitchens at:** Osijek Caritas, Đakovo-Osijek Archdiocese Caritas, Sisak Diocese Caritas, Parish of St. John Nepomuk Vrbovsko, Zagreb Archdiocese Caritas, St. Anthony of Padua Parish Caritas, St. Vincent de Paul Association, Split Archdiocese Caritas, Šibenik Diocese Caritas, Zadar Archdiocese Caritas, St. Ante Parish Caritas in Knin
- **Social supermarkets:** SS "Kruh sv. Elizabete" in Rijeka, SS "Ruka pomoći" in Bjelovar

- **Red Cross:** City Red Cross Županija, Sisak, Karlovac, Krapina, Koprivnica
- **Healthcare:** Children's Hospital Zagreb, Pustodol Rehabilitation Center, Varaždin Rehabilitation Center, Veli Lošinj Spa,
- **Nursing homes:** Nursing homes in Adamovac, Beli Manastir, Čakovec, Oklaj and Split
- **Education and Rehabilitation:** Student housing "Hrvatskog radiše" in Osijek, Center for Education Tuškanac, Center for Education Velika Gorica, Association "Naša djeca" Novi Marof, Children's summer in Rijeka, Therapeutic Riding for the Disabled - Equestrian Club Vodičajna, 11 elementary schools, four kindergartens
- **Culture:** 9th International Theatre Festival of the Blind and Visually Impaired, Christmas tram in Osijek
- **Other:** Convent of the Daughters of the Sacred Heart, Parish of St. Luke the Evangelist, Remete Parish Caritas

- **Education:** *Iskustvo zlata vrijedi (Experience is Gold)* and *Hrvatska pamet Hrvatskoj (Croatian Intelligence for Croatia)* - Poslovni dnevnik projects, 5th International Festival of Youth, 7th Biology Night, Lecture of the Croatian Medical Association in Bjelovar, Faculty of Food Technology and Biotechnology - sensory exercise, celebrating the Dairy Day organized by the Croatian Dairy Union, "Bistrički zvučnik" contest 2015, Golden Index Award
- **Sports:** Đakovo Bowling Club, Children's soccer tournament Rijeka, EuroZagreb 2015, Equestrian Club AS Klinča Sela - 4th round of Croatia Cup in endurance riding, Ilovac Soccer Club, 8th Rondo Cup Osijek, Bjelovar Handball Club, Jadran Rijeka Rowing Club, Princ Zagreb Softball Club, Ratar Piškorevci Soccer Club, St. Martin Spa, Cycling Union
- **Symposia and conferences:** Power of Croatian Food
- **Fairs and gastro events:** Gastronomists, Croatian Culinary Association, International Art of Gastronomy in Istria, Wine Cellar 2015 - 3rd Fair of Wine and Delicacies in Split, Coffee & Chocofest Zagreb
- **Entertainment:** Lions Club Novi Marof, Zagreb Zoo, 8th Mom and Baby Učka Marathon

Sponsorships

In 2015, through **sponsorships**, Dukat helped organize a series of cultural, educational, professional, athletic and gastronomic events:

- **Culture:** Croatian Film Days, Youth Film Festival, Photo days of young people, Motovun Film Festival, celebration of the French National Day



Memberships in associations that promote sustainable development

Dukat is one of the founders and a member, since 1998, of the Croatian Business Council for Sustainable Development (HR BCSD), a non-profit institution of the private sector encouraging sustainable development in 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 economy of the Croatian Chamber of Commerce, EKO-Ozra and GIUPAK (Economic interest grouping for packaging and environmental protection).

Since 2012, Dukat has been a member of the United Nations Global Compact, the world's largest corporate social responsibility initiative, and of the Global Compact Network Croatia.

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



Dukat was the first dairy industry and one of the first in the Croatian food industry to introduce a free hotline for consumers.

The greatest attention is paid to the quality and safety of products to fulfill 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 the internal quality standards.

Quality policy of the Lactalis Group specifies guidelines for continuous improvement of product quality and strengthening of customer and consumer satisfaction. Dukat's quality, environmental and

food safety management policy relies on Lactalis' quality policy and confirms the focus on continuous improvement of quality on all business levels, as well as the use of appropriate energy sources and raw materials, to achieve the satisfaction of consumers, all employees, suppliers, business partners, generate positive effects on the community and financial results of the company.

Having recognized the importance of two-way communication with consumers, ensuring 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, which in addition to phone and e-mail also includes communication via Dukat's

Facebook page, is open to opinions, comments and inquiries by consumers about products, and as such present valuable source of information and incentive for continued improvement. It also represents one of the important internal tools for tracking consumer satisfaction and product quality.

In 2015, 31 percent of the total number of queries, comments and praises were complaints, which is 16.5 percent less than in 2014. There has also been a decline of 19% in the number of reclamations on one million products sold, compared to the year before. Of the total complaints received, 48.9 percent of consumers accepted a visit for a sales representative and product replacement, while the other appreciated just an apology.



FOURTH CREATIVE DRAWING PROJECT "I LOVE MILK"

Since 2012 Dukat has been holding the creative drawing competition "I love milk!", to encourage the public to create proper dietary habits and draw attention to the importance of daily milk consumption, especially among children of school age. Almost 8,000 elementary school students and their teachers from all parts of Croatia participated in the competition over the course of four years.

We had a record response to the 2015 competition - 3,000 students from 196 elementary schools sent their literary works on the topic of "Common breakfast". The four winning drawings were applied to the UHT milk packaging. Announcement of the winners and creative workshops for the grades of awarded students were held in the Museum of Contemporary Art, a partner in the project, and all participants were sent personalized thank-you-letters.

DOORS OPEN DAYS FOR PRIMARY SCHOOL PUPILS

As part of the "Dukat's Doors Open Days" educational and fun project, implemented under the patronage of the Ministry of Science, Education and Sports, since 2012, Dukat has been a host to third and fourth graders from Croatian primary schools. During their visit to Dukat's production plant, pupils have the opportunity to learn about the milk's route "from the field to the table" and about the importance of everyday consumption of milk and dairy products for proper growth and development of children. In 2015, Dukat's Zagreb plant was visited by 450 pupils from 10 primary schools, and since the project was launched, more than 1400 pupils participated (October 2012 - December 2015).



DUKAT'S 4TH CYCLING RACE "A HEALTHY HABIT"

With the aim of promoting urban cycling as an ecologically acceptable manner of transport and an activity that positively influences health of individuals and families, in September Dukat organized its fourth cycling race "A Healthy Habit" and "Dukatino race for children" on Jarun in Zagreb. More than 400 cyclists of all ages participated in five categories, and half of them were children. "A Healthy Habit" race is held within the European Mobility Week and under the patronage of the Mayor of the City of Zagreb. More than 1300 adults and children participated in the race so far.





3. ENVIRONMENT

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

PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges

PRINCIPLE 8

undertake initiatives to promote greater environmental Responsibility

PRINCIPLE 9

encourage the development and diffusion of environmentally friendly technologies

Strategically focused on a responsible attitude towards the environment and operations in accordance with sustainable development policy, over time, Dukat has been building its own environmental management system, continuously reducing negative impact on the environment.



Materials



Packaging

As a large-scale producer, we take account of the environmental acceptability of our products and strive to introduce economical 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 in circulation, and it prepares additional monthly reports. We bear the cost of packaging waste disposal and management in accordance with the reports.

Data on packaging put in circulation (in kg) - Dukat Inc.

Type of packaging material	2014	2015
Metal (Al bottle for whipped cream 250 ml)	34,317	33,833
Paper/glue (carton)	2,076,112	2,112,599
Multi-layer packaging with predominant paper component for milk beverages	1,771,695	1,801,111
PET	595,918	615,934
Polymers	1,298,339	1,316,550
PEHD	1,377,207	1,294,072
Total	7,153,588	7,174,099

Total weight of packaging put in circulation in 2015 - Dukat Inc.:

Multi-layer paper packaging	1,800 t
Paper/carton	2,000 t
PET	600 t
HDPE	1,300 t
Other polymers (PS, PE)	1,300 t
Metals	33 t

In 2014, 0.3 percent more packaging was put into circulation compared to 2015. The percentage of used material as the recycled input material was less than 5 percent.

Electricity

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. The consumption of electricity is increased from June to September due to the increase in production during seasonal demand and intense usage of the cooling system.

Electricity	2014	2015
Zagreb Plant	22,660,752 kWh	22,330,586 kWh
Bjelovar Plant	9,447,151 kWh	10,559,256 kWh

In 2015, the total power consumption in the Zagreb Plant was 22,330,586 kWh, which is 1.5 percent less compared to the consumption in 2014. Total power consumption in the Bjelovar Plant, in

2015, was 10,559,256 kWh, which is 10.5 percent more than in 2014, when it was 9,447,151 kWh.

Steam

In 2015, total steam consumption was 43,929 tons, which is 0.2 percent less than the steam consumption in 2014.

Steam	2014	2015
Zagreb Plant	43,997 t	43,929 t

Gas

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

In 2015, 3,489,667 m³ of gas were consumed, which is 2.8 percent more compared to the gas consumption in 2014.

Emissions of pollutants into the air from both plants were measured in December 2015, and the values met the prescribed

Plin	2014	2015
Zagreb Plant	3,394,554 m ³	3,489,667 m ³
Bjelovar Plant	2,404,670 m ³	2,660,663 m ³

emission limit values according to the Ordinance on limit values of pollutants in the Air.

In 2015, Bjelovar Plant consumed 2,660,663 m³ of gas, which is 9.62 percent more than the consumption in 2014.

The ratio of gas consumption per ton of processed milk was 32.92, while the average in 2014 was 33.78 m³ gas/t of processed milk. Diminished ratio is the result of decreased quantities of processed milk.

Dukat assigns great importance to the economic water consumption and constantly strives to find new ways for reducing its consumption. Both plants (Zagreb and Bjelovar) draw most of the water from their artesian wells, while the rest is used from the public water supply.

In 2015, at the Zagreb Plant site, 99 percent of water was used from own well, same as in 2014, and only 1 percent was used from the public water supply. At the Bjelovar plant site, 85 percent of well water was used and 15 percent of

public water supply (compared to 58 percent of well water and 42 percent of public water supply the year before).

Water	2014			2015		
	Volume (m ³)					
	Public Water Supply	Own well	Total	Public Water Supply	Own well	Total
Zagreb Plant	8,963	402,373	411,336	5,689	411,805	417,494
Bjelovar Plant	98,520	138,266	236,786	39,440	218,176	257,616

In 2015, total water consumption at the Zagreb Plant was 417,494 m³, which is 1.5 percent higher than the total water consumption in 2014. Water consumption from the public water supply was 5,689 m³, which is 36.5 percent less than in 2014.

Water consumption from own well was 411,805 m³ or 2.3 percent higher than the year before.

The index of production (IP per one kilogram of a produced product) in 2015

increased slightly to 3.83, from 3.68 in 2014. This increase in consumption of water per kilogram of product is the result of technical changes in production and warehouse premises, the production of own technological steam and the production trend.

Total water consumption at the Bjelovar Plant was 8.1 percent (257,616 m³) higher than in 2014. Water consumption from the public water supply was 39,440 m³, which is 60 percent less compared to 2014 (98,520 m³), while the water consumption

from own well was 218,176 m³, which is 36.6 percent higher than in 2014 due to usage of water from the new well.

The average ratio of water consumption over processed milk was 3.2 l of water/kg of processed milk in 2015, which is lower than the 2014 ratio when it was 3.4 l of water/kg of processed milk, which is due to the higher quantity of processed milk.





Air emissions

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 plants were measured in December 2015, and the values meet

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

EMISSIONS INTO THE AIR FROM FUEL COMBUSTION PROCESS TO OBTAIN THERMAL ENERGY IN 2015

Data on the type and quantity of emissions from outlet 1		
Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Nitrogen oxides as nitrogen dioxide (NO ₂)	HR EN 14792:2007	2,872
Carbon dioxide (CO ₂)		3,246,980
Carbon monoxide (CO)	HR EN 15058:2008	197
Data on fuel type and consumption		
Fuel	Fuel consumption	Lower heating value
Natural gas	1,744,834 m ³ /yr.	33,338
Data on emission measurement results		
Gas fuel:		Natural gas
Substance	Measurement result (mg/m ³)	
Nitrogen oxides as nitrogen dioxide (NO ₂)	164.6	
Carbon monoxide (CO)	11.3	
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	3,455
Carbon dioxide (CO ₂)		3,246,980
Carbon monoxide (CO)	HR EN 15058:2008	208
Data on fuel type and consumption		
Fuel	Fuel consumption	Lower heating value
Natural gas	1,744,834 m ³ /yr	33,338
Data on emission measurement results		
Gas fuel:		Natural fuel:
Substance	Measurement result (mg/m ³)	
Nitrogen oxides as nitrogen dioxide (NO ₂)	198	
Carbon monoxide (CO)	11.9	

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 (dried milk drying plant) - emissions of combustion products,
- one outlet of the dried milk drying plant de-duster (non-energy) - organic dust.

The emissions of pollutants into the air from plants were measured in December 2015, and the values met the prescribed emission limit values under the Ordinance on limit values for pollutants emissions into the air.

EMISSIONS INTO THE AIR FROM PRODUCTION PROCESSES

Type of outlet:		Whey drying tower shaft
Data on emission measurement results		
Substance	Measurement result (mg/m ³)	
Particles (PM 10)	71	
Data on the type and quantity of emissions		
Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Particles (PM 10)	HRN EN 14792:200	777
Type of outlet:		Thermoelectric generator chimney
Data on the type and quantity of emissions from outlets		
Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Carbon monoxide (CO)	HRN ISO 12039	76
Carbon dioxide (CO ₂)	/	990,251
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN ISO 10849	548
Particles (PM 10)	/	16
Type of outlet:		Boiler chimney 1
Data on the type and quantity of emissions from outlets		
Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	1,029
Carbon monoxide (CO)	HRN EN 15058	106
Carbon dioxide (CO ₂)	/	1,980,501
Particles (PM 10)	/	32
Type of outlet:		Boiler chimney 2
Data on the type and quantity of emissions from outlets		
Pollutant	Standard / methodology	Quantity of emissions: total (kg/yr)
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	1,678
Carbon monoxide (CO)	HRN EN 15058	106
Carbon dioxide (CO ₂)	/	1,980,502
Particles (PM 10)	/	32

Zagreb Plant

In 2015, there were no deviations of individual parameters (oxygen chemical consumption, BPK5, pH, total oils and fats value) from the set values of the water management license for the 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 the production plants sewers which separate labels, caps and other materials.
- Chlorine-based chemicals have been replaced by peroxide- and acetic acid-based formulas.

- Technological processes in the plant have been optimized; milk processing plants are regularly maintained to prevent the discharge of organic matter into the sewerage system.

Bjelovar Plant

Bjelovar Plant has its own waste water treatment plant with the capacity of 1100 m²/day, and the processed waste water outflows meet the limit values under the water management license. Outflowing waste water is discharged into the public sewage of the City of Bjelovar after the treatment procedure.

In 2015, the total of 307,344 m³ of technological waste water was processed by the waste water treatment plant,

which is 4.8 percent less than the year before (323,060 m³).

The average value of chemical oxygen demand (COD) in water after the treatment procedure was 249 mg/l, which is 26.5 percent less than in 2014 when COD was 339 mg/l. After investing in upgrade of the efficiency of water purification devices in June 2015 we have seen a decrease in outflow COD, which was 140 mg/l on average.

A decrease in the waste water treatment factor (Fx) is also noticed, as the average value in 2015 was 1.22, while in 2014 the average Fx value was 1.44; which is the result of investment in the upgrade of efficiency of the water purification devices.





Waste

Waste generation and its 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 way. Precisely for this reason, continuous efforts are directed at the prevention and constant reduction of generation of all types of waste and

waste management in accordance with economic principles. It is also the objective of the company to reduce communal waste generation by increased selection of generated waste and to reduce the volume of returns from the market.

In 2015, the total volume of separated waste received at the Zagreb plant was 1,045 tons, which is 8.9 percent less than in 2014. There were 1,015 tons of non-hazardous waste collected, or 9.3 percent less than the year before. In the total balance, mixed packaging was

the most collected, followed by waste paper and cardboard and multilayer packaging waste. In 2015, total volume of separated and received hazardous waste was 30 tons.

At the Bjelovar Plant, sewage sludge from the waste water cleaner was the most collected, along with paper and cardboard packaging. In 2015, total volume of 7,224 kg of hazardous waste was collected.



Consumption of chemicals

Zagreb Plant - consumption of washing and disinfecting agents

In 2015, Zagreb Plant consumed 1.1 percent more washing and disinfecting agents than the year before. Sodium base for washing equipment was the

	2014	2015
Total volume of washing and disinfecting agents	970,082 kg	980,549 kg

most used, 587 tons of it, which is 102 tons more than in 2014. There were 315 tons of nitric acid used, which is 33 tons more than in 2014. There were 46 tons

of nitrogen peroxide used, the same as the year before.

Bjelovar Plant - consumption of chemicals in waste water treatment plant

In 2015, at the Bjelovar Plant, the total volume of chemicals utilized in the waste water treatment plant was 17.7 percent lower than in 2014. Aquaklar consumption was 29 percent lower than the year before, while the consumption

	2014	2015
Total volume of chemicals utilized in waste water treatment plant	166,020 kg	139,695 kg

of Aquaflok was 21 percent lower than in 2014. Consumption of chemicals in production was higher in 2015 than in 2014 due to higher quantities of processed milk. Consumption of alkaline NaOH was

10.8 percent higher, while consumption of acid HNO3 was 12.6 percent higher and consumption of lye and acid per processed milk was the same as the year before.



Noise

Noise for the day and night work conditions at the Zagreb Plant site ranges within the legally permissible limits. Since Bjelovar Plant borders with residential

noise zones on the southeast and the southwest side, at the time when the noise level was measured for the purpose of preparing integrated environmental

requirements, exceeding of permissible level of noise was established.

Compliance

In accordance with 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 2015. 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 with regard to impact on environment



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

- The 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 on 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 2015, all suppliers received the highest grade with regard to impact on the environment.

Objectives for 2016

- Education and information of employees on obligations of Dukat according to the new environmental legislation
- Training of new internal auditors for internal audit of the environmental management system
- Improving waste water quality

Zagreb Plant

- Reduce water consumption to 3.25 m³/t of products
- Reduce steam consumption by 9000 t
- Reduce gas consumption by 755 000 m³, reduce CO₂ emissions by 17 percent

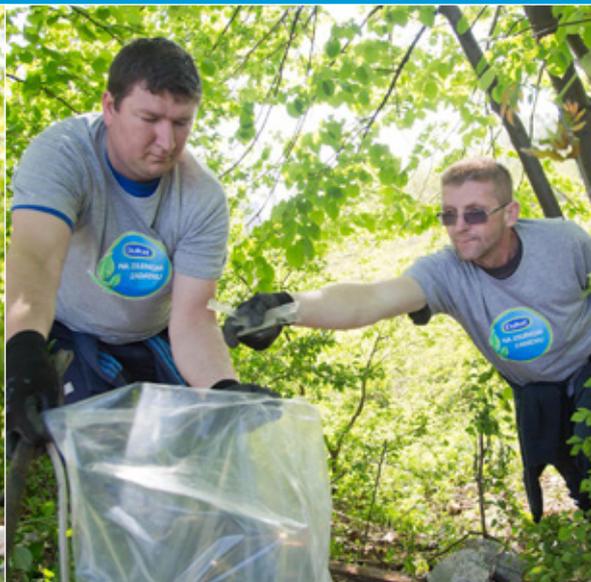
Bjelovar Plant

- Reduce water consumption in proportion to processed milk volumes by 2 percent
- Reduce gas consumption in proportion to processed milk volumes by 2 percent
- Noise reduction at the compressor drive facility
- Reduce air emissions from the plant for dehydrated products



DUKAT EMPLOYEES VOLUNTEER IN CLEAN-UP CAMPAIGN FOR THE FOURTH TIME

In 2015, Dukat employees once again joined the largest volunteer cleaning campaign "Green Clean-up - one day for clean environment", part of the global "Let's do it!" movement. Seventy employees from all three of Dukat's plants in Croatia participated in the action, and in spite of rain and poor weather conditions they cleaned up three illegal dumping sites in Zagreb, Bjelovar and Karlovac. Along with collected waste, employees donated the total of 120 working hours voluntarily joining the clean-up. In the past four years 270 Dukat and KIM employees participated in the action, freeing the environment from 130 cubic meters of waste.





4. ANTI-CORRUPTION

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

PRINCIPLE 10

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

Dukat applies strict anti-corruption standards in its daily operations, in accordance with relevant internal documents and corporate policies of the Lactalis Group, and operates in compliance with the applicable laws and regulations. Aware of the importance of responsible and ethically-based conduct, Dukat implemented and it applies the Corporate Governance Code.

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

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

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

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

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

company's website, in accordance with relevant regulations.

- **Implementation of practice concerning competition**

Dukat approaches competition as one of its top priorities in operations, and invests great effort in everyday business practices to assess each economic activity from this aspect as well. Accordingly, in 2015, education was organized for 152 people in Dukat and its associated companies in the region (Slovenia, Serbia, Bosnia and Herzegovina and Macedonia) on the topic of competition rules and their implementation in everyday work. We are also actively working on continued education of all key employees at Dukat and Dukat Group, in order to minimize all possible risks.

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

- **Internally regulated procedures and work instructions**

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."*

There were no recorded reports on suspicion of corruption or incidences of corruption in 2015 or the previous years.

It is Dukat's strategic commitment not to provide any material or non-material support to any political party or candidate, on 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.





Annex - overview of relevant sustainability indicators (GRI G4)

In preparing this report, along with the ten UN Global Compact principles, the following sustainability indicators (GRI G4) of the Global Reporting Initiative were taken into consideration:

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I. Human Rights		
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G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	6
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G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	8
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G4-LA9	Average hours of training per year per employee by gender, and by employee category	11
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This report is available on the UN Global Compact and Dukat websites and on Dukat's Intranet portal.

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Design:

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Contact for socially responsible business operations:

Elena Wolsperger Dolezil, elena.wolsperger-dolezil@dukat.hr

Kristina Klarić Rubčić, kristina.klaric-rubcic@dukat.hr

www.dukat.hr

