

CORPORATE SOCIAL
RESPONSIBILITY
REPORT



WE SUPPORT



STATEMENT OF SUPPORT AND BUSINESS CHALLENGES

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

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

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

The focus on the quality and safety of our products, innovation and improvement of our products and recipes, as well as on constant improvements in all levels of our business operations, are the cornerstones of our development and sustainability.

In 2020, the Covid-19 pandemic had a significant influence on Dukat's business operations at all levels and on the business results of our company. The year has been marked by the care for our employees and protection of their health, and by ensuring the unhindered continuation of all business processes. Along with the increase of business complexity and extraordinary expenses, we have seen reduced income from sales in the HoReCa channel due to the lockdown and weak tourist season. The previous year has been marked by changes in the behaviour and purchasing habits of consumers due to a growing sense of uncertainty and fear of a new economic crisis and its consequences.

Nevertheless, in 2020, Dukat has managed to show resilience to significantly changed work conditions, financial stability and independence, as well as to social responsibility at all levels.

Along with the unhindered continuation and reorganization of business processes, the focus was on the protection of health and well-being of employees, and a series of extraordinary initiatives were initiated for the protection, support, motivation and awarding of employees. The regular operation of the supply chain has been maintained thanks to huge efforts of the employees and management. Also, we initiated a solidarity, an intervention purchase of milk from small dairies and farmers who lost their product placement opportunities due to the lockdown. Along with the program for systemic donations of food throughout the country that has been implemented for a number of years, Dukat has also initiated a series of extraordinary donations of dairy products to help the citizens who are most affected by the epidemic and earthquakes in Zagreb and Banovina.

In addition to everything mentioned above, this report also includes an overview of other activities related to the application of UNGC principles partially in line with the Global Reporting Initiative (GRI) Standards and the European Commission guidelines on non-financial reporting. This provides our stakeholders with a clear and relevant framework for comparing our activities with previous and future ones, which we will continue to report on.



Alen Fontana
Director

Zagreb, March 2021

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

Dukat Inc. (hereinafter: Dukat), with its registered office in Zagreb, is the leader of the dairy industry in Croatia with a tradition of more than 100 years in the production of milk and dairy products, which has grown into a regional company as the result of organic growth and acquisitions. With 8 production plants in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and North Macedonia, the Dukat Group is currently the leader of the regional dairy industry. In addition to Dukat, the Dukat Group comprises 13 associated companies with registered offices in Croatia, Slovenia, Bosnia and Herzegovina, Serbia, North Macedonia, Kosovo and Bulgaria.

In Croatia, the Dukat Group currently employs 1,525 people in three production plants: in Zagreb, Bjelovar and KIM Mljekara Karlovac (KIM), which is also an associated company, as well as in its two associated companies LA LOG for transport and distribution and B.P.A.C. Auto for car rental and leasing. In 2020, Dukat d.d. achieved revenues from sales in the amount of HRK 1.7 billion, 84.3 percent of which was on the domestic market.

Since 2007, Dukat in Croatia became a part of the Lactalis Group, the leading global dairy group and the leading global

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

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

Dukat bases its operations in Croatia on the processing of top-quality raw milk produced by Croatian dairy farms. In 2020, Dukat cooperated with 2,177 milk producers, purchasing 185.5 million kilograms of fresh raw milk, confirming its status as the largest purchaser of fresh raw milk in the country.

Its production range consists of milk, fermented products, cheese, cream, dairy spreads, desserts and butter. In 2020, Dukat produced 186.2 million kilograms of products in its range, comprising 481 Dukat, Sirela, President and Galbani brand products. In 2020, 35 new dairy products were introduced to Croatian consumers. In Croatia, 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 have continued their successful export operations in 2020 and achieved a volume export growth of 11 per cent. Along with the increase of export volume towards Italy and Romania, in 2020 Dukat and KIM began exporting their dairy products to two new markets: Switzerland and Malaysia. The product range intended for export includes around 200 products.

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

THE DUKAT GROUP IN CROATIA IN NUMBERS (2020)

No. 1 dairy industry



3 production plants
Zagreb, Bjelovar and Karlovac

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

1,525 employees



EUR 249.2 million turnover

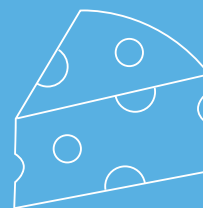
241 million kilograms
of total processed milk

2,177 co-operators

4 umbrella brands



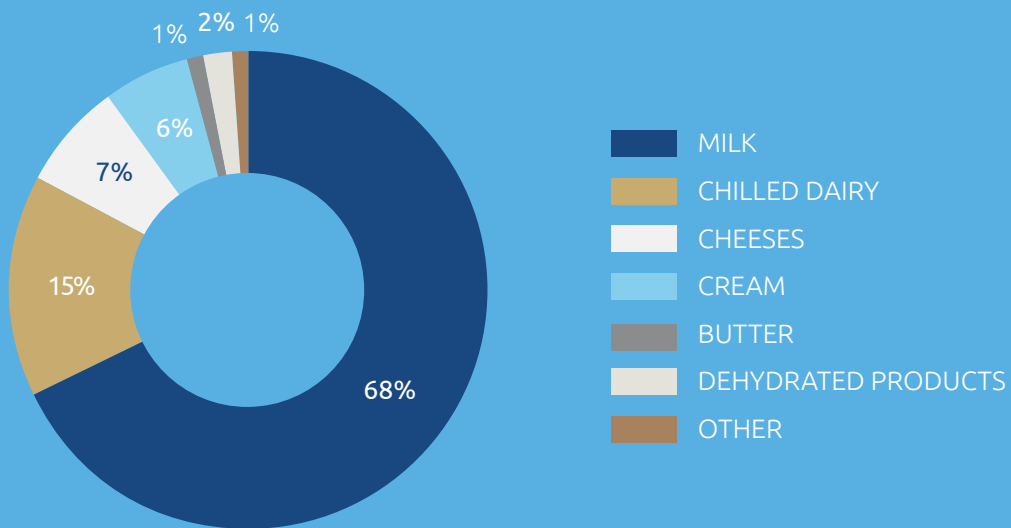
481 products



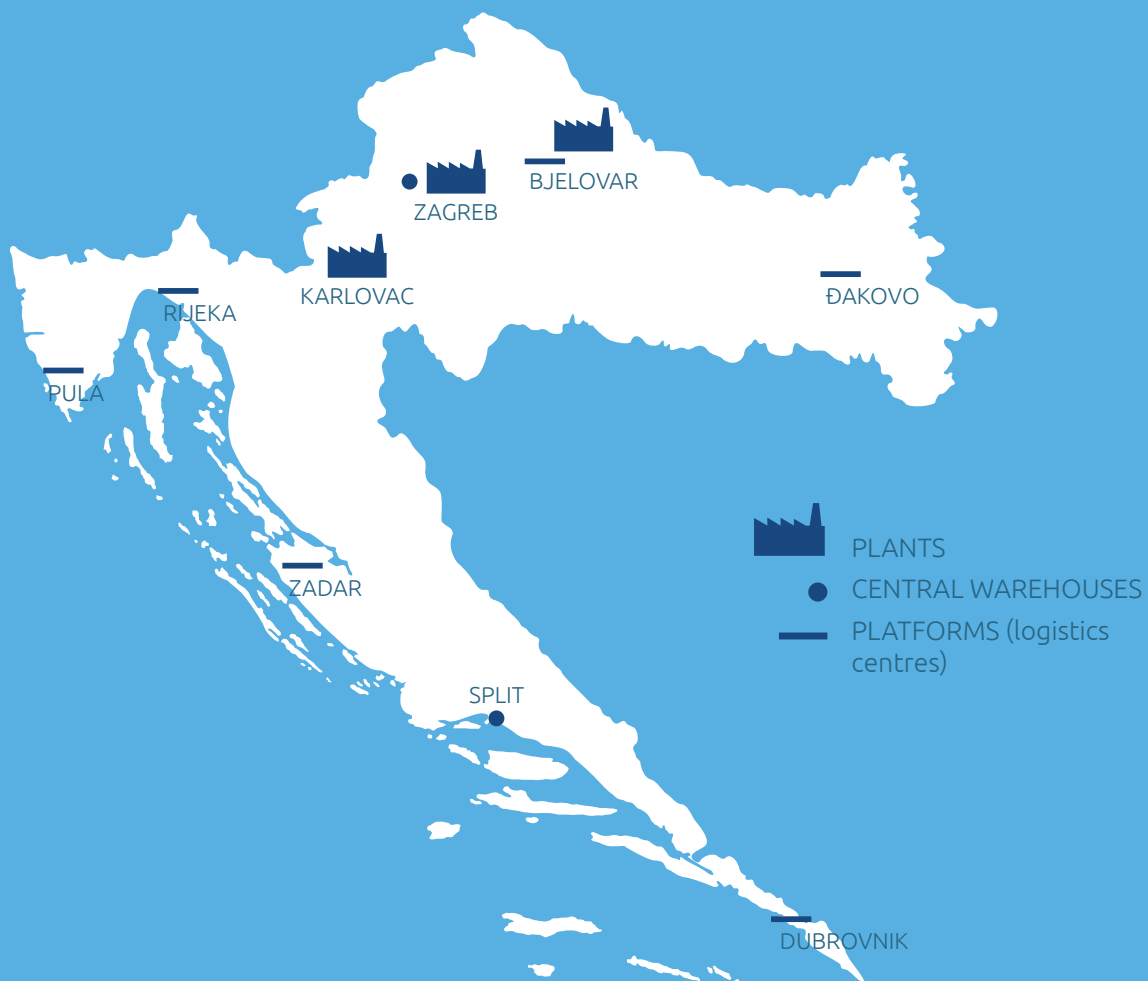
35 new products
introduced on the Croatian market

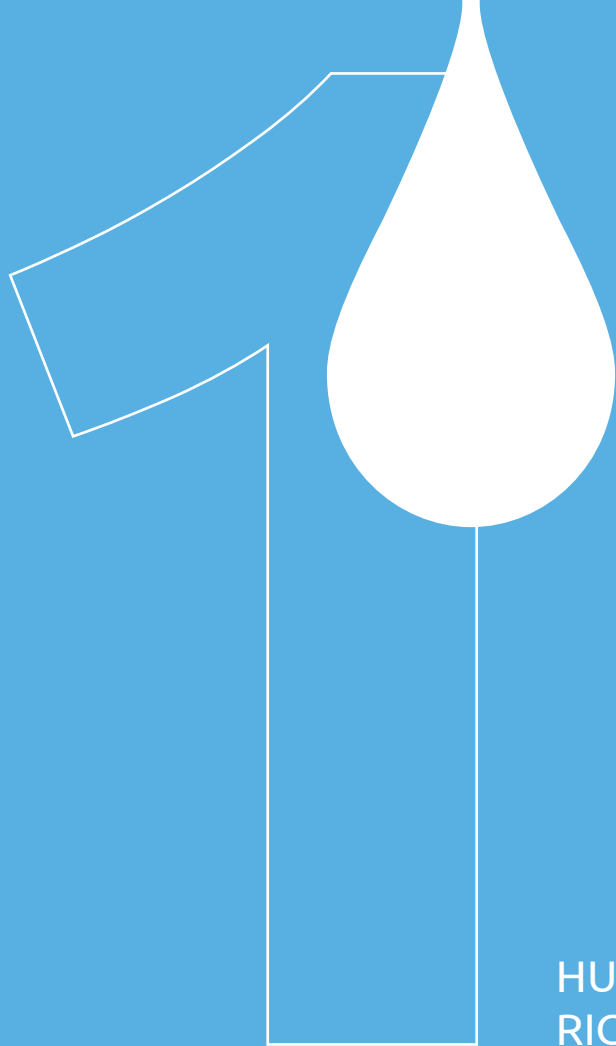


VOLUME DISTRIBUTION PER PRODUCT CATEGORIES



PLANTS, WAREHOUSES AND PLATFORMS





HUMAN
RIGHTS

PRINCIPLE 1

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

PRINCIPLE 2

Make sure that they are not complicit in human rights abuses

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

RIGHT TO DIVERSITY AND EQUAL OPPORTUNITIES



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

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

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

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

PROTECTION OF EMPLOYEES' DIGNITY

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

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

In 2020, as in 2019, there were no reported cases of the violation of employees' dignity, which is the result of Dukat's efforts to raise the awareness of employees on the importance of respecting diversity, nurturing high-quality interpersonal relations and cooperation, and generally on building a positive organizational culture. In 2018, there were four reported cases of the violation of employees' dignity.

CODE OF CONDUCT

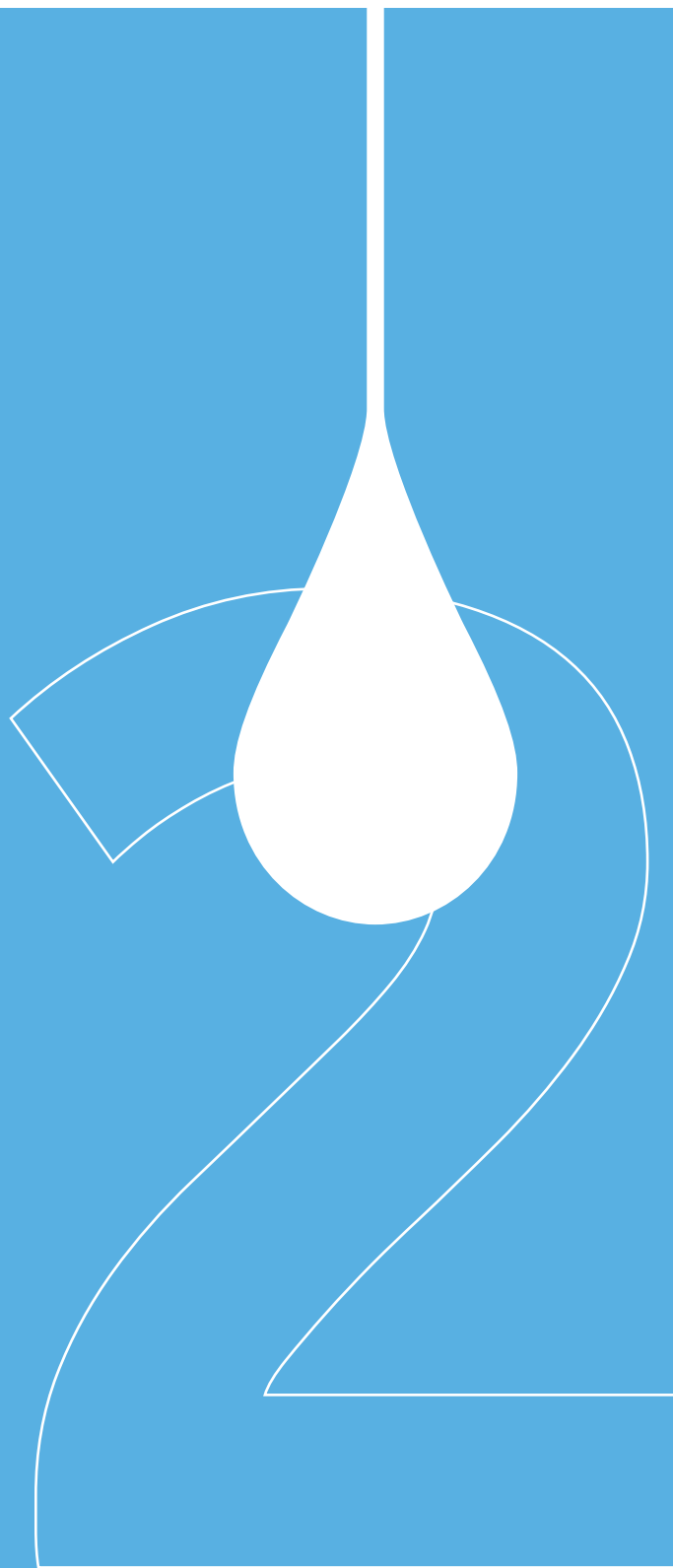
Dukat has had its Code of Conduct for more than 20 years, which integrates the principles of employees' conduct in accordance with the

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.



WORKING
CONDITIONS

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 labour;

PRINCIPLE 5

The effective abolition of child labour, and

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.

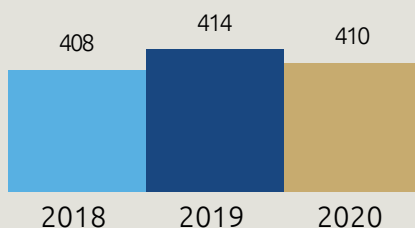
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING



Dukat has a 20-year-long tradition of association and collective bargaining, and 34 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 2020, 410 employees, or 34 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 Collective Agreement signed for 2018 and 2019 was printed as a pocket edition and handed to each employee of Dukat at the beginning of 2018.

In 2020, the material rights of the employees were additionally expanded, especially in the part relating to support for the parents of newborns and small children, accompanied by an increase of the monthly allowance in the gross amount of HRK 200 for all employees, the increase of inbound travel allowances to HRK 200 and compensation for separation in the amount of HRK 1,750.

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 2020 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 wellbeing of employees and to ensure

unhindered continuation of business activities at all business levels.

CORONAVIRUS SPREAD PREVENTION MEASURES

In order to ensure adequate protection from the risk of infection for all employees, even prior to the announcement of the pandemic in the territory of Croatia, a sequence of measures were implemented in order to prevent the spread of the coronavirus and rules of conduct were prescribed for all employees in accordance with the recommendations

of the Croatian Public Health Institute.

The employees were continuously informed about the measures and rules of conduct through email, notice boards and the internet, as well as through extraordinary weekly issues of the internal newsletter Contacta. Additional posters were placed in prominent places and in bathrooms describing the measures designed to prevent coronavirus spread, and a protocol has been prepared for cases of one or more employees with suspected or confirmed coronavirus.

List of internal measures designed to prevent the spread of coronavirus

PREVENTION

Measuring of body temperature at the entrance

Hand disinfection at entrance

Hand disinfection prior and after the use of photocopiers and coffee makers

Use of ID cards while moving inside the plant, with only the necessary movement at the location

Measuring of body temperature and hand disinfection for external associates entering the plant

Behaviour in accordance with the prescribed protocol in case of occurrence of infection among the employees

INTERACTION

Handshake ban

Kissing ban

Ban on meetings in person

Maintain physical distance of 2 m

Avoidance of places where people gather in larger numbers

Limiting the movements at the location to only the necessary movements

Business travel ban

Work from home for employees who work on computers

Use of restaurant permitted only to production workers; other workers may only take meals to go from the restaurant

Ban on transit through the changing rooms on the way to the plant restaurant

Delivery of remittances only by email or at the doorman's booth

Employee rotation within departments

DISINFECTION

The regular disinfection of offices at the weekly level and shared premises, wardrobes and restaurants at the daily level

HYGIENE MEASURES

Compulsory use of face masks at work

Frequent washing and disinfecting of hands

Sneezing and coughing in disposable wipes or into the inner side of the elbow

Use of disposable wipes and throwing them away into the garbage bin after each use

Avoid touching the face with the hands (eyes, mouth, nose)

Ensure the regular ventilation of offices

AFTER WORK

Implementation of protective measures after work as well

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 on the premises of the Dukat Group in Croatia each year, with a special emphasis placed on this vaccination in 2020 due to the specific epidemiological situation caused by the COVID-19 epidemic. In November 2020, 200 employees were vaccinated at all three production locations (Zagreb, Bjelovar and Karlovac), at six logistics centres and at two related companies. Compared to the year before, a significant increase of interest for influenza vaccination has been noticed in 2020 by 117 per cent compared to 2019, by 160 per cent compared to 2018 and a whopping 213 per cent compared to 2017.

Dukat also regularly performs carrier tests, for the protection of food safety and for checking the health status of employees participating in the production process, storage and food transport. During 2020, these tests were performed on around 365 employees, while the tests covered 410 employees in 2019 (11 per cent less) and 750 employees in 2018 (51 per cent less). The reason for this decrease in the number of employees tested is the amendment of the Law on the Protection of the General Population from Infectious Diseases introduced in the past two years, which prescribes that the schedule of health controls shall change from 1 January 2019 and shall be valid for a full year, instead of for six months; the number of carrier

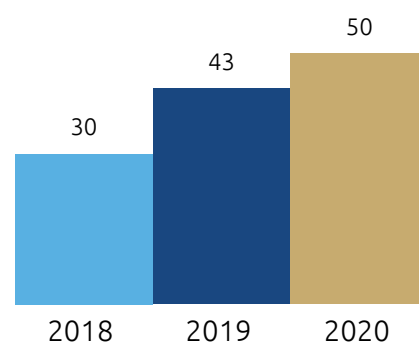
tests was reduced in 2020 due to the COVID-19 pandemic.

In-house training for employees on personal hygiene, food and employee safety and targeted training on food safety in the supply chain (warehouse workers) was organized for 80 of Dukat's employees in 2020. Unfortunately, the coronavirus epidemic affected numerous segments of our activities, including the training. Compared to 2019, these activities included 68 per cent fewer employees, while compared to 2018 these activities included 80 per cent fewer employees.

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 due to the COVID-19 pandemic. In 2020, 50 employees of Dukat

and related companies in Croatia, as blood donors for many years, donated their blood at the local transfusion centres since there was no organized blood donation at work due to the epidemiologic measures.



PROTECTION AND SAFETY AT WORK

In order to protect the health and care for the well-being of employees, one of the most important goals of the Dukat Group in Croatia was safety at work, i.e. the improvement of the safety culture.

All employees are responsible for the consistent implementation and maintenance of all processes related to occupational health and safety and are encouraged to identify weaknesses and to support the measures aimed at addressing such weaknesses. Injury prevention is aimed at identifying potential hazards and unsafe working conditions and health and safety risks through their elimination by applying control measures, setting prescribed warning signs and instructions for safe work, testing the work equipment and using prescribed personal protective equipment.

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

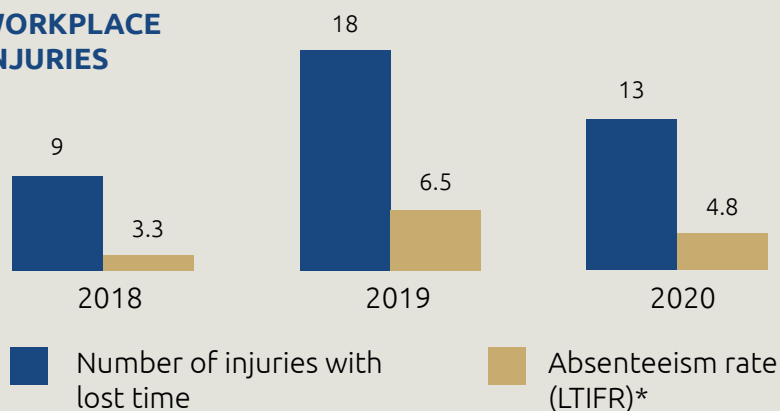
protection of employees. The Occupational Safety and Protection Policy and 12 Golden Rules of Safety at Work have been implemented for the fifth year in a row, and both documents are handed to new employees and made constantly available on the notice boards and the internet.

Preliminary and periodic medical examinations at Dukat and KIM are regularly carried out for all employees in workplaces with special working conditions. In 2020, this included 639 employees (44 per cent more than the year before). 586 employees of Dukat and KIM were trained in occupational safety and fire protection, while 71 employees attended professional training.

In all three production plants (Zagreb, Bjelovar and Karlovac), together with the logistics centre in Split and all the platforms in Croatia, a total of 13 workplace injuries have been recorded in 2020 in Dukat and KIM, which is five injuries, i.e. 28 per cent less compared to the previous year. In 2019, there were 18 workplace injuries, while 8 workplace injuries were recorded in 2018.

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.

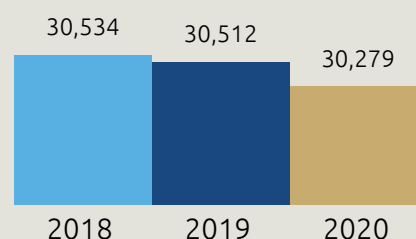
NUMBER OF WORKPLACE INJURIES



The results for 2020 are significantly better compared to the results in 2019 – LTIFR decreased from 6.51 to 4.8, which represents a reduction of 25 per cent.

NUMBER OF SICK DAYS

In 2020, the number of sick days decreased by one per cent compared to the year before, while in 2019 it was 1 per cent lower than in 2018.



LEAVES OF ABSENCE

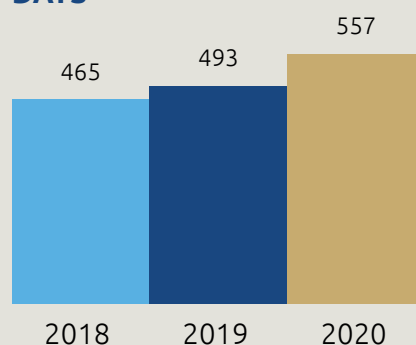


In addition to providing a safe workplace, Dukat makes sure its employees have carefree parental leave, regardless of gender. In 2020, the parental leave was used by 25 employees – 24 women and one man. We have continued to implement parenting measures in 2020, in accordance with the Collective Agreement:

- 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 2020, 38 employees that became parents during the year have received an allowance for a new family member, while in 2019, 30 employees have exercised this right.

NUMBER OF PAID LEAVE DAYS



In 2020, the employees used 557 days of paid leave, which was 13 per cent higher than the previous year. In 2019,

employees used 493 days of paid leave, and in 2018 they used 465 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.

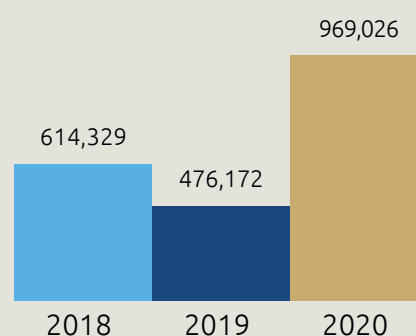
In 2020, 42 employees have exercised their right to paid leave to care for a child during lockdown.

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 2020, Dukat responded positively to all requests from its employees and allocated HRK 969,026 for this purpose. Of this amount, HRK 553,639.36 was paid to employees whose homes were damaged in the 2020 earthquake.

AMOUNT OF FINANCIAL AID TO EMPLOYEES (HRK)



* LTIFR – Lost Time Injury Frequency Rate.

Calculation: number of workplace injuries with lost time × 1,000,000 / hours of work

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:

- Sports Club Sirela
- Voluntary Fire Brigade Sirela Bjelovar
- Dukat leisure cycling club
- Dukat Futsal Team

Although in a significantly reduced scope due to epidemiological measures, in 2020 Dukat also supported the recreational sport activities of its employees.

EMPLOYEE DATA

TYPE OF EMPLOYMENT

In 2020, Dukat had 1,197 employees, which is 54 employees or 4.5 per cent fewer employees than the year before. Out of the total number of employees, 86 per cent are permanent

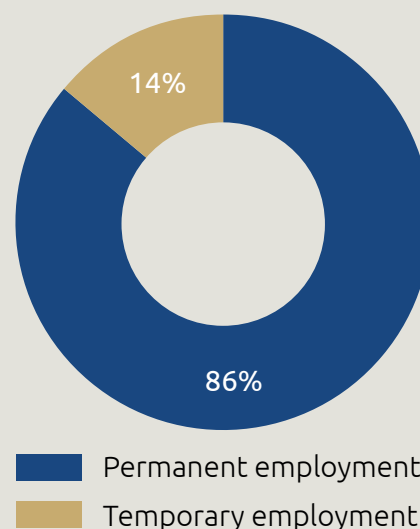
employees, which is 0.7 per cent less compared to the year before. Work rights, as well as the rights under the Collective Agreement and benefits, are applied equally to all employees, regardless of

whether they are permanent or temporary, full- or part-time employees, members of the union or not. Employee fluctuation rate is 9.4 per cent, which is 10.6 per cent lower than the year before.

Year	Total number of employees	Permanent employment	Temporary employment
2018	1,267	1,010	257
2019	1,251	1,039	212
2020	1,197	1,032	165

EMPLOYMENT OF YOUNG PEOPLE AND PEOPLE ABOVE 50 YEARS OF AGE

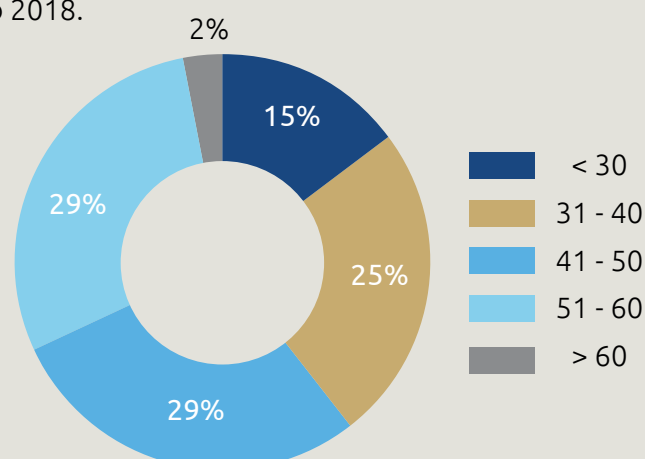
Young people aged 18 to 30 make up 15 per cent of Dukat employees, and 32 new people under 30 were employed in 2020 – 22 remained employed. In 2020, two persons above the age of 50 were employed and are still employed.



AGE STRUCTURE

At the end of 2020, the average employee age was 43.3 years, which is 2 per cent more compared to the previous year, i.e. 3 per cent more compared to 2018.

Age of employees	Number of employees 2018	Number of employees 2019	Number of employees 2020
< 30	227	205	179
31 - 40	316	319	303
41 - 50	378	355	342
51 - 60	323	342	344
> 60	23	30	30
Total	1,267	1,251	1,197

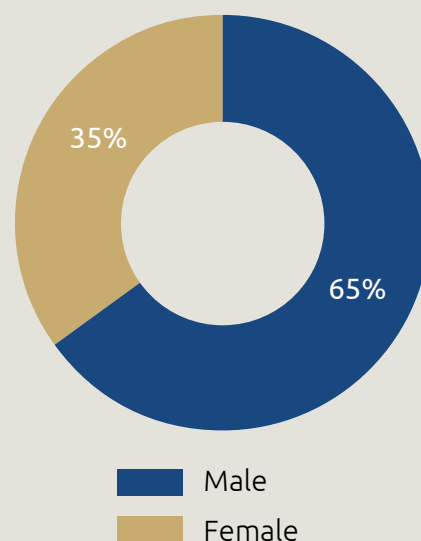


GENDER

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

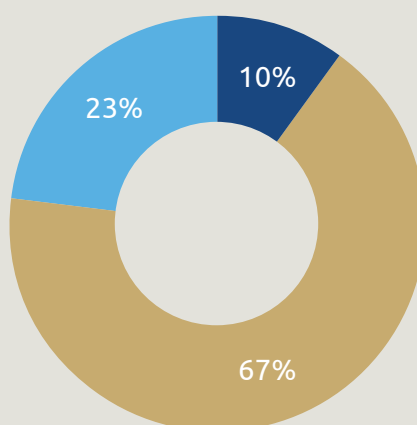
to the year before and one percentage point more in favour of women compared to 2018.

Gender	Number of employees 2018	Number of employees 2019	Number of employees 2020
Male	836	812	779
Female	431	439	418
Total	1,267	1,251	1,197



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 nearly the same as the ratio from the year before.



COMPOSITION OF GOVERNANCE AND MANAGEMENT



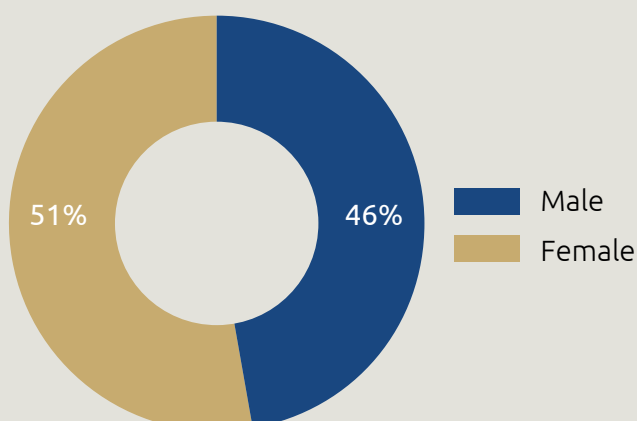
In 2020, the share of women in governance and management positions at Dukat was 51 per cent, which is 1 per cent less compared to 2019 and 2018. The past several years have shown an increasing trend in the share of women in governance and management

positions (from 35 per cent in 2012 to 51 per cent in 2020). 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 93 per cent, while in the high management (sectoral directors) it is 96 per cent.

Year	Gender	Average age	Number
2018	Male	45	43
	Female	46	47
2019	Male	46	44
	Female	47	47
2020	Male	46	47
	Female	46	49



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 2020, the average net salary per employee was 7.5 per cent higher than in 2019. Total non-taxable expenses increased by 34.6 per cent compared to the year before.

During the lockdown, we have identified and rewarded with HRK 820,751 the employees who worked under difficult conditions, and through their extreme efforts and dedication ensured the unhindered continuation of Dukat's operation, primarily the operation of the supply chain.

Based on the Decision on the announcement of the COVID-19 epidemic on the territory of Croatia, Dukat has organized work from home for 225 employees.

During 2020, 85 employees, or 7.1 per cent 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 2019, a total of 519 employees were promoted.

DUKAT LEISURE CYCLING CLUB

During its ninth year, the Dukat Leisure Cycling Club (RBK Dukat), in spite of drastic reduction of its activities due to the epidemic, 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 employees. The club has 136 members – employees

of Dukat and its associated companies in Croatia.

The members of the club have in June and July 2020 participated in three demanding mountain bike races: Occupy Samobor, Helter Skelter MTB marathon in Rabac and The Capital, the first boat-cycling marathon on Medvednica, proudly wearing the jerseys in Dukat Fit colours,

the first line of dairy products enriched with proteins.

At all three production sites, World Cyclists' Day (July 16) was celebrated with promotional activities designed for employees who come to work by bicycle, and at the Zagreb Plant, the International Day of Winter Cycling to Work was celebrated (February 14, 2020).



CORPORATE IDENTITY

The parts of Dukat's corporate identity have been redefined in 2020 as part of the comprehensive brand repositioning process.

OUR PURPOSE



Milk is perfect natural food. It is with us throughout our live, from the early days, and represents an indispensable part of our tradition and everyday lives.

Our purpose is to produce high quality, tasty and nutrient-dense dairy products and thus improve everyday nutrition and the quality of life of our consumers, as well as of the generations yet to come.

OUR POWER



WE ARE A TREASURY OF UNIQUE KNOWLEDGE

For more than 100 years, we have been gathering and sharing unique expert knowledge



WE MAKE LIVES BETTER

We contribute to the high quality nutrition of consumers of all generations



WE GROW TOGETHER

We encourage learning and openness to new things



WE ARE DEDICATED TO LOCAL PRODUCTION

We contribute to the sustainability of life in rural areas of the country

OUR VALUES

AMBITION

Entrepreneurial spirit
Perseverance
Liability
Loyalty

COMMITMENT

Efficiency
Constant development
Employee development

SIMPLICITY

Accessibility
Transparency
Pragmatism

OUR MISSION



“

We are dedicated to our consumers.

With high quality and nutrient-dense dairy products, we contribute to the adequate and balanced nutrition of consumers of all ages every day.

With innovativeness and diversity of offer, we satisfy the various needs and lifestyles of our consumers.

”

OUR VISION



“

Enable enjoyment of the best milk has to offer for the generations to come.

”

THE EDUCATION AND DEVELOPMENT OF EMPLOYEES

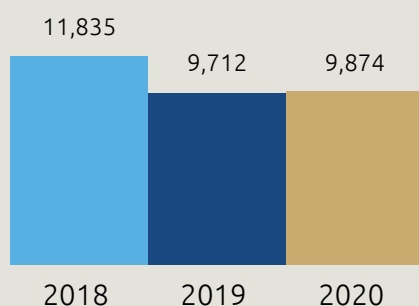


We are a treasury of unique professional knowledge and skills acquired over more than 100 years of organized purchase and processing of milk, which we selflessly share with our employees. We encourage them to learn, to develop and build their successful careers, as well as to be open to new challenges of modern life and business. That is why significant means and efforts are invested in the education and training of employees.

In 2020, specialized and development education accounted for 77 per cent of the total number of educations at Dukat, which is the same as in 2019 and 2018. The legally required training accounts for 23 per cent of the total education, the same as in the previous two years.

In 2020, the average annual expenditure for education was HRK 1,510 per employee (compared to HRK 1,251 the year before and HRK 1,533 in 2018), while 718 employees were included in some form of education (compared to 762 the year before and 940 in 2018).

EDUCATION HOURS



In 2020, employees participated in 9,874 hours of education, compared to 9,712 in 2019 and 11,835 in 2018. The average number of

education hours per employee was 8.2 in 2020, compared to 7.8 in 2019 and 9.4 in 2018.

INTERNAL EDUCATION

As part of internal knowledge transfer practice, a total of 33 internal education sessions were held for 385 employees of Dukat in 2020, compared to 46 in-house sessions for 490 employees in 2019, which is 21.4 per cent fewer employees covered by in-house education than the year before and 40 per cent fewer than in 2018. The topics covered food safety, product safety protection and hygiene, self-control on manufacturing lines, allergen control, safe machine operation, introduction of new machines, operator training, food defence, food safety in the logistic processes, safe warehouse work, occupational health and safety topics, fire protection, and 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 2020, in-house education was organized for 23 employees, which is 87 per cent less compared to 2019 when 177 employees attended the in-house education, and nearly equally less compared to 2018 (163 employees). The reason for this is a drastic reduction in regular and seasonal employment during 2020 due to circumstances caused by the COVID-19 pandemic.

INTRODUCING NEW EMPLOYEES TO THE COMPANY AND ITS ACTIVITIES

Following the already common practice, seven new employees underwent induction training in 2020, to get acquainted with the organization, main business processes and activities. During group and individualized induction programs, employees visited key departments and were introduced to milk and dairy goods processing and production in all three Croatian plants. Induction training was organized for 12 employees in 2019 and for 10 employees in 2018.

EMPLOYEE DEVELOPMENT PROJECTS

Dukat is systematically investing in the development and professional training of employees. Some of the educational and development programs organized in 2020 include:

Development program title	Number of employees	Total no. of hours
PULS project – focus workshops for Bjelovar Plant managers; analysis of results and action plan	12	84
Assessment centre – Zagreb factory operators	7	42
Workshop for call centre employees “Successful in crisis”	6	9
Training for Logistics internal trainers “Internal knowledge transfer”	11	88
Training for Bjelovar Plant internal trainer “Internal knowledge transfer”	1	12
360° evaluation for leads and managers at Logistics department	21	168
Communication workshop for the Central planning team “Successful team communication”	16	256
Questionnaire “Strength Deployment Inventory” and communication workshop	27	162
Efficient virtual communication and remote team management	79	474
Development program Commercial Reboot for Sales, Marketing and Export - “Change management”	23	368
PULS project – focus workshops for Sales; review of the previous work period and main lessons for the future	70	140
Development program for Marketing “Teamwork”	8	48
Development program for HR “Personal and team resilience”	15	90
IT development program “IT Agility”	25	100
Business coaching	8	37
Total	329	2,078

In 2020, the development education accounted for 48 per cent of the total number of educations at Dukat. Overall, one or more development programs were completed by 268 employees, i.e. 22 per cent of the total number of employees. The total number of hours of development education was 2,115 hours, of

which, due to the unfavourable epidemiological situation, 1,868 hours were realized through virtual (online) education, which makes 88 per cent of the total development education.

In addition to the mentioned development programs, in 2020 a large number of internal

workshops and professional training on various topics were conducted; from technical training on Tetra Pak fillers and Sidel machines, to training for work at height, understanding of ISO 14000, ISO 50001 and IFS Food version 7 standards, to IT training.

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 2020, 15 percent 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 2020, making the total percentage of evaluated Dukat employees greater than 50 per cent.

PROFESSIONAL PRACTICES AND VISITS



Due to the unfavourable epidemiological situation, the protection of employee health and safety of products in 2020, a significantly smaller number of student internships were completed: only two student internships in Bjelovar

and three student internships in Zagreb. In 2019, a total of seven pupils and 10 students have done their internships at Dukat.

It was the same with professional visits of students: only one was held in January, during which Dukat and Zagreb Plant were visited by 56 students of process technology

from the Faculty of Food Technology and Biotechnology, University of Zagreb (82 per cent less than in 2019). During the visit, students take a tour of the Zagreb Plant and are introduced to the entire production process, from the reception of milk to production and storage. In 2019, a total of 312 students visited Dukat in seven visits.

INTERNAL SURVEY OF EMPLOYEE SATISFACTION AND ENGAGEMENT "DUKAT UP!"

By the end of February and in the first half of March, a survey of employee satisfaction and engagement was organized, as well as the Dukat as an employer image "Dukat Up!". 898 employees of Dukat and KIM Mljekara Karlovac participated in the research by filling out an anonymous online or printed survey in which they rated the claims in the six examined areas with grades from 1 to 5. The examined areas included: job satisfaction, satisfaction with the work environment,

commitment, professional development, leadership and Dukat image.

The survey showed a generally high level of employee satisfaction, especially in the segment of employee commitment and engagement, leadership, job satisfaction and brand image, but also drew attention to areas seeking improvement.

The best rated area is "commitment" with a high score of 4.15, while 3.64 is the

average satisfaction rating of all employees.

As the strengths of Dukat and KIM, the employees single out: regular and secure income, care for employees, good workers' rights and stability. The areas requiring further improvements in the future included the acceleration of business processes and improvement of internal communication at all levels.

THE FIRST DUKAT GROUP INNOVATION COMPETITION IN CROATIA – INOVAC&JA

The First Dukat Group Innovation Competition in Croatia – Inovac&JA was organized during the spring lockdown with the aim of strengthening the sense of engagement and motivation of the employees and to shift the focus to the future of our business. Over 250 innovation proposals from 75 employees were submitted for the

competition, which showed a high degree of employee engagement at Dukat and associated companies. The proposals were considered and selected by a multidisciplinary commission according to a number of criteria: compliance with the development strategy, market indicators and trends, feasibility, level of

required capital investments, etc. Four employees were awarded for three innovation proposals that best match the development path of the Dukat Group in Croatia. We are currently working on the practical implementation of the winning innovation proposals.

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 addition to the four already traditional prize categories

(the most successful employees, manager, team and lifetime achievement) and three newer categories (the most successful “young hope” for employees below 30 years of age, the most successful sales representative, the best mentor), another new category has been introduced in 2020 – “Successful change management”.

Among the record-breaking number of nominations in 2020, a total of 16 individual awards (seven for the best employees, three for young

hopes, two for the best mentors, two for lifetime achievements, one for the sales representative, one for the manager of the year) and two team awards were presented, of which one was for the newly introduced category of change management.

A virtual announcement of best employees was organized in accordance with the circumstances, while the best employees received plaques from their managers.



AWARD FOR EXCELLENT EMPLOYEE MANAGEMENT DURING THE EPIDEMIC

In the autumn of 2020, Dukat was awarded the Excellence in Challenges award for special quality employee management: excellent practices implemented in the field of work organization, safety and health and employee welfare, crisis communication and leadership in managing people since the outbreak of the coronavirus epidemic. The award was given to Dukat by Selectio, a leading consulting company in Croatia in the

field of human resources management, for a number of outstanding protection and support programs and practices designed to motivate, evaluate and reward the employees initiated after the outbreak of the epidemic. Here are just some of them:

- financial rewarding of the most exposed employees and preservation of all material incomes and jobs during the lockdown
- free mental health assistance for employees

- financial aid for the employees whose homes were damaged in the 2020 earthquake in Zagreb and the surrounding area
- internal innovation competition and awarding of the best proposals
- internal research of employee engagement and satisfaction



INTERNAL COMMUNICATION

Various channels are used for internal communication: email, VPN mobile system, intranet (internal portal), the in-house newsletter Contact, HR and Marketing newsletters, notice boards, meetings and “face-to-face” communication, which was transferred to online channels in 2020.

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

The extraordinary weekly issue of the internal newsletter

Contact COVID-19 was introduced in late March 2020 to more effectively inform and connect employees who have been working from home since the declaration of the coronavirus epidemic. By the middle of May and the return to offices, a total of eight extraordinary issues of Contact COVID-19 were issued, distributed by email and in printed form for production and logistics workers that do not have email addresses. In addition to the extraordinary issues of the internal newsletter, virtual coffee sessions with Dukat’s director have been organized during spring lockdown.

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 internal communication, Dukat started preparing HR and Marketing e-newsletters in 2017, i.e. 2018.

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 placed on the bulletin boards.



EMPLOYEE BENEFITS

Dukat offers its employees and employees of associated companies in Croatia a number of benefits as an additional benefit and stimulus to spend quality

leisure time, while also generating savings. Due to the epidemiological measures, the employees used the available benefits and discounts to a significantly

lower degree in 2020, and mostly used free tickets for the Zagreb Zoo thanks to the long-term sponsorship and cooperation between Dukat and the Zagreb ZOO.



COMMUNITY

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 2020, significantly more than in the previous years, Dukat's donations program 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 2020, Dukat donated 373 tonnes of dairy products, which is 157 per cent more than in the previous year. The Coronavirus epidemic and earthquakes in Zagreb and its surroundings, and Sisak-Moslavina County are largely responsible for the large increase in donations, to which Dukat, as the largest food donor in the domestic food industry, responded by introducing extraordinary donations for citizens particularly at risk

of coronavirus infection and citizens in earthquake-prone areas, as well as for citizens in Zagreb and Sisak-Moslavina County who have lost their homes.

Through its regular and extraordinary donations program, in 2020 Dukat provided 51,000 children and adults who live in poverty and are unfortunately unable to afford these products themselves with more than 2 million dairy meals, from Vukovar to Dubrovnik.

Since the systemic food donation program was initiated in 2015 (2015–2020), Dukat has donated 1,418 tonnes of dairy products in total, with a procurement value of HRK 14.4 million (no VAT) and with a sale value of HRK 20 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 program, in 2020, Dukat donated its products with close expiration dates to the following registered intermediaries in the food donating chain:

- **Humanitarian associations:**
humanitarian association "Rijeka ljubavi" Osijek,
humanitarian association "Putevi milosti" Osijek,
humanitarian association "Friends of St. Martin",

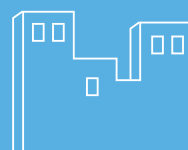
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DONATIONS OF DAIRY PRODUCTS TO HUMANITARIAN ORGANIZATIONS IN 2020

373 tonnes
1,418 tonnes
2015-2020



HRK 4,9 million
sales value
(no VAT); HRK 20 million 2015-2020



61
associations
and institutions
receiving donations



51,320 beneficiaries
13,789 of which
are children



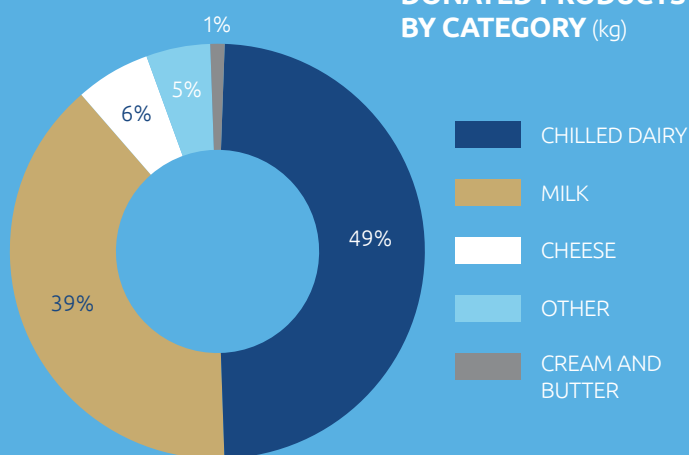
2 million
of dairy meals

774 donations
716 out of which
shipments

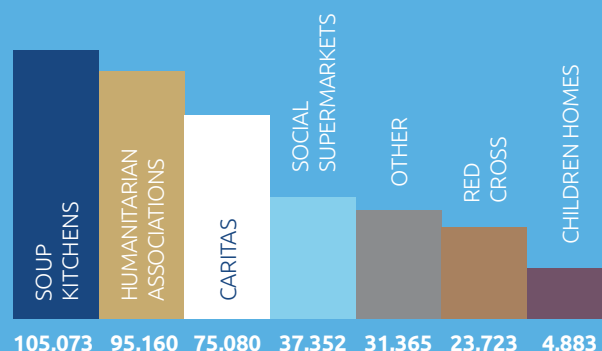


HRK 558,955
logistics expense

DONATED PRODUCTS BY CATEGORY (kg)



DONATIONS BY TYPE OF RECIPIENT (kg)



DONATIONS BY COUNTY

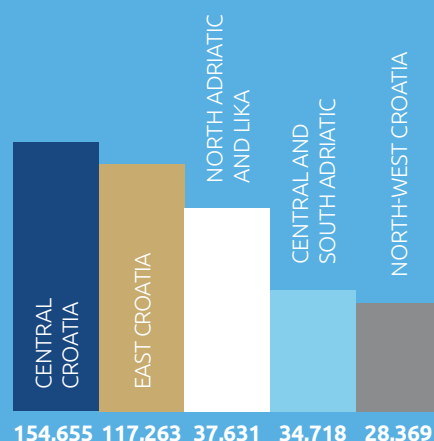
(kg)

CITY OF ZAGREB AND ZAGREB COUNTY	122,758
OSIJEK-BARANJA	66,928
BROD-POSAVLJE	24,037
PRIMORJE-GORSKI KOTAR	19,964
VUKOVAR-SRIJEM	18,550
SPLIT-DALMATIA	16,142
SISAK-MOSLAVINA	12,844
VARAŽDIN	11,901
ŠIBENIK-KNIN	11,333
KARLOVAC	11,115
PRIMORJE-GORSKI KOTAR	10,726
MEĐIMURJE	9,491
BJELOVAR-BILAGORA	7,937
POŽEGA-SLAVONIA	7,748
ISTRIA	6,940
KOPRIVNICA-KRIŽEVCI	6,488
ZADAR	3,722
DUBROVNIK-NERETVA	3,521
KRAPINA-ZAGORJE	489

TOTAL kg

372,636

DONATIONS BY REGION (kg)



humanitarian association
 "Duga" Vukovar, humanitarian
 association "Put mira"
 Mirkovci,
 Association of Parents with
 Children Suffering from
 Malignant Illnesses "Hrabro
 dijete" Nova Gradiška,
 Association
 for Aiding Children with
 Disabilities "ADHD and
 I" Zagreb, humanitarian
 association "fra Mladen
 Hrkać", Homeless center
 "Milosrđe" Karlovac –
 Center for homeless people
 Karlovac, City of Valpovo
 Roma Association, Roma
 Association "Sara" Torjaci,
 Association Veličanka,
 humanitarian association
 "Dar dobrote" Našice,
 humanitarian association "Naš
 san, njihov osmijeh" Pula,
 Depaul Association Croatia,
 humanitarian association

"Kolajna ljubavi" Imotski

- **Homes for children:** Zagreb Home for Children, Home for Children "Maestral" Split, St. Joseph Home for Children, St. Frances Vugrovec House, Vladimir Nazor Service Center, Home for Education of Children and Youth in Karlovac
- **Soup kitchens:** Caritas soup kitchens in Osijek, Slavonski Brod, Vinkovci, Daruvar, Sisak, Zadar, Šibenik, Split, Knin and St. Anthony of Padua Parish in Zagreb
- **Social supermarkets:** Social supermarket Siget, Social supermarket Belišće, Social supermarket GDCK Krapina, Social supermarket, "Kruh sv. Elizabete" Rijeka, Social supermarket Karlovac, Social supermarket Varaždin
- **Red Cross city offices:** Buje, Čakovec, Ivanić Grad, Osijek,

Sisak, Solin, 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 – "Meeting" community, Center for Missing and Abused Children Osijek, Center for Rehabilitation Rijeka, Karlovac Women's Group "Step", Family Association "Voli život" Jalžabet; Student Centre Zagreb – Student Dormitory "Cvjetno naselje" (extraordinary donation, not a registered intermediary)

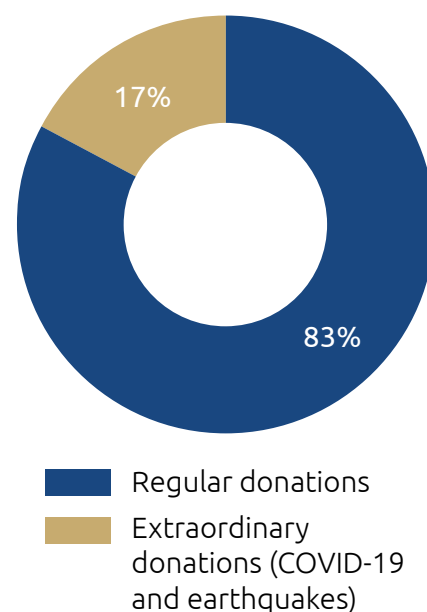
EXTRAORDINARY DONATIONS OF PRODUCTS FOR CITIZENS IN AREAS AFFECTED BY THE EPIDEMIC AND EARTHQUAKES

In addition to regular donations of its products, in response to the new needs caused by the coronavirus epidemic and earthquakes, Dukat introduced extraordinary donations from March 2020 for citizens particularly affected by the epidemic and citizens affected by the earthquake in Zagreb and earthquakes in Sisak-Moslavina County. A total of 63 tonnes of milk and dairy products have been donated for these purposes, with the market value (no VAT) of HRK 640,000.

From March to May, Dukat donated 30,000 litres of UHT

milk to the elderly and the sick, persons at increased risk of infection, as well as to the citizens who suffered material damage in the Zagreb earthquake, through extraordinary donations via Croatian Caritas. In addition, from March to September, Dukat delivered weekly extraordinary donations to the victims from Zagreb who were accommodated in the Cvjetno naselje Student Dormitory for the entire time that they were there.

EXTRAORDINARY DONATION SHARE (kg)



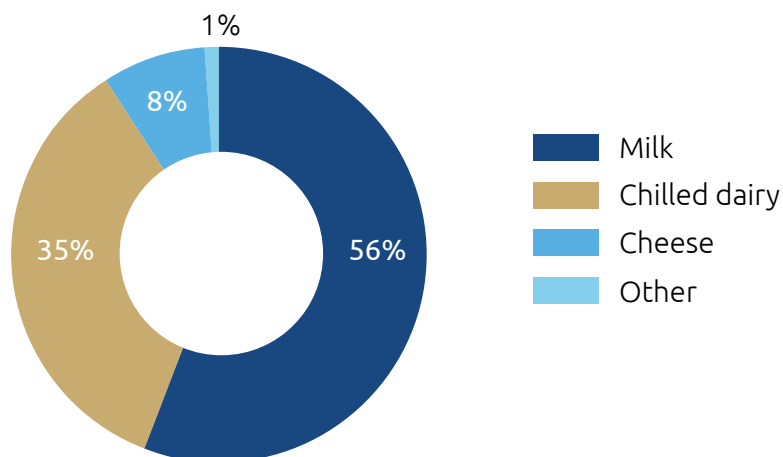
Immediately after the earthquakes that hit Sisak-Moslavina County at the end of the year, Dukat established extraordinary donations of milk and other dairy products to Caritas of the Sisak Archdiocese and the Sisak Red Cross, and called on humanitarian organizations from the affected area to express their donation

needs. Dukat continued with regular donations in 2021 and in January donated HRK 500,000 to a special account of the state budget for the reconstruction of the damaged region.

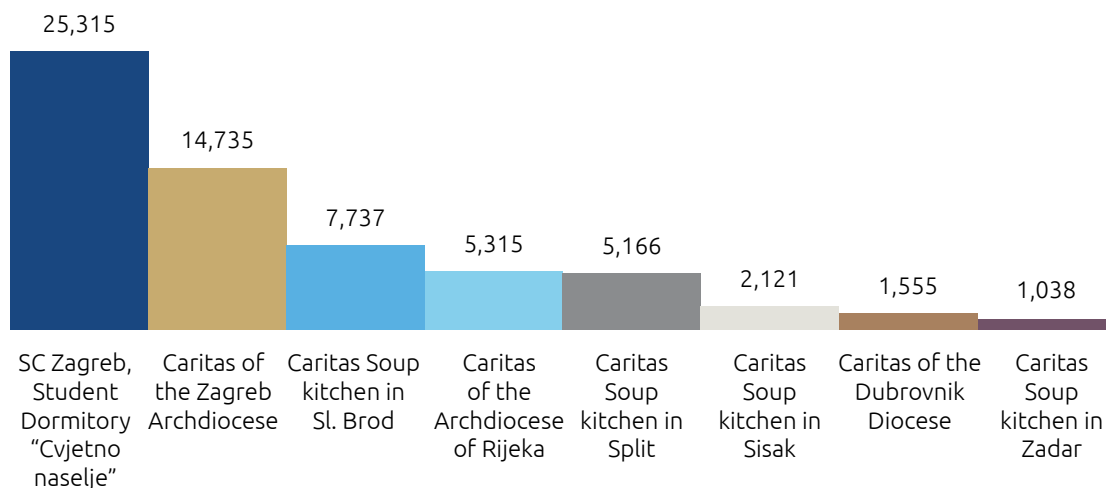
Despite the difficult business circumstances due to the epidemic, the significantly

increased number of donations, as well as the fact that recipient organizations that used to come for donations could not do so from March due to Dukat's internal epidemiological measures, Dukat's logistics regularly delivered all donated goods to more than 60 locations throughout Croatia.

EXTRAORDINARY DONATIONS BY CATEGORY (kg)



EXTRAORDINARY DONATIONS BY RECIPIENT (kg)



THE THIRD 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 three years in a row when Dukat was given the "The Best Donor" award. Dukat deserved this third recognition as the largest donor in the category of manufacturers in

2019 by donating 145 tonnes of food. 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 2019" was awarded to Dukat in November 2020.

MILK PRODUCERS

Dukat, the leading milk purchaser in Croatia, is an important factor of stability, development and sustainability in the domestic dairy sector.

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

In 2020, Dukat, the largest milk purchaser in Croatia, acquired 185.5 million kg of fresh raw milk from local dairy farms, which is 0.2 per cent more than the year before.

In 2020, the milk was purchased from 2,177 large, medium and small milk producers across Croatia. Dukat nurtures long-term partnerships with these milk producers, thus contributing to the development of rural Croatia.

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.

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.

SOLIDARITY PURCHASE OF MILK FROM SMALLER DAIRIES AND FARMERS

As measures to prevent the spread of coronavirus led to the temporary closure of markets across the country, during the spring lockdown, Dukat launched an intervention, the solidarity purchase of milk from smaller

dairies and farmers who could not sell their products on the markets. In accordance with its processing capacities, for a number of months, Dukat organized the solidarity purchase of milk from small dairies and farmers

to prevent the interruption of milk production at the farms. To show its solidarity with smaller dairies and their farmers, Dukat also made its contribution to the preservation of milk production in the country.

HELP TO MILK PRODUCERS AFFECTED BY THE EARTHQUAKE

Immediately after the devastating earthquakes that hit the Sisak-Moslavina County at the end of the year, Dukat came to the aid of its subcontractors, milk producers who were affected by the earthquake. By 31

December 2020, Dukat had donated 24 tonnes of animal feed and 6,300 m² of foil for the coverage and protection of roofs on damaged houses and farm buildings, and by March 2021, the donation of animal food had reached

50 tonnes. Despite the extraordinary circumstances, the regular milk purchases have continued and field purchase employees provided the necessary assistance and support to the affected farmers on a daily basis.

MEMBERSHIPS IN ASSOCIATIONS THAT PROMOTE SUSTAINABLE DEVELOPMENT



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

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

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

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

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

FOCUSING ON PRODUCT QUALITY



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

Dukat's Quality, environmental and food safety management

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

Having recognized the importance of two-way communication with consumers, ensuring a timely and complete response, Dukat has had a free Consumer Phone since 1998, and was

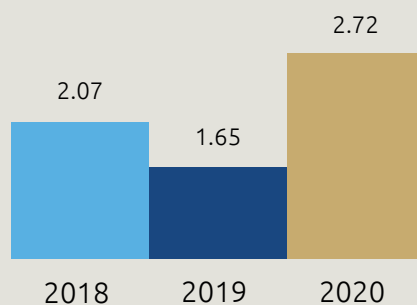
the first dairy industry and one of the first in the Croatian food industry to introduce a free hotline for consumers. This communication channel (currently Customer Service), which in addition to phone and email, also includes communication via Dukat's Facebook page, is open to opinions, comments and 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.

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.

In 2020, 32 per cent of the total number of contacts (questions, complaints, comments, proposals and praises) received by the Customer Service were complaints, which is 7 per cent more compared to 2019. In 2020, there is a noticeable trend of increase of complaints, while the same trend was also recorded if we observe the number of product complaints per million items sold (ppm). After a continuous drop for several years, an increase of ppm of 25 per cent (from 1.65 to 2.72) has been recorded during the last year. This was one of the incentives

for making a decision on significant investments in the modernization of process equipment and filling stations at the production plants, which we believe will have a positive impact on the quality of products.

CUSTOMER COMPLAINTS PER MILLION ITEMS SOLD



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 10 tonnes of delivered products.

The sensory product evaluations are a regular practice of Dukat's quality control, and are carried out with the aim of continuous monitoring and improvement of product quality and organoleptic properties. In addition to two panels initiated in 2016, consisting

of 31 expert external sensory evaluators, products are also regularly evaluated by Dukat's 13 long-term tasters – employees who are members of the two plant panels. At the beginning of 2021, they were joined by six employees from the Zagreb Plant who successfully

passed the sensory testing in February 2020. As a measure to prevent the spread of coronavirus from November 2020, the expert groups began evaluating products from their own home with an online display of the results upon completion of the evaluation.



THE FIRST FRUIT YOGURT WITH NO ADDED SUGAR IN CROATIA



As an innovator and the leader of new trends in the dairy industry, Dukat was the first company in the Croatian market to launch fruit yogurts with no added sugar. The Dukat fruit yogurt with no added sugar is a combination of yogurt and juicy fruits containing only naturally occurring sugars from fruit and lactose from milk. These fruit yogurts on average have 25 per cent less sugar compared to standard Dukat fruit yogurts and are an excellent alternative for those who wish to consume less sugar.

The product range includes four products and represents Dukat's response to the needs of consumers who are following the healthy eating trends and are aware of the

negative effects of excessive sugar consumption.

This is a continuation of Dukat's initiative started in 2015 to reduce sugar content in products by reducing the sugar share in products for children – Dukatino fruit yogurts – by nearly 35%. The trend of reducing the

sugar content was continued with functional fruit yogurts b.Aktiv LGG, but also with all other natural yogurts by specifying the actual lactose content in the product. This resulted in the reduction of sugar content in 26 products over the past five years, and Dukat will continue to be dedicated to this initiative.



THE MOST SUCCESSFUL 9TH CREATIVE DRAWING PROJECT "I LOVE MILK!" GREW TO AN EDUCATIONAL PROJECT



Since 2012, Dukat has been holding the creative drawing competition "I LOVE MILK!" to encourage artistic creativity and to draw the attention of parents, teachers and children to proper dietary habits and the importance of daily milk consumption, especially

among school-age children. In the past nine years, 33,000 elementary school students and their teachers from all parts of Croatia participated in the competition.

In 2020, a record-breaking 8,850 artworks were received for the competition entitled "Our planet Earth" from 527 elementary and regional schools, which is more than

half of the total number of schools in Croatia. The four winning drawings, selected by an independent jury, were used for a limited series of Dukat's UHT milk packaging, as was the case in the years before. The virtual announcement of the winners was organized at the end of February 2021.



The competition is held under the patronage of the Ministry of Science and Education and the Ministry of Health, and in partnership with the Modern Art Museum Zagreb, which has been the partner of the project since the beginning. 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.

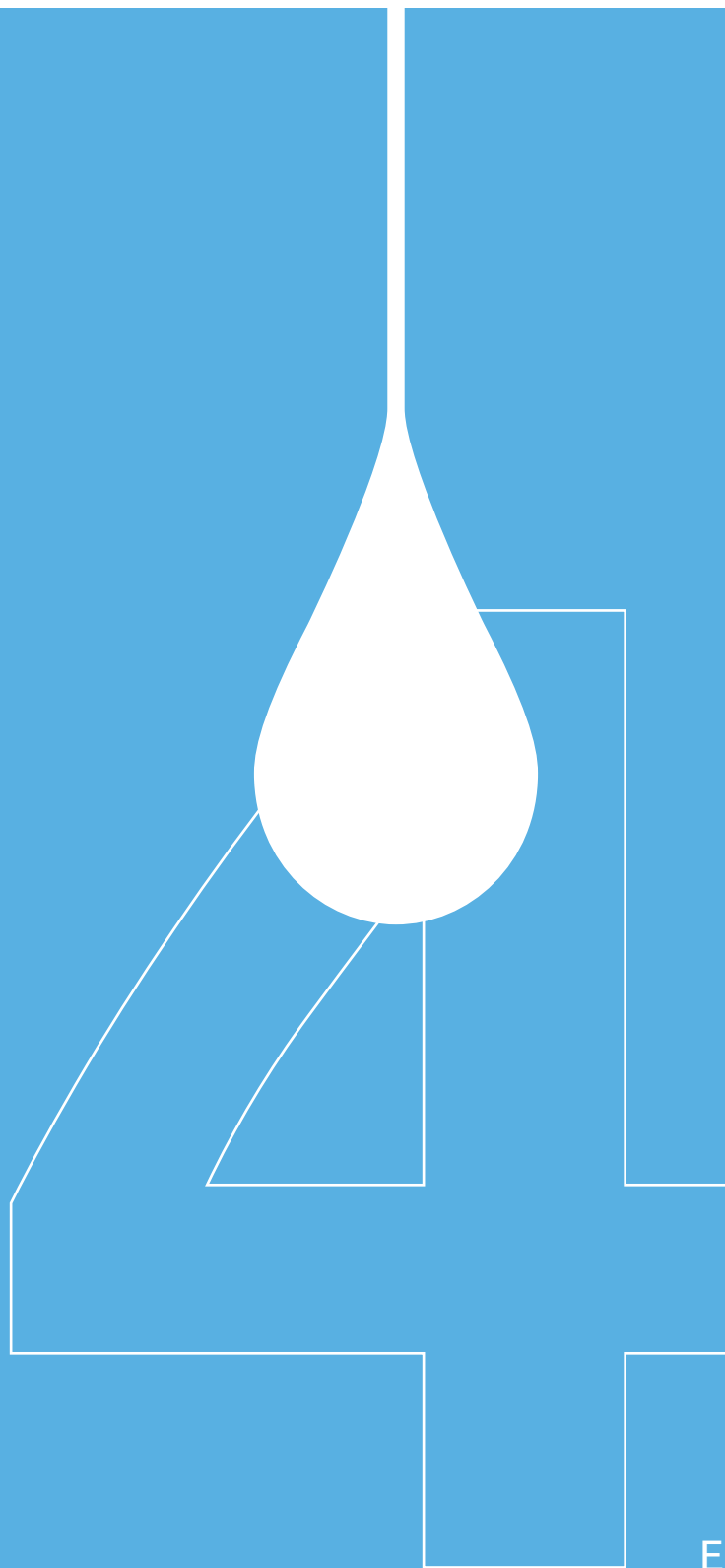
The record-breaking interest and response of students and teachers on the topic of the 9th art competition – Our planet Earth – led to the idea and launch of a new educational project “Dukatići – Nature’s Guardians” which aims to teach lower primary school students about the importance of caring for the environment and conservation of natural resources.

The project consists of short educational stories available at www.DukaticiCuvajuPrirodu.hr through which the students

learn the basic concepts relating to nature conservation, waste disposal with an emphasis on the proper handling of packaging of Dukat products and generally about the environmentally conscious

behaviour. Each story ends with a quiz, and the students who are successful at solving the tasks get a diploma and a title “Dukatić - Nature’s Guardian”. The project was presented by the end of February 2021.





ENVIRONMENT

PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8

Undertake initiatives to promote greater environmental responsibility,

PRINCIPLE 9

Encourage the development and diffusion of environmentally friendly technologies.

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

MATERIALS



PACKAGING

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

In 2020, 7 per cent less packaging was put into circulation by Dukat compared to 2019, while 1.5 per cent more packaging was put into circulation in 2019 than in 2018. 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)	2018	2019	2020
Metal	40	44	38
Paper/cardboard	2,065	2,116	2,120
Multi-layer packaging with a predominant paper component	1,299	1,330	1,359
PET	593	569	486
Polymers	2,729	2,775	2,393
Total	6,726	6,834	6,396

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

Type of packaging material (t)	2018	2019	2020
Multi-layer paper packaging	1,300	1,330	1,360
Paper/cardboard	2,100	2,100	2,120
PET	600	600	480
HDPE	1,300	2,000	1,070
Other polymers (PS, PE)	1,400	800	1,330
Metals	40	44	38

ENERGY



Since 2017, a system of energy management according to

ISO 50001 for processes of the development, production and distribution of dairy products is being implemented at the Zagreb and Bjelovar plants, at logistic locations in

Dubrovnik, Split, Zadar, Rijeka, Pula and Đakovo, as well as at the locations of associated companies (KIM Mljekara Karlovac, LA LOG i B.P.A.C. Auto).

POWER

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

11.7 per cent more compared to 2019 (13,036,698 kWh) and less compared to 2018 when the consumption amounted to 12,592,848 kWh. The reason for lower consumption in 2020 is the division of electricity consumption between the warehouse and the production plant, which occurred due to the reorganization of work and the commissioning of a

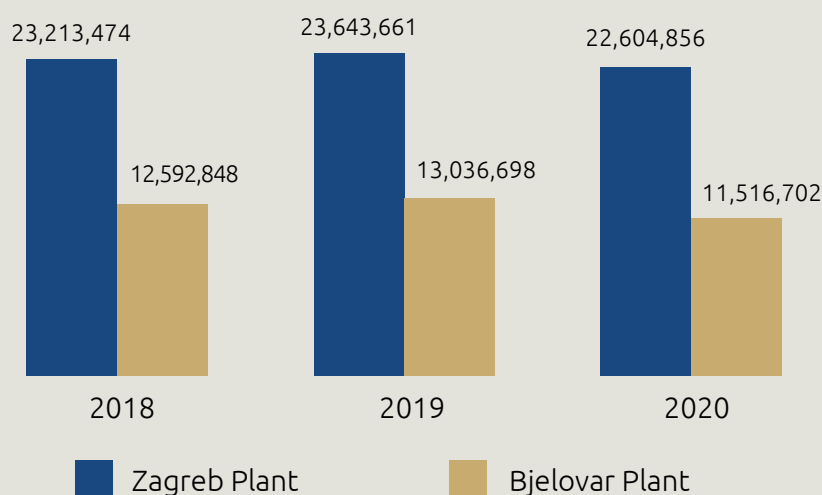
new warehouse for finished products.

The ratio of consumed power and production in 2020 amounted to 140 kWh/kg of processed milk, which is less compared to 2019 (160 kWh/kg of processed milk) and more compared to 2018 (137 kWh/kg).

In 2020, the total power consumption at the Zagreb Plant was 22,604,856 kWh, which is 4.4 per cent less than in 2019. In 2019, power consumption was 1.5 per cent higher than in 2018. The ratio of consumed power per tonne of processed milk was 251 kWh/t in 2020, and in 2019 it was 248 kWh/t, meaning that one per cent more power per tonne of product was consumed in 2019 than in 2018.

The total power consumption at the Bjelovar Plant in 2020 was 11,516,702 kWh, which is

TOTAL POWER CONSUMPTION (KWH)



Power (kWh)	2018	2019	2020
Zagreb Plant	23,213,474	23,643,661	22,604,856
Bjelovar Plant	12,592,848	13,036,698	11,516,702

STEAM

In 2020, the total steam consumption was 37,178 tonnes, which is 2.3 per cent less compared to the steam consumption the year before. In 2019, steam consumption was 0.5 per cent lower than in 2018.

Steam (t)	2018	2019	2020
Zagreb Plant	38,257	38,063	37,178

GAS

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

In 2020, 2,957,200 m³ of gas were consumed, which is 1.5 per cent less compared to the gas consumption in 2019. In 2019, 3,003,605 m³ of gas were consumed, which is 0.6 per cent lower compared to the gas consumption in 2018.

The emissions of pollutants into the air from both devices were measured in January 2020 and the values meet the prescribed emission limit values under the Ordinance on limit values for pollutant emissions into the air.

The Bjelovar Plant "Sirela" at the address Velike Sredice 11 in Bjelovar has its own production of heat energy – steam in two boilers with a total power of 9.9 MW and one 1.16 MW

thermogen for producing hot air.

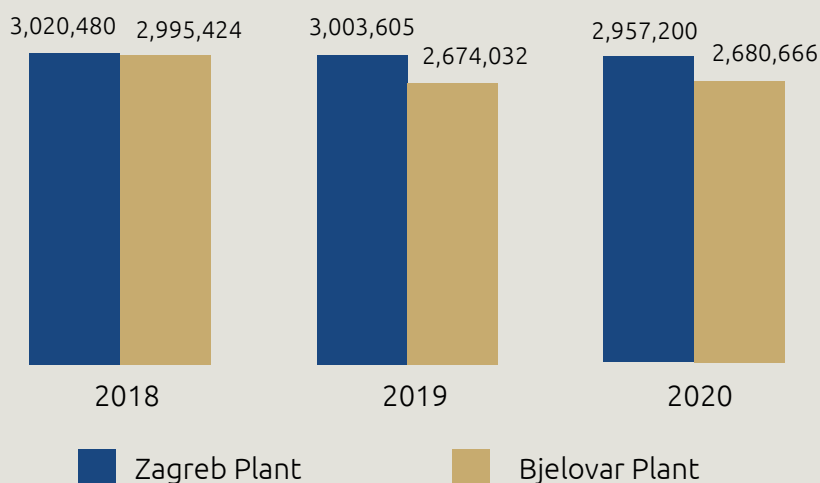
Natural gas and electricity are being purchased.

In 2020, 2,680,666 m³ of gas were used, which is slightly more than in 2019 (2,674,032 m³) and 11 per cent less than the consumption in 2018.

The ratio of gas consumption

to production in 2020 was lower compared to the previous two years: 32.59 m³ gas/t of processed milk in 2020, while the average amount in 2019 was 32.92 m³ gas/t and 32.92 m³ gas/t of processed milk in 2018.

TOTAL GAS CONSUMPTION (m³)



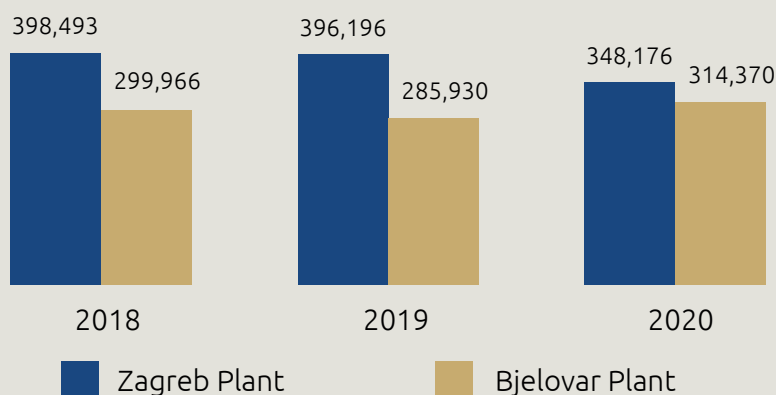
Gas (m ³)	2018	2019	2020
Zagreb Plant	3,020,480	3,003,605	2,957,200
Bjelovar Plant	2,995,424	2,674,032	2,680,666

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)	2018			2019			2020		
	Quantity (m³)								
	Public water supply	Own well	Total	Public water supply	Own well	Total	Public water supply	Own well	Total
Zagreb Plant	5,519	392,974	398,493	3,060	393,136	396,196	1,761	346,415	348,176
Bjelovar Plant	21,408	278,558	299,966	20,476	265,454	285,930	103,681	210,689	314,370

ZAGREB PLANT

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).

In 2019, the total water consumption was 396,196 m³, which is 0.6 per cent less than the total water consumption in 2018. Water consumption from the public water supply was 3,060 m³, which is 44.6 per cent lower than in 2018. Water consumption from own well was 393,136 m³ or 0.04 per cent more than in 2018.

The index of production (IP per kg of processed product) in 2020 amounted to 3.87, i.e. 7.9 per cent less than the year before when it amounted to 4.2. The index of production in 2019 was slightly higher compared to 2018 (4.15).

BJELOVAR PLANT

Total water consumption in 2020 (314,370 m³) was 9.9 per cent higher than the consumption in 2019 (285,930 m³) and 5 per cent higher than in 2018 (299,966 m³).

The reason for this increase in water consumption in 2020 is the replacement of Ribančev brines with new ones and frequent bactofuge washing.

Water consumption from the public water supply was 103,681 m³, which is multiple times more than in 2019 (20,476 m³) and in 2018 (21,408 m³).

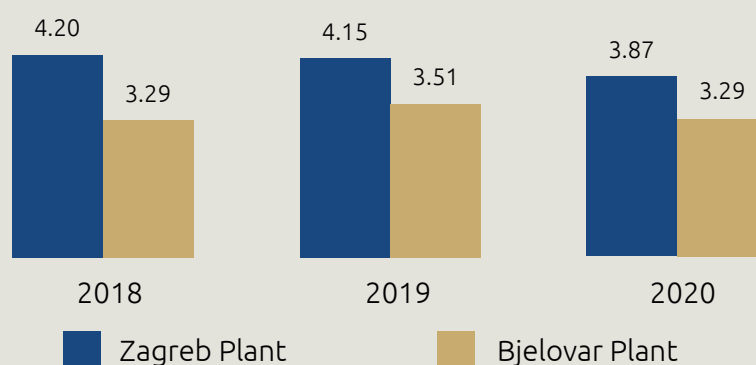
This significant difference in the use of public water is the result of the drying of the old well, while the new well was introduced by the end of 2020.

The consumption of water from our own wells is 210,689 m³, i.e. 20.6 per cent less compared to 2019 (265,454 m³) and 24 per cent less than in 2018 (278,558 m³). In 2020, the average ratio of water consumption to processed milk was 3.82 l of water/kg of processed milk,

which by 8.8 per cent higher than in 2019 (3.51 l of water/kg of processed milk) and 16 per

cent higher than in 2018, when it amounted to 3.29 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 2020 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 2020

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

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

Data on fuel type and consumption		
Fuel name	Fuel consumption	Lower heating value
Natural gas	1,501,802 m ³ /yr	34,640

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

BJELOVAR PLANT

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

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

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

The emissions of pollutants into the air were measured and the values meet the prescribed emission limit values under the Ordinance on limit values for pollutant emissions into the air. According to the Decision on the amendment of the

Environmental permit, date 12 January 2018, the limit value for the emission of total powder substances from the dryer was increased from 20 mg/m³ to 60 mg/m³.

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

Type of outlet: **Thermoelectric generator chimney**

Data on the type and quantity of emissions from outlets

Pollutant	Standard/methodology	Quantity of emissions: total (kg/yr)
Carbon monoxide (CO)	HRN EN 15058	29.41
Carbon dioxide (CO ₂)	/	547,304.94
Nitrogen oxides as nitrogen dioxide (NO ₂)	HRN EN 14792	75.29
Particles (PM 10)	/	4.41

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	1,786.07
Carbon monoxide (CO)	HRN EN 15058	180.05
Carbon dioxide (CO ₂)	/	3,350,526
Particles (PM 10)	/	27.01

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	665.10
Carbon monoxide (CO)	HRN EN 15058	88.68
Carbon dioxide (CO ₂)	/	1,650,259.28
Particles (PM 10)	/	13.30

WASTEWATER



ZAGREB PLANT

There were no deviations of individual parameters (oxygen chemical consumption, BPK5, pH, total oils and fats value) in 2020 from the set values of the water management license for discharge into the public sewerage system of the city of Zagreb recorded at the site of the Zagreb Plant.

Technologies for reducing emissions into water

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

BJELOVAR PLANT

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

In 2020, a total of 287,642 m³ of technological wastewater was processed by the wastewater treatment plant, which is 20 per cent more than

in 2019 (239,985 m³) and in 2018 (239,128 m³).

The average COD value (chemical oxygen demand) in the water, after the purification process, was 227.5 mg/litre, which is 9 per cent less than in 2019 (250.0 mg/l) and 24 per cent less than in 2018 (297.7 mg/litre).

In 2020, the average Fx (wastewater treatment factor) was 1.50 and in 2019 it was 1.30 and 1.12 in 2018.

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 10,416 m³, which is 1.6 per cent less 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

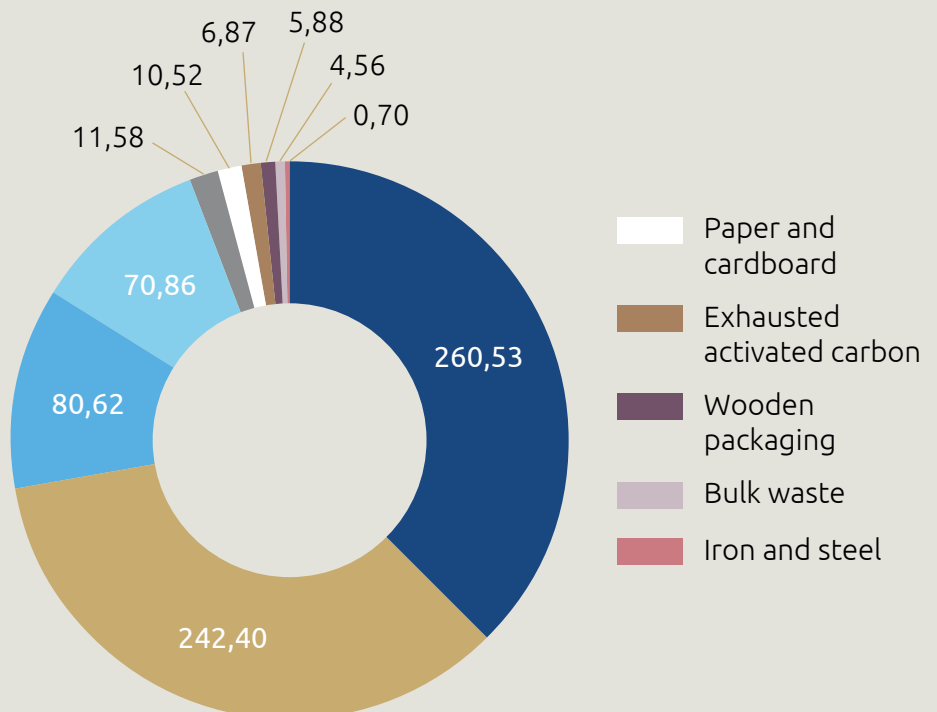
In 2020, at the Zagreb Plant, 724 tonnes of waste were collected and selected, which represents a decrease of 13 per cent compared to the previous

year. In 2019, the total volume of separated waste received was 822 tonnes, which is 1 per cent more than in 2018. 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)

- Mixed packaging
- Paper and packaging
- Multilayer (composite) packaging
- Plastic packaging
- Materials unsuitable for consumption or processing



BJELOVAR PLANT

At the Bjelovar plant, waste plastic and foil (60,440 kg) constitute 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).

In 2019, waste plastic and foil (73,440 kg) constituted the largest part of waste packaging, which is 15 per cent more than in the previous year (63,720 kg). A total of 9,424

kg of hazardous waste were collected (11 per cent more than in 2018), mostly packaging that contains hazardous substances or that has been contaminated by hazardous

substances (5,733 kg). In 2018, plastic packaging was the type of non-hazardous waste that was collected the most (63,720 kg).

CONSUMPTION OF CHEMICALS



ZAGREB PLANT – CONSUMPTION OF WASHING AND DISINFECTING AGENTS

In 2020, 1.4 per cent less washing and disinfecting agents was consumed at the

Zagreb Plant than the year before, and in 2019, the Zagreb Plant consumed 4 per cent

more washing and disinfecting agents than in 2018.

Total volume of washing and disinfecting agents	2018	2019	2020
	1,081,123 kg	1,128,560 kg	1,248,254

BJELOVAR PLANT – CONSUMPTION OF CHEMICALS IN THE WASTEWATER TREATMENT PLANT

In 2020, the total volume of chemicals utilized in the wastewater treatment plant

was 4.1 per cent lower than in 2019, but 22 per cent higher than in 2018. The consumption

of chemicals has increased in 2020 when compared to 2019 and 2018.

Total volume of chemicals utilized in the wastewater treatment plant	2018	2019	2020
	138,200 kg	176,055 kg	168,755

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 2020. 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 2020, all suppliers received the highest grade regarding their impact on the environment.

GOALS FOR 2021

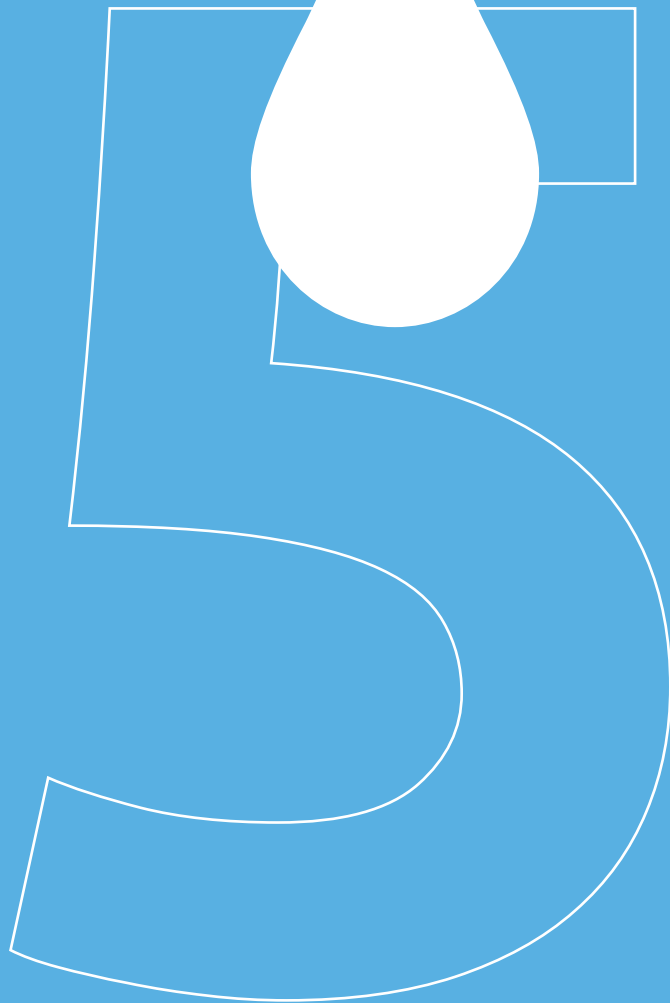
- The education and information of employees on the obligations of Dukat according to the new environmental legislation
- Commitment to the lasting improvement of energy

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

PRINCIPLE 10

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

Dukat applies strict anti-corruption standards in its daily operations, in accordance with the relevant internal documents and corporate policies 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 Zagreb Stock Exchange's Corporate Governance Code, the Whistleblower Protection Act, as well as its own Anti-Corruption Policy.

ANTI-CORRUPTION

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

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

This objective is achieved through the constant improvement of business processes and the education of Dukat employees responsible for the legality of operations and the management of business processes related to business practice issues and constant legislative and business changes. Business processes are also set and monitored so that they are always in compliance with the principles mentioned in the introduction, by adopting and enforcing internal by-laws, procedures and work instructions that are regularly communicated by 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 and, depending on the results, each employee was awarded a certificate of successful training.

- **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.

There were no recorded reports on the suspicion of corruption or incidences of corruption in 2020 or the previous years.

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

In 2020, Dukat was not a party to any of the procedures initiated for conduct that is contrary to the free-market competition principle, anti-trust or monopoly practices.

CORPORATE GOVERNANCE

Dukat's corporate management activities include:

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

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

- **The implementation of practice concerning competition**

Dukat approaches competition as one of its top priorities in operations and invests great effort into everyday business practices to assess each economic activity from this aspect as well. Accordingly, in 2020, 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.

THE IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE

Dukat Inc. (hereinafter: Dukat) voluntarily applies the Corporate Governance Code of the Zagreb Stock Exchange, which is available on the Dukat and Zagreb Exchange websites, as well as in Dukat's administrative offices. Application of the Code has contributed to the improvement of high corporate governance standards and business transparency, which is completely aligned with the positive legislation.

The Code establishes procedures for the actions of bodies in charge of decision making and ensures the prevention of conflicts of interest, efficient internal supervision, and an efficient system of responsibility.

There is a clearly established responsibility system for every subsidiary on the Dukat Group level, and Dukat as a parent company actively participates in all major decisions made individually by the management of the subsidiaries, in accordance with the regulations and internal acts of the subsidiaries.

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

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

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

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

The basis of the internal control system of Dukat and the Group

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

- Set of accounting policies related to the preparation of the Annual report in accordance with the International Financial Reporting Standards adopted in the EU and the Accounting Act

Dukat holds 197 treasury shares, which make up 0.00657 per cent of the share capital of the Company.

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

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.

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

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

On 31 December 2020, the company has:

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

All the abovementioned bodies work in line with the applicable regulations and internal acts of the company.

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REPORT PROFILE

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