

2023 SUSTAINABILITY REPORT



**FORTENOVA
GRUPA**

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Letter from the CEO and BoD Member

This Third Sustainability Report for Fortenova Group was in its final drafting stage when we received the Golden Award and the title of Regional ESG Leader in the category of large enterprises in Central and Southeast Europe. The award was presented to us by the International Economic Forum “Perspektive” and the company Promo Global, in the category of Overall ESG Achievements.

We see this award as recognition of our perseverance in adopting sustainability initiatives across the Group, regardless of the different governance and regulatory frameworks in the markets we serve.

Title of “Regional ESG Leader” is a recognition of our perseverance in adopting sustainability initiatives across the Group

In our two previous reports, we detailed Fortenova Group’s goals for reducing emissions, managing waste efficiently, impacting quality of life through quality food, reducing impact on soil and water, achieving gender equality and making a positive contribution, and the activities we have undertaken to achieve these goals.



Key ESG achievements in 2023

Let me reflect on our several key ESG achievements in the last year; from the energy efficiency and carbon footprint accounting project to the aspect that we find exceptionally important given the number of people we employ – investing in people. We also share the initiative to reduce food waste, with Konzum being recognised as the largest food donor in Croatia for the sixth year in a row. At the initiative of the Ministry of Agriculture, our four companies – Fortenova Group, Konzum CRO, Zvijezda and PIK Vrbovec – have simultaneously signed a voluntary agreement on the prevention and reduction of food waste “Together Against Food Waste”.

With the aim of making a long-term transition to a low-carbon economy and renewable energy sources, and partly prompted by the looming energy crisis, in 2022 we had defined the main directions of the energy efficiency project that was implemented at Group level in 2023. Given the scope of Fortenova Group’s business activities, the project included various aspects – from preparations at PIK Vinkovci for the launch of the Lipovac photovoltaic power plant in September 2023 and the activation of the photovoltaic power plant in Vinkovci, one third of which was financed by the EU, to the installation of solar panels on production and retail facilities, the implementation of LED lighting, the optimisation of refrigerated display cabinets in sales facilities, and the implementation of “house rules” aimed at achieving energy savings. As a result, total energy consumption at Group level was reduced by 5 % compared to 2022.

Two years ago, we started working with the Hrvoje Požar Energy Institute, and in 2023 we significantly improved the emission source monitoring system. We are committed to further improving data quality in order to identify the most effective and prioritised measures to reduce our carbon footprint in the future. The action plans for the reduction of the carbon footprint, both at Group level and for each of the companies, will be fully completed by mid-2024.

I have already pointed out that as a regional employer with a majority of employees in labour-intensive activities and facing a labour shortage that is a serious challenge for businesses in general, the welfare of our employees is high on our list of priorities. For this reason, the Group has continuously invested in increasing

employees' total income (salaries, performance bonuses and special occasion gifts). Labour costs at Group level have increased by almost EUR 200 million since 2019. At the same time, we have identified the risk of labour shortage as one of the main risks threatening not only Fortenova Group, but also businesses in general, which is why we are actively looking for new models to compensate for the lack of working population in the countries of the region, and are striving to relax the existing models.

The welfare of our employees is high on our list of priorities and the Group has continuously invested in increasing employees' total income (salaries, performance bonuses and special occasion gifts).

Last but not least, having identified diversity representation at all levels and achieving gender equality as one of our ESG objectives, in 2023 we adopted the Diversity, Equity and Inclusion Policy for the entire Group, on the basis of which we developed action plans for 2024 that will enable us to implement this Policy. In 2023, we also started various internal activities, in particular those involving collaboration and education aimed at raising awareness on these issues.

We implement and support a wide range of ESG projects across the Group, from those focused on environmental protection to those that support the education and professional development of young people, i.e. the inclusion and support of vulnerable groups.

I would like to point out that any progress we have made on the sustainability issues described in this detailed report should be

seen solely as part of our overall efforts to position Fortenova Group as a responsible corporation. Naturally, this also refers to a series of activities that we undertook in 2023 to ensure operational stability and safety, particularly in terms of finance, but also with regard to various external challenges and sudden changes in the circumstances in which we operated.

Business results in 2023

In terms of business results, the Group achieved its main planned objectives last year, particularly in relation to the impact of global economic trends on our business, but also in relation to the specific circumstances in which the company found itself.

In 2023, we generated EUR 5.8 billion in revenue and an operating profit of EUR 251 million.

As expected, the decrease in operating profit compared to the previous year was mainly due to the strong increase in costs, in particular of energy and raw materials, as well as wage increases. However, despite the increase in the cost of financing from the HPS bonds, the Group's level of indebtedness remained below four times the ratio of total net debt to adjusted operating profit, and the planned loan goals and terms were met in this respect as well.

Significant business achievement of Fortenova Group in the past year included the expansion of retail sales in the region through the acquisition of Franca retail chain in Montenegro, where we

In terms of business results, the Group achieved its main planned objectives in 2023, particularly in relation to the global trends impacts and specific circumstances in which the company found itself.

took over 67 retail stores and became the market leader, and the signing of an agreement for the acquisition of Engrotuš retail stores in Slovenia. This transaction is awaiting approval of the market regulator and, once finalised, will confirm our status as the strongest domestic regional retail chain, with almost 3,000 points of sale in five countries in the region. With Franca and Engrotuš, Fortenova Group's retail sales grew by EUR 600 million in new sales, with the aim of further increasing the profitability of the retail business and the Group through synergy effects. At the same time, these two acquisitions added almost 3,500 new employees to our retail business – more than 900 in Montenegro and around 2,500 in Slovenia. This is a continuation of the regional consolidation of retail sales that we started with the acquisition of Mercator by Fortenova Group in 2021.

Refinancing of the bank loan

Since the planned refinancing could not be realised with other investors due to the sanctioned co-owners, who were also part of Fortenova Group ownership structure in 2023, this was resolved with the help of the existing creditor HPS Investment Partners on a short-term basis, with maturity in November 2024. The restructuring of the bond debt due on 6 September 2023 also implied the termination of relations with the sanctioned holder of the bond, the VTB Bank. Based on the decision of the High Court of the United Kingdom, this was also resolved in October 2023 with a one-time payment from VTB to a designated court account in the United Kingdom, so the Group no longer has any sanctioned entities in its credit structure.

Agreement on the transformation of ownership

Finally, at the end of last year we completed a two-year project to find a model to solve the problems arising from the participation of sanctioned shareholders in the ownership structure of Fortenova Group. The sale agreement was reached at the end of last year, when it was approved by the depository receipt holders' meeting, and we managed to work out a transparent and inclusive solution for hundreds of current co-owners of the company who are not under sanctions.

In short, the Dutch holding company, which is the umbrella owner of the Fortenova grupa d.d. in Croatia and the region, reached an agreement with the company Open Pass Ltd., the largest non-sanctioned shareholder of Fortenova Group, on the sale

and transfer of 100 % of the shares to the newly established Dutch corporate structure for an amount which may reach up to EUR 660 million in total.

All non-sanctioned current holders of the company’s depository receipts (shareholders), including a number of its partners and suppliers, will be able to participate in the new ownership structure on the same terms.

Therefore, all current co-owners will be able to participate in the purchase of the company on equal terms through three models: by acquiring ownership in the new company, by increasing their co-ownership share in the new company with the voluntary option of additional investment, or by choosing the payment option, i.e. exiting the ownership structure.

Exactly what the new ownership structure will look like will depend on the interest of the current non-sanctioned depository receipt holders in making additional investments in co-ownership. Regardless of this, Open Pass has agreed to ensure payment of the full agreed amount if required.

We expect the transaction to be completed in the second quarter of 2024, upon receipt of the approval by certain sanctioning bodies and competition authorities in various jurisdictions.

As for the sanctioned shareholders Sberbank / SBK Art, their respective amounts will be paid into a special frozen bank account from which they will be able to demand payment of the corresponding amount of the price as soon as the sanctions regulations of the European Union, the US and the UK allow.

This would finally free the company from the stigma of being a “sanctioned co-owner” and all the business problems associated with it, in particular the impossibility of securing sustainable long-term debt refinancing. In addition to the extraordinary use of all our resources, this has directly cost us more than EUR 270 million in additional costs, such as the one-off refinancing costs and the amounts paid for legal and advisory services that we have had to use in order to protect the company, the employees, the co-owners and also our business partners from frivolous litigation of the sanctioned co-owners and their associates, to which we were and unfortunately still are exposed.

The process of finding a strategic partner for the Agriculture Division

After thorough preparation in 2023, in late January 2024 we launched the process of a possible sale of Fortenova Group’s Agriculture Division, which is one of the conditions agreed with HPS within the new financing framework. In the first phase of the process, we received a number of non-binding offers and conducted additional interviews with bidders, and by inviting a certain number of selected bidders to continue participating in the process by conducting an in-depth assessment of the business, we moved to the next phase of the potential sale process.

From the outset of the process, we have made it clear that the proceeds of the sale, if any, will be used to further reduce the Group’s debt and/or to make strategic investments in other areas of its core retail and food business segments.

As for the outlook for this year’s business, assuming stable global macroeconomic conditions, it should be better than in 2023; in addition to organic growth, the Group also plans further expansion through acquisitions.

Finally, I would like to point out that, despite our own challenges, we are not giving up on our mission to spread positive energy and optimism in our communities and, in particular, in our efforts to create a sustainable and promising economic environment throughout the area in which we operate. I am deeply convinced that this, together with other population policies, is the best way to solve the problems of emigration and declining natural population growth that we face on both an economic and national scale.

This is why the most important business steps we have taken as a Group in recent years, especially in 2023 in connection with decisions about the ownership structure, move in this direction, because they open up new opportunities for increasing the value we create for all stakeholders of Fortenova Group, and especially for our employees.

Elmar Partan



1. GENERAL AND STRATEGIC INFORMATION

2023 SUSTAINABILITY REPORT

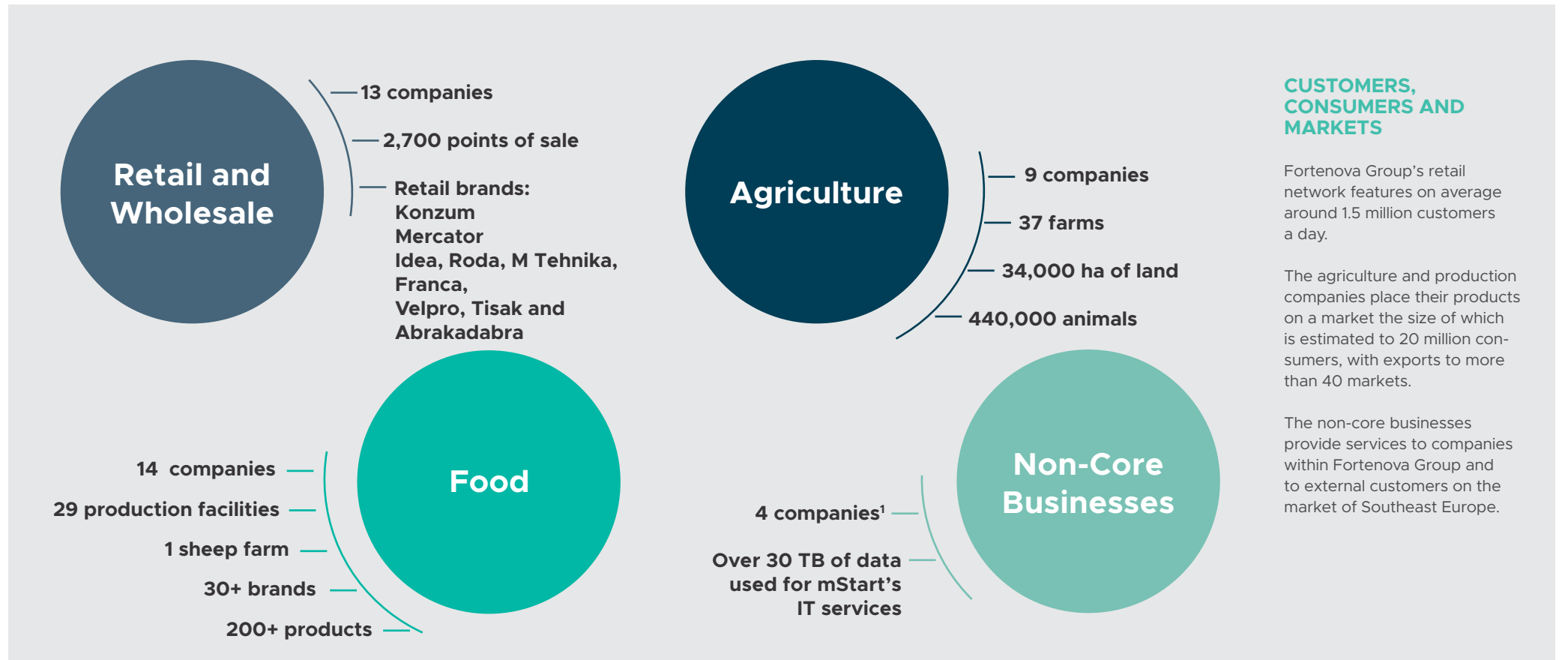


Corporate Overview

Fortenova Group operates on five key markets in Southeast Europe where it places over 4,000 of its own products, it features more than 100 strong brands and provides a large number of services. With more than 45,000 employees, 29 production facilities and more than 2,700 retail points of sale and distribution centres, Fortenova Group is among the region's largest private employers, which illustrates its strength and its influence on the economies of the countries in which it operates.

The Group features more than 40 companies operating within it, and on the markets of Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro it has intensively developed the following core activities: regional retail, beverages production, edible oils production, fresh and processed meat production, milk and dairy production and agricultural production. Via food product exports Fortenova Group is present on the markets of more than 40 countries worldwide.

Given its high share of retail activities and food production in the FMCG category, end users are Fortenova Group's most significant group of product and service users. Due to the size and diversification of the markets and the activities that it pursues on them, the second key group of its stakeholders are suppliers.

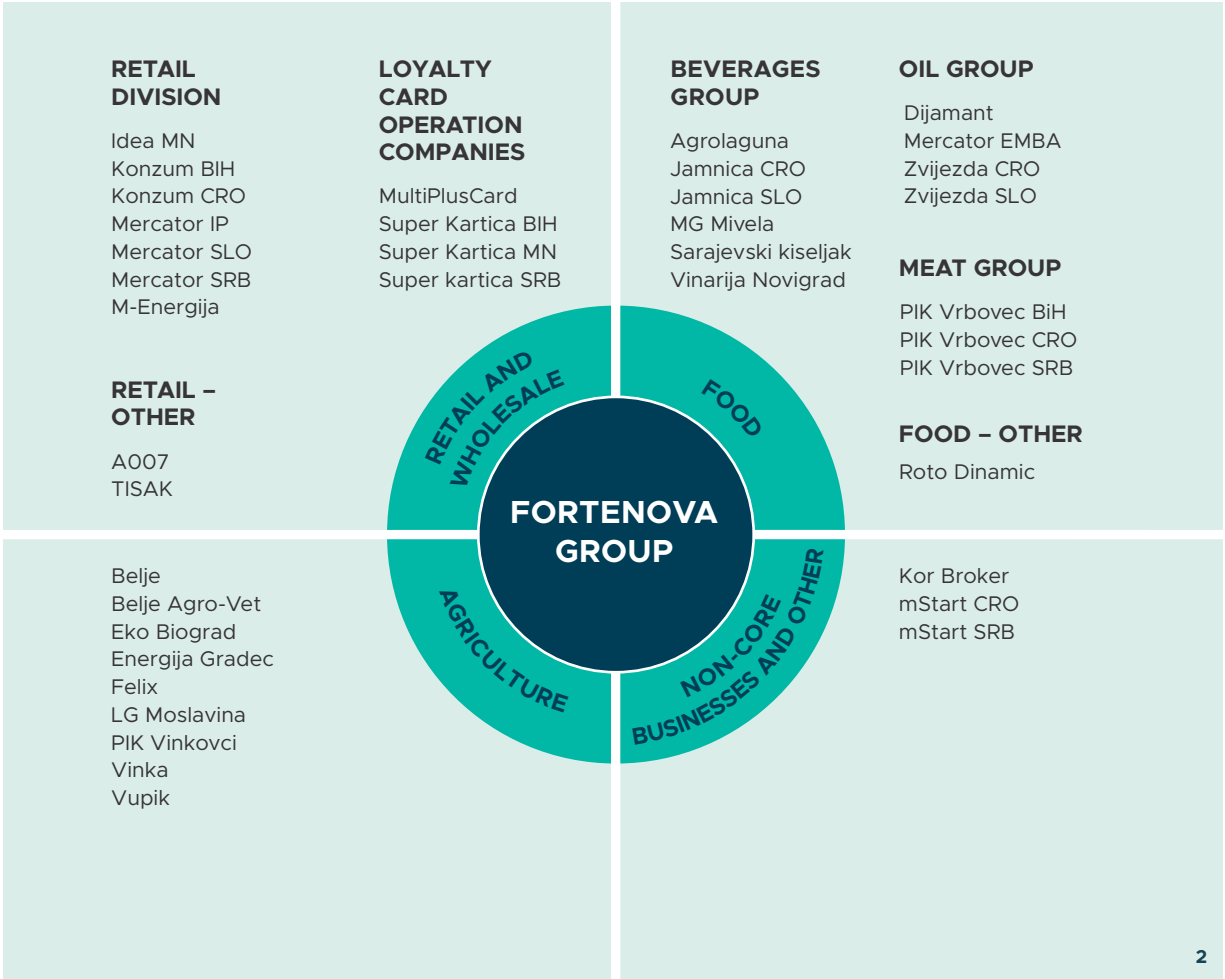


¹ Together with Fortenova grupa d.d.

Corporate Structure

The 2023 Sustainability Report contains data from 39 operating companies and Fortenova grupa d.d., with significant activities and employee numbers, divided into three core business divisions – Retail and Wholesale, Food and Agriculture as well as the Non-Core Businesses segment. Below is a brief description of the divisions that Fortenova Group companies belong to, as well as an overview of the key features of their operations in 2023.

Fortenova Group or Group	The parent company Fortenova grupa d.d. and its subsidiaries (in the context of the Report referred to as “operating companies”)
Fortenova grupa d.d.	Parent/holding company of its subsidiaries
Operating companies	Subsidiaries of the Fortenova grupa d.d. operating in the core and non-core segments



Corporate Structure

Changes in Group structure 2023

In 2023 the Group continued to pursue the process of internal re-organisation and consolidation with a view to strengthening the efficiency of its core businesses. To that end different company status changes were carried out, primarily mergers of companies within the Group, as shown in the table below.

Companies merged in 2023

Žitnjak d.o.o. – merged with the company Konzum plus d.o.o.

M FRANCA d.o.o. – merged with the company MERCATOR-CG d.o.o. (renamed IDEA-CG, d.o.o.)

SOJARA plus d.o.o. – merged with the company Fortenova grupa d.d.

Mercator-BH d.o.o. Sarajevo – merged with the company Konzum d.o.o. BiH

Beokona d.o.o., Beoslana d.o.o. Beovona d.o.o. – merged with the company IDEA REAL ESTATE d.o.o.

VP FORTENOVA REAL ESTATE d.o.o. Beograd – merged with the company M-Profil SPV d.o.o.

Companies under liquidation

MERCATOR-MAKEDONIJA d.o.o.e.l.

Jamnica Water LLC

Sold companies

Beopana d.o.o.

Corporate Overview

2023 Business Features

Fortenova grupa d.d. is the parent/holding company of its subsidiaries and the Group's key operating indicators are outlined below.

Group in numbers

2023	2022
40	43
number of significant operating companies and Fortenova grupa d.d. listed in the sustainability report ³	
47	56
total number of companies in the consolidated financial statement ⁴	
100+	100+
own brands	

Financial indicators

	2023	2022
million euro of net sales	5,750.48	5,280.42
percentage change since the last reporting period	8.9 %	
million euro of net revenue	5,887.00	5,408.38
percentage change since the last reporting period	8.8 %	
million euro of income tax paid	-18.52	-16.76
Assets	4,598.41	4,602.70
Capital	1,092.58	130.45
Operating profit	251.35	313.14

E	2023	2022
tonnes of CO ₂ e in Scopes 1 and 2	666,796.1	677,493.2
percentage change since the last reporting period	-2 %	
Energy consumption (GJ)	5,719,051	5,996,484
million litres of water withdrawn	7,283	7,626
tonnes of waste	88,380	87,545

S	2023	2022
employees	45,383	45,237
employee turnover	23 %	24 %

G	2023	2022
of women in senior management	37%	33%


















³ Jamnica Water Limited Liability Company is in the process of liquidation and is not included, while the companies Žitnjak and Mercator BiH have been merged with other companies. Their data is included in the data of the merged companies.

⁴ The companies that are included in the consolidated financial statement but not in the Sustainability Report are as follows: Agropromet, Euroviba, Idea real estate, Kron, M-Profil SPV, Zvijezda BiH and Jamnica Water Limited Liability Company. Other excluded companies either generate no revenue or employ less than two employees and primarily engage in activities with no significant impact on ESG aspects, while the Jamnica Water Limited Liability Company is in liquidation. Additionally, as mentioned, Žitnjak and Mercator BiH have been merged with other companies.

Retail and Wholesale Division

Fortenova Group’s retail business is the largest local retail chain in Southeast Europe, covering the markets of five countries in the region with more than 2,700 points of sale, distribution centres and online sales. At the same time, Retail and Wholesale is the largest business division of Fortenova Group, employing the largest number of people – 35,485 at the end of 2023. Its network included the following retail companies: Mercator SLO (Slovenia), Konzum CRO (Croatia), Tisak (Croatia), Mercator SRB (Serbia), Konzum BIH (BiH), Idea MN (Montenegro), A007, M-Energija, Mercator IP and companies operating as part of Fortenova Group’s loyalty programme – MultiPlusCard, Super kartica SRB, Super kartica BiH and Super kartica MN. In 2023, they all operated independently, with their own headquarters, administration and key business functions. However, being part of the same Group, they have a common development strategy and the Group membership provides them with additional stability, the possibility of using synergies, exchanging best practices, optimizing processes and improving operating efficiency across the regional network.

The integration of the companies Konzum BIH and Mercator BIH was completed during the reporting period, by 30 November 2023. The company Konzum BIH became the legal successor and continued to manage the Konzum and Mercator brands on the BiH market and their respective points of sale. The last step in the acquisition of the Franca retail chain in Montenegro was also formally completed with the deletion of M Franca d.o.o. from the Central Register of Business Entities in Montenegro and its simultaneous merger with Idea MN in late December 2023. At the same time, the company’s name was changed from Mercator MN to Idea MN, and by the end of 2024, all retail points of sale in Montenegro are expected to operate under the Idea brand.

	Slovenia (SI)	Croatia (CRO)		Bosnia & Herc. (BiH)	Serbia (RS)	Montenegro (MN)
						
	+460 stores	+600 stores	+850 stores	+260 stores	+350 stores	+180 stores
	9,000 # employees	11,000	2,800	3,300 # employees	8,000 # employees	2,300 # employees
						

A company within a company

With a total turnover of just under EUR 5 billion, Fortenova Group’s Retail and Wholesale Division is a medium-sized company on an EU scale.

Its “company within a company” strategy is based on differentiation, micro-location flexibility, multi-channel experience and operational excellence, supported by digital transformation. In practice, this means that in a highly competitive environment, the only way to stand out is to differentiate in a clear and meaningful way throughout the retail network (e.g. by offering fresh, healthy, home-grown products with a good price-quality ratio), while flexibility implies targeted expansion in the market through acquisitions and new formats and concepts, from which the greatest synergies can be extracted. Throughout the chain, however, operational excellence is implicit in retail trade standards and customer service, but also in the key levers for creating new value.

Fortenova’s retail segment covers five countries with more than 17.5 million inhabitants through more than 2,700 points of sale and 35,485 employees.

Retail and Wholesale Division

Targeted acquisitions and organic expansion marked 2023

The biggest successes in the Group's Retail and Wholesale Division in 2023 were two acquisitions: the Franca market in Montenegro and the signing of an agreement to acquire Engrotuš, the company that owns the Tuš retail chain in Slovenia. The acquisition of the Franca retail chain was fully completed in September 2023, adding 67 stores to Fortenova Group's distribution network and making Idea the number one retailer in Montenegro, while the acquisition of Tuš is awaiting approval from the market competition regulators. Following the expected approval, the regional retail network is expected to grow to almost 3,000 stores, while the Group would receive EUR 600 million in new revenues from these two companies, with the aim of further increasing the profitability of the retail segment and the Group as a whole through synergies.

Through its retail expansion ambitions, the Group aims to become the number one retailer in all five markets of the region. It has already achieved this with Konzum in Croatia, consolidated this position in Montenegro with the acquisition of Franca and will further strengthen its leading position in Slovenia following the approval of the acquisition. However, when making acquisitions, the Group will not aim for a "normal" increase in market share, but will also take into account other equally important parameters, such as the extent to which the potential acquisition fits into the strategy, existing formats, logistics capacities and other possible synergy effects.

In addition to the 67 points of sale that expanded the network in Montenegro, the entire retail chain of Fortenova Group grew through organic expansion, with approximately 50 new and remodelled points of sale being opened during the reporting period, most of which (28) in Konzum CRO. In 2023, Konzum BiH opened six new stores, five under the Konzum brand and one under the Mercator brand, and three were remodelled. In Slovenia, Mercator grew by five new sales points, and Mercator SRB opened seven new points of sale.

Acquisitions – the biggest successes of regional retail in 2023



Retail and Wholesale Division

Opening of LDC Belgrade

As far as Serbia is concerned, logistical support for the entire chain of Mercator SRB retail stores is a prerequisite for taking a leading retail position in this market. Therefore, investing EUR 20 million into a logistics and distribution centre in Belgrade is one of the most important investments in the Group’s retail business and certainly the largest investment of Mercator SRB in the last 10 years. The LDC, which covers an area of 68,000 m², handles the central distribution of products for 339 IDEA stores, Roda retail chain, and Mercator hypermarkets in Serbia. It will also create around 500 new jobs, helping support the local community. This is particularly important in the context of severe labour shortages in all markets.

The opening of LDC Belgrade – a prerequisite for taking over the leading position in Serbian retailing

Protection of customers and companies against inflation

Inflation continued to be the greatest external influence on the operations of the Retail and Wholesale Division of Fortenova Group in 2023, especially in the first half of the year, and, indirectly, the measures taken by the regional governments to contain the prices of products in order to make it easier for citizens to cope with growing costs. The retail companies of Fortenova Group also participated in the measures of the national governments that adopted this solution.

For example, in September 2023 Konzum CRO joined for the second time the initiative of the Government of the Republic of Croatia to reduce the prices of 30 products listed by its Ministry of Economy, i.e. to bring them back to the level at which they were on 31 December 2022. However, in addition to restoring the total value of these products to their end-2022 levels, Konzum CRO reduced and locked the prices of almost 1,200 products of the basic basket. Until the end of the year, the fixed prices did not exceed the maximum ceiling that had been set, but it was possible to reduce them further during this period. The range of reductions was on average more than 10 %, and the action covered all product groups sold by Konzum – approximately 50 % from food and 50 % from non-food, with Konzum CRO investing a total of EUR 3,5 million by the end of 2023.

Mercator SRB joined the “Better price – price for the people” initiative, which was launched by the Government of Serbia in September 2023 and which limited the prices of products in 36 categories. In Bosnia and Herzegovina, on the other hand, the country’s Association of Employers and the Federal Ministry of Trade initiated the partnership project “We lock prices”. In its first phase, which lasted from 15 December 2023 to 15 March 2024, the participants committed to dropping and locking the prices of 40 listed products. Konzum BIH stores were the first to greet their customers with a list of fixed-price items on posters in the stores and products on the shelves were labelled appropriately.

In order to address the problem of rising prices of basic foodstuffs and high inflation rates, the Ministry of Economic Development and Tourism implemented a multi-month campaign called “Stop Inflation” in cooperation with representatives of the largest retail chains in Montenegro, including Idea MN. It lasted for three



Retail and Wholesale Division

months, from March to July 2023, during which they came up with an “anti-inflation basket” and limited the margin on certain products. The basket contained at least one item from each of the 25 agreed product types. They were chosen by the retailer, and their price was determined in accordance with the agreement reached with the Ministry. Furthermore, the retailer could not shorten the list of products, but could change items within the same product type on a monthly basis, depending on availability and stock. According to the Ministry, this led to an average reduction in retail prices of 20 %, and up to 30 % for some products.

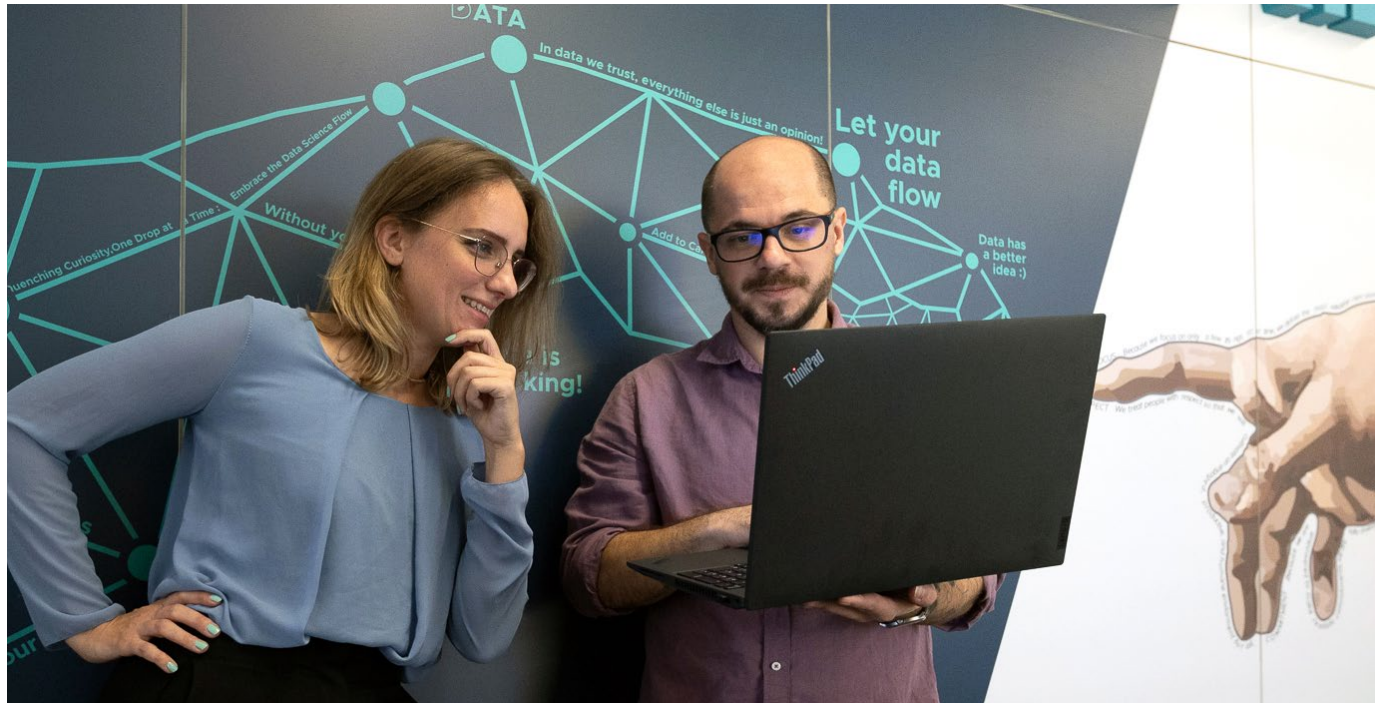
The national government did not lock in prices in Slovenia. However, the Ministry of Agriculture implemented a basic basket price monitoring initiative, in which Mercator SLO participated.

As market leaders in retailing, but also because of their much wider social responsibilities, the Retail Division companies launched or supported initiatives in all markets to mitigate the impact of rising prices on citizens. As a result, much of the last year’s business activity across the network reflected frequent and intensive adjustments to the system in response to external influences. One of the most important prerequisites for this rapid adjustment was the good cooperation of all companies with domestic producers and distributors, thus maintaining their competitiveness, directly supporting the domestic economy and offering customers fresh local products.

As in the previous year, part of the activity was aimed at customer protection, with a focus on product price control, the development of our own brands that offer customers good value for money, and the so-called category reset, aimed at offering customers the best possible product range. Projects aimed at protecting individual companies or the Group as a whole were mainly concerned with boosting efficiency and reducing costs, with activities to improve energy efficiency standing out.

Investments in employees

The general problem of labour shortages throughout the European Union, and therefore also in the countries of Southeast Europe, is evident in the labour-intensive activity of retailing as well. Therefore, the continuous increase of wages and other benefits of employees is one of the most important levers for attracting and retaining employees in the retail sector, which



is additionally strengthened by the impact of inflation on their incomes in 2023.

The total income of employees in all Group retail companies increased by 13 % in 2023, either through increases in gross wages, salaries and other benefits of employees (e.g. Christmas bonus, holiday pay, meal allowance) or, for example, through the payment of special bonuses for having contributed to business results.

Expanding the use of AI solutions in retail

In 2023, digitalisation projects will continue to enable retail companies to remain leaders in the field of innovation. The implementation of models developed in the Fortenova Group’s DataLab, such as optimising product ranges and promotional strategies and improving the ability to forecast demand for fresh products, is already underway. The model for improving the ability to forecast demand for fresh products was implemented at Konzum

CRO in 2023, facilitating decision-making in daily store operations. At the same time, testing the application of the developed solutions in other retail companies began.

Another digital step forward was the opening of Konzum SMART in Zagreb, the first store in this part of Europe to use artificial intelligence so that the customer can make a purchase and leave without going through the cash register and scanning the items – the selected products are automatically charged from the wallet within the application. Konzum CRO has also allowed crypto payments in all of its stores, while MultiPlusCard customers can receive an electronic bill, which improves the shopping experience and safeguards the environment (1,227 km of paper receipts were saved in a year since introduction). At the same time, the introduction of electronic prices is a long-term project for the entire Fortenova Group retail network, primarily due to the fact that it greatly simplifies the work of the staff.

Food Division

Key internal and external factors

As in the previous year, there were a number of external and internal factors that affected the achievement of the targets set for the Fortenova Group's Food Division during the reporting period, which was also reflected in the annual results of the entire business division.

Inflation and spending cuts

In terms of strength and scope, inflation and lower consumption in 2023 stood out, due to lower disposable income of consumers and, in Croatia, also due to the introduction of the euro currency in 2023 and ongoing challenges in the supply chain due to rising transport prices and labour shortages. Various price limitation measures, which, in accordance with the decisions of the executive authorities, were implemented by the retail companies in all countries of the SE region in 2023, were a significant factor in the realisation of results in the food companies of Fortenova Group, particularly in the Oil and Meat Group. Given the number of brands with which the companies of Fortenova Group hold leading positions in the Fast Moving Consumer Goods (FMCG) markets in a number of categories, the aggressive growth of the discount retailers' distribution network put additional pressure on the result. The 2022 trends continued on the consumer side: consumption was more price sensitive and consumers changed their shopping routine (spending less on smaller shopping trips) and switched to more affordable products, private brands and B-brands.

Oil from Ukraine and ASF in the production of meat

However, in contrast to the strong negative impact of inflation on business processes in 2022, this pronounced negative impact on the operations of the food companies of Fortenova Group faded together with the gradual deflation of the inflation bubble in 2023. However, inflation had an impact on the overall reduction in consumption and significantly contributed to the rise in raw material prices (especially in the Meat Group, which recorded an average increase of more than 20 % compared to 2022). In terms

of models to mitigate the negative impact of the sharp rise in raw material and energy prices, "smart pricing" was introduced in the Food Division companies, with a strong focus on cost management. At the same time, due to the role the company plays in the supply chain of the pork and processed products market, the steps taken to prevent the spread of African swine fever also had an impact on the business results of PIK Vrbovec CRO in 2023, since they decreased the market value of healthy pigs and

the company could not adequately use pork during the period of validity of the relevant Decree and Regulations adopted for the purpose of controlling and eradicating African swine fever in the Republic of Croatia. The Oil Division, on the other hand, had to deal with the dumping of oil prices due to the liberalisation of oil imports from Ukraine, which, for example, made sunflower oil the main Ukrainian export to the EU market (86 % share of imports to the EU in the first quarter of 2023).

Slovenia (SLO)



1



Production facilities



Distribution centers



Product categories



Brands



Croatia (CRO)



12

/

39

Sweet toppings and instant cocoa

Water, non-alcoholic beverages, plant-based, edible oils, spreads and toppings, meat, meat products, canned vegetables



Bosnia & Herc. (BiH)



2

8

Water and non-alcoholic beverages



Serbia (RS)



14

11

Spreads, edible oils, toppings, pasta, flour, canned vegetables, water



Psychological effect of Croatia's adoption of the euro

In addition to inflation, the perception of some citizens that the introduction of the euro would affect price growth, especially in the context of high inflation during the transition period from 2022 to 2023, also had an impact on the reduction of consumption in Croatia. However, analyses and estimates by experts from the CNB and the European Central Bank, and subsequently by Eurostat, showed that the impact of the euro on prices was very

small: according to the CNB and the ECB, it was 0.4 percentage points, while Eurostat's analysis showed that it was only 0.2 percentage points.

Growth of employee income

In addition to the impact on consumption rationalisation, inflation also affected the growth of employee income. Given the pronounced problem with the labour force, the growth of income in the food companies, as well as in other sectors of Fortenova Group, was one of the key levers for attracting and retaining employees. As a result, allocations for the total income of employees in the Food Division rose by 11 % in 2023 compared to 2022.

Investments in 2023

A new primary pork processing plant at PIK Vrbovec CRO was completed in 2023 and put into trial operation in December. The total value is EUR 10 million, of which EUR 1.55 million was co-financed by the European Agricultural Fund for Rural Development (EAFRD). For a company that is focused on the development of the domestic economy and the production of

Compared to the previous year, investments in employee income in the Food Division companies increased by 11 %.

meat from domestic farms, this project represents an important step towards improving production capacity and strengthening cooperation with more than 100 farms throughout Croatia, which deliver to PIK more than 370,000 pigs each year, i.e. more than 50 % of domestic production.

The new plant in Vrbovec represents a major technological advance in the primary pork processing and will bring about a considerable improvement in efficiency, product quality and compliance with the world's highest standards of hygiene and safety. After successfully passing the inspection and control reviews of all relevant institutions, the plant began trial operation in mid-December 2023.

Moreover, the construction of a new 1,200 t per day primary sunflower seed processing plant and a new 550 t per day crude oil extraction plant in Dijamant are in the final stages and are expected to be operational in late 2024.

In the Beverages Group production companies, an important project in 2023 was the introduction of bottles with a tethered cap, which the companies started implementing even before the entry into force of the EU Directive⁵ implementing the EU Strategy for Plastics.

⁵ [Directive \(EU\) 2019/904 on reducing the environmental impact of certain plastic products.](#)



Food Division

The distributor of drinks Roto dinamic continued with a series of record business results in 2023 and completed the project through which it entered the wholesale sales channel for 300 customers of the Špar Bjelovar company. Furthermore, a distribution centre and the first retail outlet specialising in beverages in the Bjelovar-Bilogora County were opened in Bjelovar under the Roto dinamica brand.

Bjelovar thus became the centre of the Roto dinamica network in the county, while with its first acquisition seven years ago, Roto further strengthened its network of HoReCa customers, which includes more than 6,500 partners, and established its leading position as a national beverage wholesaler.

The new primary pork processing plant at PIK Vrbovec CRO, with a total value of EUR 10 million, was put into trial operation in December 2023



New partnerships

During the reporting period, Jamnica strengthened its distribution business through a strategic partnership with Nestlé. Through the sale of Nescafé products on the Croatian market for the so-called “Out Of Home” channel in three segments: espresso coffee beans for catering establishments, business-to-business (B2B) self-service coffee machines and Nescafé instant cappuccino, which is the leader in this category, Jamnica expanded its portfolio in a new category where it was not previously present, while Nestlé expanded its presence in the catering sector with a new brand of espresso coffee beans.

Since 1 March 2023, Jamnica CRO took over the distribution of Pivovara Daruvar d.o.o. Products on the market. Given that

Jamnica CRO has one of the largest logistics networks in the Republic of Croatia, Pivovara Daruvar products are available to a much larger number of customers. The cooperation between Pivovara Daruvar and Jamnica CRO is based exclusively on the distribution segment.

Thanks to the cooperation of Zvijezda CRO, PIK Vrbovec CRO and Mlinar, Adria, the largest bakery group in the region, added three Planet of Plants products to its range: *burek*, puff pastry hot dog and plant-based sandwich. In the first phase, the offer will be available in more than 70 Mlinar points of sale throughout Croatia, while in the second phase, it will be available in the entire network and at other wholesale buyers of Fortenova Group’s

innovative line of plant-based products, jointly developed and produced by Zvijezda CRO and PIK Vrbovec CRO. In 2023, new products were added to this line: salami with sunflower proteins and a “clean label” spread, i.e. without additives. According to the results of the first research wave on brand awareness in the Adriatic region in 2023⁶, which was carried out in March and April, Planet of Plant mayonnaise has entered the list of 700 products included in the research, which points to the market penetration of this very young and innovative product of Fortenova Group.

⁶ Around five thousand respondents took part in the BRANDpuls research, which was conducted by the company Ipsos in the Adriatic region (Croatia, Slovenia, Serbia, and Bosnia and Herzegovina).



Regular market research testifies to the strength of our brands

According to the same research, Fortenova Group had one more product among the top ten strongest brands in Croatia compared to last year. Specifically, six brands from Fortenova Group companies were within the top 10, five from Zvijezda and one from Jamnica. In 2023, Zvijezda mayonnaise ranked first, its oil came in third, Jamnica carbonated water ranked fifth, the same as in 2022, and Zvijezda CRO with hard margarine and ketchup ranked sixth and seventh. These impressive results were further underlined by Margo spreadable margarine in the ninth place. *Ukiseljeno voće i povrće* (Pickled Fruit and Vegetables), ranked 26th on the extended list of the 50 best brands in Croatia, is another Zvijezda CRO brand that solidified the company's position as the top Croatian brand, as viewed and valued by consumers.

Ranked just one place below the top 10 in Croatia was another brand from Fortenova group, Belje ABC cheese, which moved up from 14th to 11th place compared to the previous wave of research. There were two other Jamnica brands in the top 50 brands in Croatia: Jana still water (21st place) and Jana fruit flavoured water (46th place). In the regional ranking, among the products of Fortenova Group companies, consumers perceived the Beverages Group brands best: Jana still water (17th), Jana Ice Tea (30th), Jamnica sparkling water (35th) and Mg Mivela (41st). ABC cheese (33rd) and Dijamant oil (37th) were also on the list.

Of more than 750 products of the other brands of Fortenova Group, consumers also recognise and appreciate other Dijamant and PIK products as well as those of the private-label brands Lumpi and K plus.

As many as six brands from Fortenova Group companies ranked within the top 10 - five from Zvijezda and one from Jamnica

New products

The production companies of Fortenova Group launched several new hits on the market in 2023. For example, PIK Vrbovec CRO received excellent consumer reactions to the launch of the Slow Cooked Selection product line, which includes Pulled Pork and Spare Ribs as representatives of international trends, and Pork Knuckle as a traditional delicacy. PIK took into account changes in consumer habits in terms of the time needed to prepare meat dishes and created a line that allowed consumers to prepare a quality meal not only for their family, but also for unannounced guests, without prior planning.

The line of Zvijezda ketchup products received a new addition – Zvijezda ketchup with 0 % added sugar and 50 % less calories. Before the new summer season, Jamnica presented new products, Jana Vitamin + Collagen and two new flavours of the Jana fruit flavoured waters: Jana Coconut and Jana Coconut Lemon.

2024 – investments in renewable energy

High volatility of energy prices in all industries increased the need to reduce dependence on traditional energy sources, and at the same time, the development of action plans aimed at reducing carbon footprint stimulated more intensive planning of investments in solar power plants, which began in 2023 with the construction of solar power plants in PIK Vinkovci and Zvijezda CRO. A significant increase in the use of solar panels will mark this year in the Food Division. With the support of EU funds, Jamnica CRO is starting to introduce solar panels in the Jamnica plant, and in 2025 in the Jana plant. More information on the planned renewable energy projects can be found in the [Energy and Emissions](#) chapter.










Agriculture Division

From crop cultivation to the final production of meat and dairy products, the Agriculture Division of Fortenova Group is a vertically integrated agribusiness that is diversified into 12 segments and has demonstrated strong financial results from the “farm to fork” business model. Fortenova Group’s agricultural companies are primarily engaged in arable farming and vegetable growing, pig farming, cattle breeding (heifers and dairy cows), viticulture and wine-growing, the production of animal feed, milk and dairy products, and of dried meat products. They have their own biogas plants, silos and the port of Vukovar for transshipment operations. For example, the dairy factory is the only remaining (significant) factory in Croatia that produces dairy products from its own raw materials, while Vinka has the only factory in Croatia that processes vegetables by freezing.

The development strategy of the Group’s agricultural companies is based on several sustainable agricultural practices:

- Irrigation of the most important agricultural areas
- Monitoring innovations in agricultural production, including investments in mechanisation and new technologies
- Further optimisation of the use of pesticides, fertilisers and crop varieties in accordance with the European Green Deal
- Increased use of renewable energy sources in production.

In addition to all of the above, the companies are particularly focused on employees and improving working conditions. The agricultural companies employ more than 2,600 workers. In addition, several hundred subcontractors are linked to the agricultural segment through subcontractor farms and subcontractors in arable, vegetable and fruit production.

Crop farming	32,000 ha of land	3 % of arable land in Croatia	
Animal feed production	1 production facility	Capacity of 180 t per year*	
Dairy sector	9 dairy farms	11 % of total milk production in Croatia	
Cattle production	10 farms	18 % of total livestock production in Croatia	
Pig farming	18 farms	50 % of total production in Croatia	
Production of milk and milk products	2 production facilities	35,000 t per year	>40 % market share of cream cheese in Croatia
Production of dried meat products	1000 t per year	#1 “kulen” and bacon brands in the region by market share	
Fruits and vegetables	800 ha of orchards	670 ha of land	4,5 ha of greenhouses
	1 factory for processing fruits and vegetables into frozen products		
Wine production	680 ha of vineyards, 6 % of the total wine production in Croatia		
Biogas production	5 plants	Capacity of 9.8 MW	Annual production of 85 GWh
Silos	7 silos	Capacity of 305,000 t	Transshipment port – transshipment capacity of 200 t/h
Other	Veterinary services	25,000 ha of hunting ground	
Companies:	<div></div>		

*The facility was in the process of being sold in 2023, and was sold in 2024.

Agriculture Division

Key information about the Agriculture Division

The agricultural companies of Fortenova Group cultivate more than 34,000 hectares of agricultural land divided into their own fields, state-owned fields under concession, and land leased from local administrations and individuals, which is almost 3 % of the total arable land in the Republic of Croatia. It is mainly used for growing arable crops, but also for growing vegetables and fruit.

Last year, a total of 350 subcontractors were engaged to cultivate an additional 5,000 hectares (wheat, barley, sunflower, soya, corn).

The total annual purchase of fruit and vegetables from over 350 subcontractors in Dalmatia, Central Croatia, Slavonia and Baranja amounts to approximately 15,000 tonnes.

Agricultural companies produce a total of more than 410,000 finishers annually through their own farms and about 20 cooperative family-owned farms, which makes up almost 50 % of the total Croatian production in this segment.

Fortenova Group produces a total of more than 19,000 bulls and heifers annually through its own farms and about 60 cooperative family-owned farms, which makes up almost 18 % of the total Croatian production in this segment.

Its agricultural companies produce a total of over 43.5 million litres of milk, which is about 11 % of the total Croatian production in this segment.

The agricultural companies of Fortenova Group grow sugar beet for the Croatian sugar industry on more than 2,000 ha, which accounts for more than 20 % of the total raw material needed for the processing and production of sugar and processed products.

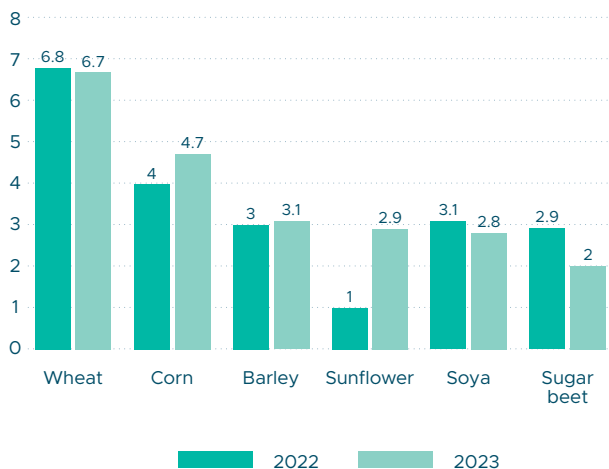
The circular economy in agricultural companies is represented through five biogas plants, located right next to the largest agricultural farms, which produce electricity from organic waste and other bio-based materials. The by-product, digestate,

which is considered a fertiliser product under the Regulation on Cancellation of Waste Status⁷, is used where possible in accordance with legal requirements. With a total capacity of 9.8 MWh, the biogas plants in the Agriculture Division produce 25 % of the total electricity from biogas in Croatia, which is fed into the national grid.

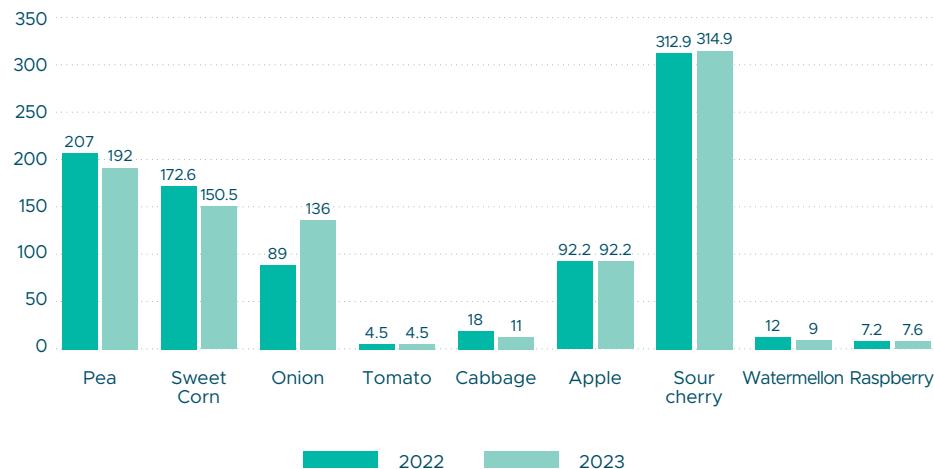
The nominal capacity of seven silos is 305,000 tonnes, while the Vukovar transshipment port on the Danube provides a waterway connection from the Black Sea to the North Sea and is the only port in the region connected by road, rail and river transport. It has the capacity of over 200 t/h with the possibility to store 55,000 tonnes in silos at two locations.

⁷ Official Gazette No. 55/2023, Article 2 paragraph 1 point 1.

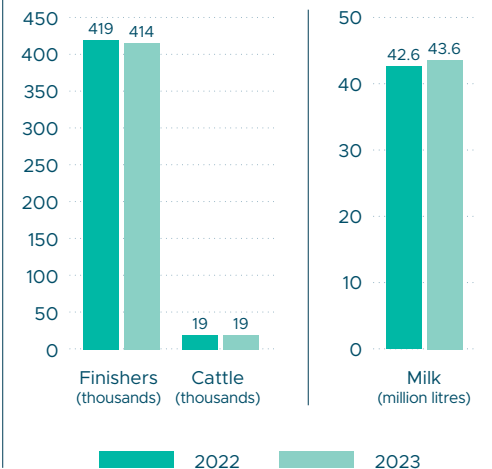
Land use – arable farming
in thousands of hectares



Land use – fruit and vegetables
hectares



Annual production



Key features of operations in 2023

The agricultural year 2023 in Croatia, as well as in Fortenova Group's Agriculture Division, was marked by three important global external phenomena: extreme weather, the ongoing rise of production costs due to the effect of inflation on input calculations of agricultural producers and, consequently, the price of food, and the outbreak of African swine fever in Croatia. The management of agricultural companies of Fortenova Group focused on the continuous implementation of strategic initiatives, such as the replacement of worn-out machinery and the purchase of new machinery, as well as numerous activities aimed at strengthening the management process, increasing synergies and substantial employee rights, and operational improvements in all business segments. Therefore, the Agricultural Division continued to invest in irrigation systems and energy efficiency projects in accordance with the strategic guidelines, while operations throughout the region were marked by the approval of the largest investment in the renewal of agricultural machinery in Croatia and beyond, with a total investment value exceeding EUR 63 million. During the reporting period, employee benefits continued to increase and the agricultural companies of Fortenova Group also continued to forge stronger links with and make contribution to the local community through valuable cooperation with higher education institutions.

The end of the year was marked by an important internal process related to this division: preparations to test the interest of potential buyers in acquiring the Agriculture Division of Fortenova Group.

African swine fever

The year under review was one of the most challenging years since the beginning of pig farming in agricultural companies 18 years ago.

The main reason for this was the outbreak of African swine fever (ASF) in the Republic of Croatia, with the application of



protective measures against this disease affecting almost 40 % of the pig farming of Fortenova Group's Agriculture Division.

The first cases of African swine fever in the Republic of Croatia were recorded in the Vukovar-Srijem County in late June. Over the next three weeks, the disease spread to four other counties, mainly on farms, but also among wild boar in two counties. According to the Decision⁸ of the Ministry of Agriculture on the establishment of restriction zones and infected areas due to the outbreak of African swine fever of 15 July 2023, the protection zones in the Vukovar-Srijem and Brod-Posavina Counties were declared restriction zones, while the surveillance zones also included parts of the Osijek-Baranja County, from which the transport and delivery of pigs was prohibited. After the Decision was issued, the pig farms began to operate with numerous restrictions that made normal functioning difficult. The main challenge was to protect against an outbreak of ASF in one of the farms in the system, which would have caused major production and financial losses.

According to the decisions of authorised veterinary inspections, all pig farms of the agricultural companies of Fortenova Group (Belje, Vupik and PIK Vinkovci) belong to the 3rd category, i.e. farms with a high biosecurity status. Strict biosecurity measures, which have been in place on the farms for fifteen years, are essential to protect the animals and prevent potential diseases such as ASF, and have been preceded by considerable investments in equipment and staff training. In view of the high risk of the virus spreading, the existing biosecurity measures were raised to an even higher level not only on the farms, but also in other related segments, and with the active support of Belje Agro-vet and the Pig Farming segment, the biosecurity factor in the production of animal feed was significantly increased both in the animal feed plant and in the silos.

Pig farming in Fortenova Group is linked into a strictly regulated system of specialised farms with clearly defined protocols. Together with a network of contract farmers, these farms annually produce 50 % of the total production of finishers in Croatia, which best illustrates their importance for the continuity of pig farming in the country. The pig breeding and fattening process in

⁸ Pursuant to Article 36 paragraph 5 of the Animal Health Act (Official Gazette No. 152/2022 and 154/2022, hereinafter: the Animal Health Act).

Key features of operations in 2023

the Group's agricultural system is organised in such a way that the majority of pigs in the system are purchased and processed by PIK Vrbovec CRO.

Notwithstanding the fact that all pig farms of Fortenova Group companies are Category 3 facilities, where all biosecurity measures required by the legislation of the Republic of Croatia are implemented, and the fact that there have been no positive results confirming the presence of the disease on these farms, the PIK Vinkovci and Vupik farms had to comply with the requirements of the Decree on Control Measures for the Suppression of African Swine Fever in the Republic of Croatia (*Official Gazette* No. 80/2023) and were not able to regularly supply the slaughterhouses with finishers for a considerable portion of the year, regardless of the fact that they were healthy. Therefore, due to the implementation of the measures, the usual weekly processing capacity of PIK Vrbovec CRO was halved in the same period, and all the meat could not be adequately used.

In late December 2023, the relevant decree and decision of the Ministry of Agriculture finally allowed the delivery of pigs from the zone to registered slaughterhouses in the Republic of Croatia, with the possibility of selling fresh meat and meat products, which had to be specially labelled and could not be sold outside the Republic of Croatia.

Climate impact

For the second year in a row, Croatia (and its neighbours) are facing extreme weather conditions, particularly affecting agricultural crops. For example, while the 2022 summer drought affected the production of corn, the main spring crop, in 2023 excessive rainfall affected the quality of winter crops (wheat and barley). In fact, the amount of precipitation in 2023 was 20 % higher than the average amount in the period from 1965 to 2022. Precipitation in April and May led to lower yields and quality of wheat and barley, while precipitation in November and December of 2023 affected activities such as sugar beet extraction and deep tillage. In addition to large amounts of precipitation throughout the year, extreme weather such as hailstorms hit the area of Vukovar-Srijem and Osijek-Baranja Counties and caused damage to almost 2,500 ha of crops of the agricultural companies of Fortenova Group. In addition to farmers, winegrowers also consider 2023 to be the most difficult year in the last

10 years, and frequent and abundant rain and the occurrence of diseases that required treatments for agricultural crops also affected yields and crop quality. From cereals and grapes to vegetables and fruits, most crops in Croatia suffered significant losses, but in the agricultural companies of Fortenova Group, good organisation and the application of modern agro-technical measures and technology, supported by the delivery of some new machinery, greatly reduced adverse climate effects on crops.

Increasing irrigation coverage

Adequate supply of water to plants during key vegetative growth periods is necessary to achieve the desired yield and quality of arable crops, while successful vegetable and fruit production is almost impossible without irrigation. In response to an increasingly pronounced rise in average air temperatures and acute weather events, irrigation is a prerequisite for ensuring the long-term stability of crops. Therefore, increasing the area under irrigation is one of the pillars of the strategy of the Group's agricultural companies: its goals are in line with the strategic document Strategy for Agriculture until 2030 and NAPNAV (National Project of Irrigation and Management of Agricultural Land and Water in the Republic of Croatia), and there is a plan to increase the area under irrigation as the availability of infrastructure increases.

In 2023, investments worth more than EUR 2 million were approved and initiated for irrigation systems on more than 850 hectares of land for vegetable, agricultural and fruit crops, which will increase the irrigation coverage by 45 % in the entire agricultural segment. With these investments, the irrigation coverage of the land in relation to the total land cultivated by the agricultural companies has increased by 2.5 percentage points. If the current availability of irrigation infrastructure is taken into account in the areas of land that we cultivate, the agricultural companies of Fortenova Group will, together with the investments mentioned, irrigate as much as 47 % of the country by the end of 2024.

Photovoltaic power plants

As part of the energy efficiency project at PIK Vinkovci, in 2023 the final steps were completed for the commissioning of the Lipovac photovoltaic power plant, which took place in September 2023, as well as for the activation of the photovoltaic power plant in Vinkovci. Both projects started in early 2020, when they were submitted to the tender under Measure 4.1.3 – “Use of Renewable Energy Sources”, so one third of their total value is financed by the European Union. A multidisciplinary team of experts has been involved in the implementation of both projects. They are of great importance for the sustainable operation of the company, as it is estimated that at the Lipovac site, where



Key features of operations in 2023

Using photovoltaic power plants, PIK Vinkovci will generate 34 % of electricity from its own renewable sources.

there is an onion warehouse with a capacity of 10,000 t with cold storage and a fruit and vegetable packing house, 45 % of electricity will be produced from renewable sources on an annual basis. The Vinkovci site, which includes silos, warehouses and a seed processing plant, is also a major consumer of electricity and is expected to produce 67 % of its annual electricity from renewable sources.

At the company level, PIK Vinkovci will generate 34 % of its electricity from its own renewable sources, using photovoltaic power plants.

In 2023, after the commissioning of the photovoltaic power plant in Lipovac (from September to December 2023), 142,660 kWh or 12 % of the total electricity consumption at this location was from renewable sources. At the level of PIK Vinkovci, 3.4 % of electricity produced and consumed was from renewable sources.

PIK Vinkovci thus achieved a total energy savings of 4.8 % in comparison to 2022.

As part of the same Measure 4.1.3, at the end of 2022, Belje received approval for the co-financing of the construction of a rooftop photovoltaic system at a total of 10 cattle and pig farms with a total capacity of 1.734 kW. Therefore, the investment was approved and launched in 2023, and the realisation is expected in mid-2024. The total energy produced on 10 farms will increase the share of consumption of renewable energy sources to an average of 45 %.



Investments in mechanisation

Modernisation of mechanisation is one of the levers for improving the efficiency of all operations in the arable farming segment within the optimal agronomic deadlines, which in turn improves the results of all agricultural companies. The delivery of 18 new tractors to replace machines that were more than 15 years old was therefore an important event in three agricultural companies in 2023. At the same time, new generation of Fendt Ideal combine harvesters arrived at Vupik and PIK Vinkovci, the first of their kind to be used in Croatia. The Fendt Ideal 8T, with its characteristic design and dimensions, stands out for its exceptional quality and outstanding technological solutions, including a combination of wheels and tracks that reduces soil compaction. A combine harvester and header with a total width of more than 10 metres allow a 100 % increase in capacity and double the capacity for harvesting wheat and barley. In addition to tractors and combine harvesters, more than 30 agricultural machines which are key to increasing the efficiency of work operations were delivered to the agricultural companies of Fortenova Group. One of them is the seeder, which, thanks to its ability to sow and spread fertiliser at the same time, leads to better plant treatment and helps reduce the amount of mineral fertilisers used.

As a continuation of the first tranche of mechanisation replacement approved in 2022 and delivered in June 2023, in October 2023 agricultural companies were approved for the purchase of

over 400 machines for agricultural mechanisation and equipment, primarily in arable farming, but also in all other segments. A project of this magnitude represents one of the largest purchases of agricultural machinery in Croatia and the surrounding region in the last 10 years. Finalisation of the replacement is expected in 2025.

The replacement of all machinery and equipment will reduce operational maintenance costs, but the main benefit will be to ensure continuity and quality of operations. The benefits also include an increase in employee satisfaction, as their tasks have been significantly improved and made easier by new technological solutions. The total investment of Fortenova Group in the purchase of new agricultural machinery and equipment will amount to almost EUR 63 million.

Investment approval for over 400 machines for agricultural mechanisation and equipment – EUR 63 million

Key features of operations in 2023

Operational efficiency

In terms of 2023 results, total revenue of the Agriculture Division increased by 7 % compared to 2022 and by 12 % compared to 2021. As in the previous year, the Agriculture Division was generally characterised by tight control of operating costs, which resulted in the overall ratio of operating costs to income remaining at the same level.

In terms of the share of individual segments in the total income or operating profit of the whole division, the largest weighting was given to pig farming (more than 30 %), arable farming and related cropping and silage activities (20 %) and dairy production (15 %), so their impact on the resulting growth/decline did not come as a surprise. Thus, pig farming and dairy production positively influenced the 2023 result, while the impact of the results of arable farming and related activities had a smaller contribution. In the arable segment, as a result of the emergency situation in Ukraine, wheat prices reached historic highs in 2022, while in 2023 prices followed a downward trend, mainly due to the large quantities of wheat from 2022 that were kept in storage for speculative reasons and appeared on the European Union market in 2023, affecting prices on the markets to which Croatian producers traditionally directed surplus wheat. An additional element of the price drop was a deep concern that in the agreed export of Ukrainian wheat through Croatian ports, certain quantities would remain on the Croatian market and affect the supply. On the other hand, the high selling prices of raw materials in 2022 had a significant negative impact on production costs in 2023. This can be seen, for example, in the example of wheat costs, which increased by more than 100 % in 2023 compared to 2022, while at the same time the selling price was more than 30 % lower.

On the other hand, rising prices of pork reflected the better performance of that segment compared to 2022, with the average price of piglets on the market throughout 2023 being EUR 79.27 per piece, while the average price of finishers was EUR 1.76 per kilogramme of live weight over the period of 12 months in 2023. Pig farmers in the EU (Denmark, Germany, the Netherlands) have significantly reduced pig production, estimated at 10 %, due to a significant increase in energy and grain costs, which has also resulted in a shortage of piglets and finishers (pigmeat) from these countries and affected price growth. The positive trend of the increase in the price of finishers, as an expected consequence of the increase in the price of animal husbandry, was slowed down

by the outbreak of African swine fever in the Republic of Croatia in late June of 2023. As a result, agricultural companies experienced significant difficulties in their operations due to the measures and bans imposed on everyday business operations and the need to increase the already high level of biosecurity.

Investments in employees

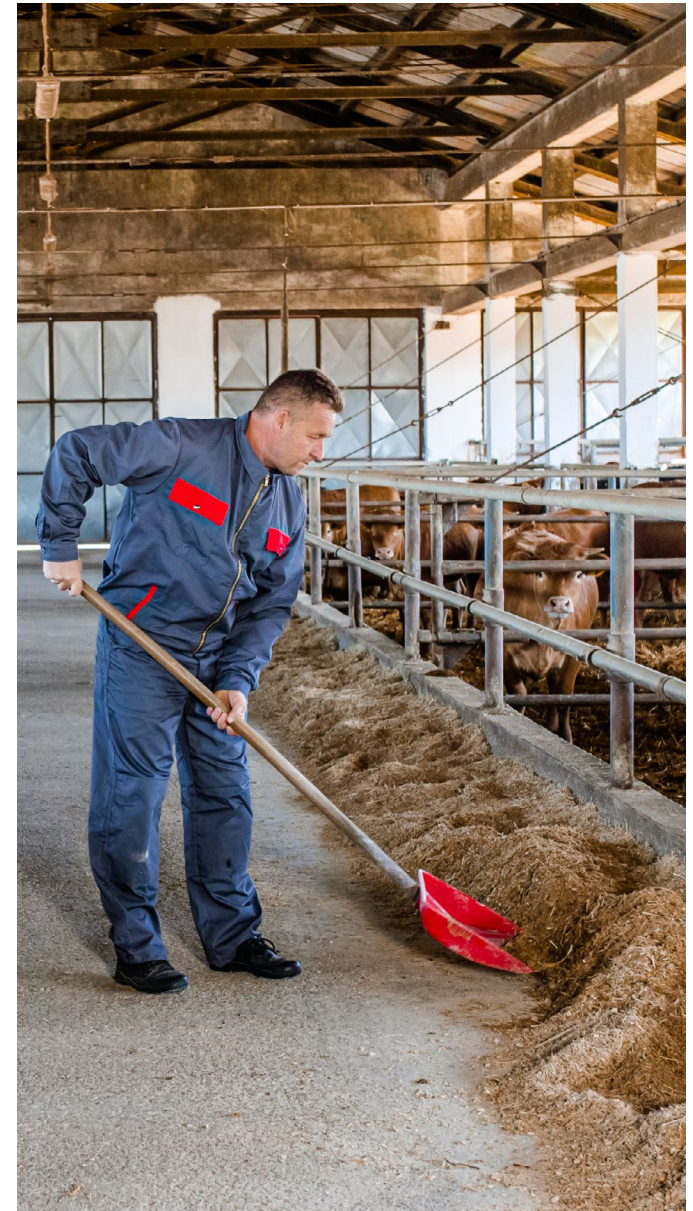
As in the rest of the country, agricultural companies are also faced with labour shortage, which is especially problematic in the east of the country. Therefore, the continuous increase of wages and other benefits of employees is one of the most important levers for attracting and retaining employees, which was even more evident in 2023 due to the rising inflation. Thus, the total income of employees in all agricultural companies of Fortenova Group in 2023 increased by 13 % compared to 2022.

Testing the interest of potential buyers in acquiring the Agriculture Division

By sending information material to the addresses of as many interested buyers as possible in January 2024, the process of exploring interest in the potential sale of the Agricultural Division, for which preparations were made in the second half of 2023, was formally launched.

Testing the interest of potential buyers is one of the conditions agreed with the creditor of Fortenova Group, HPS Investment Partners, within the framework of the new short-term financing realised in 2023. It is also part of the long-term trend of the Group's further debt reduction and strategic focus on the end customer, either with services (retail) or with products, which is not the case with the majority of agricultural production.

When selecting a strategic partner, as in the case of the sale of the Frozen Food Division, we will look for those who, in addition to paying a fair price, will make the greatest contribution to the development and maintenance of employment and the tradition of agricultural production. The Group has invested heavily in the agricultural segment, increasing the overall value of the business, such as the aforementioned investment in the renewal of agricultural machinery. If the sale were to go ahead, the proceeds of the sale would be used to further reduce the Group's debt and/or for strategic investment in other areas of the Group's core retail and food business segments.



2. STRATEGY, GOVERNANCE, RISKS, AND MATERIALITY ASSESSMENT

2023 SUSTAINABILITY REPORT

Bolji rezultati u svim promatranim područjima



Fortenova Group began systematic sustainability reporting in 2022. Given the number of companies, the diversity of activities and the markets in which it operates, the report drafting process is extremely complex and, in order to make it easier to understand, it was decided from the outset to aggregate and present the data by core business (agriculture, food, retail and others) as well as at Group level. This third sustainability report follows the same principle of data presentation and, like the previous one, is based on the Global Reporting Initiative (GRI) methodology. From next year, as a consequence of the Directive on Corporate Sustainability Reporting, the Group will switch to the so-called ESRS (European Sustainability Reporting Standards), for which preparatory work has already begun.

The 2023 report covers all aspects of sustainability that are considered material based on internal and external mapping, for which data is available and which are considered important for understanding the Group, its strategy and operations. The report includes data on a total of 40 companies. It should be noted that

the scope and number of companies reported on has not been reduced, but some of them have undergone administrative and legal changes, which are described in more detail in the [2023 Business Features](#) chapter.

The company's sustainability reporting journey to date has been a kind of preparation for the new phase brought about by mandatory EU standards. Although the reporting process will undoubtedly continue to improve over the next few years, the GRI has already provided a basis for the system to prepare for the new regulatory framework. The approach at Group level has now been defined, although it should be noted that the organisation is still at the beginning of a series of processes that need to be put in place (from a detailed assessment of the supply chain to a clear measurement of a number of supply chain-related parameters or financial indicators of climate risks). However, the approach to sustainability is the same for all the Group's companies, whether inside or outside the EU, in an attempt to influence markets where regulatory requirements are different. Besides by the GRI methodology, as

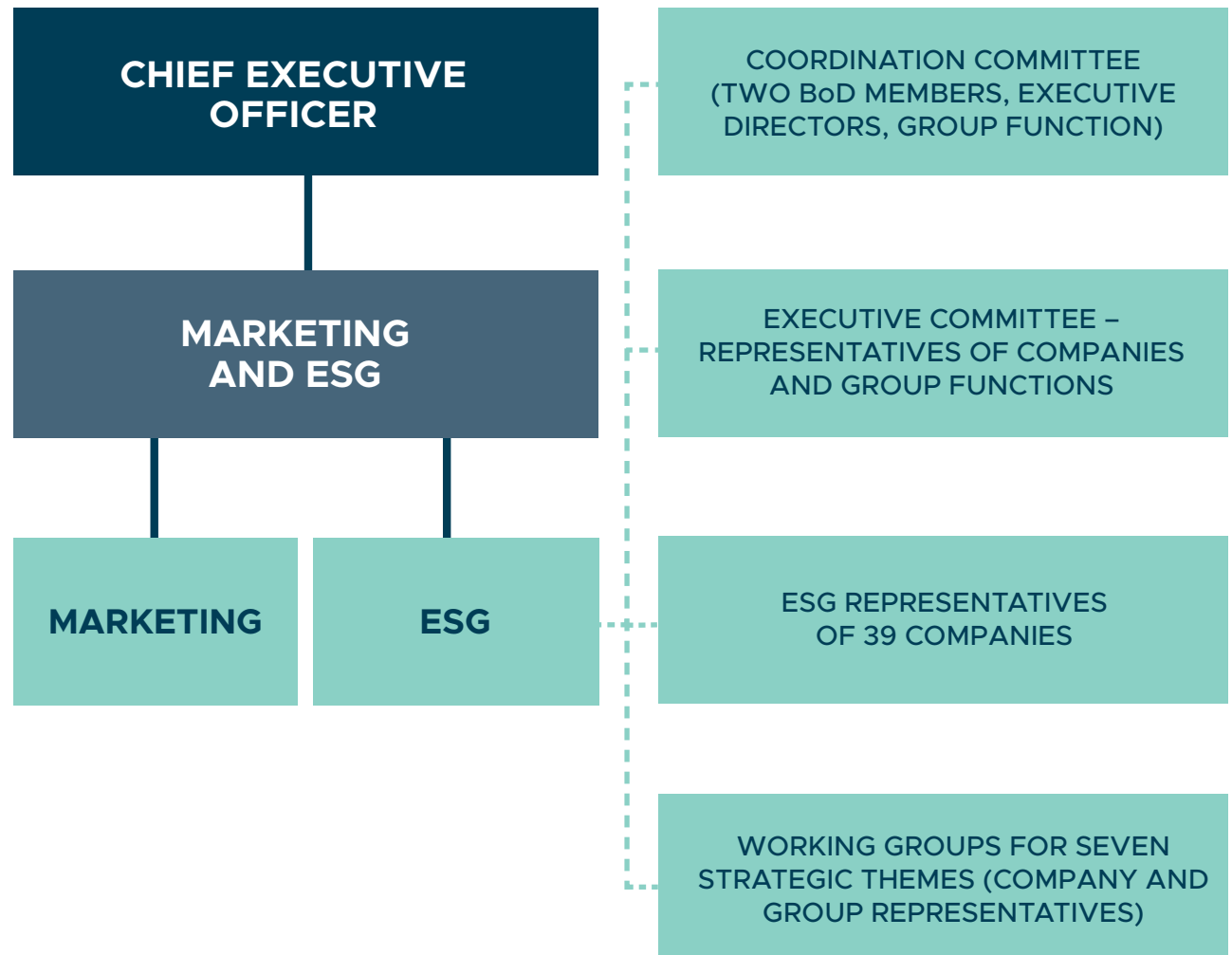
witnessed by the key topics defined for the journey to sustainability, the company is still guided by the 2030 UN Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDG). Particular attention is paid to the objectives that have been defined together with the stakeholders as those to which Fortenova Group can make the greatest contribution.



Organisational structure

In 2023, an organisational unit for ESG-related matters was founded at Group level within the Marketing and ESG Division, reporting directly to the Chief Executive Officer of the company. The main role of the ESG unit at Group level is to establish a system for consolidated Group sustainability reporting and to coordinate the strategic sustainability framework. Formal sustainability-related positions were also created within the companies: in agricultural and food companies, an ESG unit is mostly found in the quality assurance departments, while in retail, due to the nature of the business, it can be found in the departments dealing with strategy, quality or business support. In 2024, additional work will be done on the sustainability policy and procedures for ESG processes, while the organisational structure will be further evaluated, both in terms of the positioning of ESG within the system and the number of people required to implement it.

The Sustainable Development Committee, with members representing all companies in all markets, continued its work in 2023. The Committee also includes representatives of support functions at Fortenova Group level, and its work is coordinated by the Group's ESG unit. In 2023, the Committee and companies focused on education, with four workshops on the EU Taxonomy and the same number of workshops on greenhouse gas emission accounting, two workshops on climate risks, one on diversity, fairness and inclusion and one on packaging held during the year. The Committee was actively involved in data collection for the report, as well as data on climate risk, packaging and food waste issues, supporting working groups dealing with data analysis related to the company's ESG objectives.



The Sustainability Steering Committee, made up of all the executive directors of Fortenova Group, two representatives, i.e. members of the Board of Directors and representatives of the Group's support functions, including Strategy, Business Compliance, Human Resources, Finance, Internal Audit, Procurement etc., met every two months to review the work of internal working groups on seven key issues that make up the strategic sustainability framework of Fortenova Group. Each working group has a team leader who presents the progress made and the challenges for each of the strategic topics at the meetings of the Steering Committee. These meetings also serve to familiarise senior management with the latest regulatory changes in the area of ESG and the processes and adjustments that need to be implemented.

In order to raise awareness of sustainability at Group level, a detailed presentation on all aspects of the reporting requirements and strategic guidelines was given to the management of all companies in 2023, with an additional focus on bimonthly presentations on energy efficiency projects and data held throughout the year. Various presentations were also given throughout the year to meet the needs of the different companies, particularly in relation to the upcoming legislation. Sustainability topics were also presented via internal channels, while the company representatives participated in a number of conferences and panel discussions on sustainability organised by professional associations and chambers of commerce, as well as promotional and commercial conferences.

In terms of approval processes, the sustainability report is prepared by the central ESG team based on data collected from the companies. It is then sent to the Coordination Committee and approved by the Executive Directors. When it comes to material topics, initiatives and the organisation's impact on the environment, people and the economy, the decisions fall under the competence of the Executive Directors and the Steering Committee. All Group policies, including those relating to sustainability, are approved by the Board of Directors. As in the past, the Board of Directors is also involved in approving decisions that pursuant to internal procedures exceed specified financial thresholds.

It is important to note that as of September 2023, a pilot project has been launched to include ESG criteria in the CAPEX project

approval process. Criteria relating to energy efficiency, emissions, water consumption, materials, waste, biodiversity, impact on employees and the community, food safety, etc. have been added to the mandatory CAPEX forms for each company. The project is in a test phase until the end of the first quarter of 2024, the year after which ESG criteria should become mandatory in investment decisions. Of the 563 CAPEX projects launched between

1 September 2023 and 26 January 2024, 551 projects (98 %) included at least one ESG criterion. The first phase of mandatory implementation of ESG criteria (year one) will include a descriptive definition of ESG impacts, such as greenhouse gas emissions reduction, without mandatory numerical quantification, with the aim of raising the organisation's awareness, after which numerical values will be added in year two with greater competence.



Key topics and progress in 2023

During the year, Fortenova Group continued to work on seven strategic themes. The focus was on setting measurable objectives and implementing activities to achieve them.

Below is a list of topics and objectives and the status of implementation, noting that some of the topics are described in more detail in other parts of the report:

KEY MATERIAL TOPICS:

1. Integrating sustainability as a relevant criterion in decision-making

2. Reducing GHG emissions – achieving carbon neutrality

3. Improving the ways in which we use resources and manage waste - from food to packaging

4. Improving the quality of living through quality food

5. Implementing efficient management and reduction of impact on water and soil

6. Encouraging and supporting improvements of living standards on all markets in order to have a positive impact on the recovery of the region in which we operate

7. Diversity, equity and inclusion

OBJECTIVES	MEASURABILITY	STATUS
Integrating sustainability as a relevant criterion in decision-making		
Establish a Group-level organisational unit and ESG positions in operating companies	To be implemented during 2023	Objective achieved (details available in the Organisational structure chapter).
Improve risk management – Prepare a climate risk analysis	To be implemented by mid-2024	The analysis of physical and transitional climate risks was completed in late February 2024. Further information on risks can be found in the Risks and Opportunities chapter. In the coming period, it will be necessary to harmonise the methodology related to the financial quantification of climate risks.
Incorporate ESG criteria into decision-making	Implementation of the pilot project for investment decisions by the end of 2023	The pilot-project was completed in late January and ESG criteria will be mandatory for all investments from the end of the first quarter of 2024. You can read more about the pilot project in the Organisational Structure chapter.
Adapt to the new EU sustainability framework – data automation	To be implemented in all operating companies during 2024	Platform selection is in progress.
Introduction of ESG in the manager performance evaluation	Introduce from 2023 for all levels of management	Introduced from 2023 as an individual target linked to seven key ESG topics.

Key topics and progress in 2023

Reducing GHG emissions – achieving carbon neutrality		
Perform the carbon footprint accounting of Fortenova Group and its companies and prepare an action plan to reduce emissions	Scopes 1 and 2 calculated for 2022, Scope 3 calculated for 2023 on the basis of available data; improve the monitoring of Scope 3 in 2024	<p>Scopes 1 and 2 increased by 2 % compared to 2022 and Scope 3 increased by 33 %. The reason for the increase is primarily the improvement of the data monitoring system, especially in the Retail and Wholesale Division.</p> <p>Action plans to reduce emissions will be completed by mid-2024.</p>
Encourage the generation and use of energy from renewable sources	By 2030. 100% of energy from renewable sources either through purchase or production	There are 13 solar power plants planned, of which one has already been put into operation at PIK Vinkovci CRO (0.5 MWh) and one at Zvijezda (1.1 MWh) in 2023. Renewable fuels, including solid biomass, biogas and solar energy, make up 17 % of the energy mix used for energy production at the Group.
Energy efficiency through rational use and investment in more efficient equipment	10 % by 2025 compared to 2022	Total energy consumption is reduced by 5 % compared to 2022

Improving the ways in which we use resources and manage waste - from food to packaging		
Use of 100% reusable, recyclable or compostable packaging	100 % by 2030	The Group currently uses up to 50 % of recyclable packaging. A detailed preparation for the new regulation on sustainable packaging and packaging waste will be carried out in 2024 and a specific objective will be set for the use of each material.
Reduce the use of plastics	2030: 20 % 2040: 30 %	Compared to 2022, the use of plastics in the Food Division has been reduced by 2.70 % in 2023. These objectives have yet to be set for the Retail and Agriculture Divisions. An analysis of the types of packaging currently used is underway, and additional work is being done on procurement guidelines and packaging design.
Increase the use of recycled materials	2030: 30 % 2040: 40 %	In 2023, the percentage of recycled material in packaging was 26.4 %.
Sort waste with the aim of reducing the amount sent to landfill and diverting it as much as possible for recycling or energy recovery	Keep reducing the amount of waste sent to landfill (targeting zero waste)	In 2023, 15 % of waste was sent to landfill and 71 % was recycled and composted. 7 % of waste was incinerated, with energy recovery.
Reduce food waste	20 % reduction by 2030 compared to 2022	In 2023, total food waste was reduced by 4.07 %. At the same time, donations of food increased by more than 15 %.

Key topics and progress in 2023

Improving the quality of living through quality food – increasing the assortment and own production of health food and functional products, focusing on traceability and short supply chains as well as on promoting local producers		
Work continuously to increase the range and sales of <i>better-for-you</i> products (healthy, improved and functional products)	30 % by 2030	The share of <i>better-for-you</i> ⁹ products in the private-label brand's range in 2023 was 27 %. In the Food Division ¹⁰ , the share of better-for-you products in the total range was 29 % in 2023, and in the Agriculture Division 39 % ¹¹ .
Increase local/regional sourcing in relation to the private-label brand	2030: 70 %	In 2023, the proportion of local/regional sourcing in the private-label brand was 73 %.
Increase sales of private-label products with alternative (plant-based proteins) Planet of Plants	2030: Planet of Plants – 2,5 % share in the net sales in the Food Division	The Planet of Plants share of net sales in 2023 amounted to 0.11 %.
Objectives by 2030: Focus on traceability and support to certified production	Oil Group – palm oil and fat (stearin) By 2025: 10 % reduction in use, by 2027: 20 % reduction, by 2030: 30 % reduction	In 2023, 13 % less than the previous year
	Vinka and PIK Vinkovci – maintain a level of 70 % of certified fresh fruit and vegetables, depending on availability, and gradually increase it	The share of certified fresh raw materials (fruit and vegetables) at Vinka was 72.9 % in 2023
	PIK Vrbovec CRO – pea protein and sunflower protein – 100 % certified	In 2023, 100 % certified products
	Belje – 100 % local milk, depending on availability	In 2023, almost 98 % of the milk was Croatian, of which 80 % was "Milk from Croatian Farms" from Vupik and Belje, and the rest from small local farmers.

⁹ The current share also includes items from the fruit and vegetables and fresh meat and fish ranges. In the coming period we plan to introduce separate monitoring of the above categories.

¹⁰ Not including the Roto dinamic company.

¹¹ Considering the nature of the activity, only industrial goods were taken into account, not raw materials.

Objectives by 2030: Focus on traceability and support to certified production	PIK Vrbovec CRO – maintain the level of 70 % "Meat from Croatian Farms" depending on availability	In 2023, the share of "Meat from Croatian Farms" in the total sales of pork and beef was 71 %.
	Private-label brand – coffee, cocoa, tea, rice, nuts, fish	
	EU (Slovenia, Croatia): by 2027 at least 25 % of products will contain certified raw materials; by 2023 at least 40 %	Data monitoring is currently being established and will be available from 2025.
	Outside EU (Serbia, Bosnia and Herzegovina, Montenegro): by 2027 15 % of products will contain certified raw materials; by 2023 at least 25 %	
	Private-label brand – eggs: EU (Slovenia, Croatia): from 2025 there will be no eggs from caged hens	Countries outside the EU (Bosnia and Herzegovina, Montenegro, Serbia): a very small percentage of eggs are free range, and the percentage will gradually increase. In Slovenia, there are no private-label brand eggs from caged hens. In Croatia, such eggs accounted for 38 % of all private-label brand egg sales in 2023.
Improve consumer awareness of food	Private-label brand – milk and meat: 80 % local and regional	SLO 24 % lokalno, SRB 100 % lokalno. Mlijeko – CRO 100 % lokalno, SLO 87 % lokalno, SRB 46 % lokalno, BiH 100 % lokalno.
	Trgovačka marka – perad: 100 % lokalno/regionalno	Poultry – private-label brand (CRO, SLO, SRB): producers were 100 % local in 2023.
	At least two projects per company per year	Has been in place for several years – several examples available in the report.
	Prepare a code of conduct for suppliers and implement supplier assessment against ESG criteria	The Supplier Code of Conduct was approved on 26 February 2024, and the supplier assessment will commence some time in 2024.
	Develop Group policies on sustainability and material topics (Water Management Policy, Human Rights Policy, Animal Welfare Policy, Sustainable Development Policy)	The policies are currently being prepared

Key topics and progress in 2023

Implementing efficient management and reduction of impact on water and soil		
Develop initiatives to reduce the use of chemicals (pesticides)	Achieve a 32 % reduction by 2030 compared to the average of 2015, 2016 and 2017	In 2023, an analysis was made on five cultures across three companies and a reduction of 39 % was determined compared to 2022. In 2024, a comprehensive analysis will be made in relation to the set goal.
Achieve effective fertiliser management: reduce mineral fertiliser use and increase the use of organic ones	By 2030 – a 39 % reduction compared to 2012	Since 2012, the use of mineral fertilisers decreased by an average of 3 % per year, depending on weather conditions, so by 2023 the total reduction was 27 % compared to 2012. At the same time, the areas on which organic fertilisation is applied have increased, and compared to 2012, there are 2.5 times more areas under organic fertilisation (in ha). The share of organic fertilisation amounts to 14 %.
Focus on the use of precision farming tools and irrigation, with the aim of increasing yield and reducing the impact of climate change	The yield is on average 30 % higher than in years when no irrigation or precision farming was used.	Investments for the purchase of irrigation systems for over 850 ha were approved and started in 2023. Yield data will be monitored once the irrigation investment is in place.
Reducing water consumption	In the Agriculture and Food Division by 10 %, and in the Retail Division by 7 %; increasing water reclamation by 5 % by 2030	In the Agriculture and Food Divisions, water use is 5 % lower than last year. Water use in the retail segment increased by 1 %. In 2023, the total amount of reclaimed water was 36 million litres, representing 0.5 % of total water use.

Encouraging and supporting improvements of living standards on all markets in order to have a positive impact on the recovery of the region in which we operate		
Improve quality of life and standard of living	Objective 1 – short term: Move all employees above the minimum pay grade/ salary point (salaries that are -20 % of the median).	The short-term objective (Objective 1) covers around 15 % of the workforce, mainly in retail. In 2024, monitoring of the realisation of goals will be introduced.
	Objective 2 – medium term: Extend the above to reach -15 % of the median as the minimum point of the salary range.	
	Objective 3 – long term: Reach the median salary	
Diversity, equity, and inclusion		
Equal pay for equal work – equalising pay for women and men	Analysis and implementation of corrective actions in 2024	The analysis was conducted on the average salary for the same positions by gender, and a total of EUR 3.5 million was approved to implement the initiative in 2024.
Implement a policy of inclusion, fairness and diversity	To be implemented in 2023	The policy was adopted, and companies annually submit plans, i.e. initiatives focused on three topics: gender equality, disability, and work-life balance.
Gender equality	50 % of women in managerial positions	In 2023, the number of women in management positions increased by 4 % compared to the previous year, reaching a total of 37 %.
Employment of people with disabilities and improved cooperation with companies employing people with disabilities	Year-on-year increase	The number of people with disabilities working with the Group rose from 1,333 in 2022 to 1,360 in 2023.
Employee health and safety	Aim for zero accidents at work	In 2023, there were 919 accidents at work, 3 % fewer than the previous year.

In conclusion, through seven key topics, sustainability is part of the overall business strategy of Fortenova Group, i.e. one of its three key business pillars, the second pillar of which defines digital innovation and sustainability as key tools for improving and strengthening the company's value. In the coming years, we therefore expect an even stronger focus on those processes and activities that will lead to stronger sustainable growth and development of the Group.

Risks and opportunities related to environmental, social and governance aspects

Integrating sustainable development factors into business strategy and risk management processes helps to build resilience, improve competitiveness, and create long-term value for all stakeholders.

Sustainable development risks arise from the following factors:

E	Environmental risks refer to the interaction of companies with the environment and include impacts on climate change, pollution of water and marine resources, threats to biodiversity, etc.
S	Social risk management includes promoting a safe and healthy working environment, ensuring equal opportunities and fair treatment for all employees, and ensuring that supply chain practices are ethical and sustainable.
G	Risks related to governance include various factors related to the structure, behaviour and decision-making processes within the company's senior management, ethical behaviour and integrity, transparency, conflicts of interest, etc.

Identifying opportunities in risk management is a key aspect of managing a business in a way that not only recognises potential threats, but also actively seeks ways to create additional value and progress. Opportunities include initiatives that are most often associated with necessary investments, different regulatory requirements in individual markets, new technologies, etc.



Risk management is structured at Group level within the Internal Audit department through the Risk Map. Risks are also discussed on a quarterly basis at the Executive Directors' meetings and the risk map is being updated at least once a year based on information obtained from all markets and from all companies. The risks within the Map are identified as strategic, related to IT, operational, legal/regulatory, financial and related to hazards, with each area containing associated individual sub-risks.

There are currently more than 80 risks identified in the Map, but it is important to note that not all risks are relevant to all divisions, nor is the likelihood of them occurring the same for all divisions. The largest number of significant risks were identified in the Food Division, related to market competitiveness, adapting to new consumer demands, and limiting continued investment in innovation. In the Food and Retail Divisions, the risks associated with rising raw material and energy costs and increasing labour shortages are increasingly important, while in the Agriculture Division, in addition to the risks mentioned above, there are significant risks associated with natural disasters and climate change.

Once risks have been identified and assessed, it is essential to define concrete strategies, i.e. appropriate procedures for responding to recognized risks. Operating companies can seek to mitigate risks in one of four ways:

- Risk avoidance (elimination, withdrawal, or non-intervention) involves the complete elimination of the risk.
- Risk reduction (optimisation, mitigation) involves activities designed to reduce the likelihood of the risk occurring and/ or the impact of the risk if it does occur. This includes making day-to-day business decisions, such as implementing controls, creating plans for monitoring indicators that signal risk, and developing action plans that can be activated quickly after a risk occurs.

Risks and opportunities related to environmental, social and governance aspects

- Risk sharing (transfer, sharing, outsourcing or insurance) involves the transfer of risk through the purchase of insurance or outsourcing.
- Acceptance of risk implies passive action in response to potential risks. The current level of risk is accepted rather than using resources on one of the alternative risk response strategies.

In the context of the Risk Map, risk reduction is the most commonly implemented mitigation measure. Possible measures include the establishment of processes and process steps, definition of procedures, application of IT solutions, establishment of monitoring, etc. It is important to emphasise that risk management is not just a one-off activity, but an ongoing process that requires constant review and adjustments of the Risk Map to ensure the optimum level of protection and business functionality.

From 2022, the strategic risks recognise the transitional climate risk arising from the economic, environmental, and social transition to a low-carbon and climate-friendly economy. In the risk assessment process in 2023, the transitional climate risk was rated medium in the Risk Map.

Of other risks related specifically to the environment, there is the operational risk arising from possible environmental incidents and the risk related to the danger of weather changes, natural disasters, etc. In 2023, the following sustainable development risks were added:

- Acute and chronic climate risks: in the risk assessment process in 2023, these were identified as high priority in the companies of the Agriculture and Food Divisions and as low priority in the Retail Division. In order to understand different aspects of climate risks and their impact on companies, a separate, detailed analysis of physical and transitional climate risks was carried out (dealt with in the chapter Risks and opportunities related to environmental aspects).
- Risks related to sustainable packaging requirements: assessed as average (medium) priority in the 2023 risk assessment.

A workshop on sustainable packaging was organised in 2023 with the participation of all operating companies. In 2024, it is planned to start the process of analysing the packaging currently used and researching alternative solutions with the aim of improving quality in line with the forthcoming Sustainable Packaging Directive.

- Risks related to supplier assessment: in the 2023 risk assessment, they were assessed as average (medium) priority. In order to reduce this risk, Fortenova Group Supplier Code of Conduct was adopted in early 2024. Its main purpose is to ensure that suppliers conduct their business in a manner that promotes core values such as business ethics, fair working conditions and respect for human rights. Suppliers' compliance with the Code will be assessed by means of analyses or questionnaires and, if necessary, on-site audits.

It is important to note that 14 companies of Fortenova Group are holders of the international ISO 14000 standard¹², the main requirement of which is the identification of risks and opportunities related to the environmental aspects of the activities, products and services performed by the organisation.

Risks and opportunities related to environmental aspects

Climate change is one of the greatest challenges that the modern society is facing. It brings with it long-term and diverse negative impacts, such as extreme weather conditions, rising sea levels, changes in biodiversity, threats to food and water supplies, etc. The company therefore supports EU initiatives related to the European Green Deal and the Paris Agreement and its goal – limiting the global warming to 1.5 °C compared to pre-industrial levels.

In addition to the assessment of the impact of climate risks already carried out as part of the Risk Map, in 2023 a system was developed based on guidelines of the Task Force on Climate Related Financial Disclosures (TCFD). An analysis of climate risks was carried out across the Group's four business segments

(Retail, Food, Agriculture and Non-Core Businesses and other), i.e. its 36 operating companies. It included the identification of physical and transitional climate risks, a detailed assessment of the financial impact of these risks, and the identification of adaptation measures and the associated costs.

To better understand the nature of the challenges we face and to prepare for future events as we move towards a more sustainable future, the impact of climate risks on operating companies was assessed against two IPCC scenarios¹³:

- RCP¹⁴ 4.5 (2 – 3 °C by 2100)
- RCP 8.5 (> 4 °C by 2100).

The analysis was conducted in accordance with the Climate Risk Vulnerability Analysis (CRVA), which includes the following steps:

- Assessing the sensitivity of the company's operations to climate risks
- Estimating the company's exposure due to its location
- Determining the company's vulnerability, which is obtained by multiplying sensitivity and exposure
- Assessing the materiality of the risks, taking into account the likelihood of the risk materialising and its financial significance.

The financial impact of risks on operations was monitored using quantitative financial indicators. The financial impact of implemented and planned adaptation measures was also considered.

A materiality framework was used to categorise climate risks within the operating companies into four levels: low, medium, high and extreme materiality.

¹² Energija Gradec, Belje, PIK Vinkovci, Vupik, Agrolaguna, Dijamant, Jamnica CRO, PIK Vrbovec CRO, Zvijezda CRO, Mg Mivela, Sarajevski kiseljak, Konzum CRO, Mercator SRB, Mercator SLO.

¹³ IPCC Intergovernmental Panel on Climate Change) has developed various scenarios to investigate possible future events related to climate change, such as Greenhouse Gas Concentration Scenarios or Representative Concentration Pathways (RCPs).

¹⁴ RCP – Greenhouse gas W/m² relative to pre-industrial levels.

Risks and opportunities related to environmental, social and governance aspects

Risks related to environmental aspects – physical climate risks

Within the physical climate risk group, acute physical climate risks¹⁵ and chronic physical climate risks¹⁶ have been identified. The analysis of physical climate risks showed that these risks had the greatest impact on the Agriculture Division. Due to the complexity of the Agriculture Division, the company analyses were carried out in several segments, such as arable farming, livestock,

viticulture, industry, etc. This division is followed by Food and Retail, while no impact of physical climate risks was identified for Non-Core Businesses.

The images provide a visual representation of the materiality of physical climate risks to the business segments and the identification of opportunities.

15 Acute physical climate risks – drought, frost, flooding, storms, hail, increase in extreme precipitation, fire, heat waves, landslides.
16 Chronic physical climate risks – sea level rise, saltwater intrusion, increase in average air temperature, changes in winds, water scarcity, changes in type and frequency of precipitation, soil erosion, ocean acidification, food shortages.

Impact of acute physical climate risks on the activities of Fortenova Group

		Agriculture		Food		Retail		Non-Core Businesses & Holding	
1 ACUTE PHYSICAL CLIMATE RISKS		Risk	Opportunity	Risk	Opportunity	Risk	Opportunity	Risk	Opportunity
1.1 Drought	RCP 4.5	● EXTREME	● YES	● EXTREME	● YES	● LOW	● NO	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● EXTREME	● YES	● MEDIUM	● YES	● LOW	● YES
1.2 Frost	RCP 4.5	● EXTREME	● YES	● HIGH	● YES	● LOW	● NO	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● HIGH	● YES	● LOW	● YES	● LOW	● YES
1.3 Flood	RCP 4.5	● EXTREME	● YES	● LOW	● NO	● MEDIUM	● YES	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● LOW	● NO	● HIGH	● NO	● LOW	● YES
1.4 Windstorm	RCP 4.5	● EXTREME	● YES	● MEDIUM	● YES	● LOW	● YES	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● HIGH	● YES	● LOW	● NO	● LOW	● YES
1.5 Hail	RCP 4.5	● HIGH	● YES	● HIGH	● NO	● LOW	● NO	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● EXTREME	● NO	● LOW	● NO	● LOW	● YES
1.6 Increase in extreme precipitation	RCP 4.5	● HIGH	● YES	● EXTREME	● YES	● LOW	● YES	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● EXTREME	● YES	● MEDIUM	● NO	● LOW	● YES
1.7 Fire	RCP 4.5	● EXTREME	● NO	● EXTREME	● NO	● EXTREME	● NO	● LOW	● YES
	RCP 8.5	● EXTREME	● NO	● EXTREME	● NO	● EXTREME	● NO	● LOW	● YES
1.8 Heat wave	RCP 4.5	● EXTREME	● YES	● EXTREME	● YES	● LOW	● NO	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● EXTREME	● NO	● LOW	● NO	● LOW	● YES
1.9 Landslide	RCP 4.5	● LOW	● YES	● LOW	● NO	● LOW	● NO	● LOW	● YES
	RCP 8.5	● LOW	● YES	● LOW	● NO	● LOW	● NO	● LOW	● YES

Risks and opportunities related to environmental, social and governance aspects

Impact of chronic physical climate risks on the activities of Fortenova Group

		Agriculture		Food		Retail		Non-Core Businesses & Holding	
2 CHRONIC PHYSICAL CLIMATE RISKS		Risk	Opportunity	Risk	Opportunity	Risk	Opportunity	Risk	Opportunity
2.1 Sea level rise	RCP 4.5	● LOW	● NO	● LOW	● NO	● MEDIUM	● NO	● LOW	● NO
	RCP 8.5	● LOW	● NO	● LOW	● NO	● MEDIUM	● YES	● LOW	● NO
2.2 Saltwater intrusion	RCP 4.5	● LOW	● NO	● LOW	● NO	● LOW	● NO	● LOW	● NO
	RCP 8.5	● LOW	● NO	● LOW	● NO	● LOW	● YES	● LOW	● NO
2.3 Increase in average air temperature	RCP 4.5	● EXTREME	● YES	● EXTREME	● NO	● LOW	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● EXTREME	● NO	● LOW	● NO	● LOW	● NO
2.4 Changes in winds	RCP 4.5	● EXTREME	● YES	● LOW	● NO	● LOW	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● LOW	● NO	● LOW	● NO	● LOW	● NO
2.5 Water scarcity	RCP 4.5	● EXTREME	● YES	● EXTREME	● YES	● LOW	● NO	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● EXTREME	● YES	● MEDIUM	● NO	● LOW	● NO
2.6 Changes in type and frequency of precipitation	RCP 4.5	● EXTREME	● YES	● EXTREME	● YES	● LOW	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● EXTREME	● YES	● LOW	● NO	● LOW	● NO
2.7 Soil erosion	RCP 4.5	● LOW	● YES	● EXTREME	● NO	● LOW	● NO	● LOW	● NO
	RCP 8.5	● LOW	● YES	● EXTREME	● NO	● LOW	● NO	● LOW	● NO
2.8 Ocean acidification	RCP 4.5	● LOW	● NO	● LOW	● NO	● LOW	● NO	● LOW	● NO
	RCP 8.5	● LOW	● NO	● LOW	● NO	● LOW	● NO	● LOW	● NO
2.9 Food shortages	RCP 4.5	● EXTREME	● YES	● EXTREME	● YES	● EXTREME	● NO	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● EXTREME	● YES	● EXTREME	● NO	● LOW	● NO

Risks and opportunities related to environmental, social and governance aspects

The risks associated with fire, drought, water and food shortages had the most significant financial impact on the business segments.

Property insurance was highlighted as an important risk-adjustment measure. In 2023, 18 operating companies within Fortenova Group (45 % of the total) were affected by extreme weather conditions. The total number of reported damages to property, vehicles, crops, and plantations was 385, three times higher compared to 2022, when there were 110 reported cases of damage. Reported acute extreme weather events included storms, hail, spring frosts, fires, and floods.

The increase in reported damage is expected, given the significant consequences of the large storm that affected the Zagreb area and eastern Croatia and the heavy floods that hit Slovenia during the summer of 2023.

The storm caused damage to 28 Tisak and 46 Konzum CRO points of sale as well as to buildings, equipment, and the environment in the PIK Vrbovec CRO and Jamnica CRO factories. The reports included damage to building roofs, fences, trees, and company vehicles. In the Požega-Slavonija and Osijek-Baranja counties, damage to crops was reported in 10 facilities of the Belje plus company. The PIK Vinkovci and Vinka companies also suffered damage to crops, building structures, electrical installations due to falling trees and equipment inside factory complexes, with additional damage caused by water seeping into production facilities due to leaks.

In August 2023, Slovenia was hit by catastrophic flooding that resulted in the temporary closure and damage of eight Mercator SLO points of sale.

It is important to note that the effects of chronic climate change were not recorded in 2023.

Opportunities related to environmental aspects – physical climate risks

In analysing climate risks, the operating companies also identified potential opportunities arising from these risks. Among the opportunities identified were strategies such as the transition to the use of renewable energy sources, the implementation of water recycling systems, and rainwater harvesting techniques aimed at reducing water consumption.

Companies also identified the potential to increase market competitiveness through sustainable practices and diversification of business activities, including harmonisation with standards and regulations and the needs of a market that increasingly values environmentally friendly products and services.

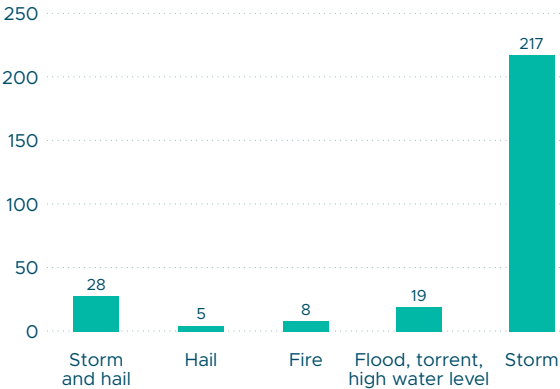
Risks related to environmental aspects – transitional climate risks

Transitional climate risks include risks related to:

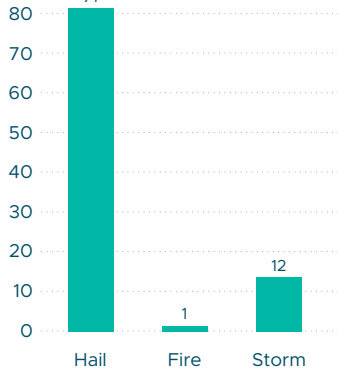
- Policies and regulatory framework, which include potential increases in fees related to greenhouse gas emissions, strengthened emissions reporting requirements, legislation applicable to existing products, potential litigation, monitoring and fines, and upcoming changes in the regulatory framework
- Technology, which includes risks associated with the replacement of existing products and services with lower-emitting alternatives, the potential failure of investments in new technologies and the costs of transitioning to technologies that reduce emissions
- The market, which includes changes in customer behaviour, uncertainty of market signals and increased raw material and energy costs
- Reputation, which includes risks related to potential negative stereotyping of the sector, negative stakeholder feedback, and employee relations.

A large number of risks with high and extreme degrees of materiality were identified when analysing the Agriculture Division. These risks span a wide range of transition segments, from political and regulatory to technological, reputational, and market aspects. It is not surprising that the financial aspects of this business segment point to significant costs given the negative stakeholder perceptions and the risk of rising greenhouse

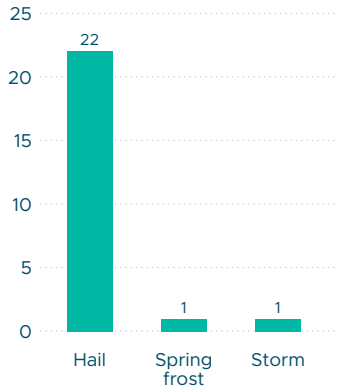
Cases of property damage in 2023



Cases of damage to vehicles in 2023



Cases of damage to crops and plantations in 2023



Risks and opportunities related to environmental, social and governance aspects

gas emission fees associated with agricultural activity, since the public often associates it with intensive resource use, biodiversity loss, soil degradation, and greenhouse gas emissions.

The greatest financial significance within the Group was identified in the Retail Division, although with a smaller number of high and extremely material risks identified. The most significant financial aspects of the Retail Division were identified in the context of the risk associated with replacing existing products and

services with lower-emitting alternatives, upcoming changes in the regulatory framework and changes in customer behaviour.

Food companies are exposed to extreme and highly material risks related to reputation, market conditions, and impending regulatory changes. The possibility of altering customer behaviour has a particularly large financial impact and could necessitate research and development of new plant-based products, implementation of sustainability certificates, and other measures.

Companies engaged in non-core businesses have not yet assessed the effects of transition risks, and the Holding Company is exposed to risks associated with forthcoming regulations and increasing reporting on various sustainability segments.

The images provide a visual representation of the materiality of transitional climate risks to the business segments and the identification of opportunities.

Impact of transitional climate risks on Fortenova Group’s activities (risks related to policies and regulations, and technology)

		Agriculture		Food		Retail		Non-Core Businesses & Holding	
TRANSITIONAL RISKS		Risk	Opportunity	Risk	Opportunity	Risk	Opportunity	Risk	Opportunity
1.1 Increased price of GHG emissions allowances	RCP 4.5	● EXTREME	● YES	● LOW	● YES	● EXTREME	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● LOW	● YES	● EXTREME	● YES	● LOW	● NO
1.2 Increased emissions reporting requirements	RCP 4.5	● HIGH	● YES	● LOW	● YES	● LOW	● YES	● LOW	● YES
	RCP 8.5	● HIGH	● YES	● MEDIUM	● YES	● LOW	● YES	● LOW	● YES
1.3 Legislation applicable to existing products and services	RCP 4.5	● MEDIUM	● YES	● EXTREME	● NO	● LOW	● YES	● LOW	● NO
	RCP 8.5	● HIGH	● YES	● EXTREME	● NO	● LOW	● YES	● LOW	● NO
1.4 Potential litigation, supervision and fines	RCP 4.5	● LOW	● YES	● LOW	● YES	● LOW	● YES	● LOW	● NO
	RCP 8.5	● MEDIUM	● YES	● LOW	● YES	● LOW	● YES	● LOW	● NO
1.5 Upcoming regulatory changes	RCP 4.5	● HIGH	● YES	● EXTREME	● YES	● EXTREME	● YES	● EXTREME	● NO
	RCP 8.5	● HIGH	● YES	● EXTREME	● YES	● EXTREME	● YES	● EXTREME	● YES
2.1 Replacement of existing products and services with lower-emitting alternatives	RCP 4.5	● EXTREME	● YES	● MEDIUM	● NO	● EXTREME	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● MEDIUM	● NO	● EXTREME	● YES	● LOW	● NO
2.2 Failed investments in new technologies	RCP 4.5	● EXTREME	● YES	● LOW	● YES	● LOW	● NO	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● LOW	● YES	● LOW	● NO	● LOW	● YES
2.3 Costs of transitioning to technologies that reduce emissions	RCP 4.5	● EXTREME	● YES	● EXTREME	● YES	● LOW	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● EXTREME	● YES	● MEDIUM	● YES	● LOW	● NO

Risks and opportunities related to environmental, social and governance aspects

The impact of transitional climate risks on Fortenova Group’s activities (risks related to the market and reputation)

		Agriculture		Food		Retail		Non-Core Businesses & Holding	
TRANSITIONAL RISKS		Risk	Opportunity	Risk	Opportunity	Risk	Opportunity	Risk	Opportunity
3.1 Consumer behaviour shift	RCP 4.5	● EXTREME	● NO	● EXTREME	● YES	● EXTREME	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● NO	● EXTREME	● YES	● EXTREME	● YES	● LOW	● NO
3.2 Uncertainty of market signals	RCP 4.5	● EXTREME	● YES	● LOW	● YES	● LOW	● NO	● LOW	● NO
	RCP 8.5	● EXTREME	● YES	● LOW	● YES	● HIGH	● NO	● LOW	● NO
3.3 Increased raw material costs	RCP 4.5	● EXTREME	● YES	● EXTREME	● NO	● EXTREME	● NO	● LOW	● YES
	RCP 8.5	● EXTREME	● YES	● EXTREME	● NO	● EXTREME	● NO	● LOW	● YES
4.1 Negative stereotyping of the sector	RCP 4.5	● EXTREME	● NO	● EXTREME	● YES	● LOW	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● NO	● EXTREME	● YES	● LOW	● YES	● EXTREME	● NO
4.2 Negative stakeholder feedback	RCP 4.5	● EXTREME	● NO	● EXTREME	● YES	● EXTREME	● YES	● LOW	● NO
	RCP 8.5	● EXTREME	● NO	● EXTREME	● YES	● EXTREME	● YES	● EXTREME	● NO
4.3 Employee relations	RCP 4.5	● LOW	● NO	● MEDIUM	● NO	● LOW	● YES	● LOW	● NO
	RCP 8.5	● LOW	● NO	● MEDIUM	● NO	● LOW	● YES	● LOW	● NO

Risks and opportunities related to environmental, social and governance aspects

Opportunities related to environmental aspects – transitional climate risks

Identified opportunities arising from transitional risks include the application of more efficient processes in production and distribution, investments in energy-efficient technologies such as renewable energy sources, and the implementation of energy management systems. Furthermore, it was noted that while innovations in the development of products based on alternative and/or plant sources resulted in an increase in income through a growing demand for sustainable products, the reduction of greenhouse gas emissions could also lead to a reduction in the costs associated with legally defined benefits.

Risks related to social aspects

Within the Map, risks associated with human resources were identified as highly significant for Fortenova grupa d.d. and its operating companies across all business segments.

Understaffing and employee turnover can cause existing employees to become overburdened and reduce the ability to maintain business operations in the event of unforeseen absences, such as illness, annual leave, or retirement. There is also a risk of losing specialised staff such as butchers or other experts, who are key to the company’s operational processes; their loss can have a negative impact on the quality of products or services, as well

as on the efficiency of the business as a whole.

In addition to the shortage of permanent workers, there is also a shortage of seasonal workers. The reasons for this are manifold, including the high emigration rate in certain regions. As part of the strategy to reduce these risks, the company decided to increase the recruitment of foreign workers, of which there are a total of 1,930 in the Group. This initiative is a step towards diversifying the workforce and improving the organisational culture through the exchange of knowledge and experience from different cultural and professional backgrounds.

Recruitment activities take place throughout the year – from planning the required number of workers during the season to defining their income as well as recruitment activity plans and starting the process early in order to employ high-quality workers and provide for adequate income for seasonal work.

Risks related to a high employee turnover rate have been recognized as well and hence companies work on improving the total income (salaries, benefits) as well as other working conditions for the employees in line with their respective capabilities. The importance of occupational safety has also been recognized and activities are primarily aimed at preventing such risks.

Risks related to governance aspects

Governance risks such as conflicts of interest, corruption, bribery, money laundering and the like are identified as low risk in the Risk Map. Key measures to minimise these risks include the adoption of Group policies and procedures, which are also applied in the operating companies.



Stakeholder engagement and materiality assessment

Every three years, Fortenova Group carries out a mapping of the stakeholders that are important for its operations, while it also conducts annual dialogues with various stakeholder groups. Both processes provide the Group with insight into the dynamics of changing stakeholder priorities. For example, the identification and mapping of stakeholders in all markets and Group companies was carried out in 2021, and the following key stakeholders were identified:

- Consumers/customers
- Employees, unions and management
- Suppliers
- Creditors
- Government institutions and regulatory authorities
- Local administration
- Academia
- Independent experts and professional associations
- Non-governmental organisations and media.

The topics highlighted by all categories of stakeholders, in order of importance, are shown in the figure below.

The most important social topics highlighted include employee welfare, improving working conditions and providing benefits to employees, while other social issues highlighted by stakeholders include strengthening cooperation with the local community and involving stakeholders in joint projects to achieve better sustainable results, and emphasising the importance of achieving gender equality.

Stakeholders highlighted in particular the importance of efficient waste management, especially packaging and food waste, and energy efficiency, carbon footprint reduction and decarbonisation as the environmental topics that can further contribute to sustainability. Stakeholders also emphasised the importance of good corporate governance and the integration of ESG into strategic plans.



Stakeholder engagement and materiality assessment

Communication with consumers

While stakeholder round tables were held in all markets in 2022, online consumer focus groups were organised in all five markets in 2023, Croatia, Slovenia, Montenegro, Serbia, and Bosnia and Herzegovina, as the stakeholder category was not included in the round tables in the previous year.

The research was organised by structuring the respondents according to their age and generation. This categorisation was selected because of the potential impact of the life cycle on consumer attitudes and perceptions of sustainability and social responsibility. The objective of the research was to gain deeper










insight into sustainability topics that are important to the stakeholders and that they believe Fortenova Group must consider important as well. By market, the main stakeholder topics were as follows:



CONSUMER PRIORITIES	SLOVENIA	BOSNIA AND HERZEGOVINA	MONTENEGRO	SERBIA	CROATIA
1	Employee well-being	Employee well-being	Employee well-being	Sustainable, high-quality and safe products	Energy efficiency
2	Community engagement	Sustainable, high-quality and safe products	Gender equality	Decarbonisation	Community engagement
3	Sustainable, high-quality and safe products	Water management	Waste management and materials	Employee well-being	Employee well-being

OTHER STAKEHOLDERS' PRIORITIES	SLOVENIA	BOSNIA AND HERZEGOVINA	MONTENEGRO	SERBIA	CROATIA
1	Decarbonisation	Waste management	Waste management	Gender equality	Employee well-being
2	Embedding ESG priorities into company strategy	Stakeholder engagement	Gender equality	Waste management	Community engagement
3	Energy efficiency	Decarbonisation	Energy efficiency and renewable energy	Stakeholder engagement	Renewable energy

Key stakeholders' priority topics

PRIORITIES	 SUPPLIERS	 CIVIL SOCIETY ORGANISATIONS	 GOVERNMENT INSTITUTIONS	 ACADEMIA	 MEDIA	 TRADE UNIONS	 PROFESSIONAL ASSOCIATIONS	 LOCAL GOVERNMENT	 CONSUMERS
1	Decarbonisation	Waste management	Waste management	Decarbonisation	Stakeholder engagement and training	Workers' rights and employee benefits	Gender equality	Community engagement	Employee well-being
2	Waste management	Gender equality	Local products and short supply chains	Organic waste and recycling	Social inclusion	Gender equality	Embedding ESG priorities into company strategy	Waste management	Sustainable, high-quality and safe products
3	Promoting gender equality	Stakeholder engagement	Food quality	Embedding ESG into company strategy	Food waste and recycling	Stakeholder engagement	Waste management	Investments into renewable energy	Waste management and reduction of food waste
4	Stakeholder engagement	Responsible governance	Gender equality	Stakeholder engagement	Decarbonisation	Respecting workers' rights in the supply chain	Stakeholder engagement	Decarbonisation	Water and water resources
5	Energy efficiency		Water	Energy efficiency	Energy efficiency		Energy efficiency	Water	Energy efficiency
6			Embedding ESG priorities into company strategy	Gender equality	Gender equality		Short supply chains and local products	Gender equality	Stakeholder and community engagement
7				Energy efficiency					Use of local products

Stakeholder engagement and materiality assessment

The analysis showed small differences in consumer preferences compared to other stakeholders, so that consumer interest in social issues prevailed, especially the welfare of workers and concerns about product safety and quality.

Consumers in Slovenia highlighted the attitude towards workers as the most important topic, with particular reference to the need for training, benefits, wages, and physical and mental health of workers. The importance of reducing plastic and packaging materials was also highlighted, particularly in the area of eliminating plastic bags and replacing them with cloth bags. Consumers also considered working with the local community, product quality and a sustainable supply chain to be key, and saw a cause-and-effect relationship between these issues, not only because local supply chains are shorter and reduce the carbon footprint, but also because they encourage cooperation and empower the local community.

On the other hand, research shows that consumers in Croatia are becoming increasingly aware of climate change and value companies that use renewable energy sources, so energy efficiency and the use of renewable energy sources are emerging

as key topics. Similar to consumers in Slovenia, they emphasise the importance of creating good working conditions for all employees. Gender equality is considered particularly important by the younger population, even though most of them have not yet started their professional careers. For consumers in Croatia, cooperation with the local community is extremely important, as it can help build strong relationships and trust between the company and consumers. Other important topics include product quality, domestic products, water management, reduction of materials and waste, especially food waste.

In the Bosnia and Herzegovina market, the well-being of employees and the creation of good working conditions stand out as the most important topics, with satisfied employees being key promoters of the company. Other important topics include product health and safety, supplier assessment, environmental issues such as decarbonisation, energy efficiency, water management, and waste reduction, especially food waste.

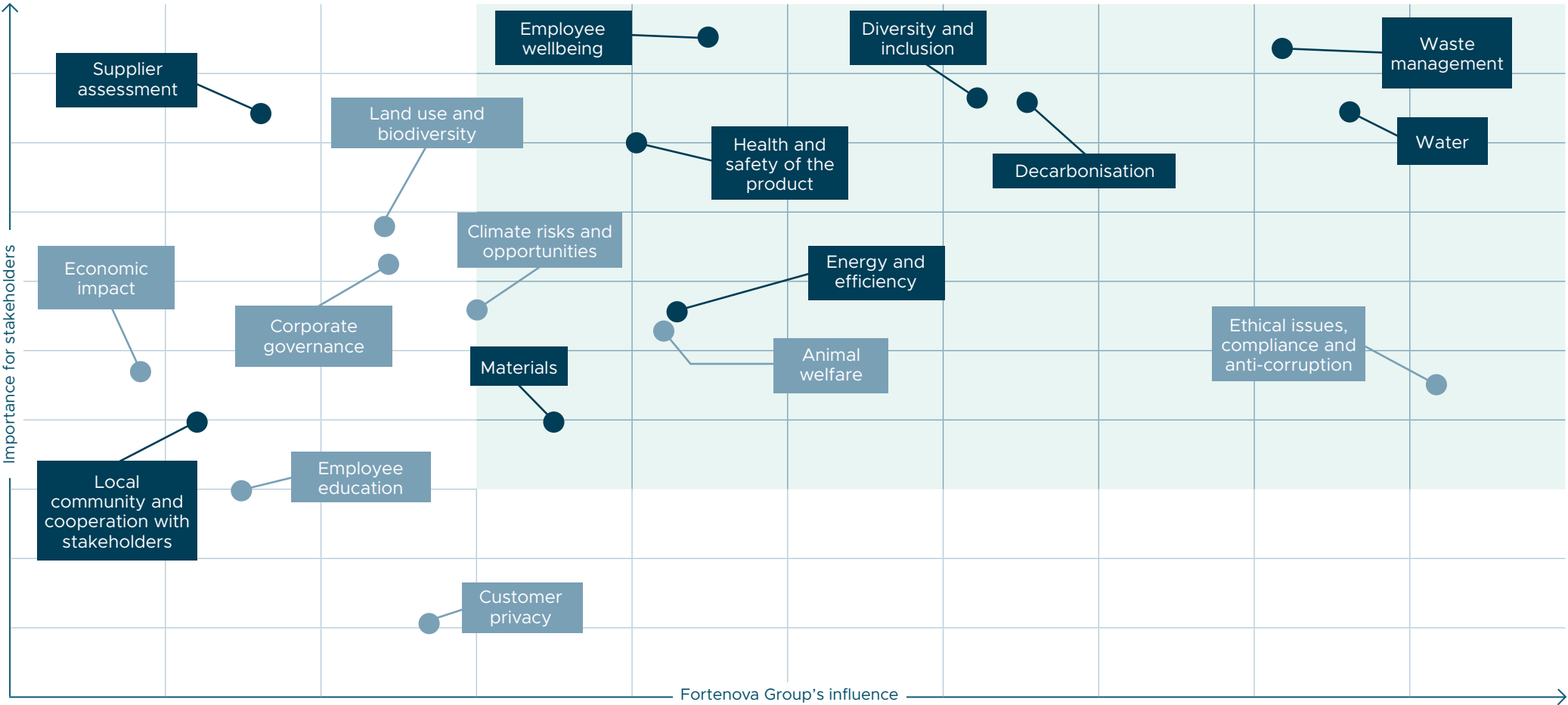
In the markets of Serbia and Montenegro, consumers emphasise the well-being of employees, with a particular focus on gender equality and the recognition of women as leaders and

good managers. As in Croatia and Slovenia, consumers in Serbia believe that cooperation with the local community significantly contributes to positive social development. In terms of environmental topics, good waste management is seen as key, especially the use of recycled materials, and decarbonisation and good management of water and water resources were also highlighted. Based on the topics that stood out as the most important in the dialogue with consumers, we successfully updated the existing materiality matrix that identifies the 18 most important topics for stakeholders. As the method we used for consumer analysis is based on qualitative rather than quantitative information gathering, we classified the topics according to their frequency in certain markets. For example, employee well-being was highlighted as an important topic in all markets, which resulted in its prominent positioning within the materiality matrix.

By combining the management’s conclusions and stakeholder views, the material topics were classified, as in the previous year, in focus categories: the higher priority category in the upper right quadrant and the lower priority category in the rest of the matrix.



ESG themes materiality matrix



Topics whose significance was updated in 2023 based on the online focus groups

Communication with stakeholders

Fortenova Group fosters comprehensive and transparent communication with different stakeholders. The communication is continuously achieved through various internal and external communication channels of the Group and operating companies. The goal is to achieve a level of quality that carefully takes into account topics important to stakeholders, thereby contributing to the improvement of business operations through transparent and mutually beneficial dialogue, and thus to strengthen partnerships.

Through the Group's numerous telephone lines and email addresses, every stakeholder has the freedom to ask any question and can expect an answer.

The Group's range of communication channels includes newsletters, PR announcements, internal communication platform Fortecom, social networks, round tables, email, telephone contacts, call centres, newsletters, magazines, bulletin boards etc. The **Fortecom** project, an internal application launched in December 2022, is particularly important in this context. The application is available to all employees of 17 companies in four countries, including Croatia, Serbia, Slovenia and Bosnia and Herzegovina. It is expected that the project will be implemented in the entire Fortenova Group in 2024. The application combines characteristics of intranets and social networks, and since it is available on mobile devices, it enables simultaneous communication between workers in all markets. Such a system allows workers to instantly share information, which will significantly improve the quality of information and establish effective two-way communication.

Consultations between human resources, workers' councils and trade unions regarding all issues concerning the status rights of employees and the processes related to labour legislation and organizational changes were also obligatorily carried out in the last reporting period. Fortenova Group and its operating companies regularly organize meetings of workers' councils and maintain constant communication with trade union representatives.

Employees as stakeholders are represented in the Management Board by a representative appointed by the workers' council.



Regular town hall meetings between the executive management of Fortenova Group, the management of its operating companies and the employees have been introduced. In 2023, a total of nine such meetings were held, where the Group's executive management and the boards of operating companies informed employees about the key elements of business operations and presented guidelines for the subsequent period.

In terms of relations with external stakeholders, Fortenova Group is actively involved in various professional associations in all the markets in which it operates. The detailed list of the associations can be found in the [Awards and Memberships](#) section. Operating companies also actively participate in legislative working groups.

Transparency of the operations and activities of the Group and its operating companies is also maintained through systematic and regular cooperation with the media as intermediaries in conveying key topics to the public.

All companies of Fortenova Group develop cooperation with the academic community, schools, faculties and scientific institutions that play a key role in further improving business operations and securing potential skilled workforce. Through numerous scholarship projects for university and secondary school students, companies are securing skilled workforce.

There are various ways of communicating with consumers – via the Internet, catalogues in stores, applications, free phone lines, and the presence of companies and brands on social networks. In the markets where the Group operates, surveys are regularly conducted in order to gain insight into the perception of companies and brands and the degree of satisfaction with the service. Among other things, such surveys are intended to assess the extent to which the benefits and the origin of a product are important to the customers, whether they support investments in socially responsible projects and whether these factors affect their loyalty to the brand or to the retailer.



3.

ENVIRONMENTAL INDICATORS

2023 SUSTAINABILITY REPORT

Climate change



Global warming is a key challenge of modern society, and it is a high priority issue for Fortenova Group in the context of its sustainable development. Given the important role that the Group plays in supporting the green transition in Southeast Europe, its long-term goal is to realise its full decarbonisation potential and take advantage of all the opportunities offered by the green transition. In accordance with the recommendations of the Intergovernmental Panel on Climate Change (IPCC) on the urgency of taking measures towards decarbonisation, during 2023 Fortenova Group has taken steps to reduce its impact on global

warming. Important steps in this process include the analysis of **climate risks and opportunities, the calculation of greenhouse gas emissions** (Scope 1, 2 and 3) and the creation of action plans to reduce emissions. More information on climate risks and opportunities can be found in the chapter [Risks and opportunities related to environmental, social and governance aspects](#).

The cooperation with the Hrvoje Požar Energy Institute, which began in 2022, continued in 2023, and action plans for reducing the carbon footprint are expected to be finalised in 2024.

Last year was marked by a significant improvement of the data monitoring system for calculating the carbon footprint, as well as by determining the main sources of emissions for Scopes 1, 2 and 3 and finalising the complete calculation for 2022, which is explained in more detail in the [Energy and Emissions](#) chapter.

In the next couple of years the company is planning to initiate the verification of GHG emissions in accordance with the Science Based Targets initiative (SBTi) – an initiative for the reduction of GHG emissions founded on science-based targets.

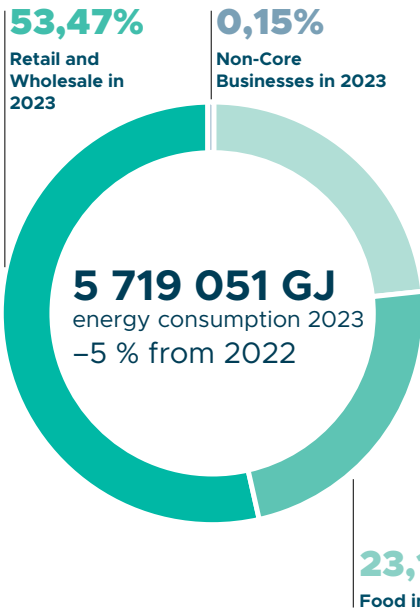
Energy and emissions

Responsible and sustainable energy management is a key element of the green transition, as well as a significant aspect of controlling energy costs in business. Achieving energy efficiency is one of the Group’s priorities, and in 2023, projects were launched with the aim of increasing the share of renewable energy sources in total consumption.

The Group currently operates two integrated solar power plants, located in PIK Vinkovci and Zvijezda, which jointly generate 1014.57 GJ of electricity. However, the generation of electricity in solar power plants does not stop there. Additional integrated solar power plants are under construction in PIK Vinkovci, Belje, Roto dinamic and Konzum CRO, and it is expected that in 2024 construction will also start at the locations of Vupik, Jamnica and Mercator SRB, with the power plants being in operation in 2025. Thus, the total number of power plants in operation in 2025 could be 36, at 10 different locations. Next in plan is to build 12 more solar power plants at the locations of Konzum CRO, PIK Vrbovec CRO and PIK Vinkovci. The estimated installed power of all the mentioned power plants is 24 MW.

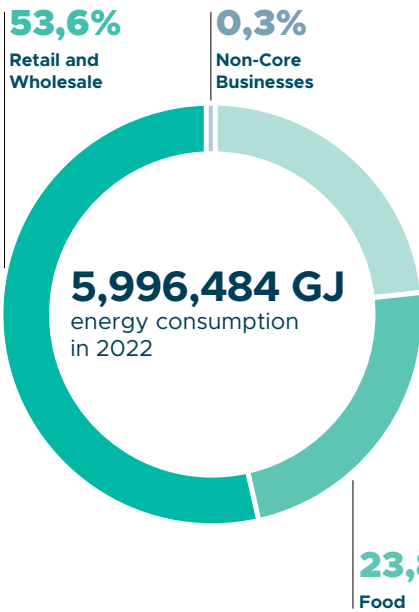
Energy consumption

Distribution of energy consumption by business divisions



The energy consumption in Group companies amounted to 5,719,051 GJ in 2023, which is a decrease of 5 % compared to the previous year, when the consumption was 5,996,485 GJ. The Retail and Wholesale Division is still the most energy-intensive sector, accounting for 54 % of the Group’s total energy consumption. In accordance with the GRI Disclosure 302-1, sold energy in the amount of 309,452 GJ has been excluded from the energy consumption calculation. The Group’s total energy sold is also the total energy sold by Energija Gradec and amounts to 309,452 GJ.

Renewable fuels, including solid biomass and biogas, account for 17 % of the energy mix used within the Group.



The calculation of total electricity consumed includes the electricity purchased from external distributors and the electricity produced at the location, which is also consumed within the company. Diesel, gasoline, heating oil, liquefied petroleum gas (LPG), compressed natural gas (CNG), blue diesel, and similar fuels are also included in the calculation of non-renewable fuels. The calculation of renewable fuels includes biomass and biogas. Thermal energy includes thermal energy purchased from heating plants as suppliers. The total energy consumption is the sum of the consumption of electricity, renewable and non-renewable energy products and thermal energy.

Energy and emissions

Total consumption of energy products and energy at Fortenova Group

Energy consumption and energy product consumption in GJ	Agriculture in 2023	Agriculture in 2022	Food in 2023	Food in 2022	Retail and Wholesale in 2023	Retail and Wholesale in 2022	Non-Core Businesses in 2023	Non-Core Businesses in 2022	Total in 2023	Total in 2022
Energy products consumption										
non-renewable fuels	455,958.20	380,427.00	624,268.16	724,107.00	678,173.98	740,853.00	2,204.42	6,528.00	1,760,604.77	1,851,915.00
renewable fuels	682,803.47	780,799.00	280,978.00	274,174.00	3,167.00	4,228.00	0.00	0.00	966,948.47	1,059,201.00
Energy consumption										
electricity	155,451.15	155,936.00	411,968.81	428,774.00	2,239,006.93	2,297,770.00	6,328.00	8,882.00	2,812,754.89	2,891,362.00
thermal energy/heat	35,853.54	19,451.00	5,194.24	1,161.00	137,695.27	173,362.00	0.00	33.00	178,743.05	194,007.00
Total	1,330,066.36	1,336,613.00	1,322,409.21	1,428,216.00	3,058,043.18	3,216,213.00	8,532.42	15,443.00	5,719,051.18	5,996,485.00
share (%)	23.26	22.30	23.12	23.80	53.47	53.60	0.15	0.30	100.00	100.00
Sold energy	309,452.14	324,446.00								309,452.14 324,446.00

Note: Fortenova Group neither buys nor sells cooling energy or so-called district cooling if the cooling energy is not generated at the locations of Group companies.

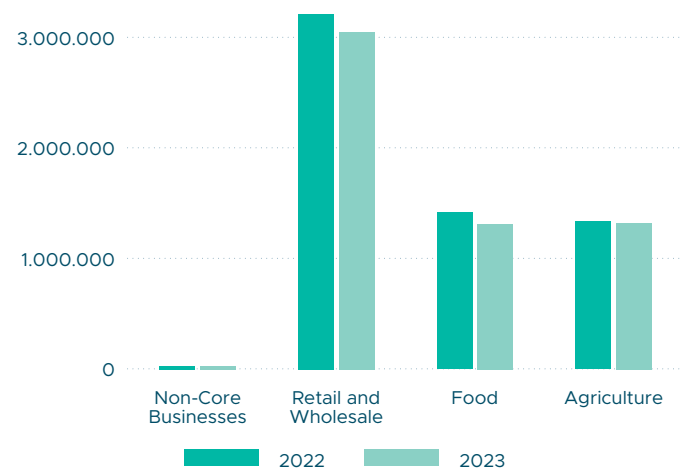
There was a drop in total energy consumption in all divisions. The consumption of electricity decreased by 3 % compared to 2022, while the consumption of non-renewable energy sources such as gasoline, diesel, liquefied petroleum gas and natural gas decreased by 5 %

However, at the same time, the consumption of renewable energy sources decreased by 9 % at the Group level. The largest decrease, of 25 %, occurred in retail and wholesale companies, and the key reason for the decrease is that Konzum BIH did not report its biomass consumption this year. Namely, in 2022, Konzum BIH based this information on an estimate, given that it does not monitor the amount of biomass consumed, but only keeps records of procurement costs. Since a

year earlier this amount was estimated, it was decided that the estimation will not be done in 2023 due to the current impossibility of verifying the data. However, the possibility of introducing a system for better data monitoring will be considered in the future.

In the Agriculture Division, there was a 13 % drop in the consumption of renewable energy sources, especially in Energija Gradec, which produces electricity from biogas. Namely, in the first six months of 2023, the company faced a shortage of raw materials, and a large number of plant failures were recorded, the repair of which required a temporary stoppage of production, which additionally affected the reduction of energy consumption. The production processes in that company

Energy consumption by business divisions in GJ



were additionally slowed down because of the overhaul of the by-product sterilizer.

The analysis of the attached table shows an overall decrease in energy consumption in Fortenova Group. As indicated, the largest decrease, of 5 %, was recorded in the Retail and Wholesale Division, while in the Food and Agriculture Divisions the decrease was smaller, amounting to 0.5 % in both areas.

Energy reduction initiatives

Fortenova Group systematically implements strategies aimed at reducing energy consumption, and below you can read more about related activities by business division.

In larger retail companies¹⁷, in the context of sustainable business, energy saving is becoming imperative. The code of conduct on energy consumption is a key document that provides detailed guidelines for efficient management of energy consumption. Reducing energy costs includes reasonable regulation of temperature in stores, rational use of lighting and systematic switching off of external and internal lighting after working hours. In addition, the optimization of cooling systems, such as installing doors on display cabinets and replacing old refrigerators, represents a key step in reducing energy losses. The introduction of LED lighting, the reduction of the number of lighting fittings and the integration of solar power plants into the company's energy system further improve financial savings and overall business sustainability. All these measures not only contribute to economic efficiency, but also reduce the carbon footprint of companies in the trade sector, which is why all these initiatives resulted in energy savings of 6 % in larger retail companies listed in the footnote.

In food companies¹⁸, energy saving is becoming essential for increasing the efficiency and sustainability of business. The code of conduct on energy consumption, applicable in all companies, optimizes temperature and lighting. The installation of compressors with higher capacity and economisers on boilers in PIK Vrbovec CRO and the replacement of a steam boiler with hot pipes in Agrolaguna significantly contribute to a more efficient use of energy and cost reduction. These measures are part of a comprehensive approach to energy saving in the Food Division, simultaneously increasing economic efficiency and preserving the environment. The initiatives resulted in energy savings of 1 % in the companies listed in the footnote, but not in all companies within the scope.



In order to improve energy efficiency **in the Agriculture Division¹⁹**, a code of conduct on energy consumption is being introduced, which makes the optimization of temperature and lighting obligatory. The implementation of new boiler rooms, the modernization of vehicles and the installation of devices for reactive power compensation are encouraged. Replacing the

lighting with LED lighting and building solar power plants for self-consumption is also planned. As in other business divisions, the measures encourage active participation of agricultural companies in reducing energy consumption and protecting the environment, so the initiatives resulted in energy savings of 2 % in the companies in the footnote.

17 Konzum CRO, Konzum BiH, Mercator SLO, Mercator SRB, Idea MN, Tisak.
18 Zvijezda CRO, Dijamant, PIK Vrbovec CRO, Jamnica CRO, Sarajevski kiseljak, Agrolaguna, Mg Mivela, Roto dinamic.
19 Belje, Vupik, PIK Vinkovci, Vinka, Energija Gradec.

Energy reduction initiatives

GHG emissions

The cooperation with the Hrvoje Požar Energy Institute, which began in 2022, continued in this reporting year with the signing of a cooperation agreement on the preparation of a study for the calculation of the carbon footprint of Fortenova grupa d.d. and its operating companies. It is a project that takes place in several stages – from the calculation of emissions and the categorisation of results in accordance with the Greenhouse Gas Protocol and the ISO 14064-1 standard to the preparation of an action plan to reduce greenhouse gas emissions and the analysis of the prerequisites for achieving carbon neutrality. In 2023, additional educational workshops were held on the topic of calculating GHG emissions, improving the data monitoring system and defining all sources of emissions. The most significant shift in the monitoring of GHG emissions is the expansion of the calculation of emissions to all relevant categories within Scope 3, the identification of existing shortcomings in data monitoring and the establishment of a data monitoring system for the complete calculation of Scope 3. This process will continue in 2024, especially in the categories of tracking data for inbound and outbound transport and data on leased premises, as well as, for individual companies, in the categories of purchased materials, capital goods and end-of-life. An increase in emissions was recorded within Scope 1 primarily due to fuel consumption for mobile sources (4 %), and within the

category of fugitive emissions (2 %). The increase within the fugitive emissions category was primarily due to the establishment of additional records on the loss of working substances in 2023, with the data for individual retail companies being more precise than they were in 2022. However, emissions from stationary sources decreased by 4 % compared to 2022. Consequently, Scope 1 emissions are 1 % higher in total compared to the previous period.

The previous chapter presents measures implemented for the purpose of achieving energy efficiency, and the calculation also shows that the implementation of those measures reduced the carbon footprint in the Scope 1 category of stationary sources by 4 % and in the Scope 2 category of electricity consumption by 5 %.

In the last report, we presented the preliminary data for Scope 3 in 2022, and below we present the final overview of the carbon footprint calculation and the comparison with 2023. The primary data discrepancies are the result of the establishment of a better data monitoring system for categories for which it was not established before, the establishment of monitoring of additional categories of Scope 3, such as product use, a wider coverage of the purchased materials and services categories, and an additional review of the factors previously taken into account and the selection of more precise categories for Scope 3.

GHG emissions amounts in Scopes 1, 2 and 3 in 2023 in tonnes of CO₂ equivalent

	Fortenova Group 2022 ²⁰	Fortenova Group 2023	Change since 2022
Scope 1	386,868.0	391,742.0	+1 %
Scope 2	290,625.2	275,054.1	-5 %
Scope 1 + 2	677,493.2	666,796.1	-2 %
Scope 3	3,896,894.7	5,184,410.8	+33 %
Scope 1 + 2 + 3	4,574,387.9	5,851,206.9	+28 %

| 20 Updated data for 2022.

Energy reduction initiatives

GHG emissions classification by type in 2023

Scopes	Emissions of CO ₂ e	Total (tonnes)
Scope 1	Direct emissions from stationary combustion sources	58,161.5
	Direct emissions from mobile combustion sources	61,304.4
	Direct emissions from processes	0
	Direct fugitive emissions	272,276.1
	Direct emissions/removals from LULUCF	1,732.7
Scope 2	Indirect emissions from electricity consumption	261,673.4
	Indirect emissions from heating and cooling energy consumption	13,380.8
Scope 3	Purchased goods and services	4,836,996.1
	Capital goods	20,799.7
	Upstream fuel and energy (not accounted for in scopes 1 and 2)	67,506.7
	Upstream transportation and distribution of goods	26,922.6
	Waste generated in operations	19,050.1
	Business travel	345.1
	Employee commuting	38,301.9
	Downstream transportation and distribution of goods	11,516.4
	Use of sold products	145,848.4
	End-of-life treatment of sold products	1,426.1
	Leased assets	9,396.0
	Franchises	301.7

Distribution of emitted GHG emissions by division in 2023 in tonnes of CO₂ equivalent

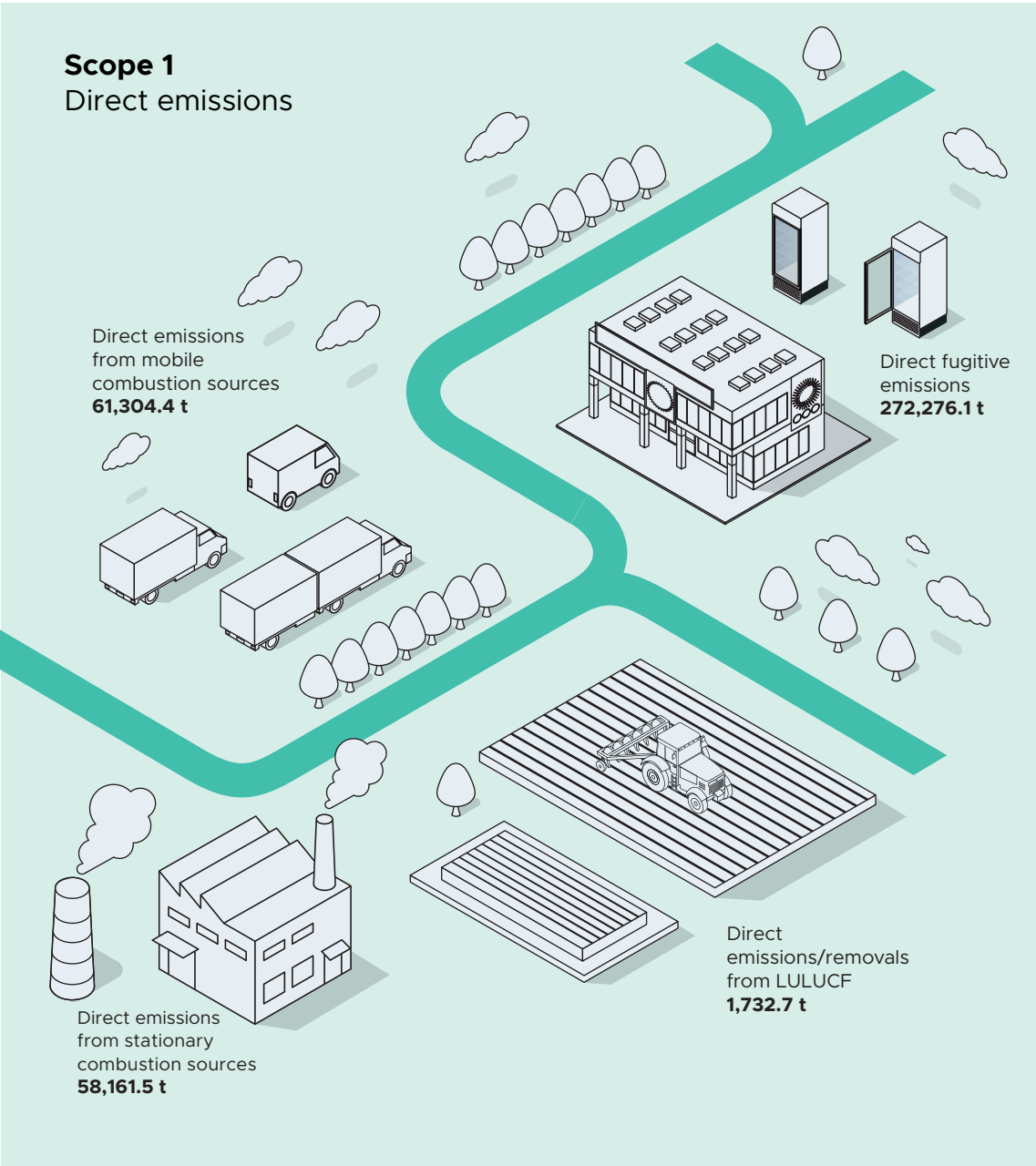
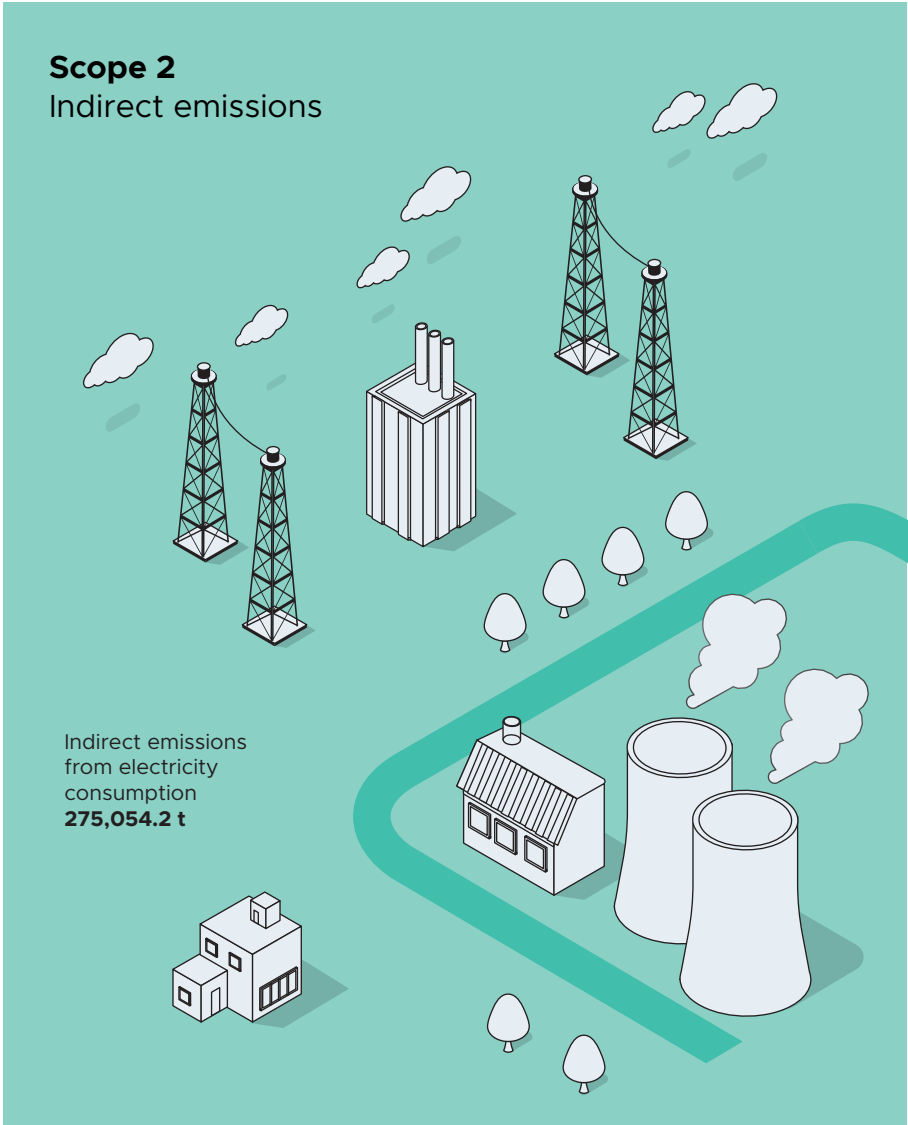
	Retail and Wholesale	Food	Agriculture	Non-Core Businesses and Fortenova grupa d.d.	Total
Scope 1	173,902.60	44,927.20	172,387.80	524.4	391,742.0
Scope 2	233,360.90	34,687.60	6,710.28	295.42	275,054.10
Scope 1 + 2	407,263.40	79,614.70	179,098.10	819.80	666,796.10
Scope 3	2,966,942.50	1,079,193.30	1,135,598.50	2,676.30	5,184,410.8
Share in Scopes 1 + 2 + 3	57.7 %	19.8 %	22.5 %	0.1 %	

Compared to 2022, the largest increase in emissions within Scope 1 and 2 occurred in the Retail and Wholesale Division due to the aforementioned reasons, while the Food and Agriculture Divisions recorded a decrease in emissions within Scope 1 and 2 primarily due to lower energy consumption in 2023.

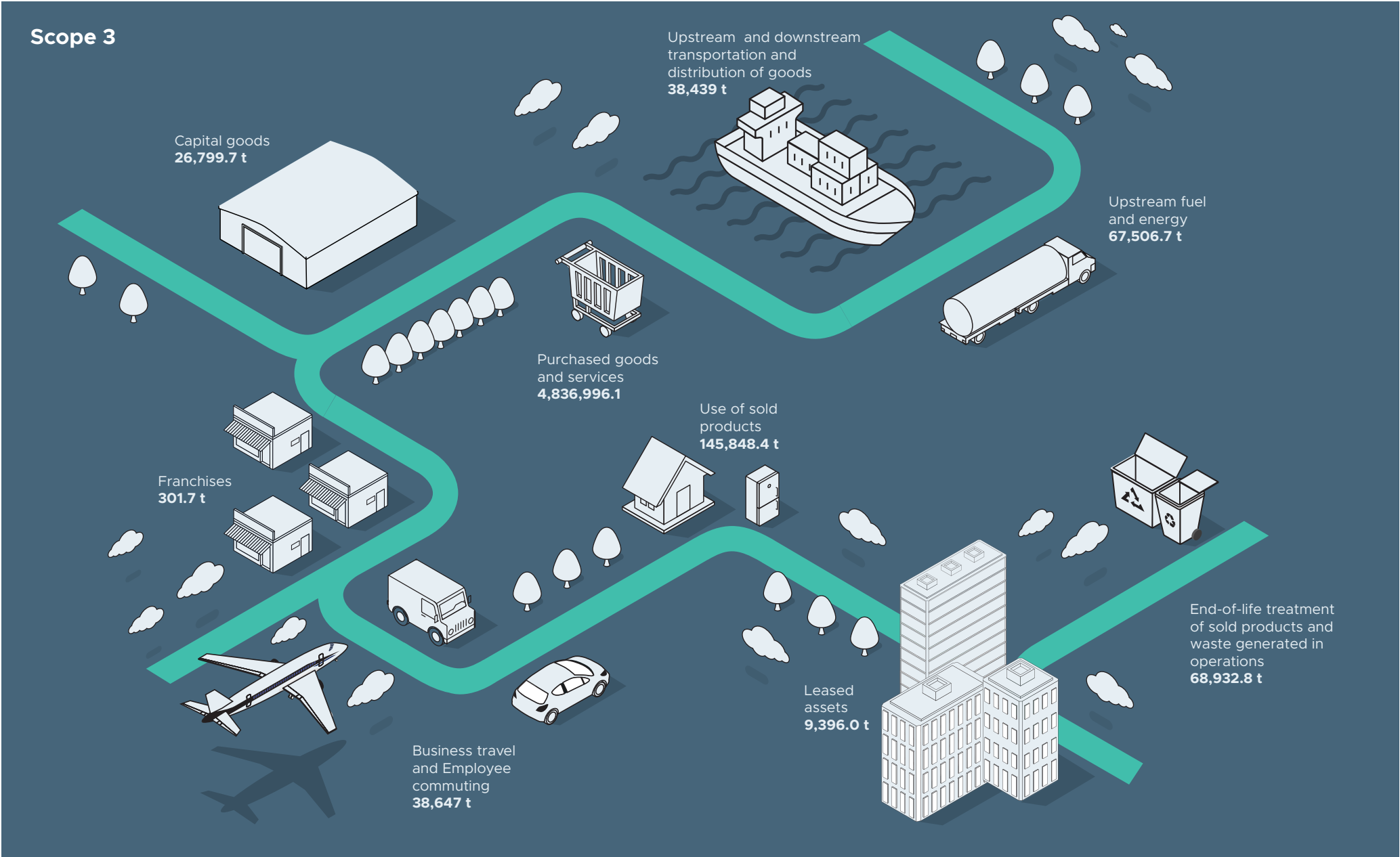
Next steps to reduce GHG emissions

In 2024, the training of teams, the exchange of experiences in the establishment of the data monitoring process and the preparation for reporting in accordance with the requirements of EU regulations will continue.

Energy reduction initiatives



Energy reduction initiatives



Water

Water resources are considered extremely valuable. Although the region in which Fortenova Group operates is abundant with water, especially drinking water, the key responsibility of all operating companies is to rationally manage that resource. This responsibility includes careful preservation of drinking water supplies and natural aquatic ecosystems with which the Group interacts. The approach to water management at Fortenova Group comprises principles of sustainable use of water in the production plants and takes into account social and environmental goals of sustainable development at local, national and global levels. When it comes to the business divisions of the Group, water has been recognized as a significant topic in the agricultural and food companies. Water management approach described in the following chapters is tailored to the operating companies according to their respective type of business and the degree of statutory requirements pertaining to its business activities.

The water management approach of the **Beverages Group** has been defined by the role of water as a raw material, as well as by the emphasis on the rational use of water resources and the preservation of water quality. Water, as a vital resource, is subjected to systematic quality control, including regular analyses of sources, monitoring of consumption amounts and its ways of use. Analyses that include monitoring of waste water discharged into a natural recipient form an integrated part of sustainable water management practices within the Beverages Group.

Managing the risk of excessive water withdrawal needs to be assessed further, guided by the precautionary principle²¹. It is a risk management approach with the goal of ensuring a higher level of environmental protection through preventive decision-making in case of risk.

Adherence to this approach to water management, especially drinking water, has social and national importance. Collaboration with the local community is key to ensure sustainable and responsible management of this valuable resource.



WATER MANAGEMENT IN FOOD AND AGRICULTURAL COMPANIES INCLUDES:

- Preservation of water resources by managing the quantity of withdrawn water
- Quality control of discharged water
- Rational and efficient use of water in business operations
- Sustainable water management with special emphasis on ecosystems affected by water use in business
- Respect for stakeholders' priorities in managing water as a common resource.

²¹ The precautionary principle is detailed in Article 191 of the Treaty on the Functioning of the European Union (TFEU).

Water

The approach to water management in the Oils and Meat Groups is focused on optimizing production processes with a view to reducing water consumption per kilogram of product and controlling the effluent in order to protect the receiving waters and the ecosystems in which they are located.

The approach to water management at **agricultural companies** is part of the business strategy in the area of agricultural production technology management and agricultural practices. A key aspect with significant impact on water consumption is the implementation of the irrigation system. In addition to optimizing the amount of water used in agricultural activities, the emphasis is on discharged water quality management, which is achieved by implementing the best practices in agriculture. Sustainable irrigation practices are supported by new technologies such as our own meteorological stations for monitoring data and drone imaging technologies that help to ensure that the irrigation of areas is in accordance with the needs of specific crops and ensure optimal use of water resources. More about irrigation can be found in the chapter [Sustainable Practices in Agriculture](#).

As part of the ISO 14001 standard, eleven companies²² assess the ecological aspects of water and wastewater, as well as compliance with relevant legislation.

22 Belje, Jamnica, Mercator EMBA, Mercator SRB, PIK Vinkovci, PIK Vrbovec CRO, Mercator SLO, Sarajevski Kiseljak, Vinka, Vupik, Zvijezda CRO.

Characteristics of the water management system

Water right permits have been obtained for irrigation purposes in agricultural companies and for withdrawing mineral water. Companies are under strict surveillance regarding the quality and quantity of withdrawn water, within the scope of their concessions. In food companies water is being withdrawn and partly integrated into commercial products. The main source of water withdrawal is groundwater.

Eleven²³ companies discharge pre-treated water into surface receiving water bodies of the rivers Begej and Pajsak in Serbia, the river Lepenica in Bosnia and Herzegovina, and indirectly into the rivers Kupa, Lonja and Sava in Croatia. Water is used for a variety of purposes, including watering livestock, preparing plant protection products, manufacturing food products in retail, cleaning facilities, equipment and packaging, and for sanitary purposes. In the gastro departments in retail, water is used for food preparation, as well as for cleaning business premises and for sanitary purposes.

A total of 23 wastewater treatment plants are located in eight companies²⁴. Retail companies have 169 wastewater treatment units, such as grease separators in gastro departments and separators in parking lots. Wastewaters are controlled on a regular basis prior to discharge, and the controls of the smaller units on wastewater discharge outlets are carried out periodically.

23 Energija Gradec, PIK Vrbovec CRO, Jamnica CRO, Dijamant, Sarajevski kiseljak, Belje, PIK Vinkovci, Mg Mivela, Zvijezda CRO, Vupik, Vinka.

24 PIK Vrbovec CRO, Jamnica CRO, Dijamant, Agrolaguna, Zvijezda CRO, Mercator EMBA, Belje, Vupik.

Three companies²⁵ have internally developed standards for water management that prescribe the management of wastewater and water pollution, as well as the work plan of water structures, while the goals of reducing water consumption have been set at the Group level.

The Group's water storage capacity is 3.2 million litres of water. Water is stored within four Group companies²⁶ in the Agriculture and Food Divisions, and there were 2.5 million litres of water in storage at the end of 2023.

Water consumption

The total amount of water withdrawn in 2023 was 7,283 million litres²⁷, which is 5 % less than in the previous reporting period. The largest part of that amount (38 %) is withdrawn by agricultural companies. Retail and Wholesale Division withdraws 34 % of the total amount of water, while food companies withdraw 27 %. 1,140 million litres of water were used in production, of which 45 % was used in the Beverages Group for the production of mineral water and non-alcoholic beverages. The quantity of discharged water amounted to 3,353 million litres, whereof 1,634 million litres were used for cooling. The total water consumption of 2,057 million litres was obtained by subtracting the total amount of water discharged from the total amount of water withdrawn, as prescribed by the methodology of the Global Reporting Initiative.

25 Jamnica, Dijamant, Zvijezda CRO.

26 Belje, PIK Vrbovec CRO, PIK Vinkovci, Agrolaguna i Vinka.

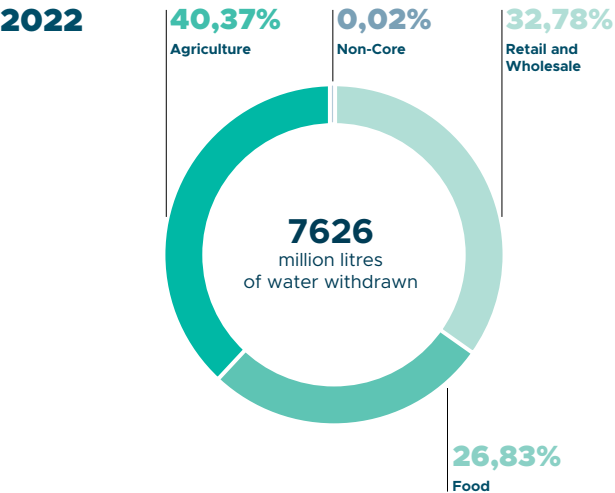
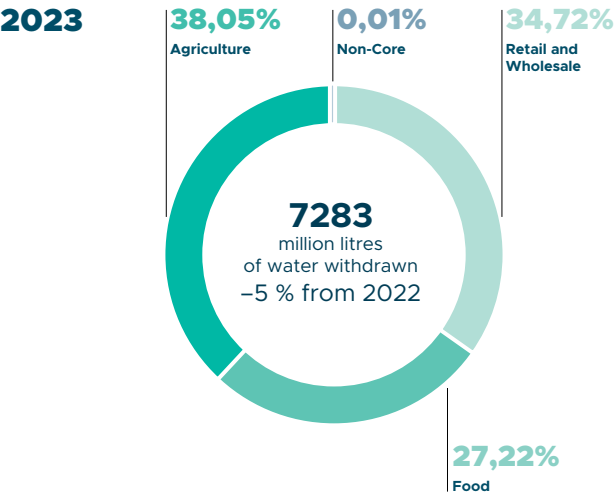
27 The data on the total water withdrawn in 2022 has been corrected in this report. The aforementioned corrections are the result of improving the data monitoring system in 2023.

Withdrawn, discharged and consumed water in liters

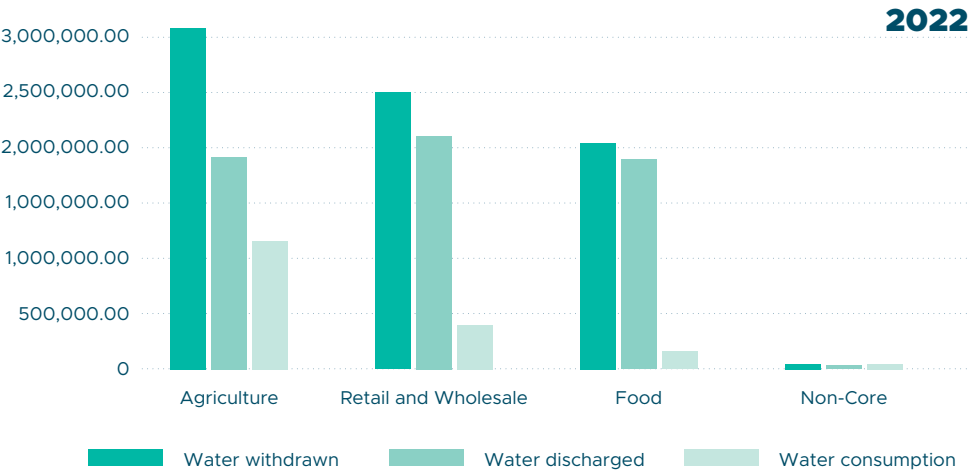
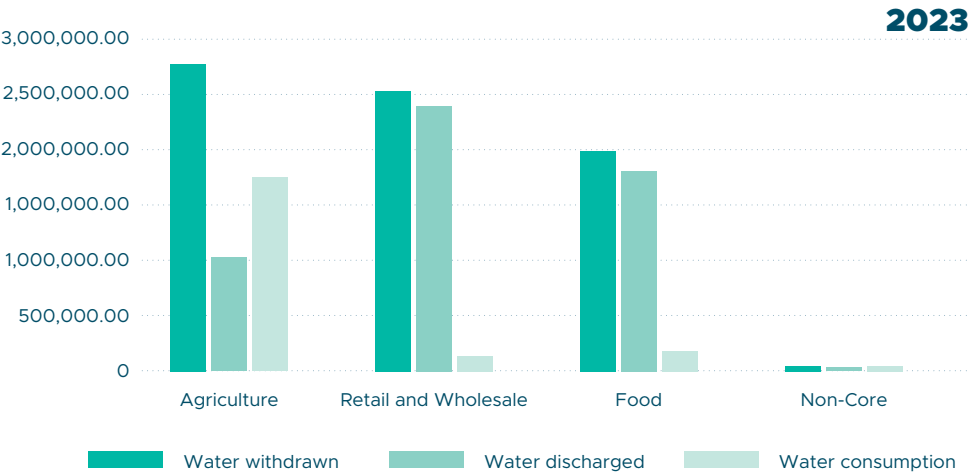
	Total in 2023	Total in 2022	Agriculture in 2023	Agriculture in 2022	Retail and Wholesale in 2023	Retail and Wholesale in 2022	Food in 2023	Food in 2022	Non-Core in 2023	Non-Core in 2022
Water withdrawn	7,283,075,198.19	7,626,355,825.59	2,771,253,812.00	3,079,081,578.00	2,528,321,920.19	2,500,020,649.40	1,982,691,466.00	2,045,906,598.19	808,000.00	1,347,000.00
Water discharged	5,225,707,916.57	5,909,042,746.88	1,025,699,945.00	1,919,993,138.00	2,397,542,155.00	2,102,208,620.88	1,802,465,816.57	1,886,660,988.00	8,100.00	180,000.00
Water consumption	2,057,367,281.62	1,717,313,078.71	1,745,553,867.00	1,159,088,440.00	130,779,765.19	397,812,028.52	180,225,649.43	159,245,610.19	799,900.00	1,167,000.00

Water

Shares of water withdrawn by divisions



Distribution of water consumption by divisions in liters



Water

Pollution

It was verified that in the majority of wastewater treatment plants the permitted values have not been exceeded and there were no water pollution incidents recorded there. Seven companies recorded minor incidents, i.e. deviations from legally permitted values. The largest number of incidents occurred in Mercator SRB, 28 of them, during the cleaning of the grease and oil separator, so in 2024 the possibilities of improving that process will be considered. A smaller deviation was also recorded in Zvijezda CRO. However, over the course of the reporting year, supervisory regulatory authorities have not issued any decisions stating that the quality of discharged water is unsatisfactory. Also, the water law compliance inspection that carried out the supervision in January 2023 did not record major deviations. Namely, although deviations in the concentrations of organic substances and sulphates were observed in the wastewater analyses, such exceedances are not unusual in production processes and do not call into question the compliance with statutory regulations, but are rather an indicator for internal process improvements. It is important to note that wastewater analyses are carried out on a 24-hour basis, which enables systematic monitoring of water quality. Zvijezda CRO pays an annual water protection fee and regularly cleans the sewage system.



IMPLEMENTED SUSTAINABLE WATER MANAGEMENT PRACTICES IN 2023:

- **Dry lubrication of conveyors (Jamnica CRO, Sarajevski kiseljak, Mg Mivela)**
 - **Recirculation of water in the production process (PIK Vrbovec CRO, Mercator EMBA, Jamnica CRO, Vinka)**
 - **Reuse of water for purposes where the quality requirements are lower, e.g. washing floors in the dairy plant and irrigation (Belje)**
- **Reduced frequency of CIP (Cleaning in Place) procedures, (Sarajevski kiseljak, Mercator EMBA, Belje)**
 - **Installation of water and steam flow meters and water saving faucets (PIK Vinkovci, Jamnica CRO, Belje)**
 - **Optimisation of water consumption by increased surveillance and production planning (Vinka, Mercator EMBA)**
- **Wastewater treatment optimisation (Vinka, PIK Vrbovec CRO)**
 - **Collection and reuse of rainwater (Mercator EMBA)**
 - **Regular maintenance of equipment using water, employee education and installation of equipment used to reduce water consumption (Konzum CRO, Konzum BiH, PIK Vinkovci, Mercator SLO, Mercator BiH and Zvijezda CRO).**

Water

Sustainable water management

In accordance with the approach to water management at the Beverages Group, Jamnica CRO is at the forefront when it comes to professional expertise in water management on the level of the Group. The systems and technological solutions in Jamnica's production facilities are continuously improved to maximise the use of water in each part of the process – from managing the source area and the production process to water discharge.

Jamnica implements a number of sustainable water management practices in order to reduce its environmental footprint and contribute to the preservation of water resources. Annual cleaning and maintenance activities are carried out on the ground surrounding the water source area and on the wastewater melioration canal. By measuring the water level and by regular annual cleaning of the source by using the air-lifting technique, the sensitivity of the water source and the protection of water resources are ensured.

Washing crates for returnable glass packaging with water used in the process of washing returnable glass packaging reduces fresh water consumption and promotes efficient use of resources. Also, the project of introducing dry lubrication on certain conveyor lines for PET packaging was implemented, and the plan is to expand this project to the remaining conveyor lines by 2024.

Through all these initiatives, Jamnica is actively working on optimizing its production processes in order to reduce its negative impact on the environment.

The company also strives to reduce water consumption through the application of new technologies, such as a new aseptic line, with the aim of reducing the consumption of all energy sources and water to a minimum. Aseptic lines are used to bottle products that contain natural ingredients, that do not contain preservatives and are very sensitive. Therefore, the production and bottling of such products require sterile conditions, which is why the products are bottled on an aseptic line designed to secure such conditions and high standards. The new aseptic line was specially designed for Jamnica by the Krones company, and the line currently has the most advanced technology and is unique in Southeast Europe. In one hour, it fills **36,000 bottles with the volume of 0.5 L and 28,000 bottles with the volume of 1.5 L**,

which enables greater productivity. This is especially important in the spring and summer months when the demand for soft drinks is multiplied.

In addition, **the new line requires less water, electricity and chemicals**, so it is also better for the environment. The temperature, pressure and the duration of the process, as well as the microbiology of all surfaces involved in the filling process are monitored, and microbiological validation of the production process is also carried out. These sustainable practices demonstrate Jamnica's commitment to environmental protection. Through continuous efforts in the implementation of sustainable processes, Jamnica continues its work on preserving natural resources and reducing the negative impact on the environment.

PIK Vrbovec CRO stands out among manufacturing companies for its approach to efficient management of water as a resource, which is based on the cooperation between different departments and teams with the aim of ensuring optimal quantity and quality of withdrawn water. The main participants in the process are maintenance employees, employees of the environmental protection department, and the energy management team.

It is important to point out that within this approach, water is viewed as an energy product, which means that it is included in the energy efficiency management system according to the ISO 50001:2018 standard, and water management is carried out according to the rules and guidelines specified in that standard. Therefore, this approach aims at achieving energy efficiency.

Thus, in 2023, the company's water use was reduced by 6.53 % compared to 2022, and this significant reduction in water consumption not only contributes to the preservation of drinking water, but also helps to protect the environment and increases the sustainability of production processes.

Reuse of rainwater and tap water

In 2023, a total of 36 million litres of water were reclaimed and recovered in Fortenova Group. A total of three companies²⁸ reclaim water and use it for different purposes. For example, in food companies, reclaimed water is used for washing facilities and cooling machines. Thus, for the purpose of reclaiming water for cooling machines, the water reclamation system at **PIK**

Vrbovec CRO was implemented at three key locations within the production plant.

Mercator EMBA also stands out for its valuable contribution to the preservation of water resources through the use of a large amount of reclaimed water in its production process, especially the use of rainwater. It produces instant products and dessert dressings made of cocoa in a 16,000 m² factory located in Logatec in Slovenia. It uses rainwater and water from the public water supply system, thereby reducing the load on local water resources.

The share of reclaimed water and rainwater consumed increases from year to year through technological upgrades. The annual consumption of tap water amounts to around 17,000 m³, and in the production process both tap water and rainwater are used. The idea of using rainwater in technology dates back to 2009, to the construction of the existing facility at Mercator EMBA. A rainwater storage basin with a capacity of 1,200 m³ is used on a daily basis to reclaim tap water, part of which is used for production technology. Therefore, as much as 30 % of all water spent on the technology is rainwater. Rainwater is purified in several treatment stages: filtration, disinfection, softening and reverse osmosis filtration.

Rainwater is collected from the roof and processed by filtration, chlorination and softening procedures. After processing, this water is used as a basis for steam and for replenishment of cooling towers and cooling of boilers and condensers.

At the same time, as part of the CIP (cleaning in place) procedure, water is used for detailed washing of technological equipment. This process enables thorough cleaning without the need for manual disassembly, thus reducing water consumption and the need for chemical agents. In addition, water is also used for room sanitation, ensuring hygiene standards in production facilities.

Next steps

In 2023, the working groups set targets for reducing water consumption by 2030. These targets include a 10 % reduction in water consumption in the Agriculture and Food Divisions and a 7 % reduction in water consumption in Retail and Wholesale.

| 28 Mercator EMBA, PIK Vrbovec CRO, Vinka.

Waste

Waste, often regarded only as loss, actually represents potential. By connecting the requirements and resources related to waste, we transform it from a worthless to an economic resource. Through recycling and reuse, waste becomes a source of innovation, sustainability and economic progress. Such an approach is not only beneficial for the environment, but also for business, reducing transport and processing costs and creating new opportunities for a more efficient use of resources.

The amount of waste generated by Fortenova Group in 2023 increased by 1 % compared to the previous year. A total of 88,380.85 tonnes of waste was generated, including plastic, paper, cardboard, wood, glass, metals, textiles, biomass, sludge, waste of animal origin, oils, grease from grease traps, foils, electrical and office waste, IT equipment, fluorescent tubes, pharmaceutical waste, etc.

88,380.85
tonnes of waste
+1 % compared to 2022

The largest amount of waste, as much as 66.1 %, is generated in **retail and wholesale** companies. A big challenge in these companies is secondary and tertiary packaging, which is controlled by suppliers of commercial products. Despite this, the total amount of waste decreased by 4 %. Retail and wholesale companies are focusing on reducing municipal waste and increasing the proportion of recycled materials in their own packaging and on redirecting large amounts of packaging, such as paper, cardboard and plastic, to recycling.

The activities that generate the most waste in **agricultural and food** companies are the disposal of products or raw materials with expired shelf-life, followed by production processes. In the

Food Division, where production processes are extremely diverse due to the wide range of food products, it is necessary to systematise these processes in detail in order to determine their significance in the context of waste reduction at the Group level. The companies are actively exploring the potential for gradually taking on extended producer responsibilities and redirecting positive environmental impacts to consumers. The main focus is on the development of packaging, and several companies incorporate ethics and environmental sustainability into their products in the early stages of the value creation chain. For example, the Beverages Group companies reduce plastic in their packaging through the use of rPET recycled plastic and returnable packaging for product distribution in food companies²⁹. This represents a significant step towards achieving the goal of business sustainability and reducing the negative impact on the environment.

In the context of the European Green Deal and the announcement of an increase in legal obligations related to reducing the quantities of plastic used and increasing the use of recycled plastic for product packaging, the Beverages Group companies have already, several years before the expected statutory obligations become effective, initiated projects to modify plastic packaging, such as the tethered cap described in more detail in the following chapter, reducing the amount of plastic used and using recycled materials. In the Beverages Group³⁰, the share of recycled plastic in total packaging is 6 %, with the plastic in packaging decreasing by 0.5 % compared to last year.

Agricultural and food companies generate large quantities of waste from sludge in wastewater treatment and plastic packaging waste in goods handling, as well as from using agrofoil in cattle production. Other types of waste in agriculture include biowaste, paper, cardboard, various metals, waste oil, etc.

An overview of waste according to disposal methods, type of waste and business division is given in the tables below.

29 Jamnica CRO i Sarajevski kiseljak
30 Jamnica CRO

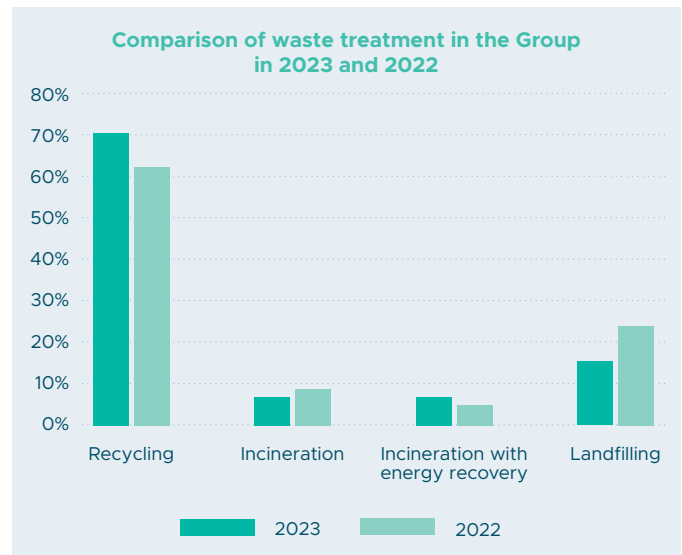


Waste

Weight of materials by type of waste treatment

Waste treatment	Weight of hazardous waste (tonnes) in 2023	Weight of hazardous waste (tonnes) in 2022	Weight of non-hazardous waste (tonnes) in 2023	Weight of non-hazardous waste (tonnes) in 2022	Weight of waste processed at company location (tonnes) in 2023	Weight of waste processed at company location (tonnes) in 2022	Total in 2023	Total in 2022	% of change
Recycling and composting	241.00	382.00	52,689.00	48,769.00	5,386.00	5,470.00	58,317.00	54,621.00	7 %
Incineration	1,036.00	1,234.00	5,497.00	6,339.00	0.00	5.00	6,532.00	7,578.00	-14 %
Energy recovery	80.00	25.00	6,334.00	4,353.00	9.00	33.00	6,422.00	4,411.00	46 %
Landfilling	706.00	106.00	15,034.00	19,661.00	1,370.00	1,168.00	17,110.00	20,935.00	-18 %
Total	2,063.00	1,748.00	79,554.00	79,122.00	6,765.00	6,675.00	88,381.00	87,545.00	1 %

The attached table clearly shows the commitment of Fortenova Group to responsible waste management and fulfilling its legal obligations. The amount of recycled waste at the Group level increased by 7 %, while waste incineration decreased by 14 %. At the same time, incineration with energy recovery increased by 46 % and the amount of waste ending up at a landfill decreased by 18 %.



Waste

Quantity of waste by division

The weight of waste is stated in tonnes	Agriculture in 2023	Agriculture in 2022	Food in 2023	Food in 2022	Retail and Wholesale in 2023	Retail and Wholesale in 2022	Non-Core Businesses in 2023	Non-Core Businesses in 2022	Total in 2023	Total in 2022	% of change
Non-hazardous waste	10,263.72	9,455.36	14,322.99	12,355.44	54,562.14	56,961.82	404.69	349.00	79,553.54	79,121.62	1 %
Hazardous waste	1,145.35	1,199.49	177.30	119.89	740.07	428.00	0.00	0.00	2,062.72	1,747.38	18 %
Waste treated on site	0.00	0.00	3,634.39	3,415.00	3,130.19	3,261.00	0.00	0.00	6,764.58	6,676.00	1 %
Total	11,409.07	10,654.85	18,134.69	15,890.33	58,432.40	60,650.82	404.69	349.00	88,380.85	87,545.00	1 %
Share in percent	12.91 %	12.0 %	20.52 %	17.9 %	66.11 %	68.4 %	0.46 %	0.4 %	100 %	100 %	



The share of waste generated by agricultural companies at the Group level is 12.9 %, and the share of waste generated by food companies is 20.5 %. At the same time, as already mentioned, the largest amount of waste is generated in retail and wholesale – 66.1 %. At the Group level, the total amount of non-hazardous waste increased by 1 %, and the amount of waste processed at the location increased by 1 %. The amount of hazardous waste increased by 18 %. The largest part of this increase comes from retail, that is, from Mercator SRB, which disposed of 631 tonnes of hazardous waste in 2023 due to the emptying of its warehouses of unusable IT equipment and the write-off of obsolete old cooling devices and similar equipment from its branches. Part of the increase was also generated by Jamnica CRO and Sarajevski kiseljak, which have also disposed of cooling devices and EE waste this year. All waste is disposed of through authorized suppliers, respecting all statutory requirements.

Sustainable waste management

Several Group companies stand out in terms of activities focusing on the reduction of municipal waste quantities. Those companies are PIK Vrbovec CRO, Mercator SRB, Konzum CRO, Belje, Vinka, PIK Vinkovci and Mg Mivela.

THE FIVE PILLARS OF RESPONSIBLE WASTE MANAGEMENT AT PIK VRBOVEC CRO ARE:

- Selecting recyclable input materials:** PIK Vrbovec CRO uses PP packaging instead of multi-polymer plastic packaging, which contributes to reducing the ecological footprint of its products and promotes sustainability in the supply chain.
- Using returnable plastic packaging for product distribution:** In 2023, the company will switch to the use of leased returnable plastic packaging for the distribution of part of the product range. This reduces the consumption of new raw materials and contributes to the reduction of waste, encouraging circular economy and responsible management of resources.
- Industrial symbiosis:** By-products of animal origin are used as raw material in the biogas plant, thus encouraging cooperation and the optimization of the use of resources. This practice promotes economical use of resources, as well as the reduction of waste that would otherwise end up in a landfill.
- Separating production waste and reducing mixed municipal waste:** The generated waste is separated according to recognized categories in order to reduce the total amount of mixed municipal waste. PIK Vrbovec CRO achieved the target of reducing mixed municipal waste by 18 % in 2023, which is the result of the systematic separation of new components from waste and the application of appropriate disposal procedures.
- Reducing the amount of sludge through technical and technological modifications:** Technical and technological modifications were made on the wastewater treatment unit, resulting in a 16 % reduction in sludge in 2023. Such sludge reduction is not only environmentally beneficial, but also reduces the costs of wastewater treatment and system maintenance.

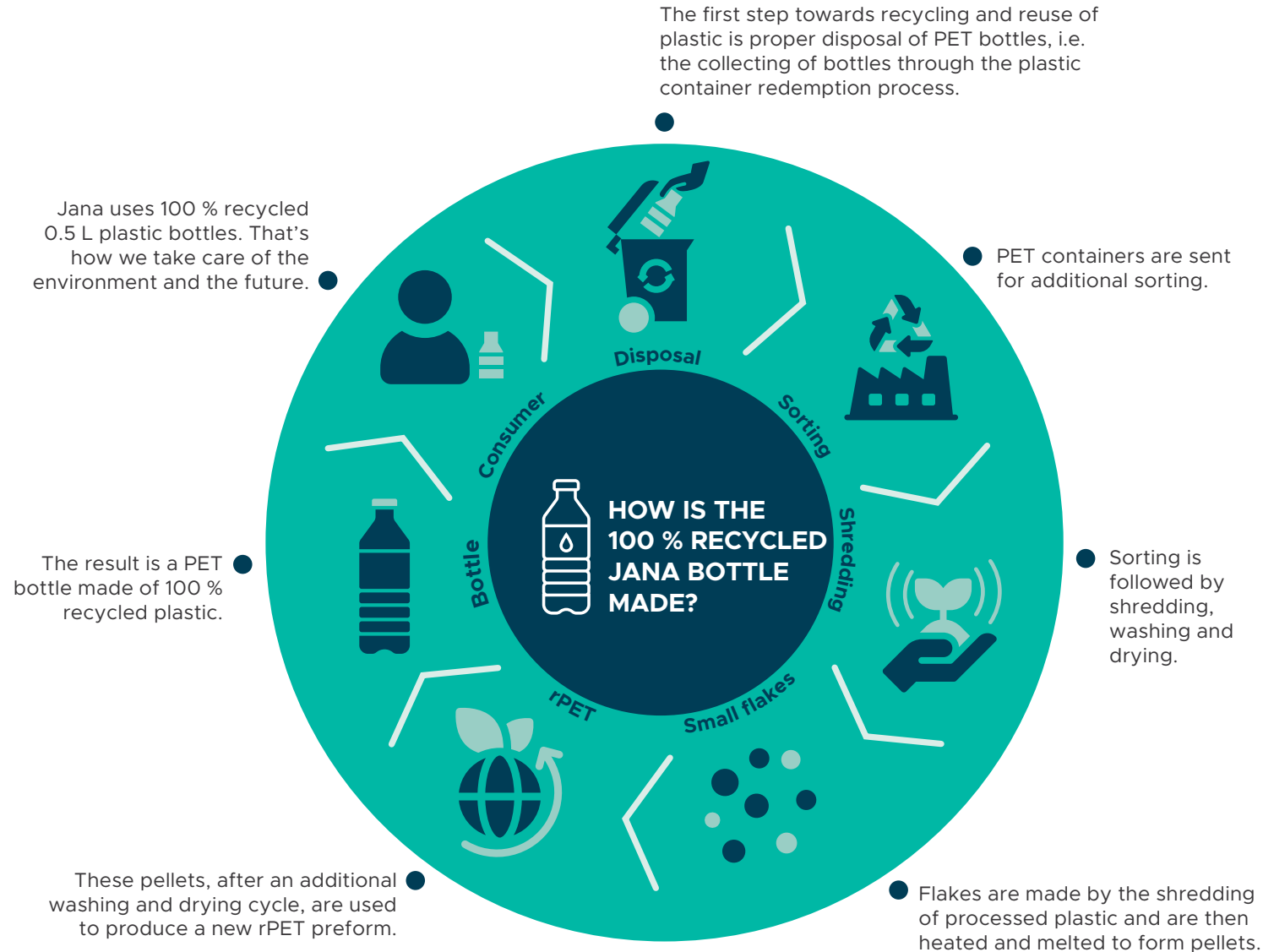
In accordance with the ISO 14001:2015 standard, **Konzum CRO** has implemented and certified an environmental management system which defines work instructions and procedures for waste treatment. At all locations, waste sorting is carried out at the highest level, with the aim of separating as many useful types of waste as possible, such as cardboard, in order to reduce the amount of municipal waste. Thus, Konzum CRO reduced the amount of its municipal waste by 3 % compared to the previous year. Trainings and internal audits are regularly conducted to ensure that these processes are carried out in accordance with the prescribed instructions, and corrective or preventive actions are taken as necessary. In this way, Konzum CRO strives to improve its waste management practices and achieve business sustainability.

For the fourth year in a row, **Belje** has continued to reduce the total amount of mixed municipal waste. The key factor in this is employee education which provides employees with the knowledge and skills necessary for efficient waste management. Internal procedures clearly define methods of waste management in order to ensure quality and sustainable waste management practices.

Jamnica decided to implement sustainable packaging and to bottle Jana into 0.5 L and 0.33 L bottles made out of 100 % recycled plastic. This is not only a step towards a better and sustainable future, but it also provides consumers with a product in a more environmentally friendly packaging. The role of consumers is extremely important in this story, as they are invited to recycle the bottles after consumption, and thus to secure rPET raw material and support the circular model of the economy. Recycled plastic or rPET implies the reuse of plastic in the production of new bottles. Reuse is the basis of the circular economy model. The amount of recycled plastic in Jamnica constitutes 8 % of the total plastic in packaging.

Waste

The production of a 100 % recycled Jana bottle is shown in the picture below.



The **Beverages Group** companies have gradually started to introduce the **tethered cap**, thus complying with the Directive (EU) on the reduction of the impact of certain plastic products on the environment, which requires caps and lids to remain firmly attached to the bottles as long as they are in use, given that they most frequently fail to be collected within the waste collection system and end up in the environment. The deadline for the implementation of the tethered cap for all manufacturers is 3 July 2024, and Jamnica and Mg Mivela have already complied with the Directive and want to encourage others to follow in their footsteps. Along with Jamnica, the tethered caps have been used on the PET packaging of Sarajevo kiseljak, Sensation and Sky Cola.

Mercator SLO implements numerous sustainable practices aimed at reducing waste. The shelf life of foodstuffs in stores is systematically checked and the prices of goods approaching the expiration of their shelf life are reduced, foodstuffs are adequately stored according to the manufacturer's guidelines and unused food is donated to humanitarian organizations. In addition, Mercator SLO implements projects to reduce paper waste, encouraging the transition to digital business by increasing the number of partners that issue e-invoices and using a mobile application to issue invoices to its customers. The company also optimizes waste handling, strictly sorting waste by type and implementing internal controls to ensure proper waste handling. In addition, environmental protection is integrated into contractual obligations with suppliers, and Mercator SLO regularly collaborates with business partners and the public to promote awareness of the importance of reuse, recycling and the circular economy.

Waste

Reducing food waste

As part of the Group whose overall operations are related to food, whether it be its production or sales, the companies keep developing projects to educate the public of all age groups about the importance of proper nutrition and especially of moderate and responsible purchasing of food items in order to reduce the quantities of discarded food and thus prevent large quantities of waste. Although the companies from the Retail and Wholesale Division are the most active in donating food, companies from other divisions of the Group also take part in that process.

In 2023, at the initiative of the Ministry of Agriculture, four companies – Fortenova Group, Konzum CRO, Zvijezda CRO and PIK Vrbovec CRO – signed a voluntary agreement on the prevention and reduction of food waste “Together Against Food Waste”. The agreement encourages social responsibility with the ultimate goal of preventing and reducing food waste in Croatia. The agreement is part of the implementation of the Food Waste Prevention and Reduction Plan of the Republic of Croatia for the period from 2023 to 2028, as well as the reform measure

“Improving food donation systems” from the National Recovery and Resilience Plan 2021-2026, and is signed for a period of five years. In accordance with the above, the Group monitors data on food waste in all its companies. Thus, in 2023, compared to the year before, food waste in Agriculture decreased by 26 %, in Retail and Wholesale by 1.2 %, while in Food it increased slightly by 0.3 %. The total reduction of food waste at the Group level was 4 %. The next steps include defining activities for reduction by 2030 for each company and improving the monitoring system.

By-products

in tonnes	2022	2023
Agriculture	9,246.41	9,298.72
Retail and Wholesale	181.554	188.103
Food	12,293.47	12,047.01

Food waste	Food (t)	Agriculture (t)	Retail and Wholesale (t)	Total (t)
2023	2,732.79	8,129.23	16,046.26	26,908.28
2022	3,699.01	8,107.99	16,243.69	28,050.69
Percentage change	-26.1 %	0.3 %	-1.2 %	-4 %

SUPPORT TO CONSUMERS IN PREVENTING WASTE GENERATION

Reciklopedija (Recyclopedia) is an educational platform with the goal of encouraging and motivating customers to handle food responsibly. The platform was launched by Konzum CRO in 2022, and in 2023, Mercator SRB started implementing this project, which was awarded the Campaign with a Purpose (*Kampanja sa svrhom*) award in Serbia as part of the Festival of Socially Responsible Communication (*Festival društvene odgovornosti*). *Reciklopedija* (Recyclopedia) is a special website that provides useful and practical advice applicable to all family members, enabling them to have a positive impact on the community and the environment in a simple and interesting way. It also encourages citizens to share their experiences on social media using the hashtag *#reciklopedija* (*#recyclopedia*) to inspire others to change their eating habits and reduce food waste.

In addition to food waste, some operating companies³¹ also generate by-products. An overview of the total by-product generated can be found in the table above. By-products include biological waste from agricultural companies, products with expired shelf-life, by-products of animal origin, whey, etc.

31 LG Moslavina, Belje , Konzum BIH, Konzum CRO, Mercator IP, PIK Vrbovec CRO, Agrolaguna, Mercator EMBA, Zvijezda CRO

Good practices for reducing food waste

In 2023, **Konzum CRO** proudly won the title of **The Best Donor (Najdonator)** for the **sixth time** in the category of large retailers and food producers, for the highest total annual value of food donations. The award is part of the initiative launched by Biljana Borzan, the European Parliament's rapporteur for reducing food waste and increasing food donations.

1,600 t
of donated food in five
years Konzum CRO
declared the Best Donor
for the 6th time in a row

As the leading retail chain in the area of food donations in Croatia, in 2022 Konzum donated food with a total value of more than EUR 1.2 million, excluding VAT, which is the largest amount of donated food to date.

Since 2016, Konzum CRO has continuously provided support to the community and has donated more than 1,600 tonnes of food for this purpose. Donated food is collected almost daily by 17 registered intermediaries in 53 stores.

Exactly one year ago, **Mercator SRB** launched a major environmental protection campaign. Over the course of a year, 16 IDEA stores turned expired fruits and vegetables into compost, and the results exceeded all expectations. In one year, they composted a total of 35 tonnes of organic waste and obtained about six tonnes of compost from that waste, which then ended up on store shelves. In this way, Mercator SRB directly prevented the waste from ending up in landfills and thereby contributed to environmental protection.



Circular economy

When it comes to the implementation of circular economy in Fortenova Group, the company Energija Gradec stands out with its five biogas facilities: Mitrovac, Gradec, Popovac, Ovčara and Vinka, which are located next to the production facilities in Belje, Vupik and Vinka and which enable the integration of resources and production processes at multiple levels.

The Mitrovac complex is an example of creating synergies in the use of energy, with an emphasis on the integration of livestock, agricultural, vegetable and energy production. The 2 MWh biogas plant Mitrovac is located near a dairy cow farm with a capacity of 2 000 cows and a greenhouse for hydroponic tomato production, which covers an area of 4.5 hectares and has an annual production of 2,700 tonnes of tomatoes. For tomato production, only biological protection is used without any pesticides, with live bumblebees used for pollination purposes. The Mitrovac biogas plant produces electricity from the by-products of the Mitrovac farm, which is fed into the electricity grid. The by-product of electricity production is thermal energy, which is used to heat the greenhouse, which enables its efficient functioning.

Biogas plants Gradec and Ovčara are located next to pig farms. The 2 MWh plants produce electricity, primarily from farm by-products, which is fed into the grid, and the circular economy model is completed by the fact that these same farms use a significant amount of thermal energy, which is a by-product of electricity production, for heating purposes. On the other hand, the by-products resulting from the electricity production process can be used further in agriculture (digestate).

The stability of the company's own energy system and increased independence from energy market prices represent the key business advantages of such a system.

Materials and raw materials

Sustainable and responsible management of materials and raw materials is becoming an increasingly important topic, especially in light of our planet's limited resources. Raw materials and materials in the food and agricultural segment of Fortenova Group refer to raw materials of animal and plant origin that are distributed on the market in their processed or original form. On the other hand, in the Retail and Wholesale Division, the emphasis is placed on packaging materials for private-label products, as well as purchased materials for packaging and distribution of products in the delicatessen department and plastic bags at the checkouts and fruit and vegetable departments. The specific feature of the industry is that most of the materials in circulation are actually packaging of commercial products of numerous suppliers. The Group's main responsibility is to monitor and manage the materials it orders and uses as raw materials and packaging materials. Understanding the characteristics and life cycle of these products is key to minimizing any potentially harmful effects on the environment.

In 2023, the total weight of materials and raw materials in the Group amounted to 1,451,773 tonnes, which is an increase of 8 % compared to the previous reporting period. The increase was primarily the result of improving the quality of data monitoring, so in 2023 additional categories were included in the monitoring. The biggest increase is the result of the inclusion of monitoring of live livestock in the total raw materials and plastic bags at checkouts and fruit and vegetable departments in retail and wholesale. Of the total weight, 93 % of materials and raw materials were renewable. The calculation covered a wide range of raw materials,



packaging materials, and additional and auxiliary materials used in production processes (additional and auxiliary materials are used in production, but are not part of the final product).

Packaging materials were divided into six different categories, while the list of raw materials was divided into 26 categories. The six categories of packaging materials included paper and cardboard, wood, metals, glass, plastic and multi-layered packaging. Raw materials were grouped according to the specific needs of agriculture, such as

fertilisers, sowing seed and animal feed, and processing raw materials in the food industry such as fruit, vegetables, meat, seed for edible oil, sugar, salt and edible oil. Also, the use of materials for providing services, such as office paper and plastic, is monitored. Special attention is paid to raw materials such as livestock, cocoa, palm oil, soya and wood due to their specificity and associated risk with deforestation.

Data on overall use of materials and raw materials are provided in the table below.

Consumption of materials by raw material classification in tonnes

By purpose	Weight in tonnes in 2023	Share (%) in 2023	Weight in tonnes in 2022	Share (%) in 2022
Renewable materials	1,348,769.33	93 %	1,117,609.00	82 %
Non-renewable materials	100,986.66	7 %	237,269.00	18 %
By purpose				
Raw materials	1,321,443.74	91 %	1,202,274.00	90 %
Packaging materials	77,572.80	5 %	65,737.00	6 %
Additives and auxiliary materials	50,739.45	3 %	52,592.00	4 %
Total	1,449,755.99	100 %	1,340,603.00	100 %

1,449,756 tonnes of material, including raw materials, packaging and auxiliary materials

Materials and raw materials

Distribution of materials used in tonnes

Packaging materials	Weight in tonnes in 2023	Share in 2023	Weight in tonnes in 2022	Share in 2022
Paper and cardboard	26,093.44	33.64 %	25,207.00	29.4 %
Wood	2,184.78	2.82 %	3,775.00	4.4 %
Metals	1,835.03	2.37 %	2,489.00	2.9 %
Glass	18,563.56	23.93 %	17,692.00	20.64 %
Plastic	26,641.87	34.34 %	32,451.00	37.85 %
Multi-layered packaging	1,930.32	2.49 %	1,441.00	1.68 %
Other	323.81	0.42 %	2,681.00	3.13 %
Total packaging materials	77,572.80	100.00 %	85,736.00	100 %
Quantity of recycled materials used for packaging³²	20,477.81	26.40 %	15,695.00	18.31 %
Raw materials	Weight of raw materials in tonnes in 2023	Share in 2023	Weight of raw materials in tonnes in 2022	Share in 2022
Agricultural materials (fertiliser, seed, animal feed) and food in primary production (seeds for edible oil, fruit, vegetables, meat, oil)	1,159,738.73	87.76 %	1,020,233.00	84.18 %
Live stock	58,443.43	4.42 %	Data not collected	
Soya	7,885.81	0.60 %	7,664.00	0.63 %
Palm oil	14,684.40	1.11 %	18,651.00	1.54 %
Cocoa	360.66	0.03 %	Data not collected	
Wood	110.25	0.01 %	0.00	0.00 %
Sugar	842.25	0.06 %	11,466.00	0.95 %
Salt	1,694.69	0.13 %	1,468.00	0.12 %
Plastic	983.23	0.07 %	490.68	0.04 %
Office paper	801.26	0.06 %	15,142.00	1.25 %
Other raw materials	75,899.03	5.74 %	136,843.00	11.29 %
Raw materials total	1,321,443.74	100.00 %	1,211,957.68	100.00 %
Additional and auxiliary materials	50,739.45	100 %	52,591.72	100.00 %
Amount of recycled raw materials³³	202 t	0.02 %	228	0.02 %



32 Paper, glass, wood.

33 Paper and plastic..

Materials and raw materials

Reclaimed materials

In Fortenova Group, there are numerous examples of reclaimed material and material recycling. With its implemented system of returnable glass bottles, the Beverages Group stands out in particular. Used bottles are returned to the manufacturer, thoroughly cleaned and sterilized, and refilled with the same product, thus reducing the amount of waste and the resources needed to produce new packaging. Also, more and more companies within the Group are switching to the use of returnable containers, such as reusable packaging for vegetables and crates for bottles and wine. These initiatives further emphasize the commitment of Fortenova Group to sustainable practices and reducing the negative impact on the environment.

Examples of reclaimed materials

Companies

Mercator EMBA, PIK Vrbovec CRO, Agrolaguna, Mercator IP, PIK Vinkovci, Tisak, Mercator SLO

An example of best practices in the use of reclaimed materials

Use of reusable packaging for the transport of raw materials and products

Konzum BIH

Use of reusable packaging for displaying products in the fruit and vegetable department

Jamnica CRO, Mg Mivela, Sarajevski kiselj

Returnable pallets, returnable glass packaging and crates

Belje

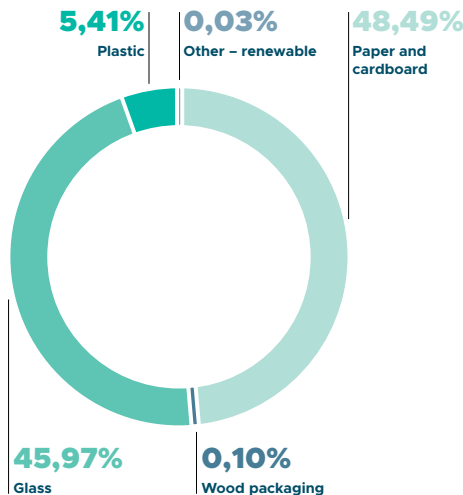
Returnable pallets

Reduced quantities of used materials

Achieving savings on materials is a complex process. It is necessary to find an alternative that will enable the same functionality as the previous material, while respecting legal requirements and consumer preferences. In addition, substitution may require complex changes in the production process or consumer habits. However, the successful replacement or reduction of the quantity of materials opens the door to financial savings and added product value, and provides benefits for society through the preservation of precious resources.

Compared to 2022, at the Group level, the share of recycled packaging materials increased by 31 %. The most recycled

material was glass, which makes up 51 % of the total glass used as material, while recycled paper makes up 38 % of paper and cardboard for packaging. The data for 2022 were collected only as a total amount of recycled materials, so in 2022 the total amount of recycled material was 18 % of the total packaging.



Below are several examples of best practices implemented in Group companies.

Jamnica is gradually reducing the use of PET packaging and introducing recycled PET packaging for Jana bottles. Mg Mivela is also reducing the amount of plastic in plastic bottle caps by using short-neck caps with less plastic content, while Zvijezda CRO reduced the thickness of plastic oil containers and removed plastic handles, which resulted in a 17 % reduction in plastic content in these containers.

Dijamant has started the process of introducing more efficient technology that will consume less energy and enable a reduction in the weight of plastic for oil filling, which will reduce the use of plastic by 200 t in the long run.

More and more companies within the Group are switching to digital business and reducing the use of paper. For example, Belje,

Belje Agro-vet, Mercator SLO and M-Energija have switched to digital accounts, while Energija Gradec did so in 2022. Konzum CRO offers its customers the option of sending invoices through an application in order to motivate them to reduce the use of paper. Also, Konzum CRO is launching a project of displaying prices electronically on the shelves in some retail stores, in order to reduce the use of paper. Reducing the use of office paper is also carried out by Roto dinamic, PIK Vrbovec CRO and Fortenova grupa d.d.

Value cards such as Super Kartica Beograd, Super Kartica Sarajevo and MultiplusCard offer the option of mobile cards in order to reduce the use of plastic cards and thus reduce the use of plastic. Konzum BIH plans to switch to completely recycled material in the delicatessen department in Konzum and Mercator stores by 2030, and to gradually reduce the proportion of plastic in bags in the fruit and vegetable department and in butcher's departments.

Companies

Super Kartica Sarajevo, Super Kartica Beograd, MultiPlusCard

Examples of best practices in material reduction

The possibility of using digital loyalty cards instead of plastic cards, the possibility of issuing invoices in the application instead of on paper in MultiPlusCard

Belje, Belje Agro-vet, M-Energija, Energija Gradec, Mercator SLO

Transition and/or partial transition to a digital account

Jamnica CRO

Using rPET recycled plastic

Mg Mivela, Zvijezda CRO

Reduction of plastic in the product

Next steps

In 2024, it is planned to amend the general procurement criteria by adding criteria for purchasing materials and products from sustainable production and sources, particularly in categories which have globally been assessed as vulnerable, such as cocoa, coffee, palm oil and so on.

Sustainable agricultural practices

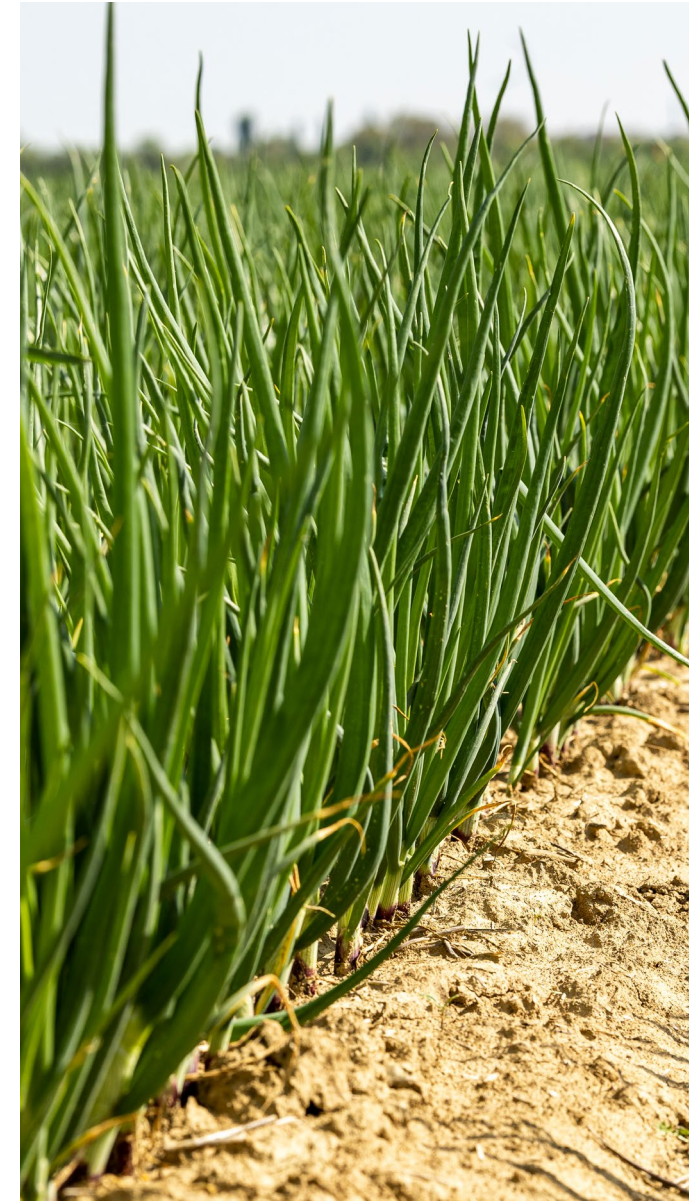
Fortenova Group’s agriculture companies engage in the activities of growing cereal and oil crops and forage plants, breeding pigs, cattle and dairy cows, producing milk and milk products and animal feed, in viticulture and wine production, fruit and

vegetable growing and producing electricity from biogas.

The implementation of operative and sustainable agricultural practices creates a sustainable circular agriculture that

maximises raw materials and also creates agricultural by-products. Sustainable agricultural practices are based on the following:

- **Care of the soil and own production of raw materials for animal feed**
- **Organic fertilisation by using by-products of livestock production with a view to optimizing the ratio of using organic and mineral fertilisers**
- **Renewable energy sources – using livestock manure and other bio-based raw materials for the production of electricity**
- **Holistic approach to applying pesticides – new technologies reduce the use of pesticides to a level below that prescribed by law**
- **Crop rotation and use of modern machinery for precision agriculture in order to optimize all processes and reduce the impact on soil and environment**
- **Irrigation of areas according to the needs of the respective crop and optimum use of water resources, with continuous monitoring of data at own meteorological stations**
- **Implementation of animal welfare measures on farms**
- **Investments in renewable electricity sources by installing solar power plants.**



Sustainable agricultural practices



The total surface area of arable agricultural land in Fortenova Group's agricultural companies amounts to 32,000 hectares and includes own land and land under lease. Those areas are used to grow raw materials for own animal feed production, in accordance with the needs of 37 farms, of which 18 are pig breeding farms producing over 50 % of the total annual production of finishers in Croatia. All agricultural companies apply multiannual crop rotation, reduce soil tillage, and apply green and organic fertilisation, thus providing for the continuity of growth and development of plants and reducing their stress. In addition, they use precision agriculture and modern agricultural machinery such as wide-range seed drills with maximum coverage of 24 rows and a GPS system, that drill seeds into the soil at high speed, thus providing for a uniform sprouting of crops. In parallel to the sowing, the fertilisation takes place as well, which optimises the use of labour and machinery, saves time and reduces fuel consumption.

Green manure with a mix of grasses provides numerous advantages, such as the use of CO₂ from the air, and makes the soil loose and porous, thus providing for a better accumulation of water in the soil. Such humus-rich soil requires less pesticides and secures better production results with the long-term goal of increasing soil productivity.

By taking the holistic approach in applying pesticides, the total use of all types of pesticides at all levels has been reduced. The approach is based on continuous employee education, special pesticide storage that reduces the risk of environmental pollution and regular maintenance of equipment used to apply pesticides.

Over the last ten years all agricultural companies have been using detailed agricultural land analyses for the application of mineral fertilisers, focusing on the macronutrients phosphorus (P₂O₅) and potassium (K₂O). Such approach to applying fertilisers has significantly reduced the quantity of fertiliser used, resulting not only in financial advantages, but also contributing to protecting the environment from an excessive use of mineral fertilisers. Besides phosphorus and potassium, analyses also include the macronutrient nitrogen (N), which directly contributes to crop yields and is applied and distributed depending on the needs on the respective field areas.

Five biogas facilities, located in the immediate vicinity of the largest farms, use livestock manure and other bio-based raw materials to produce electricity, which is released into the national electricity grid. The by-product of electricity production from biogas is thermal energy and digestate – a high-value organic fertiliser. For a sustainable management of organic fertilisers, slurry and manure, by-products of livestock production, are applied on about 50 % arable areas.

Generally speaking, both 2023 and 2022 will remain recorded as extremely challenging years in terms of climate in agricultural production. While in 2022 there was a severe long-term drought that negatively affected all crops, 2023 was unfavourable due to severe weather conditions, hailstorms, as well as above average precipitation that affected quality and yields. In order to minimise the impact of climate change on operations, this year the process of climate change risk identification continued, with plans to prepare scenarios for adaptation and risk mitigation in the areas of fruit growing, viticulture and crop farming. For the most endangered crops, investment in irrigation was, as announced, launched in the reporting year. In total, an investment of over EUR 2 million was approved and launched for the purchase of irrigation systems that cover almost 850 ha of arable, vegetable and fruit crops. For the sake of optimum irrigation, meteorological stations have been installed to follow weather forecasts, and operating irrigation plans are prepared for each individual crop type in accordance with the forecasts.

The development strategy of Fortenova Group's agriculture companies, which is based on sustainable agricultural practices, is dedicated to increasing the use of renewable energy sources in production, irrigating key arable areas, following innovations in the segment of agricultural production, which also includes investments in machinery and new technologies, as well as further optimising the use of pesticides, fertilisers and crop types in accordance with the European Green Deal, through the initiatives described below.

Sustainable agricultural practices

Initiatives to reduce mineral fertilizers and pesticides and “natural way of farming” initiatives

The parameters that are taken into account when determining the amount of fertilizer for individual crops are: planned yield, yield of the previous crop (nutrient removal), nutrient supply in the soil, along with soil pH and the classification of the soil according to the existing content of total nitrogen, phosphorus and potassium, all with the possibility of fertilizing with organic fertilizers whose nutrient content is also included in the calculation. Fertilization methodology, in addition to respecting legal frameworks, has been developed and perfected over the years, and is based on precision agriculture: by scanning land, taking soil samples, analysing and balancing nutrients, and ultimately by introducing innovations in mechanisation for the application of mineral and organic fertilisers (manure, slurry and digestate). Since 2012, by using the method of precision agriculture in fertilisation, the consumption of mineral fertilisers has decreased by almost 27 % by 2023. The agricultural companies of Fortenova Group, in addition to the already introduced precision agriculture, will additionally reduce the use of mineral fertilizers by up to **39.05 %** by 2030 compared to the starting figure through a total of **four initiatives**:

- 1. inter-row fertilization during sowing
- 2. purchase of machines with advanced technology for the distribution of mineral fertilizers
- 3. introducing innovations in precision agriculture
- 4. increase in irrigated areas.

In addition, along with the reduction of the amount of mineral fertilisers through precision agriculture, the agricultural companies of Fortenova Group have increased the share of areas covered by organic fertilization over the years, which resulted in the fact that in the same period, from 2012 to today, the total area covered by organic fertilization increased by as much as 150 %, and the current share of organic fertilization in total fertilization is about 14 %.

As a conscientious production holding, the agricultural companies of Fortenova Group respect the legal frameworks that define the sustainable use of pesticides through the introduction of norms ISO 14001 on environmental management systems, ISO 50001 on energy management and ISO 9001 on quality management systems, and through training, education and control instruments, innovations in mechanization, as well as alternative methods of



applying protective agents. Therefore, in recent years, the use of pesticides in accordance with the needs of plants has been continuously reduced. Agricultural companies are still focused on reducing the total amount of pesticides in accordance with the Agriculture Strategy until 2030 and the Regulation of the European Parliament and the Council on the sustainable use of plant protection products. The company will achieve a reduction in the use of pesticides through the following initiatives:

- 1. introduction of new machines for pesticide application
- 2. implementing the see & spray and spot spraying concept
- 3. implementing alternative methods.

In accordance with upcoming regulations aimed at protecting areas of particular importance, such as Natura 2000, the agricultural companies of Fortenova Group started a trial production of two new crops in 2023, and buckwheat and millet were sown on almost 40 ha. No chemical agents were used on these crops and the weeds were manually removed, and the yields were more than satisfactory. In 2024, companies from the Agriculture Division of Fortenova Group will continue testing and searching for long-term solutions through trial production of new cultures and methods.

Sustainable practices in sheep farming

In 2023, Agrolaguna initiated a key partnership with the Istria County, aimed at preserving the Istrian sheep breed, a vital part of the regional agricultural heritage. In cooperation with the competent institutions, they established a genetic centre for raising and breeding the Istrian sheep breed. This initiative arose from the need to deal with the worrying trend of a decreasing number of sheep in Croatia, and the need for urgent revitalization of the herd was expressed in order to ensure reliability in the supply of sheep's milk for Agrolaguna's production needs.

With a special focus on preserving authenticity, the development of the documentation that will ensure the status of a protected traditional product for Istrian sheep cheese is currently being completed. This initiative is essential for protecting the unique production process, from the carefully controlled production of milk to the finalization of the cheeses, guaranteeing that the products retain their reputation and recognition.

Sustainable agricultural practices

Technological innovations in wine production

Drone imaging has become a key tool in Agrolaguna. The NDVI technique (*Normalized Difference Vegetation Index*) monitors plant health, which increases efficiency and positively affects sustainability.

Five advantages of the NDVI technique:

- 1. Precision agriculture:** Drones can cover very large areas in a short amount of time, providing detailed maps that would otherwise require much more time and financial resources.
- 2. Plant health monitoring:** The NDVI technique monitors plant health by assessing how plants absorb and reflect light. Healthier plants reflect more infrared light, resulting in higher NDVI values. Conversely, stressed plants reflect more visible light.
- 3. Water management:** Drones help identify areas that require more or less irrigation, ensuring optimal growing conditions and water preservation.
- 4. Yield optimization:** On the basis of information about the health of the vine, it is easier to predict yields and make informed decisions.
- 5. Sustainability:** Sustainable practices are supported by reducing the need for general fertilizer or pesticide treatments, instead targeting interventions where they are most needed.

The technology can be highlighted as evidence of a commitment to precision agriculture, sustainability and general improvement of the quality and quantity of yields while maintaining an environmentally friendly approach. The use of NDVI imaging is an example of Agrolaguna's investment in advanced technology to improve vineyard health and productivity in a responsible manner.



An example of a drone image where different colours indicate the health of the vegetation is shown below.

An advanced **meteorological station** and **disease prediction technology** have been introduced in **Agrolaguna**, which serve as a foundation for precise viticulture and sustainable disease management. The technology allows monitoring of meteorological conditions in real time, thus ensuring a quick response to weather conditions that can affect the health of the vines and the quality of the grapes, and the assessment of risk of vine diseases such as grey mould, downy mildew and powdery mildew. Anticipating diseases and taking preventive measures reduces the use of fungicides and ensures the long-term effectiveness of disease control measures.

Keeping records of meteorological data contributes to better and more informed decisions related to the cultivation of vines, which increases the quality of the wine produced and reduces the costs of cultivation.

Cover crops represent another sustainable agricultural practice. Cover crops are plants that are planted on agricultural land in order to improve the soil, protect the soil from erosion, manage

water, control weeds and encourage biodiversity, and are applied to 30 % of plots in Agrolaguna.

Benefits of cover crops:

1. erosion control – the roots of cover crops keep the soil in place, preventing wind and water erosion
2. improving the structure of the soil – they create pathways for water and air, promoting the health of vines and micro-organisms in the soil
3. nutrient management – they fix atmospheric nitrogen and add organic matter to the soil, reducing the need for synthetic fertilizers
4. water management – they reduce water evaporation and improve water infiltration, conserving moisture during dry periods
5. biodiversity and ecosystems – they provide habitat for beneficial insects and control weeds, which reduces the need for chemical pest control
6. mitigating climate change – they store carbon in their biomass and in the soil, contributing to the reduction of greenhouse gas emissions
7. economic benefits – they reduce costs, ensure long-term stability and quality of grape yield.

Animal Welfare

Part of Fortenova Group’s Agriculture Division are dairy production and cattle breeding: cattle and finishers. Through 37 own farms and a network of contract farmers, Fortenova Group’s Agriculture Division annually delivers over 43.5 million litres of milk, 19 thousand cattle and 410 thousand finishers. The slaughterhouse of the Food Division, i.e. PIK Vrbovec CRO, processed a total of 319 thousand livestock, whereof 93 % pigs seven 7 % cattle. High livestock production standards also imply the quality of animal welfare, which is implemented according to established procedures and guidelines, and the overall care at Fortenova Group is based on four main pillars: relying on own raw materials and primary ingredients for animal feed production, veterinary care, nutritional know-how and the focus on employee excellence. This approach to management encompasses the entire value chain from field to table, providing for product traceability, consistency, and quality. The animal welfare management system exceeds the statutory requirements of the Republic of Croatia in many aspects. Aware of stronger needs for transparent reporting about livestock breeding and an ever growing number of customers who want an animal welfare verification when choosing meat products, Fortenova Group continues to communicate in that direction.

Five animal rights (freedoms)

1. Freedom from thirst and hunger
2. Freedom from discomfort
3. Freedom from pain, injury, and disease
4. Freedom to express natural behaviour
5. Freedom from fear and distress



The Group supports the five animal rights (freedoms) on the farm in compliance with EU guidelines and recommendations of eminent scientists. The first right is the freedom from hunger, thirst, and malnutrition. By providing direct access to fresh food and water on its farms, the Group has provided for the continuity, traceability and uniformity of nutrition, with nutritionist support and internal production of primary feed ingredients such as corn, barley, soybeans and wheat. Animal feed is supplied by the

Group’s crop farming division, which employs three nutritionists.

The second animal right is secured as well – freedom from discomfort by providing appropriate surroundings, including shelter and a comfortable area for rest. The conditions for cattle and pigs are described in detail in the enclosed tables. Keeping conditions also imply the provision of appropriate facilities and equipment, animal housing and microclimatic conditions. Care is also taken of appropriate temperature and humidity, which positively affects animal behaviour and results in stress avoidance and a reduced disease incidence.

The freedom from pain, injury, and disease is secured by prevention, quick diagnosing, and treatment by the Belje Agro-vet veterinary service, owned by the Group and responsible for all livestock farms. They conduct daily rounds and examine entire herds in order to preventively notice any need of treatment as well as to prevent stress and fear should they notice any signs of them. Animal surgery is performed only as a last resort, such as the treatment of wounded claws, with the obligatory use of anaesthetics, painkillers and anti-inflammatory drugs. In cases when therapy is required, whenever possible it is administered without needles, as this is less painful and stressful for animals.

The freedom to express normal behaviour for the species is enabled on the Group’s farms by providing enough space, appropriate housing and social contact with animals of the same species. Additional attention is paid to appropriate grouping of animals.

The freedom from fear and distress by providing conditions that do not cause mental suffering is taken care of by employees and veterinarians through continuous education and improvements of animal welfare practices. The avoidance of stress in animals additionally improves the meat quality and also provides for better conditions for the employees. Animal welfare controls on the farms also take place. For example, the welfare of pigs on our farms is observed through four main domains, it has to meet the minimum of five freedoms and is evaluated and monitored from 81 control points. In handling animals, principles of animal behaviour, principles of animal welfare, and, principles of occupational safety jointly apply. The transportation of animals from Group’s farms is outsourced to companies that accept the Group’s additional animal welfare conditions due to the large quantities

Animal Welfare

of contracted transportation. Worth of being singled out among many conditions required to be met in the means of transportation are the preliminary control of each vehicle with regard to high hygiene requirements, the presence of water feeders and ventilation, the possibility of tracking the vehicles via GPS and adherence to the required time to prepare the vehicle between transportation orders. Given that all of the Group's farms as well as the PIK Vrbovec CRO slaughterhouse are located in Croatia, all livestock transportation orders are carried out in the period of not more than six hours. When it comes to challenges faced in transportation, there are cases where it is questionable whether the required time length to prepare the vehicle according to the established conditions, from 24 to 72 hours, will be adhered to. Furthermore, logistics and farm managers check the vehicles according to the contractual conditions and have the right to refuse a vehicle that does not meet the requested conditions. With additional efforts exerted by both business partners, however, solutions can always be found in practice by rearranging livestock transportation order schedules.

In 2023, an animal welfare policy at the Group level was prepared that enables the exchange of good animal welfare practices among Group companies and the convergence of standards, goals, and reporting on this topic. The adoption of the policy is planned for mid-2024.

In 2022, the standard operating procedure for animal welfare at PIK Vrbovec CRO, introduced as early as 2008, was revised, which additionally improved the animal treatment standards. The primary processing plant (slaughterhouse) was put into trial operation in December 2023, and it is planned to have it fully operational in the first quarter of 2024.³⁴ The distance from the point of unloading animals to the facility is shorter in the new facility, and several automated processes that additionally reduce the possibility of human error when handling animals have been introduced. The revision of the standard operating procedure for animal welfare was planned to start parallel with the full commissioning of the primary processing plant.

³⁴ The deadline for the start of slaughterhouse operations was extended was due to a delay in the deadlines for the completion of the auxiliary facility construction (primarily the wardrobe-sanitary block) required for the acquisition of a permit for slaughterhouse operations.

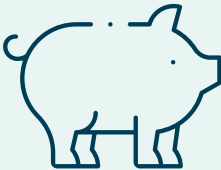


Pig welfare practice control system

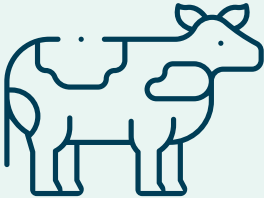
Availability of feed and water	Good environment	Animal treatment/handling	Animal health protection
Good animal welfare practice has to meet a minimum of five claims.			
1. The animal is free from hunger, thirst, and malnutrition, as it has access to drinking water and appropriate nutrition.	2. The animal is free from physical and thermal discomfort and has access to shelter and a comfortable space for rest.	3. The animal is able to express most of its usual behaviour patterns, as it has sufficient space in appropriate housing together with other animals of the same species and category. 4. The animal does not experience fear or distress, as conditions have been provided to prevent suffering.	5. The animal does not suffer pain, injury, or disease due to appropriate prevention and/or quick diagnose and treatment.
Control points			
13	16	18	34

Animal Welfare

Freedom 1	Freedoms 2 and 4	Freedom 3	Freedom 4	Freedom 5
The animal is free from hunger, thirst and malnutrition	Freedom from physical and thermal discomfort and access to shelter and a comfortable place for rest	The animal is free from pain, injury, and disease	The animal is able to express most of its usual behaviour patterns	The animal does not experience fear or distress
<p>Pigs instinctively strive to meet their basic needs for feed and water.</p> <p>Pigs are fed in rations or at will, and the feed must be adapted to their nutritive needs depending on their stage of life.</p> <p>As for water, it must be clean and without smell or taste, and it is important to provide constant access to water so that pigs may consume it at will.</p>	<p>Appropriate lighting implies that animals are exposed to light for 16 hours and to darkness for eight.</p> <p>At farms, six factors are being monitored: ambience temperature, the uniformity of temperature in the room, the percentage of humidity, airflow velocity, the presence of dust particles and the presence of harmful gases in the air.</p> <p>The size of room provided on the farms is above the minimum standard prescribed by the law and is understood to include optimum conditions in which the animal may satisfy all its needs, including behaviour patterns secured by Freedom 4.</p>	<p>Daily rounds are carried out.</p> <p>Veterinary care provides for the prevention of injury and pain, fast diagnosing and required treatment.</p> <p>Surgical and obstetrical interventions are carried out with the obligatory use of anaesthetics and painkillers.</p> <p>At PIK Vrbovec CRO, a veterinarian is present at each unloading of pigs to check whether any injuries have been inflicted during transportation to the slaughterhouse and determine the required measures on site. Injured animals are placed in a separate sanitary pen where they are provided with additional care.</p>	<p>Pigs on farms are kept in groups, but particularly sensitive categories individually, such as boars, sows in the first 28 days of pregnancy and during lactation, as well as injured animals.</p> <p>Special attention is given to the proper formation of groups of animals in order to provide them with sufficient space and appropriate social contact with other animals of the same species and category.</p>	<p>The application of equipment and techniques when handling pigs allows quick and effective implementation of procedures with minimal stress for animals. Specially designed equipment is intended for that purpose only and is safe for employees. Only trained employees use such equipment in a way that minimizes the possibility of injuries to animals.</p> <p>They are unloaded in smaller groups, where care is taken to form compatible animal groups. Pigs are protected from precipitation in winter and in summer, and in the summer months they have access to showers for cooling purposes. The sheds provide sufficient room, with feed and water available. Pigs are kept in the depot for a maximum of eight hours.</p>



Animal Welfare

Freedom 1	Freedoms 2 and 4	Freedom 3	Freedom 4	Freedom 5
<p>The animal is free from hunger, thirst and malnutrition</p>	<p>The conditions of keeping cattle are in compliance with their natural needs – providing enough room, an appropriate bedding and a natural level of lighting as well as ventilation</p>	<p>The animal is free from pain, injury, and disease</p>	<p>The animal is able to express most of its usual behaviour patterns</p>	<p>The animal does not experience fear or distress</p>
<p>Cattle have access to water and food for 24 hours.</p> <p>The feeding is planned at an annual level and controlled, besides for general quality, also for mycotoxins, moulds, and yeasts.</p> 	<p>All cattle are kept in free range and not tied. There are no limitations of movement within their sheds. They are provided with more room than stipulated by the law.</p>	<p>Internal procedures and protocols are in place for treating each animal category.</p> <p>The use of antibiotics is reduced to a minimum.</p> <p>New solutions in curing diseases are applied as well, by adding feed supplements based on medicinal herbs and their extracts.</p>	<p>Each bovine animal has the possibility to express its natural behaviour, and has social contact with other bovine animals of the same type and category to avoid loneliness.</p> <p>From its birth, each animal is in contact with animals of the same category. Dairy cows spend two to three hours during the day outside their facilities, during which milking, medical treatment, hygiene and other structured activities take place. The remaining 21 to 22 hours they spend freely.</p>	<p>Daily rounds are carried out.</p> <p>For treatment purposes, such as treating wounded claws or surgery, the use of anaesthetics, painkillers and anti-inflammatory drugs is obligatory.</p> <p>Cattle are unloaded in smaller groups, where care is taken to form compatible animal groups. They are protected from precipitation in winter and in summer. The sheds provide sufficient room, with feed and water available. Cattle are kept at the depot for 12 hours at most.</p>



4.

SOCIAL INDICATORS

2023 SUSTAINABILITY REPORT

Employee wellbeing

Since Fortenova Group was active in making acquisitions in 2023 and completed the acquisition of the Franca market chain in Montenegro, the number of Group employees increased to a total of 45,383 employees, compared to 2022. In this large community, which also makes Fortenova Group one of the largest employers in the region, we strive to create such organizational frameworks and corporate climate and culture in which every individual knows the purpose of his or her work, feels safe at work, and knows that the organization is inclusive and encouraging for personal and professional development and that it demonstrates solidarity when help is needed. Group's Human Resources create policies and provide guidelines so that all operating companies could create a recognizable organization and work environment that is recognized as Fortenova Group's standard by its employees, external stakeholders and potential employment candidates. Fortenova Group promotes as its standard an open door policy, freedom of expression, decision-making by consensus whenever possible and, in particular, respect for multiculturalism because people of 30 different nationalities work for our companies.

The main strategic areas of HR are labour planning, employee recruitment and retention, providing frameworks for their professional and personal development, the development of organisational and operational management models, the development of salaries and benefits policies and systems, the improvement of corporate climate and culture and designing activities related to the Diversity, Equity and Inclusion Policy (DE&I). At the same time, the HR function integrates and exchanges knowledge, experience and best practices between operating companies through continuous cooperation between all Group's HR stakeholders, regular management meetings, thematic workshops, and HR pilot projects or through everyday communication and exchange of experience.

The values we live with and work with are written in the Code of Ethics, the Diversity Charter, the Diversity, Equity and Inclusion Policy and the Volunteering Charter, which was signed at the end of 2023. The preparation of the human rights policy is under way. As regards the Volunteering Charter, Fortenova Group is



one of the 35 companies that have signed it. This is a document whose signing was initiated by Zagreb Volunteer Centre in 2019. The Centre started intensive cooperation with business organizations on the topic of employee volunteering by establishing the Corporate Volunteering Development Network in 2017. By joining the Charter, Fortenova Group confirmed that it will strengthen the systematic approach to the development of employee volunteering in the coming period. The first volunteer action was carried out in the Kras area in the municipality of Sežana in Slovenia. The marketing and communication teams of Mercator SLO and Fortenova grupa d.d. gathered in a joint volunteer action to clean the edge of a burned terrain that was destroyed in 2022 in a big fire that affected over 2,000 hectares of land. The volunteer action is part of a joint donation project by Fortenova Group and Mercator, aimed at preventing potential future fires in that Slovenian region.

After the implementation of the Diversity, Equity, and Inclusion Policy at the beginning of 2023, employees were educated

about its implementation and specific activities. The policy focuses on three pillars: gender equality, people with disabilities and wellbeing, and provides for the development of annual activity plans in each company. At the end of the year, all companies created their plans of activities on DE&I topics for the first time so that, in 2024, the focus will be on the strengthening and wellbeing of employees, the employment of persons with disabilities and greater cooperation with associations that mainly employ persons with disabilities. In 2024, corporate volunteering will be introduced as well. Therefore, the education of the management started so that they, too, could be the ambassadors of diversity and inclusion.

In 2023, the implementation of the "employer branding" project continued with the aim of presenting Fortenova Group and its operating companies as a desirable place for work and promoting the Group's culture and the benefits of working in its operating companies. The project will be fully implemented in 2024.

Employee wellbeing

Freedom of association

In Group companies where trade unions are active, freedom of trade union organization and action is guaranteed, whereby a total of over 94.16 % of employees are covered by collective bargaining agreements. In order to ensure the application of social standards and social dialogue in all operating companies, a negotiating team is formed at the Fortenova Group level each year to conduct collective bargaining for several companies. As in previous periods, 19 collective bargaining agreements were concluded in operating companies.³⁵

Collective bargaining agreement	2023	2022
Total	42,732	41,986
Percentage	94.16 %	95.00 %

In 2023, the practice of holding regular Town Hall (TH) meetings continued and expanded, where, in addition to company management, the Group's management also participates. In 2022, that practice took root in production companies, while as of 2023, it was also introduced into the operating companies of the Retail and Wholesale Division so that Corporate Communications organized in cooperation with HR and Marketing the first Town Hall meeting in Konzum BiH and Mercator SLO. A total of nine such meetings were organised in 2023 – in Jamnica CRO, Dijamant, Mg Mivela, Zvijezda CRO, PIK Vrbovec CRO, Roto dinamic and Agrolaguna, besides the meetings in Konzum BiH and Mercator SLO. Employees took part in the meetings in person, in numbers that the size of rooms allowed, or online, while those who were not able to attend the meetings in real-time watched the recording of the meetings. It is also worth mentioning that during

the year, internal meetings and conventions of employees were regularly organized in almost all companies, such as conferences for sales workforce at Roto dinamic and Jamnica, meetings for retail facility managers and managers at Mercator SLO, Mercator SRB, and Konzum CRO, or meetings held to choose and reward the best employees in retail and manufacturing companies. The tradition of meetings between Fortenova Group's executive directors and representative trade unions that are active in operating companies also continued.

³⁵ Agrolaguna, Belje, Eko Biograd, PIK Vinkovci, Vinka, Vupik, Konzum CRO, Konzum BiH, Mercator SLO, Mercator BiH, Mercator SRB, Mercator EMBA, PIK Vrbovec CRO, Zvijezda CRO, Jamnica CRO, Tisak, Sarajevski kiseljak, Dijamant, Mg Mivela.

Initiatives supporting strategic areas of human resources development

Development of salary & remuneration policies	Advancement and talent management	Improvement of employee experience	Recruitment and retention	Development of management systems
<ul style="list-style-type: none"> Classification and structure of fees, analyses related to salaries of women and men All companies reported an increase in the basic salaries of their employees in 2023 	<ul style="list-style-type: none"> Key employees' career management Progress of the DRIVE programme for talent and advancement management Extension of the DRIVE programme with the Digital Transformation educational module Development the existing DRIVE Beyond Excellence programme with new modules and ambassadors Implementation of the talent and career management process to an additional organisation level in addition to already existing levels Improving career opportunities within Fortenova Group and inter-company opportunities Strengthening leadership skills Feedback analysis 360 assessments 	<ul style="list-style-type: none"> Implementation of the Diversity, Equity and Inclusion Policy, education provided Prepared activity plan for the Policy implementation with a focus on different forms of the flexible working time of employees in response to the results of the survey on corporate climate and culture regarding the balance professional and private life Traditional research on corporate climate and culture 	<ul style="list-style-type: none"> Introduction of the Beverages Group's project "You are the Best Colleague One Can Have" (Meni nema boljeg kolege) Employment related procedure and platform for the Share Service Centre were prepared Tisak project in cooperation with students of Zagreb University faculties was carried out, research on how existing and potential employees and students perceive working in kiosks Stay interview as an initiative to retain employees through an informative interview 	<ul style="list-style-type: none"> Implementation of the HRIS system for HR data digitalisation and better insight in trends Digitalised selection and recruitment Performance management, talent management, 360 feedback E-learning platform is in preparation

Employee wellbeing

Employee recruitment and retention strategy

Given the challenge posed by the lack of workforce that affects almost all companies in the region, Fortenova Group intensively considered the possibility of improving the efficiency of the candidate selection process.

Namely, an analysis showed that Group's operating companies announce several hundred vacancies during the year and that different companies often advertise the same jobs so that the centralization of activities related to the advertising of open job positions and the selection of candidates has become a logical choice for improving the process.

Therefore, at the end of the year, a project group was formed that made an analysis of vacancy announcements, jobs, and the number of applicants and developed on the basis of the analysis a platform for sharing information between companies. The **Share & Recruit Centre (SRC)** project was completed by the end of 2023, and its implementation will start in 2024 and include **Fortenova grupa d.d. and seven Group companies** operating in the Zagreb region – **Konzum CRO, Jamnica CRO, Zvijezda CRO, Tisak, Roto dinamic, PIK Vrbovec CRO and mStart CRO.**

The goal of the pilot project implementation is to ensure the use of best practices and the exchange of key information for the purpose of retaining existing employees in the Group so that by sharing information on internal vacancy announcements, they are given the opportunity to work for all operating companies (not just for the one they are applying or working for). At the same time, it is expected that centralised information sharing about vacancy announcements will attract a greater number of job candidates, as this opens a possibility of employment in more Fortenova Group companies. In addition to the fact that a better and faster exchange of information is expected to reduce the number of vacancy announcements, it is highly likely that the quality work of Fortenova Group's SRC will also increase candidates' satisfaction with the recruitment process.

The companies successfully implemented digital platforms for selection and employment, and as they wish that talented and diverse employees recognize the companies as an excellent place for work, they continued the practice that enables job seekers to apply for jobs immediately via the website even when there are

no open job positions. Furthermore, all resumes received in such way are addressed with attention, and candidates are contacted if necessary.

We have singled out two 2023 projects aimed at retaining employees: Beverages Group and Tisak.

Beverages Group (Jamnica, Sarajevski kiseljak, Mg Mivela, Agrolaguna project “Ja Ki Mi”)

A project was designed in the Beverages Group under the title “You are the Best Colleague One Can Have” whose purpose is to promote the organisation as a good place to work in, motivate

employees to stay in the company, create a positive competitive atmosphere for the visibility of individuals and teams, and encourage cross-sectoral company cooperation. The working group consisting of employees from all Beverages Group companies had the following task: to define the concept of the programme, award categories, criteria, the manner of nomination, and awarding dynamics and to propose awards. For each company project ambassadors were also nominated, whose task is to visit business units and present the project, and to motivate employees to nominate their colleagues. The goal was for all employees to have the opportunity to commend a colleague as well as to propose an award for his or her work.

Project vision and goals	Nominating colleagues	Activity implementation
<p>It is everybody's responsibility to:</p> <ul style="list-style-type: none"> Encourage an excellent work atmosphere Recognise the responsibility and integrity of each employee Develop a sense of belonging and collaboration Be open to new ideas. 	<ul style="list-style-type: none"> Employees nominate their colleagues quarterly. The BEST colleague is chosen annually. All colleagues who receive the quarterly award qualify for the finals. The winner of the BEST colleague award is chosen by the total number of votes of all employees. 278 employees were nominated. The criterion for choosing the BEST colleague was the number of nominations, and in the case of the same number of nominations, arguments for the nomination of a particular candidate should have been given. 	<ul style="list-style-type: none"> Annual stay interviews with a view to retaining the greatest talents Defining activity plans to increase employee satisfaction As planned, teams will be nominated and awarded next year

Employee wellbeing

In cooperation with students of the graduate study programme in sociology at the Faculty of Humanities and Social Sciences in Zagreb **Tisak** conducted a study entitled “Working Conditions in Tisak Kiosks”. The goal of the research was to get more information on how existing and potential employees perceive the work at TISAK kiosks, and the research results coincided with the research on corporate culture and climate that is conducted in Fortenova Group companies every year. Despite the specific features of structures in which the sale takes place, 102 persons were employed in 2023, who were according to the records “re-employed at Tisak”. Of that number, 90 employees are sellers. The research showed that working at a kiosk can potentially be considered a good temporary job for students because of the possibility to earn some money, flexibility of arrangements, and independence in the organization of work.

Besides the Beverages Group companies, other Group companies also undertake activities aimed at employees, the strengthening of their mutual ties, and their connection to their respective company. In Konzum CRO such activity is called To Me You are THE BEST!, and individual employees and teams are awarded. Idea MN has a similar project called “The Best Employee” (*NAJ zaposleni*), Mercator SLO a project called “It Fells Good to Be the Best” (*Lepo je biti naj*), and Zvijezda CRO a project called “Commend Your Colleague” (*Pohvali kolegu*). The best colleague at PIK Vrbovec CRO in 2023 won the title “The Best PIK-Fellow Worker” (*NajPIK-ovac*).

Research vision and goals	Research results	Implementation of employment and retention activities
<ul style="list-style-type: none">Define the main advantages and disadvantages of working at a kiosk according to the survey conducted among employees and students working at a kioskAnalyse survey results and define the main ideas in job advertisementsDefine an activity plan to improve working conditions and employee satisfaction	<ul style="list-style-type: none">The main positive sides for employees are independence in work, flexibility in determining shifts, and the fact that the employer makes sure that the workplace is located near the place of residenceThe main positive sides for students are flexible arrangements, independence in performing tasks, and organization of work	<ul style="list-style-type: none">Increase in tangible rewardsFlexibility in determining shiftsCompetitive hourly rate of the student hiring agencyOther tangible and non tangible benefits for workers under the the collective bargaining agreement



Employee wellbeing

Distribution of employees by gender according to employment contracts on 31 December 2023

2023	Permanent employees	Temporary employees	Full-time employees	Part-time employees	Employees with non-guaranteed working hours	Croatia	Slovenia	Serbia	BIH	Monte-negro	Agriculture	Food	Retail and Wholesale	Non-Core Businesses
Male	13,160 35 %	2368 38 %	15,420 36 %	106 10 %	15 34 %	8631 41 %	2010 24 %	3270 36 %	967 26 %	648 26 %	1930 71 %	3630 66 %	9638 27 %	328 55 %
Female	24,950 65 %	3802 62 %	27,796 64 %	956 90 %	29 66 %	12,199 59 %	6268 76 %	5725 64 %	2696 74 %	1864 74 %	803 29 %	1837 34 %	25,847 73 %	265 45 %

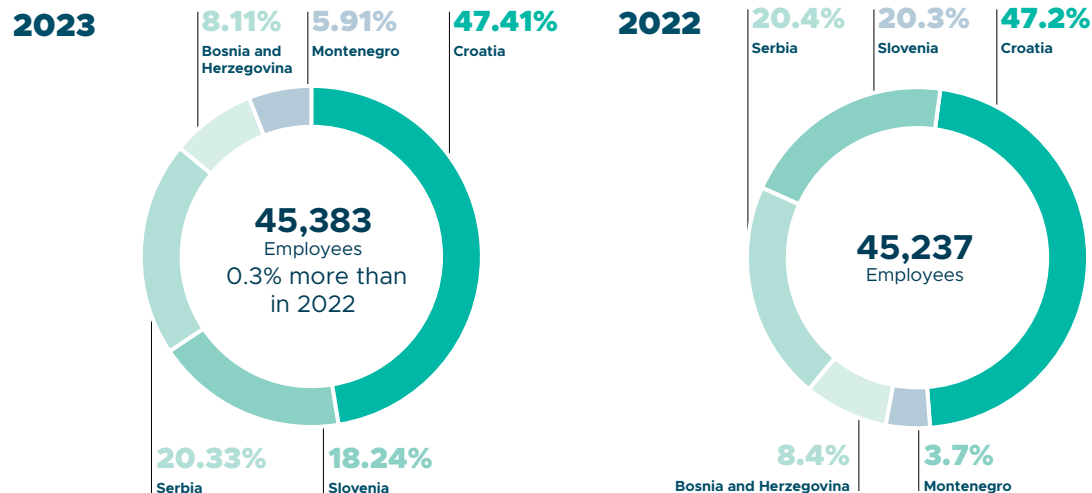
Distribution of employees by gender according to employment contracts on 31 December 2022

2022	Permanent employees	Temporary employees	Full-time employees	Part-time employees	Employees with non-guaranteed working hours	Croatia	Slovenia	Serbia	BIH	Monte-negro	Agriculture	Food	Retail and Wholesale	Non-Core Businesses
Male	13,082 35 %	2304 35 %	15,225 36 %	161 14 %	0 0 %	8567 41 %	2175 24 %	3231 36 %	1022 28 %	391 24 %	1929 72 %	3664 67 %	9454 27 %	339 57%
Female	24,368 65 %	4236 65 %	27,628 64 %	975 86 %	0 0 %	12,206 59 %	6755 76 %	5730 64 %	2687 72 %	1225 76 %	752 28 %	1806 33 %	25,786 73 %	259 43%

Employee structure and characteristics

On 31 December 2023, the number of employees in Fortenova Group amounted to 44,280 or 45,383 including 1,103 seasonal workers. According to the last year report, the number of seasonal workers was 1,248 and the number of employees including seasonal workers 45,237. The number of employees is higher by 0.3 % than in the previous year.

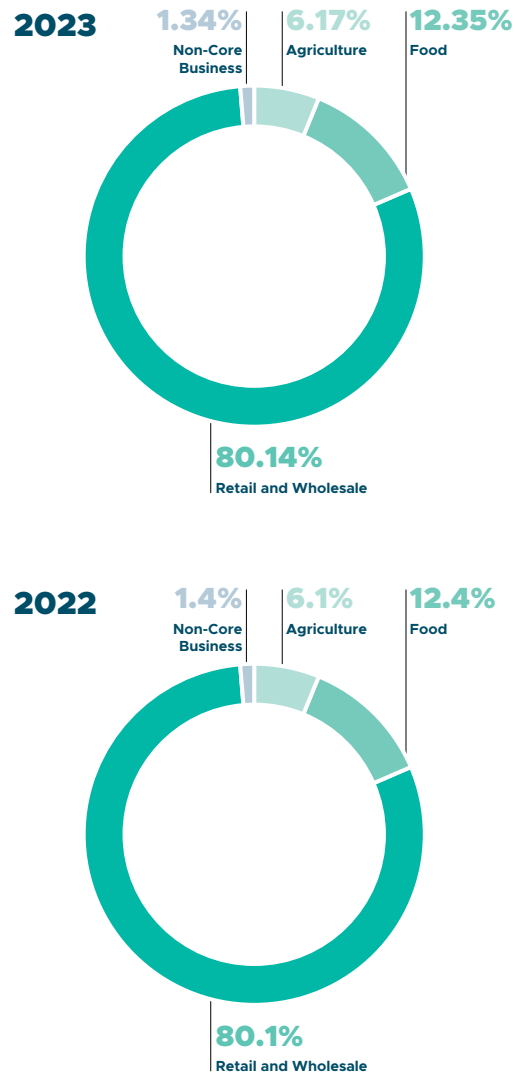
Distribution of employees and seasonal workers by country



Most employees (80 %) worked in the Retail and Wholesale Division, while 12 % were employed in the Food Division, 6 % in the Agriculture Division, and 1 % in non-core companies. The largest number of employees, 47.41 %, worked in Croatia, 20.33 % in Serbia,18.24 % in Slovenia, 8,11 % in Bosnia and Herzegovina, and 5.91 % in Montenegro.

Employee wellbeing

Distribution of employees and seasonal workers by division



Number of employees by age and gender in 2023

	Male < 30	Female < 30	Male 30 – 50	Female 30 – 50	Male > 50	Female > 50	Male in total	Female in total
Senior Management	1	0	114	72	52	24	167	96
Middle Management	3	4	245	171	74	60	322	235
Line Management	82	156	843	1559	336	607	1261	2322
Other employees	2671	3807	6871	13,507	4239	8782	13,781	26,096
Total	2757	3967	8073	15,309	4701	9473	15,531	28,749

Number of employees by age and gender in 2022

	<30	30 - 50	>50	Male	Female
Senior Management	1	197	90	193	95
%	0	68	31	67	33
Middle Management	9	418	174	349	252
%	1	70	29	58	42
Line Management	238	2436	1047	1275	2446
%	6	65	28	34	66
Other employees	6146	20,490	12,746	13,578	25,807
%	16	52	32	34	66
Total	6394	23,541	14,057	15,395	28,600
%	15	54	32	35	65

In 2023, the number of women in senior management rose from 95 to 96, while the number of men fell from 193 to 167. In the middle and line management, both the number of men and the number of women fell.

Employee wellbeing

Number of employees by type of contract

	Total number of employees by contract type in 2023	Percentage of employees by contract type in 2023	Total number of employees by contract type in 2022	Percentage of employees by contract type in 2022
Permanent contract	38,110	86.07 %	37,450	85 %
Fixed term contract	6170	13.93 %	6540	15 %
With non-guaranteed working hours	44	0.10 %	0	0 %
Full-time employees	43,216	97.50 %	42,853	97 %
Part-time employees	1062	2.40 %	1136	3 %
Total number of Group employees without seasonal workers	44,280	100 %	43,989	100 %
Seasonal workers	1103	2 %	1248	3 %
Other workers	14,269	32 %	13,523	31 %

In order to additionally secure the stability of work processes and employee wellbeing, Fortenova Group permanently employs via employment contracts and in case of objective needs that are limited in time or that are due to increased workload, it uses fixed term employment contracts. The vast majority of contracts or 86,07 % are permanent, and 97,50 % of employees work full time. In 2023, we continued with the practice introduced a year earlier, namely with reporting on other workers, including agency workers, secondary school and university students’ internships, work via student services and other types of contracts such as service contracts and other. It was found that all other forms of work other than employment contracts included 14,269 people working for the Group in 2023, which is equivalent to 32 % of the total number of employees. Out of those, 518 were agency workers and 1,362 secondary school students. Other forms of work also included 1,186 secondary school students’ internships, 85 students’ internships, 9,216 student service users, and 1,902 other types of contracts. Data on the number of employees by type of employment contract are provided in the table below.

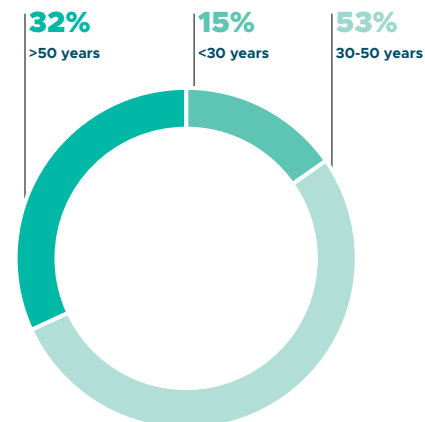


Employee wellbeing

Number of people who worked by type of contract in 2023

	No. of persons	Share of workers in total number of Fortenova Group employees
Seasonal workers in 2023	1103	2 %
Total number of workers other than employees whose work is controlled by the organisation³⁶	Total number of workers	
Student work	1362	3 %
Secondary school interns	1186	3 %
University interns	85	0 %
Student-service	9216	20 %
Agency workers	518	1 %
Volunteers	0	0 %
Other workers	1902	4 %
Total	14,269	32 %

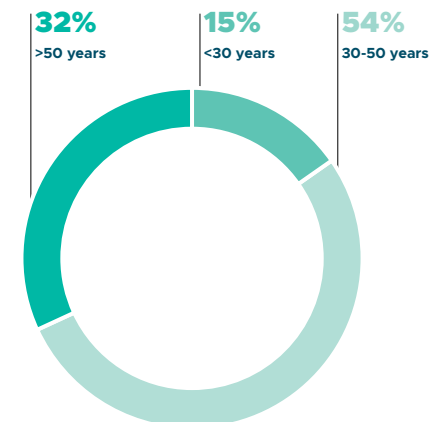
Distribution of employees by age group in 2023



Number of people who worked by type of contract in 2022

	No. of persons	Share of workers in total number of Fortenova Group employees
Seasonal workers in 2022	1248	3 %
Total number of workers other than employees whose work is controlled by the organisation³⁶	Total number of workers	
Student work	1395	3 %
Secondary school interns	1018	2 %
University interns	74	0 %
Student-service	9047	21 %
Agency workers	310	1 %
Volunteers	1	0 %
Other workers	1678	4 %
Total	13,523	31 %

Distribution of employees by age group in 2022



Employees between 30 and 50 years of age still constitute the largest share of the workforce. They are followed by employees aged 50 or more, while those under 30 constitute the smallest share.

³⁶ Includes workers according to the Global Reporting Initiative methodology, GRI 2 Standard, Disclosure 2-8. Pertains to workers who are not employees and whose work is controlled by the organisation. The category "other workers" includes workers with service contracts, voucher workers, consultants, workers on occasional and temporary jobs, in warehousing and goods handling services and all other natural persons working according to other contract types.

Employee development, advancement and training

Training and education are important backbones of the company’s competitiveness, and at Fortenova Group all employees have the opportunity to receive additional training depending on their own and the needs of the business. In 2023, the total number of training hours amounted to 327,792.78, while the average number of training hours per employee within the Group amounted to 7.4 hours.

Average number of employee training hours

	2023	2022
Male	8.0	9.0
Female	6.8	8.7
Total	7.4	8.8
Senior Management	25.1	22.3
Middle Management	39.4	21.3
Line Management	9.1	11.7
Other employees	6.5	7.8



Share of companies with available training and assistance programmes

Training programmes	2023	2022
Internal training courses	70 %	76 %
Financial support for external training or education	75 %	69 %
Provision of study periods with guaranteed return to job	23 %	19 %
Assistance programmes		
Retirement planning for persons intending to retire	45 %	48 %
Retraining of employees intending to continue working	34 %	33 %
Severance pay	77 %	81 %
Taking into account age and years of service for severance payments	73 %	79 %
Employee assignment/placement services	27 %	29 %
Assistance (e.g. training, consultancy) with regard to the end of a career	25 %	31 %

Employee development, advancement and training

The Group still focuses on monitoring the career development of employees with potential for more complex jobs or the move to other positions within Fortenova Group. Employees who have been recognised as talents can put their career development forward as one of the topics at the annual interview with managers, and the employee's interest and potential are documented in the individual development plan.

Also, expert knowledge exchange projects within the Group companies continued. Several projects stand out, for example, the **Oil Twist** projects run by two companies from the Oil Group – Zvijezda CRO and Dijamant, the **Insight Day** conference organised by Konzum CRO, and the **Ment2Be** project (**mentoring programme**) developed in the Beverages Group. The purpose of those projects is to provide top talents and other employees with potential for further development with an additional tool that will support them on their development path, and also to develop mentoring as a manner of leadership in the company.

Academy (Well of Wisdom), which is common to all Beverages Group companies, Sarajevski kiseljак won the third place for the best HR practices in Bosnia and Herzegovina in 2023. The WoW Academy was also launched in Agrolaguna for the first time in the reporting period. This is an internal education programme launched by the Beverages Group HR team under the slogan Your Source of Knowledge and Inspiration and in which 23 internal Wow! trainers (employees from different sectors of the Beverages Group) share their knowledge and experience in the fields of expert knowledge, business processes and personal development. So far, more than 400 people have attended the WoW! Academy, and 15 different topics were explored over more than 70 hours of education. The average quality assessment given by participants of educational courses is a high 4.8, with five being the maximum. The special value of the project is that trainers themselves applied and proposed the topics of their workshops. All employees may participate in WoW! trainings, and this project enables us to share knowledge more often and learn from each other.

The Dijamant company has organised and successfully run internal workshops aimed at exchanging knowledge since 2017, and, so far, a total of 50 workshops have been held. In the past six years, internal lecturers presented various topics in the field of

their expertise that are interesting and significant for Dijamant's employees such as: "How to be Successful when Working with Difficult People", "Working Styles", "Standards at Dijamant and What Is Their Purpose", "The Importance and Role of Internal Audits in an Organization", "Information Security", "GMO Food – Pros and Cons", "The Law for Non-Lawyers", "The Protection of Children on the Internet", "Artificial Intelligence and the Future of Humanity", "Commitment in Negotiations".

The practice expanded over 2023 so that internal workshops via the Zoom platform were organised jointly for Dijamant and Zvijezda employees, and more than 100 employees attended them. Employees deemed this kind of knowledge transfer to be very useful.

Fortenova Group is particularly proud of its own internal long-term programme aimed at improving the knowledge and skills of its employees, DRIVE Beyond Excellence, which started in 2021. It consists of three different group education programs – Discover, Accelerate and Navigate – organized through modules,

with the ultimate goal of further strengthening the Fortenova Group human resources and contributing to the creation of a stimulating working atmosphere and a winning mentality that strongly directs the entire Fortenova Group forward.

Within the DRIVE Beyond Excellence programme, students gain insight into the areas of finance, supply chains, sales, building customer relations or comprehensive project management with special focus on strengthening team leading skills, recognizing specific personal traits of team members and encouraging their creativity, resourcefulness and inclination to thinking outside the box. While in 2022, preparations started for the introduction of an additional educational module called Digital Transformation into all three programmes, the module was successfully implemented in 2023. The focus is on technologies, corporate innovation models, the creation of a data usage culture for informed decision making, acquiring knowledge about the differences and specifics of business, advanced and predictive analytics and machine learning models.



Employee development, advancement and training

DRIVE Beyond Excellence

Within the three DRIVE Beyond Excellence programmes, initiated in 2021, students gain insight into the areas of finance, supply chains, sales, building customer relations or comprehensive project management with special focus on strengthening team leading skills, recognizing specific personal traits of team members and encouraging their creativity, resourcefulness and inclination to thinking outside the box. In 2023, a new module called Digital Transformation was successfully implemented in all three programs.

The generation of students who started their education in 2022, recorded 18 career advancement in 2023, of which 50 % of women.



NAVIGATE Senior

Programme intended for the senior management with a view to assuming more complex positions within very short time



ACCELERATE Middle

Programme intended for the middle management with a view to assuming more complex positions in the next one to two years



DISCOVER Junior

Programme intended for new and future managers recognized for the first time as potentially capable of assuming leadership positions



DIGITALNA TRANSFORMACIJA

Programme intended for participants of the Navigate, Discover and Accelerate programmes, and preparations are under way for the inclusion of other employees according to proposals from the companies

	Navigate	Accelerate	Discover	Total per year
Number of students in 2021 ³⁷	35	98	140	273
First generation advancements	6	9	19	34
Percentage of women in advancements achieved	1,6 %	44 %	47 %	14
Number of students in 2022	22	71	91	184
Number of students in 2023		67	96	163
Advancements in 2023 from 2022		5	13	18
Percentage of women in advancements achieved in 2023 from 2022		60 %	46 %	9

Of the group of participants in the Accelerate and Discover programmes, which were launched in 2022, 18 participants achieved advancement in the reporting period, a half of them women.

37 All programmes feature a fairly even number of women and men, with career advancement being monitored even after the programme completion. In 2023, the Navigate programme was suspended.

Employee development, advancement and training



Salary and remuneration policy

Over the course of 2023, 19 collective agreements were concluded according to the regular course of business, and, in agreement with social partners, in renewed collective agreements the employee basic salaries and other benefits were negotiated.

The method of classifying and structuring remunerations, initiated in 2019, continued in 2023 as well, its main purpose being to achieve the same range of salaries and remunerations for the same jobs. Identified for alignment were 4,500 jobs, while appreciating the previous practices of the operating companies and their specific requirements in terms of assessing at the start of the new model implementation. The method of determining the internal relative value of various jobs within the organization by all functions, departments and locations provides a consistent and credible framework for determining the hierarchy of jobs and the grading structure within the Group and can be associated with market data on rewarding.

In 2023 as well, analyses and comparisons of salaries per region and market, within Group companies and of competition were made, and all companies received data for comparison in order to monitor trends and react promptly to changes.

Every company that needs to make certain changes in the structure of jobs, salaries, rewards, etc. has to make an analytical comparison of the current state compared to the changes planned first, according to the rules of the method.

Equality and equal opportunities

Fortenova Group continues to support the application of the highest standards of diversity, equity, and inclusion management and expects the implementation of these ethical values from all employees in compliance with the Group’s Code of

Ethics. In accordance with the implemented **Diversity, Equity and Inclusion Policy**, the Group has focused on three pillars: gender equality, inclusion, especially of persons with disabilities, and employee wellbeing.

Three Pillars of the Diversity, Equity and Inclusion Policy		
Gender Equality	Social Inclusion	Employee wellbeing
<ul style="list-style-type: none"> Achieving a 50-50 representation of women and men in all managerial functions Equal pay for equal work in all functions 	<ul style="list-style-type: none"> Increasing the share of colleagues with disabilities in the total number of employees Increasing the number of partnerships with institutions and companies employing persons with disabilities Improving work conditions for colleagues with disabilities 	<ul style="list-style-type: none"> Monitoring and improving relevant benefits for all employees Creating tailor-made benefits and launching initiatives that focus on wellbeing in response to various circumstances in employees' private lives

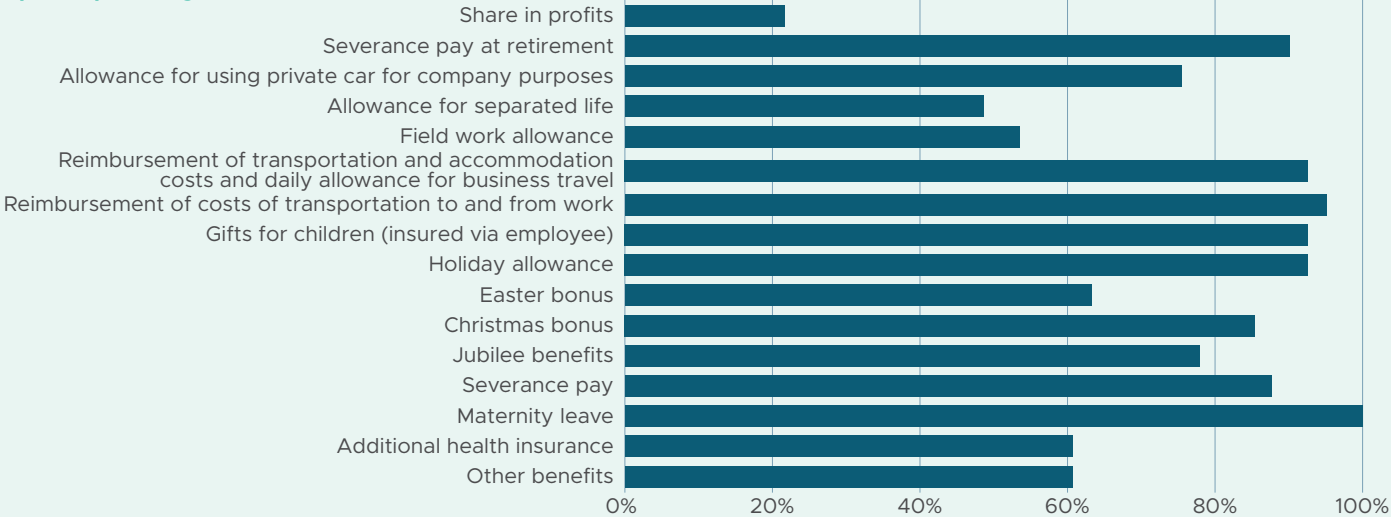


Equality and equal opportunities

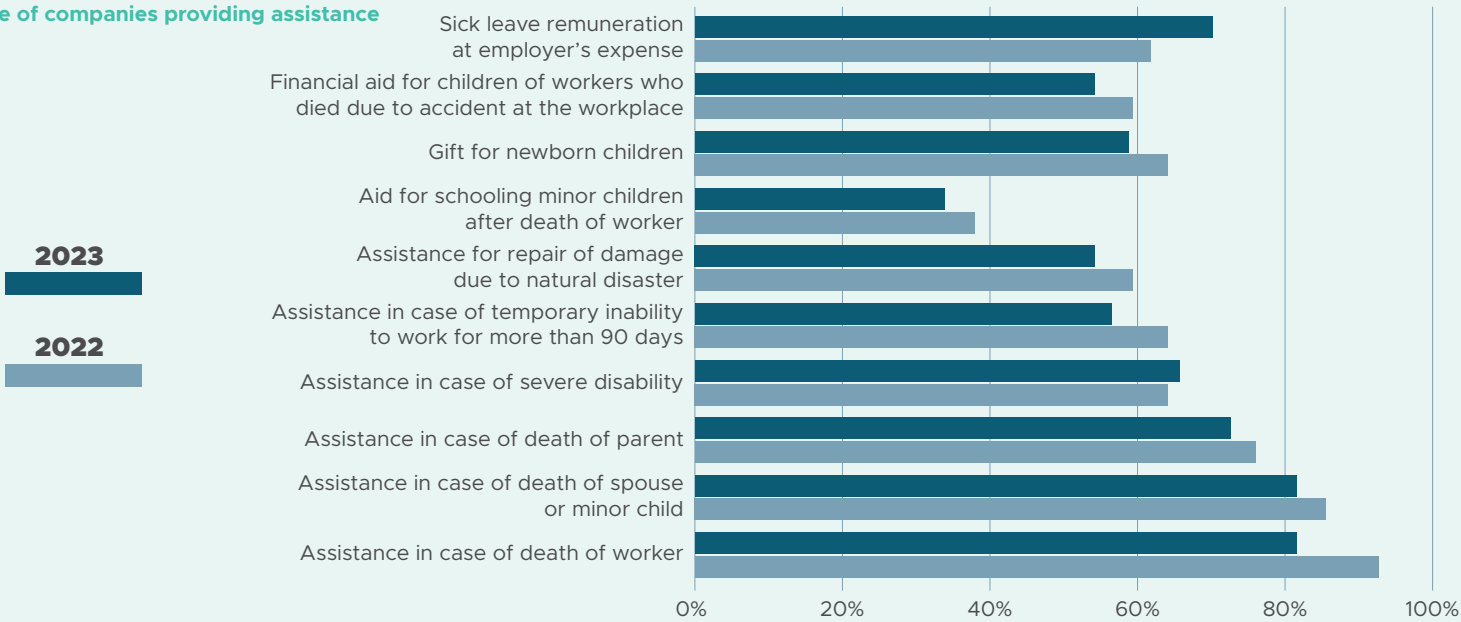
Equality in granting benefits

Benefits offered to employees may vary depending on the business area or national practices. In the case of larger companies, they are defined in collective agreements or, in the case of smaller companies, in their work regulations where the granting of benefits is guided by the practice of the Group companies that have concluded collective agreements. When it comes to tangible rewards, most of the companies offer a spectrum that ranges from severance pay at retirement or termination of employment due to business circumstances that exceeds the statutory prescribed one to allowance for transportation to work, rewards to mark special occasions, gifts for children, Christmas bonus, performance bonus, Easter bonus, vacation allowance and solidarity aid, and intangible rewards include paid leave of absence in the case of home removal or an additional day off for blood donations, days off for childbirth, for taking care of a close family member in case of illness, when getting married, etc. In 2023, no significant differences were found in the granting of benefits other than, exceptionally, the difference in granting additional health insurance policies arising from insurance company rules that the policy can only be closed for a period of one year, hence for workers with fixed term employment no policies are closed for shorter periods. Also, compared to 2022, the number and type of benefits were not reduced.

Share of companies providing above benefits in 2023



Share of companies providing assistance



Equality and equal opportunities

Gender Equality

At Fortenova Group, women account for 65 % of the total employee number, while their share in the senior management is 37 %, which is four 4 % percent higher compared to the previous year. As regards the organizational structure, at the Fortenova Group level women account for 42 % of the middle management, while their percentage in the line management is higher and amounts to 65 %. In all three management categories in Fortenova Group, women account for 60 % in total.

37 % of women in the senior management, which is 4 % higher compared to 33 % recorded in the last report.

Improving standards and quality of living

Fortenova Group is committed to positively influence the quality and standards of living of its employees and the communities in which it operates. In 2023, an assessment of the costs of living in the respective markets was initiated in order to gain a better insight into the current position and to plan activities for improving the standard of living Accordingly, in order to improve the quality and standard of living, the company set goals it wants to achieve, and primarily focuses on raising salaries and wages.

The differences in salaries between men and women in the same positions were additionally analysed An amount of EUR 3.5 million was approved in order to harmonize the differences in their salaries, and the implementation begins in 2024.

Inclusion

When intensive activities started in 2022, there were 1,333 persons with disabilities employed at the Group level, and at the end of 2023, there were 27 employees with disabilities more or a total of 1,360 persons with disabilities. In the markets where it was legally possible, operating companies concluded contracts on the supply of goods and provision of services with companies and associations that mainly employ people with disabilities. Since the initial incentive, operating companies in Croatia have concluded annual contracts whose value has increased to approx. EUR 46,000 a month.³⁸

Mercator IP is a Group company that employs the most persons with disabilities – as much as 52 %, Mercator SLO, PIK Vrbovec CRO and Dijamant have a sufficient number of persons with disabilities integrated within their collectives, in line with statutory provisions. Zvijezda CRO continued to cooperate with the Association for Promoting Inclusion on the basis of which it employs persons with intellectual disabilities In addition to those concrete and measurable activities, big efforts have continuously been made to raise the awareness of employees about the necessity of including people with disabilities in their companies.

As part of the observance of the International Day of Persons with Disabilities, the **Croatian Paralympic Committee** presented Fortenova Group with a certificate that granted the company the status of a friend (*amis*) of Croatian Paralympians on their way to Paris in 2024.

Fortenova Group acquired that status on the basis of its cooperation with the Croatian Paralympic Committee on their project “Rendezvous with the Paralympians”, launched at the end of 2022, with the aim of raising awareness about missed opportunities related to the (non)inclusion of persons with disabilities in company activities. As part of the project, Fortenova Group was the first company to arrange lectures within the “Rendezvous with the Paralympians”, where employees questioned and reflected on existing social paradigms and perspective changes in conversation with Paralympic athletes, thus contributing to a common understanding, crucial for creating more equal organizations and society. At the end of 2023, education on

“Civic Scouts at Work” on diversity and inclusion started and will continue in 2024. Some of the topics discussed are the culture of failure, conflict, and the booster of diversity and inclusiveness.

In cooperation with HR PSOR, an education was provided with the aim of acquiring knowledge about unconscious and conscious biases and thus supporting the promotion of diversity, non-discrimination and equal opportunities in the workplace.

We are proud to point out the example of the Mercator SRB company, which, in cooperation with the Labris civil society organisation, advocates full legal and social inclusion of all employees. As part of the programme, the company held four thematic workshops intended for all employees in the organization: “Stereotypes and Prejudices”, “Women in Society and in the Labour Market”, “Inclusion of Persons with Disabilities” and “Inclusion of LGBTQ Persons”. More than 200 company employees attended them.

Mercator SRB established cooperation with the UNHCR, and in May 2023 signed the document for joining the refugee network with the aim of supporting the employment of vulnerable social categories They also printed a manual for foreigners “Serbian as a Foreign Language” .

As part of the promotion of diversity and inclusion, PIK Vrbovec CRO organized education courses “Diversity Management and Gender Equality”. They organized a Croatian language course for their foreign workers where, once a week, they are given the opportunity to get acquainted with the Croatian language and culture through interactive fun lectures. The initiative is not only aimed at the training of PIK Vrbovec CRO employees for everyday communication, but has wider goals of inclusion, understanding and connecting through language and culture.

A language course in Croatian for foreign workers was also organized by Roto Dinamic.

³⁸ Mentioned contracts are possible only in those countries where this is in accordance with the legislative framework. For example, in Bosnia and Herzegovina and Montenegro such opportunities are not provided by the law.

Equality and equal opportunities

Work-life balance

Group companies should distribute the employees' workload by organising work in a way that will allow for a balance between their professional and private life. Each company defines the work organisation and working time policies according to its specific needs and practices. In 2023, preparations were made for the introduction of flexible working time to enable employees to choose one day in a week on which they will work remotely, provided that their jobs allow it, and in 2024, the effects and degree of their satisfaction will be monitored.

Also, in order to strengthen the overall wellbeing of its employees, in 2023 **Fortenova Group organised, as part of its cooperation with UNICEF, 11 online education courses on supportive parenting thanks to which** female employees, employees who are parents as well as all those interested in the topic of parenting were given by psychologists a number of useful insights and tips about parenting. At the beginning of the year, six lectures were organized for parents of children aged zero to eight, and in November and December, three workshops on supportive parenting of adolescents and two Super Dad workshops.

Right to maternity, parental and paternity leave

All Group employees, regardless of their sex and country of work, are entitled to maternity, parental and paternity leave in accordance with the applicable legal regulations. In all companies fathers are entitled to a specified number of days of leave of absence due to childbirth.

Right to leave of absence in case of childbirth in 2023

2023	Male	Female
Rate of return in %	96	83
Retention rate in %	83	79
Number of employees who returned from parental leave in the previous reporting period	263	1127
Number of employees expected to return to work after parental leave	331	1222
Number of employees who returned to work upon completion of parental leave	318	1015
Number of employees who returned to work upon completion of parental leave and who remained employed 12 months upon return to work	218	885

Right to leave of absence in case of childbirth in 2022

2022	Male	Female
Rate of return in %	140	86
Retention rate in %	115	83
Number of employees who returned from parental leave in the previous reporting period	166	1156
Number of employees expected to return to work after parental leave	177	1249
Number of employees who returned to work upon completion of parental leave	247	1074
Number of employees who returned to work upon completion of parental leave and who remained employed 12 months upon return to work	191	959

Equality and equal opportunities

Improvement of employee experience

In accordance with the Diversity, Equity and Inclusion Policy, initiatives have been proposed which are applicable in most companies and may affect greater employees' satisfaction. Activities are planned on the basis of information from corporate climate and culture research, interviews with candidates for jobs that took place in the previous year, the exchange of information between operating companies, monitoring trends in the labour market, information obtained through participation in career days at faculties and secondary schools and various conferences on human resources management.

Companies support different sport clubs in which their employees are active as well as sporting events organised by trade unions for their members, employees of those companies.

The **My Idea** programme, initiated in June 2020, continued. In the reporting period at the Group level, 301 ideas were proposed by 259 employees.

Of all those ideas, each company selected the best in regular quarterly cycles, and at the Group level, 11 employees were awarded in 2023.

Some of the award-winning projects originate from the "My Idea" program.

In 2023, **PIK Vrbovec CRO** set up vending machines with free sanitary towels at five locations, and everything was accompanied by a campaign on women's health. For that project the company won the *Out of the Box* award for the most innovative solution in the field of human resources at the *Learning by Doing* conference.

In cooperation with the Croatian House of Hearts Foundation, **Zvijezda CRO** organized for its employees cardiovascular risk assessment activities, just before the presentation of a new functional Omegol B1 product, which contributes to the normal heart function. As much as 120 employees responded to the initiative – medical staff measured arterial pressure and determined the total cholesterol in the blood, while nutritionists advised on the importance of a balanced diet.

The **Belje** company proposed a solution for the automatic transfer of data on domestic animals from the company database to the Single Register of Domestic Animals kept at the Ministry of Agriculture, regarding the legal obligation to enter data on the trade of livestock and newborn calves.

The **Dijamant and Zvijezda CRO** companies formed the Ideathon Group within their Oil Group. The project was conceived as a comprehensive continuation of the existing My Idea programme. The main goal was to encourage employees to exchange opinions about how to improve business and inter-company cooperation and to reward innovation and creativity.

Six mixed teams, which included 55 employees from both companies, dealt with predefined topics: employee safety and health improvement, sales improvement through the loyalty programme, the improvement of environment protection, HoReCa and export, business improvement, the improvement of processes through digitalization and the development and enrichment of portfolios with new products. They presented their ideas during the final competition evening.

Recognition, awards and certificates in the field of human resources for 2023

For the third year in a row already, Fortenova grupa d.d., Konzum CRO, mStart CRO, Jamnica CRO, and PIK Vrbovec CRO were awarded the Employer Partner Certificate, Roto Dinamic, Zvijezda CRO, Belje, PIK Vinkovci, Vupik, Mercator SRB, Dijamant, and MG Mivela for the second year in a row, and Sarajevski Kiseljak, Agrolaguna and Mercator SLO won the award for the first time.

Furthermore, Group companies also won other numerous awards and recognitions in 2023. Mercator SLO won the Human Resources Best Practice Award, while Tisak, Sarajevski Kiseljak, and Fortenova grupa d.d. entered the final selection.

The "Company is a friend of health" status was acquired by the following companies Jamnica CRO, PIK Vrbovec CRO and Konzum CRO.

The *Family friendly* status is owned by Mercator SRB.



Mercator SLO won two HR Practice Awards, one for training centres and the other for the operational succession project.

Sarajevski Kiseljak deservedly won the first place as the most desirable employer in the food production category of in BiH. Konzum BiH actively participated in the World Bank project aimed at the employment and support for women who were unemployed for a long time, and gained the "Socially responsible employer" status awarded by the Equilib Institute and Balance Company.

Equality and equal opportunities

Feedback and performance evaluation

Feedback is important for a positive employee experience, particularly in the light of expressing clear expectations and goals set. At the Group level, 36 % of employees received a feedback on performance evaluation, whereby the evaluation of the majority of the senior management was 80 % and of the middle management 72 %. As regards the line management, 44 % of employees in that category received the feedback, and 36 % of other employees received the feedback as well.

In 2023, the improvement of the efficiency and talent management process within the information system continued, and included 18 Group companies.

Number and share of employees who received performance evaluation in 2023

	Number of employees	Share of employees (%)
Senior Management	211	80
Middle Management	399	72
Line Management	1575	44
Other employees	14,182	36
Total	16,367	37

Number and share of employees who received performance evaluation in 2022

	Number of employees	Share of employees (%)
Senior Management	257	89
Middle Management	438	73
Line Management	1649	44
Other employees	13,277	34
Total	15,621	36



Equality and equal opportunities

Occupational health and safety

The occupational health and safety management systems at Fortenova Group are based on national legislation, and given their legal obligations, 50 % of the Group companies established their own occupational safety service, while office operations rely on external service providers.³⁹ Out of a total of 68 hired professionals who provide and maintain the quality of occupational safety systems in Group's companies, 93 % are academically educated. In addition, the four Group companies, Dijamant, PIK Vrbovec CRO, Belje and PIK Vinkovci publicly disclosed their safety and protection policies and certified their occupational safety management systems with the ISO 45001 standard.

Such training has been recognized as the main factor in occupational safety improvement processes and plans. Trainings related to occupational health and safety at the Group companies are held by internal occupational safety experts or authorised external professionals, depending on the regulations applicable in respective markets. In 2023, for initial trainings of new employees, including trainings in occupational health and safety in the workplace, fire protection in the workplace, and procedures in emergency situations, 113,253 training hours were provided so that a 186.1 % increase is recorded compared to 2022. In those trainings employees are instructed about their right to refuse to work in case of breach of safety requirements, i.e. in case their life or health should be in danger, as well as about the ways of reporting shortcomings at the workplace to immediate supervisors. Besides through the legally prescribed involvement of employee representatives in the process of risk assessment in the workplace, employees may express their concerns and point to potential hazards through internal communication channels as well, including the intranet and mail. Participation in the occupational health and safety system has also been made possible through occupational safety committees, established pursuant to regulations at 70 % of companies. In 2023, the committees met twice.

Operational procedures have been defined for hazard identification, safety reporting as well as incident investigation

The comparison between the number of internal supervision cases and corrective measures implemented in 2023 and 2022

	Internal supervision	Change compared to 2022	Corrective measures	Change compared to 2022	Ratio of supervision to corrective measures
Agriculture	194	19.0 %	645	22.9 %	1 : 3
Food	335	238.4 %	174	−2.2 %	1 : 0,5
Retail and Wholesale	1521	95.3 %	10,162	113.4 %	1 : 7
Total	2050	96.9 %	10,981	101.0 %	1 : 5

and analysis, and all companies have established emergency procedures and evacuation plans. The process of identifying and investigating injuries connected to work is carried out in accordance with the European Statistics on Accidents at Work (ESAW) methodology. Internal supervisions are performed regularly in companies that have their own occupational safety services and experts. Risk assessments and internal supervision, as well as identifying the system's shortcomings by defining corrective measures and monitoring them, are the backbone of continuous improvement of the occupational safety system according to the Plan-Do-Check-Act (PDCA) model.

Based on **2,050** cases of internal supervision carried out in the reporting year, **10,981** corrective measures were ordered, with the ratio of corrective measures to supervision cases being 5: 1

The implementation in all main divisions and a comparison with 2022 are outlined in Table.

Significant increases were recorded in the Food, Retail and Wholesale Divisions, which is mainly attributed to good communication related to expectations and an increased focus on the PDCA model in companies.

The key indicators of occupational safety are the Lost Time Incident Rate (LTIR) and the Lost Work Day Rate (LWDR) due to injury at work as an indicator of lost productivity. Their monitoring and comparison indicate to what extent the achievement and maintenance of a safe work environment have been successful and where additional engagement and resources are required to achieve the goals set.

39 All employees and other workers are covered by the occupational safety system that consists of internal systems and external occupational safety service providers.

Equality and equal opportunities

3 % fewer injuries than in the previous year

Main types of injuries

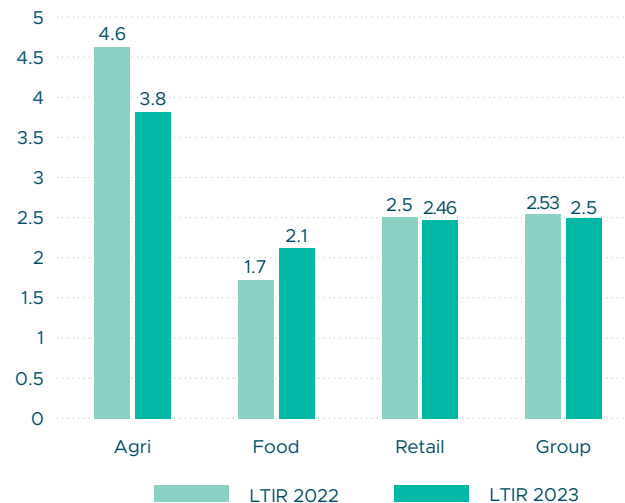
The main types of injuries at work were falls, injuries caused by hand tools and injuries caused by unpredictable animal behaviour, in the retail and wholesale, food production and agriculture operations, respectively. No injuries at work were recorded in the non-core businesses. Unlike 2022, when one death case of a Group employee was recorded, namely of a driver who was killed in a car accident, no such cases were recorded in 2023. At the same time, a total of 3 % or 24 injuries less were recorded than a year earlier so that a total of **919** injuries at the workplace were recorded in the Group, which resulted in lost time. The average duration of sick leave, i.e. the average loss of work days per injury **was 45 days**, with **41,640 work days** lost due to injuries at work. A comparison of the annual rates of injuries at work and lost time per 100 employees, annual amount of hours worked and work days lost is shown in the table and graphs below. Other workers⁴⁰ had **36 injuries** (95 % in the Retail and Wholesale Division).

Any rights arising from employment and insurance related to injury at work are exercised through the registered employer.

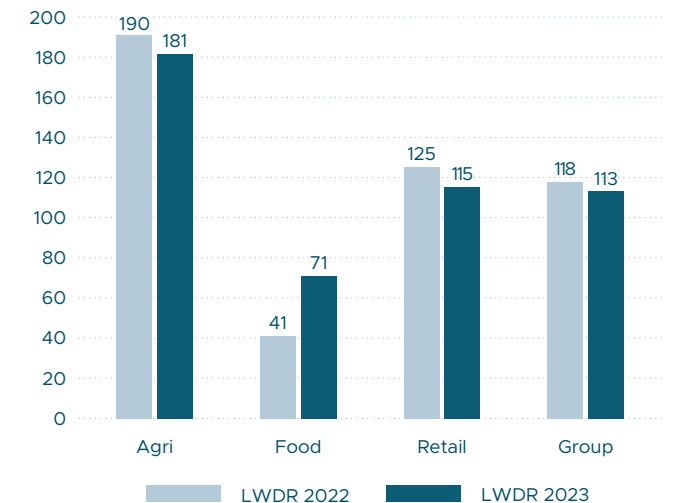
Occupational safety system performance indicators in 2023

	Lost Time Incident Rate per 100 employees (LTIR)		Total annual amount of hours worked, including other employees ⁴¹		Lost Work Day Rate due to injury at work per 100 employees (LWDR)		Total Loss of Work Days due to injury at work (LWD)	
	2023	Change compared to 2022	2023	Change compared to 2022	2023	Change compared to 2022	2023	Change compared to 2022
Agriculture	3.8	-17.4 %	4,607,310	-0.7 %	181	-4.8 %	4172	-5.5 %
Food	2.1	23.5 %	9,756,300	-2.0 %	71	72.4 %	3450	69.0 %
Retail and Wholesale	2.5	-1.6 %	59,258,578	-1.1 %	115	-8.2 %	34,018	-9.2 %
Total	2.5	-1.2 %	73,622,188	-1.2 %	113	-4.0 %	41,640	-5.2 %

Lost Time Incident Rate per 100 employees (LTIR)



Lost Work Day Rate due to injury at work per 100 employees (LWDR)



40 Other workers are understood to include persons who are not employees, but whose workplace is controlled by the organisation, including persons with service contracts, agency workers and interns.

41 According to the GRI 2-8 definition and the scope of companies included as per disclosures in the section Data Collection Methodology.

Occupational health and safety activities

1,095 workers work for the Group at **remote workplaces**⁴². For those work-places, the risk has been assessed with regard to the hazards, harms and strains in the workplace. Technical measures and personal protection equipment have also been defined. Due to the reduced risk as- sessed, three companies do not conduct regular supervision at such workplaces.

In Group companies, **7,149** workers work in jobs with special working conditions⁴³. As regards the care of their health, their condition is checked before they are sent to a workplace with special working condi- tions, and they are also under medical su- pervision, with their psychophysical health being monitored and medical checkups performed at legally prescribed intervals. The majority of those workers work as drivers of delivery vehicles, self-propelled machines, tractors, and forklift trucks and in jobs with unfavourable microclimatic conditions. The confidentiality of infor- mation related to the workers' health condition is provided in compliance with the personal data protection.

Fortenova Group is committed to the values of safe and healthy work and to the exercise of the right to a safe and healthy working environment in all segments, at all levels and in all processes. Employees are encouraged to contribute to maintaining and improving safety standards in the workplace. Among other things, employ- ees are expected to assume responsi- bility for reducing risks and undertaking activities to avoid accidents at work, which is expressed through the slogan



Safety Begins with You. This slogan was chosen as the best of 354 employees' proposals at the internal competition held in the Group in 2021.

At the same time, companies organize various activities and promotions related to health and safety in the workplace, such as sporting events, medical checks, educational workshops, etc., which is the practice they continued in 2023.

As they satisfied the necessary criteria, three companies – Konzum CRO, Jamnica CRO and PIK Vrbovec CRO – received the “The Company is a Friend of Health” certificate awarded by the Croatian Institute of public Health, which makes them companies that conduct activities aimed at promoting employees health and adopting healthy lifestyle habits, and that care about the wellbeing of their employees and the protection of the environ- ment. Besides, Tisak organised a mobile mammogram for all female employees at the company premises. In Mercator SLO a school of health promotion was organized, and in Mercator SRB two workshops –“Diabetes and Insulin Resistance” and “Breast Cancer Prevention”– were held In Jamnica CRO, as part of the “The Company is a Friend of Health” project a workshop was held under the title “The Kinesiology of Work” on the proper handling of cargo and activities performed in motion in the logis- tics sector. mStart CRO organised the Health Day, an event that also included a lecture given by a physiotherapist who showed stretches. Fortenova grupa d.d. organised influenza vaccination, a lecture by nutritionists, and the measurement of the body metabolic age with the Tanita scale. Fortenova grupa d.d., mStart CRO and Zvijezda CRO subsidized the costs of doing sports to their employees by way of the Multisport card.

Eight Group companies⁴⁴ offered their employees the possibility to close favourable additional health insurance policies, which provide annual general medical checkups.

42 A remote workplace is a workplace where a worker performs the required work at home or at another place other than the employer's premises.

43 Regulations on jobs with special working conditions (Official Gazette 05/1984).

44 Belje (+ Belje Agro-vet), Dijamant, Zvijezda CRO, Konzum CRO, Mercator BIH, Fortenova grupa d.d., mStart CRO.

Corporate climate and culture

The corporate climate and culture survey has been conducted annually for five years in a row. In 2023, 30,687 employees from 29 Group companies filled the questionnaire. Survey results provide an insight in the state of corporate culture and climate and the extent to which common values have developed in the Group. 18,567 comments and suggestions were received and classified by eight main criteria.

Operating companies prepared initiatives on the basis of the results received in order to improve the working and workplace conditions, which were given the lowest mark by workers. Among the common goals of all company managements is the maintenance and improvement of results as a goal that is being monitored and evaluated.

Results of the corporate culture and climate survey

The results of a survey conducted in 29 operating companies show an improvement in all key indicators: total overage score, response rate and engagement rate index. Compared to 2022, the overall results by measurement dimensions improved by 1.2 %, and all dimensions recorded an improvement; salaries and benefits as the dimension with the lowest mark recorded the biggest improvement of 3.4 %. The highest mark was

given to the leadership dimension. The survey response rate is 74.43 %, whereby 15 companies recorded even higher response rates (as much as 90 % in some companies. such as Tisak, Konzum BiH, Sarajevski kiseljak, mStart SRB, Mg Mivela, and Roto dinamic).

Fortenova Group proudly highlights to have connected its regular annual internal corporate culture and climate survey with social responsibility for those in greatest need in the community, in 2023 as well. In 2023, just like in the previous surveys, by filling out the questionnaire, the employees took part in the fund-raising for children in SOS Children's Villages in Croatia, Bosnia and Herzegovina, and Serbia, the Young People's Friends Association in Slovenia and the "Children of the Street" project in Montenegro.

As part of its internal survey on employees' satisfaction with the corporate culture and climate, Fortenova Group donated, for the fifth consecutive year, a total of EUR 30,000 to SOS Children's Villages in Croatia, Serbia, and Bosnia and Herzegovina and, for the second consecutive year, to other associations taking care of children without appropriate parental care in Slovenia and Montenegro as well.

	2022	2023	Change compared to 2022
Engagement of employees in the survey	69 %	69.30 %	0.43 %
Belief in Strategy	68.09 %	68.51 %	0.61 %
Respondents' response rate for the survey	72.43 %	74.43 %	2.76 %
Total average score in all areas	3.45	3.49	1.2 %
Governance	3.91	3.92	0.3 %
Work organisation	3.72	3.73	0.3 %
Attitude towards employer	3.49	3.51	0.6 %
Salaries and benefits	2.67	2.76	3.4 %
Advancement opportunities	3.39	3.43	1.2 %
Work-life balance	3.53	3.57	1.1 %



Local community



Due to the regional importance of Fortenova Group, improving relations with local communities, working on improving the quality of life, and contributing to their economic growth are high on the company’s priority list.

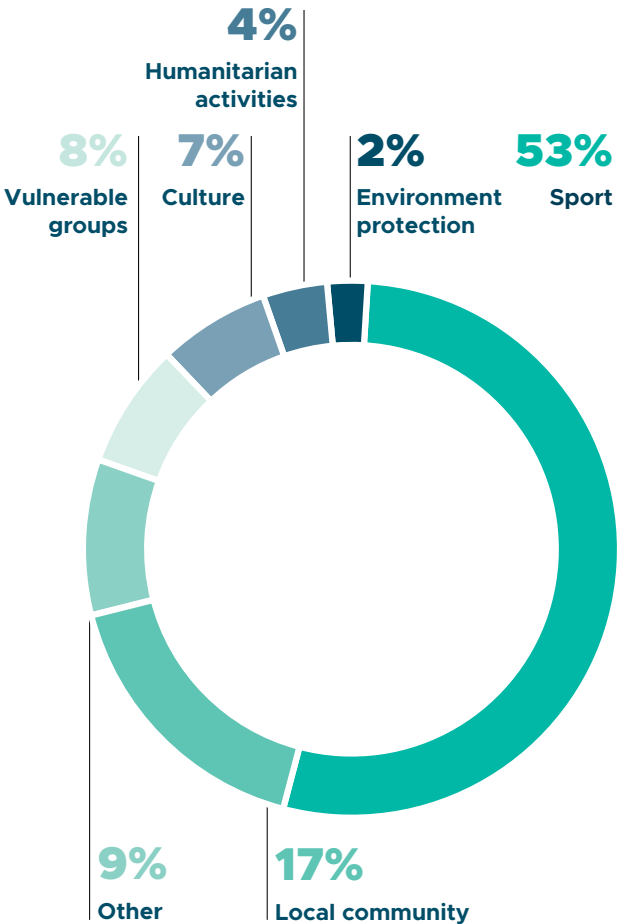
By designing and implementing appropriate socially responsible programs and policies and participating in joint partnership projects with local communities, the Group is making efforts to improve different aspects of life in local communities.

Many successful projects from previous years continued, but some new ones marked 2023, like projects in the field of environmental protection, support to socially sensitive groups, and cooperation with the local community.

Projects, donations and sponsorships

In 2023, Fortenova Group invested **EUR 4.6 million** in donations and sponsorships (including in kind), which is an increase of 12 % compared to 2022, and confirms the continuous increase in investment in the local community. Around 11 % of the total budget was allocated to nearly 50 projects directly linked to the local community. The Group supported over 20 humanitarian activities, more than 50 projects focused on socially sensitive groups, and more than 40 cultural projects. By individual markets where the Group operates, the majority of those investments were made in Croatia and then in Slovenia.

Overview of investments by project types in 2023





Support to vulnerable groups

In the context of promoting diversity and inclusion within the Group and in the entire society, the Group and its companies support through their activities the most vulnerable groups in the community.

The examples that the Group is most proud of are provided below.

Projects aimed at promoting diversity and inclusion in society

In accordance with the adopted Diversity and Inclusion Policy, in 2023, we intensified our action plans for the implementation of the adopted Policy by supporting external projects as well. We support the **Equality SQUAREd initiative** launched in Croatia in 2022, which spread to the market of Bosnia and Herzegovina as well in 2023 It is intended to raise public awareness about the problem of gender inequality, with numerous activities designed to demand for an increased number of streets and squares in cities across Croatia and Bosnia and Herzegovina to be named after women. Following Konzum CRO and Jamnica CRO, Konzum BiH (Konzum and Mercator) and Sarajevski kiseljak supported the project together with Fortenova Group.

The project started on one of the most famous and most frequented squares in Croatia, *Trg hrvatskih velikana* (Great Croatian Men’s Square), which also emphasizes the gender (non) representation in a symbolically powerful way. The initial idea is to divide the square in two halves, one of which would still be

named Great Croatian Men’s Square, and the other would be named Great Croatian Women’s Square. In Sarajevo, it is expected that a completely new square will be named after great Bosnian-Herzegovinian women.

Fortenova Group has been involved in a several-month project of the *Poslovni dnevnik* “Intelligent Croats for Croatia” (*Hrvatska pamet Hrvatskoj*), within which students of four institutions of higher education will compete under the mentorship of their professors and perform a creative task set by the Group.

Fortenova Group linked the task to one of its key ESG areas – diversity, equity, and inclusion so that, as part of the project, students will develop guidelines for the Fortenova Group retail network and brands on the topic of adaptation of physical and online stores and food companies products in order to be more accessible to people with disabilities (through the aspect of physical Konzum stores and *online* Konzum Klik store).

The presentation of the solutions is expected in the first half of 2024, and after it, depending on the solutions obtained, a decision will be made on the implementation plan for selected solutions.

Support projects for persons with disabilities

Long-term cooperation between Zvijezda CRO and Dijamant with Down syndrome associations has resulted in the development of a number of projects that help to raise public awareness and provide concrete assistance to persons with Down syndrome.

Namely, in their local communities, the companies symbolically associated their social responsibility with the sunflower as a common identification sign for companies whose products are made of sunflower seeds and for persons with Down syndrome (Sunflower Children). Zvijezda CRO started this valuable cooperation eight years ago, as part of its 100th anniversary celebration, by designing a project with the Croatian Down Syndrome Community as an umbrella organization that brings together eight Down syndrome associations. Those associations daily take care of more than 500 protégés, striving to promote the integration, equality and right of choice for the Sunflower Persons through a number of activities such as courses, lectures, workshops, consultations, therapies and different projects. They use donations, like that from Zvijezda, to finance activities like art, music and culinary workshops, pay for pool exercises for babies with Down syndrome and co-finance services provided by speech therapists, rehabilitation, and work therapies and the printing of educative materials.

With the campaign “Follow the Sunflower” Dijamant initiated cooperation with associations of persons with Down syndrome in Serbia and in striving to educate and sensitise the public on that topic, Dijamant shot a video-spot conveying an important message: “We are more alike than we are different”. Dijamant started that campaign in 2021, and apart from cash donations, it also organised creative workshops for people with Down syndrome. Their cooperation continued for the third year in a row. In 2023, 1.2 million bottles of oil were sold, and one dinar was allocated for a donation to the Down Syndrome Association.

In 2023, Zvijezda CRO continued its commitment to the inclusion of blind and visually impaired people by supporting the **Zagreb Association of Blind People** and donating more than 300 litres of raw materials, sunflower and olive oil, and coconut oil for making soap with dots.

These are raw materials used for the production of solid and liquid soaps at the Sfera Visia company, which employs members of the Association of Blind People, blind and visually impaired persons. By establishing that company, the Association has stepped into the sphere of social entrepreneurship, and since their solid soaps have dots on them that resemble Braille script, hence the name – soaps with dots.

Support projects for vulnerable social groups

Fortenova Group companies support vulnerable social groups through various projects, most often by donating funds to help the diseased or helping children and young people without appropriate parental care and of low socioeconomic status. Also, various projects focusing on children and young people are developed to encourage the creativity of young generations and to transfer to them at the same time new knowledge about environment protection and the importance of healthy and balanced food and waste reduction.

Mercator SLO has continued its two very successful projects aimed at the betterment of the youngest generations. The first **“White packaging”** was **awarded the Slovenian Horus Prize for Social responsibility and Sustainable Development**. Together with suppliers who have renounced all recognizable elements of their brands for the project purposes, Mercator makes white packaging as a unique blank canvas for children’s creativity. The mission of the new characters from children’s imagination is to encourage children’s creativity in an innovative way, as well as to invite the youngest customers to create, build and assemble with them instead of throwing the packaging away. Thus the little ones together with their parents learn in an innovative way that recycling can be fun, too.

“The Little Chef of Slovenia” project is children’s culinary competition, which won many awards and is held for the sixth year in a row in 2024 and has, so far, included over 16,000 children aged 8 to 15 from over 40 elementary schools in Slovenia. The project achieved its main goal, namely to raise awareness about the importance of quality nutrition. Competition winners are rewarded with a financial prize, which is than donated to the award-winning school for the implementation of projects aimed at the betterment of school’s pupils.

Roto dinamic won recognition for taking part in the *Poslovni dnevnik* project under the title “Experience is as good as gold” (*Iskustvo zlata vrijedi*) aimed at raising awareness in the business community and society in general about the issue of employment and equal social inclusion in everyday life of the youth with disabilities or of low socioeconomic status. Within the project employers are connected to students with disabilities or of low socioeconomic status in order to enable such students to get an internship so that they may easier find a job in the future.

In 2023, Konzum CRO launched for the first time, a competition under the title **“We Support the Best from Croatia”** in which they selected the best projects of sports clubs working with children of preschool, primary and secondary school age. More than 460 clubs applied for the competition, and 12 were selected, which, in addition to meeting the required conditions, additionally stood out through their sports initiatives compared to other applicants. The committee evaluated the project quality as well as its quantitative performance indicators, its impact on the local community and the potential of further development. The selected clubs were supported by donations in a total value of EUR 50,000.

In the same year, Konzum CRO launched a loyalty programme for customers “Small Big Talents” that was joined by 66.6 % of all schools in Croatia in September 2023. The program functioned in such a way that for every EUR 10 spent or for the purchase of specially marked products in Konzum CRO, customers were given one coupon that they could donate in physical or digital form (by scanning the QR code) to a school of their choice. The schools could replace collected coupons for equipment from a specially prepared catalogue with valuable items in the field of IT, multimedia, sports, art, and science or purchase for their students laptops, microscopes, accessories for visual arts, physical and many other things. The total value of the equipment provided by Konzum CRO amounted to more than EUR 700,000.

During the course of the action, schools ordered more than 14,000 pieces of equipment needed for daily education of children. This unique initiative supported 2,600 schools in Croatia.

For the third year in a row, Konzum CRO carried out together with MultiPlusCard the drive **“The best Christmas is when we make gifts together”** and collected over EUR 80,000. Out of that amount Konzum CRO donated over EUR 30, 000 for as many as ten organisations and associations helping children, families in need, the elderly and the infirm, as well as abandoned animals. Additional donations were added to that sum by MultiPlusCard program members, who donated to an association of their choice via the application or the MultiPlusCard website.

Dijamant launched in December 2023 a socially responsible project “Let’s fill holidays with good deeds”, and more than 15,000 products were collected and donated to the Belgrade food bank.

Thanks to the project, carried out through a specially designed system, namely, through the company’s social networks by sharing posts on profiles (story photos or video content), a large amount of food intended for the most vulnerable citizens was collected. The food bank is a non-profit, charitable organization founded in 2006 to foster a culture of solidarity promotion among citizens and encourage corporate social responsibility. It cooperates with more than 200 organizations and social institutions throughout Serbia, and its main activity is to collect and distribute food to the most vulnerable citizens in Serbia.

The Red Cross officially opened the food bank in Zagreb as a central place for organized long-term acceptance, storage and distribution of food between donors and intermediaries. Konzum CRO and the Red Cross have been cooperating for many years. As a result of their cooperation, they donated to the newly established food bank a truck of food products, which was also the first food donation the food bank received. The food bank is located within the Red Cross logistics centre, within which there is also a food pantry where, thanks to donations and the daily distribution of food and hygiene items packages for some 20 socially vulnerable persons, the Zagreb Red Cross takes care of a total of 700 users per year.

Projects supporting young people’s education and professional affirmation

Fortenova Group companies launch various projects to support young people’s education. The projects include activates such as granting scholarships, equipping specialized classrooms, and purchasing equipment for teaching purposes.

The Dijamant company won for its **“Young Pastry Chef” project the title of the socially responsible company in Serbia for 2023**. The “Campaign with a Purpose” (*Kampanja sa svrhom*) award, which is presented at the Festival of Socially Responsible Communications in Serbia, is a recognition to companies that use the power of communications to raise awareness and improve the living conditions of people in Serbia.

The number of students who choose to enrol on a pastry course is decreasing due to the lack of adequate equipment and resources in secondary vocational schools, which further hinders the work and progress of students, but also of teachers who

Local community

transfer their knowledge to them. Aware of those challenges, through its socially responsible the “Young Pastry Chef” project, Dijamant decided not only to provide support to children who will be able to pursue their carries once they leave school, but also to improve working conditions in schools by equipping classrooms for pastry classes.

The success of this campaign is also shown by the facts that during the five years of its implementation, more than ten secondary vocational schools from different parts of Serbia participated in the project, and that 25 internal workshops were attended by more than 250 students, both pastry chefs and students from other hospitality related trades.

Belje and the **Faculty of Economics in Osijek** signed an agreement on scientific and professional cooperation that officially established stronger synergy on joint projects.

This is a continuation of a long tradition in the exchange of knowledge and experience between the academic and economic communities of the Osijek-Baranja County. Belje will provide students of the Faculty with valuable knowledge and experience by way of professional practice, case studies, data transfer for practical classes, and testing and market research exercises on their products.

At the end of June 2023. Belje, Vupik and PIK Vinkovci plus d.o.o. signed a cooperation agreement with the Faculty of Agrobiotechnical Sciences in Osijek. Their cooperation will enable the transfer of knowledge and empirical solutions, since companies have become teaching bases of the Faculty. In November, an agreement on cooperation with the Faculty of Economics in Osijek was also signed, that will enable synergy in many areas, primarily in the segment of knowledge transfer to students through professional practice, but also numerous other joint projects.

As a result of cooperation between the town of Jastrebarsko and educational and economic organisations, Jastrebarsko Secondary School introduced a new course of study, Transport and Logistics, in 2022. Aware of the needs and challenges in the labour market and the importance of education for community development, **Jamnica CRO** has contributed to the quality



education of **future logistics experts by providing four-year scholarships** for this occupation in high demand, and thus supported the development of the local community in which it operates. The project was launched in 2022, and in the school year 2023/2024. The scholarships will be awarded to 26 students.

PIK Vrbovec CRO and **Vrbovec Secondary School** have been cooperating for many years to provide education of future butchers. This school year too, PIK Vrbovec CRO has awarded scholarships to four students who are trained for butchers.

Students who will acquire the qualifications for the occupation as a butcher at Vrbovec Secondary School and who, in cooperation with PIK Vrbovec CRO, attend practical classes and serve their apprenticeship, will be sought after workers who will have the opportunity to choose their workplace and appropriate working conditions, which will ultimately bring them financial stability and security.

In recent years, butchers have become an occupation in high demand so that, in the labour market, there is a shortage of skilled workers with these qualifications, whose knowledge and skills play an important role in meat processing companies. Considering that for PIK Vrbovec CRO investments in the youth, their education and the local community are high on its priority list, scholarships for young students who chose this occupation seemed the next logical step.

Konzum CRO intensely cooperates with higher education institutions and takes part in events, such as career days or various fairs. Since 2022, Konzum CRO has organised internships for students of the Faculty of Organisation and Informatics. Also, it has had partnership with the Zagreb Faculty of Economics & Business for many years. Konzum CRO experts often give lecturers at various faculties (Zagreb Faculty of Economics & Business, RIT, Vern, Faculty of Organisation and Informatics). Through the “Teachers in Companies” (*Nastavnici u poduzeća*) initiative, business teachers have the opportunity to do practical work at Konzum CRO. In 2023, Konzum CRO continued to cooperate with the Ministry of Science and Education and secondary schools within the dual education model. The company enables both secondary school and university students to do their internships. This cooperation demonstrates Konzum CRO commitment to the support to education and the youth in their professional development.

Projects encouraging environment protection

Mercator SRB, with the support of the Children’s Ecological Academy, organized a public ecology class in a primary school, where pupils were presented in a very interesting way what composting means for the planet. On that occasion, Mercator SRB donated to the school three composters so that future generations might learn on their own example how to preserve nature.

At the same time, Mercator SRB plans to extend the composting initiative to all stores in the system. By then, the Recyclopedia will continue not only reporting on recycling and composting, but will also share useful tips on how we can reduce waste quantities, make better use of food and much more useful information. For this project Mercator SRB won the “Campaign with a Purpose” (Kampanja sa svrhom) award, which is given at the Festival of Socially Responsible Communications.

Another prominent project of **Mercator SLO** is “**Sustainable Posters**”, which shows that it is looking for and opening new areas of possible implementation of more sustainable solutions in advertising as well. Outdoor advertising posters are usually disposable, and after the end of each campaign, as much as 850 kilograms of old paper are generated. In Slovenia, more than 820 outdoor advertising poster campaigns are recorded annually (source: BrandPuls), which means that poster advertising generates more than 697,000 kilograms of old paper per year.

That is why Mercator started looking for different options to solve that problem and, in cooperation with the TAM TAM company, which offers advertising on outdoor posters, and the Institute for Pulp and Paper developed air-cleaning advertising posters. The Institute’s experts helped to find innovative printing solutions that enabled the development of sustainable posters with a special coatings, and such air-cleaning posters that capture CO₂ from the air were displayed in Slovenian towns. One poster absorbs as much CO₂ as a tree growing in a year (source: Institute for Pulp and Paper).

Together with experts from the Institute for Pulp and Paper, Mercator also developed a method of cleaning advertising posters from glue and impurities and of processing the paper into reusable baskets for consumers. Europlakat, the largest provider of external advertising services, was also included in the project, and old poster paper was collected and processed

in cooperation with the Institute. After each poster campaign, 3,000 baskets are produced in this way and offered free of charge to consumers in selected Mercator stores. Thus the posters purified the air and reappeared in the form of portable shopping baskets.

Idea MN and its partners on the “**Together for the IDEAl environment**” (*Zajedno za IDEAlnu okolinu*) project – Agency for Environmental Protection, Institute for Education of Montenegro and Testing Centre organised a competition for all educational institutions for the purpose of educating on the importance of waste disposal.

Within that activity children collect and select waste and hand it over to recycling yards, landfills (Livade Podgorica, Mohura Bar), or registered waste collectors in their cities. The most successful participants, who collected PET packaging, cans, and paper and cardboard had the opportunity to win one of the awards.

Employees of **Sarajevski kiseljak** participated in a large-scale afforestation action on Igman Mountain as part of the “**Let’s Do It – One Million Seedlings in One Day**” movement organized by volunteers of the Ruke (Hands) citizens association. On that occasion, 1,500 seedlings were planted, which contributes to the restoration of the forest fund and combating climate change.

In addition, Sarajevski kiseljak continued with the “**Recycle and Donate**” (*Recikliraj i doniraj*) project thanks to the **recyclomats**, smart recycling devices that collect and sort used plastic and glass bottles. A humanitarian aspect was added to the project in 2023. The technology of the recycling device enables it to recognize the waste type, accept and store it and to evaluate the amount of the waste, which is then converted into a cash donation. The funds raised in this way were transferred to the “Pomozi.ba” charitable organisation. Recyclomats were available at two more locations than a year before.

The **Konzum BIH** company also launched a recycling awareness raising project in 2023, the pilot-project “**Recycle Me. Give me a new life**” (*Recikliraj me. Pokloni mi novi život*), carried out in cooperation with Coca-Cola, and showed that consumers are interested in the correct disposal of PET packaging. The project was implemented during June in six selected Mercator hypermarkets

in five towns of Bosnia and Herzegovina, where plastic waste packaging was collected every Saturday, and resulted in as much as 108,225 bottles collected!

Through the Corporate Giving Policy, and additionally through the Corporate Giving Strategy, whose implementation starts in 2024, the Group plans to further direct resources towards activities and projects that result in generating the greatest positive impact on the communities in which we operate.

This further strengthens the impact of the Group’s companies in achieving common goals of social and environmental sustainability, especially in the context of the global Sustainable Development Goals.

Kroz politiku korporativnih davanja, a dodatno i kroz Strategiju korporativnih davanja koja kreće s provedbom 2024., Grupa planira dodatno usmjeriti resurse prema aktivnostima i projektima koji rezultiraju ostvarivanjem najvećega pozitivnog utjecaja u zajednicama u kojima djelujemo. Tako se dodatno ojačava utjecaj kompanija u sustavu Grupe u ostvarivanju zajedničkih ciljeva socijalne i okolišne održivosti, posebice u kontekstu globalnih ciljeva održivosti (engl. *Sustainable Development Goals* – SDG).



Supply chain

The supply chain of Fortenova Group has a significant impact on different stakeholders and the environment. The Group is committed to achieving a positive impact on the entire value chain through its business practices together with its partners. The Group is estimated to cooperate with more than 27,000 suppliers – from small agricultural producers and suppliers of raw materials, packaging and energy to suppliers of finished products distributed through the Group’s retail network, and service providers and IT solutions.

The procurement management at Fortenova Group takes place in two key areas: the procurement of merchandise for the retail business and the procurement of other goods and services, whereby the latter takes place according to a pre-defined procurement procedure. Companies within the Group set guidelines for the procurement of raw materials in the food sector, which are not only subject to quality assessment in accordance with the law, but are also crucial for the competitiveness of products in the sector.

The procurement procedure has been elaborated and applied at the operational level, i.e., it contains a proposal for the implementation of the procurement process. This includes the obligation to adhere to statutory regulations, the principles of ethics in the procurement process, the process of supplier’s approval and the obligation to report possible significant breaches. Employees taking part in procurement processes are expected to apply transparency principles and ethical standards defined by the Group’s Code and to approach potential suppliers in an equitable and unbiased way throughout the process of supplier assessment.

The detailed approval procedure prior to the commencement of the procurement includes the criteria for supplier selection and planned deadlines. Key suppliers are evaluated at least once a year, and operating companies have to report any breaches of ethical standards, health and safety standards as well as breaches of contractual obligations that inflicted damage to Fortenova Group, to the holding company’s procurement department. In 2023, there was one possibly significant case. More details about



the case are available in the [Operations in compliance with market competition rules](#) chapter.

Creating the prerequisites for driving sustainable development through the supply chain

During the last materiality analysis carried out with consumers, the sustainable supply chain has been identified as an important topic for consumers. Given that Fortenova Group’s sustainability journey is only at its beginning, the focus within the procurement process is on creating clear expectations and a structure for supplier assessment. In 2023, the procedure for the adoption of the Fortenova Group Supplier Code was initiated. The Code lays the foundation for conducting business operations in accordance with high standards of social responsibility, including environmental care, social issues and efficient management. This document, in compliance with the Code of Ethics, constitutes a transparent approach to procurement. The main objectives of the Code are to identify and promote corporate social responsibility and create a sustainable and profitable business that improves the overall value of the Group. This is achieved by harmonising business operations with key principles such as business ethics, respect for fair working conditions and human rights, environmental protection, health at work, and product quality assurance. The Code will be publicly available and its adoption is expected in the first quarter of 2024.

In 2023, checks were made on 4,465 suppliers in accordance with standard procedures, and it was found for 3,198 of them that they were susceptible to environmental impacts based on the assessments of 11 companies⁴⁵.

That procedure made it possible for operating companies, in 2023 already, to identify suppliers who might have negative impacts on the environment. Among these impacts are also long supply chains from countries that did not implement adequate environmental protection standards, suppliers of manufacturing companies who supply potentially hazardous raw materials such as fuel, fertilizer, manure and slurry and waste disposal

⁴⁵ Energija Gradec, Jamnica Mineralna Voda, Konzum BiH, M-Energija, Mercator SRB, mStart CRO, PIK Vrbovec CRO, Roto dinamic, Super Kartica Sarajevo, Vinka, Zvijezda CRO

companies. Accordingly, in 2024, guided by the Supplier Code, operating companies will implement required procedures with the aim of monitoring those impacts and, consequently, reducing them to the lowest level possible.

In addition to the assessment of suppliers regarding environmental issues, the assessment of suppliers is also carried out to ensure the quality of products. Details on supplier’ assessment regarding product quality are available in the [Product quality, safety and sustainability](#) chapter.

In 2024, Fortenova Group plans to complete the “Know Your Customer” procedure. This will also include an ESG supplier assessment focusing on ethical and responsible business practices in global supply chains. These steps represent the Group’s commitment to strengthening integrity and sustainability in its business.

Local procurement brings benefits for the entire supply chain

The role of Fortenova Group as food producer and retailer also comprises the promotion and strengthening of the economies in local communities and the care of consumer needs when it comes to healthier nutrition and fresh products. With that in mind, the Retail and Wholesale Division exerts efforts to support the local producers and offer its consumers the best local values.

Below are the shifts made in projects of cooperation with local suppliers in 2023.

With its project “*Najbolje iz Hrvatske*” (The best from Croatia) Konzum CRO increased in 2023 the number of stores where customers can find the product assortment of small local producers and family farms from 80 stores in late 2022 by additional 11 in 2023 to a total of 91 – which includes 61 stores of Konzum CRO’s largest format, Super Konzum, 16 Maxi Konzum stores and 14 small Konzum convenience stores. Compared to the year before, the total turnover in that category grew by as much as 39 %. By the end of 2023, the assortment included as much as 344 different products of 64 producers, and in 2024, the project will have an additional dimension by promoting sublocalities through the Best from Dalmatia, Istria, Slavonia and continental Croatia lines so that it is expected that products from Croatian localities will be even more represented.



Through its brand “*Radi imamo domaće*” (We love local) Mercator SLO connected local producers and processing companies across the country, and domestic products are given special attention at the store shelves.

The concept was introduced in 2016 under the name “Local” (*Lokalno*) as one of Mercator’s unique sales propositions. The brand not only collaborated with the local producers, but also supported Slovenian athletes and various local associations. The “*Radi imamo domaće*” assortment includes a total of 2,000 local products at the moment that are sold in 262 stores. Out of those 2,000 products, 96 are indigenous and more than 127 belong to the co-branding group. “*Radi imamo domaće*” sales accounted for 3 % of the total sales value in early 2023 and the assortment sales increased by 35 % compared to 2022. The “*Radi imamo domaće*” assortment made it possible for Mercator SLO to become the main retail channel for almost 300 local suppliers.

The project “*Ukusi moga kraja*” (The tastes of My Home Region) at Mercator SRB provided small producers with the possibility of presenting their products on the shelves of large retail

stores. The project was initiated in 2015 and has since then promoted authentic Serbian products produced according to traditional domestic recipes. In 2023, that product line included 197 products, and since 2021, it holds the designation of *Čuvarkuća* (Houseleek) 2021, assigned by the Serbian Chamber of Commerce as part of the project “Created in Serbia”, which is primarily intended to provide support to domestic products and producers, but also to educate consumers about the importance of buying such products and about their high quality and local origin. The designation is assigned to products that comprise at least 80 % of domestic resources, including raw material, processing, labour, packaging, etc. The share of that assortment was continuously growing and accounted for 2.6 % in the total retail value in 2022. Within the framework of that project, Mercator SRB is currently working with 47 local suppliers.

At the end of 2023, Mercator SRB organised a competition for which 60 suppliers with almost 90 products applied, and the result was the establishment of cooperation with five new suppliers who met the most stringent quality control criteria and the addition of 10 new products to the assortment.

Product quality, safety and sustainability

Fortenova Group has a broad range of product categories that it produces or places on the market via its retail business and other retail chains– from primary products and processed raw materials to finished products offered to consumers. The high level of product quality and product safety are the highest priority, and it is also of exceptional importance to achieve consumer satisfaction and welfare by investing in the relations with consumers and finding out their views and preferences. Fortenova Group’s motto is to treat each consumer with due care, in a friendly, prompt and comprehensive manner in order for the relationship with them to be based on mutual trust, with the highest level of product quality and safety.

Therefore, within the Group, a strict framework of securing the quality and safety of raw materials and products has been established, with standardized policies and procedures applied across its businesses. In the food and retail companies the effect that Group’s products and services have on customers’ health and safety is assessed at each production stage – from developing the product to placing it on the market.

Quality control at the Group companies is organised as part of the quality management and assurance system services, the backbone of which are the strict adherence to the legislative quality framework and health safety standards, the implementation of good production and laboratory practices, the continuous monitoring of the production processes in the entire supply chain, investments in research and development, and continuous improvements of management aspects. The quality management system is implemented in three areas: food safety, food security and food related fraud, and from this year on, through food sustainability.

In the context of food management, sustainability involves minimizing negative impacts on the environment and society while ensuring food safety, and covers the entire food supply chain.

Sustainable food management is the responsible and efficient use of resources for the production, distribution and consumption of food in a way that ensures long-term environmental, economic and social wellbeing.

Food systems cover a wide range of stakeholders and their interconnected activities involved in the production, processing, distribution, consumption and disposal of food products.

Sustainability in food safety business involves the integration of environmentally responsible practices and ethical considerations in food safety management. It also includes the interconnection of food safety, environmental impact, social responsibility and long-term business sustainability.

Fortenova Group has recognized and works on several important aspects of sustainability in food safety business:

1. Responsible sourcing of ingredients and materials and consideration of the environmental and social impact of suppliers (more details on responsible sourcing are available in the [Supply Chain](#) section)
2. Reducing food waste at every stage of the supply chain (more details on reducing food waste in the [Waste](#) chapter)
3. Energy and resource efficiency in production processes, packaging design and environmentally friendly packaging, and the use of energy sources (more details on similar projects are available in the [Sustainable Waste Management](#) chapter)
4. Local sources promoting local economies, improving food traceability and reducing transport-related emissions (more details on short supply chains are available in the [Supply Chain](#) chapter)
5. Compliance with environmental regulations and standards of sustainability and food safety
6. Social responsibility in the food safety business extends to fair working practices, worker safety and ethical treatment of employees throughout the supply chain (more details on working practices are available in the [Social Indicators](#) chapter)
7. Continuous improvement of food safety and environmental performance by including in initiatives and obtaining sustainability certificates (more details on certificates in the [Quality Certificates of Established Systems](#) chapter).



Product quality, safety and sustainability

The graph shows the main activities, departments and teams in the field of food safety:

<div> <div>QUALITY MANAGEMENT SYSTEM</div> </div>	<div>Food safety</div>	<div> prevention of unintentional contamination of food; may result in intestinal diseases HACCP team - Quality and Environment Management Service - Sales and Export Department - Production Department - Development Department </div>
	<div>Protection of food</div>	<div> prevention of intentional contamination of food; TACCP team - Quality and Environment Management Service - Sales and Export Department - Production Department </div>
	<div>Fraud</div>	<div> prevention of intentional food contamination; economically motivated VACCP team - Quality and Environment Management Service - Development Department - Production Department - Procurement Department </div>
	<div>Sustain-ability</div>	<div> assessment and monitoring of different aspects of food production, distribution and consumption to ensure that they are consistent with sustainability goals </div>

Food safety culture

The culture of food safety within the Group is developed through education and daily engagement of employees. It is based on common values, beliefs and standards that affect the mindset and behaviour when it comes to food safety in the organisation. This behavioural approach has many elements, from systems that are used to encourage employees to strongly assume responsibility in processes, securing relevant competencies and regular employee educations to analysing risks and focusing on the availability of tools and information for a high-quality and consistent implementation of processes related to food safety. In 2023, food safety policy has been implemented with a special focus on the food safety culture, which includes the Plan and verification of the development of the food safety culture. Safety policy has already been adopted; however, guidelines obliging the management to implement food safety culture have been newly introduced due to the new requirements of the standards and the Food Act. The food safety culture development plan is reviewed annually by the Group's top management, and food safety culture is managed through the following indicators:

- Business process management systems
- Leadership
- Communication
- Dedication
- Environment
- Food safety risks.



Education

Intensive work is done both internally and externally on educating employees and management about food safety and quality, customer health and business processes. Particular attention is paid to educating new employees about the processes, as well as to recording non-compliance of products and processes, the causes of which are investigated in detail and, based on the findings, measures are taken to mitigate and prevent risks.

The food safety workshops, which were launched by the Internal Food Safety Audit of Fortenova Group in 2022, were well received by employees of various companies and sectors, and the companies have come forward with suggestions for the education they need on their own initiative. Consequently, over the course of 2023 the Internal Food Safety Audit continued with its education and training programmes for employees of operating companies in the segment of food quality and safety.

894,254

product health safety and quality analyses in internal laboratories

The workshops held covered the following topics:

- Good laboratory practice
- Validation of methods in analytical studies
- Adopting own-check systems, performing trend analysis, shelf life assessment, product and supplier risk assessment
- Sanitation programmes:
 - Control and removal of pathogens in the plant
 - Monitoring of pathogens from the manufacturing environment
- Food safety, HACCP, food safety culture
- Supply chains control:
 - Legal and contractual obligations of the private-label brand
 - Risk assessment of suppliers and suppliers' audits
- ESG and sustainable procurement.



Product quality, safety and sustainability

Health safety analyses and inspections

Besides in the internal production labs, all Fortenova Group's products and raw materials are also analysed in authorised accredited laboratories. Internal labs control the environmental conditions in production plants, equipment, raw materials, production process, water, and the hygiene of processes and employees by way of microbiological, chemical and physical analyses. An integral part of the daily check is carried out by conducting organoleptic analyses in which multidisciplinary teams participate in testing the appearance, quality, colour, taste, smell and other default parameters prescribed by the manufacturer's product specifications. The most organoleptic analyses were carried out in Jamnica – 86,910 of them.

An overview of the analyses and tests conducted in 2023 at Fortenova Group level is given in the table below, categorised by purpose of the testing. Belje stands out with 353,089 internal analyses and 110,718 external analyses. Konzum CRO retail chain carried out 14,399 external analyses of its products.

In addition to internal analyses, the safety and health of customers is also protected by internal audits and audits by external certification authorities. Internal audits are carried out within companies, but suppliers also regularly undergo audits, especially new suppliers. The largest number of internal audits was carried out by Mercator SRB (773), while Konzum CRO carried out the largest number of supplier audits, 254 of them, as well as 34 audits of new suppliers! Number of analyses

decreased in 2023, primarily for technical reasons.

The compliance of operations is also monitored by inspections of the State Inspectorate regarding food safety, quality and consumer protection. In 2023 Group companies were subject to 3217 inspections by the State Inspectorate. A total of 478 cases of non-compliance were recorded, resulting in the payment of infringement fines and mandatory fines to the amount of EUR 96,705. For each detected non-compliance, corrective and preventive measures were taken in order to prevent such non-compliances from happening again. In 2022, data on mandatory fines were not collected. In 2023 internal monitoring of such data has also started in order to improve the monitoring system.

The cases in retail mostly related to mandatory fines due to non-compliance with prerequisite programmes (infrastructure, hygiene, monitoring plan), to organoleptically non-compliant products, construction and technical defects of premises and refrigerated display cabinets, as well as to fruit and vegetable test results.

46 This year, on-site and remote audits were taken into account.

47 Number of established infringements and mandatory fines.

Analyses and tests	2023	2022
Number of product safety and quality analyses performed in Fortenova Group's internal laboratories	894,254	1,090,501
Number of product safety analyses performed in accredited external laboratories	149,863	162,978
Number of internal organoleptic tests of food and non-food products	116,897	70,209

Checks, supplier and product audits	2023	2022
Number of internal audits carried out in the company	1466 ⁴⁶	1758
New supplier audits	65	57
Existing supplier audits (based on risk assessment)	485	900
Number of third-party audits	32	37

Checks, inspections, infringements	2023	2022
Number of conducted inspections regarding food safety, quality and consumer protection	3217	4282
Number of infringements established by inspections of the State Inspectorate regarding food safety, quality and consumer protection in 2023	478	139 ⁴⁷
Total amount paid for infringement fines and mandatory fines regarding food safety, quality and consumer protection in 2023	96,705	Data not collected
Number of consumer complaints regarding food safety, quality and consumer protection	1978	4495

Product quality, safety and sustainability

Labelling of products and services

All food products of Fortenova Group are accompanied and labelled by the prescribed mandatory information about the product, packaging, as well as the disposal of packaging in accordance with national and EU regulations on the labelling of products, packaging and consumer protection. The information is marked in a visible place so that it is easily noticeable, clearly legible and indelible. If voluntary food information is provided on different bases, it is ensured that the requirements prescribed by the Regulation 1169/2011 on the provision of food information to consumers are met, namely that the information does not mislead the consumer, that it is not confusing or ambiguous, and that it does not occupy the space available for mandatory food information.

Within Fortenova Group, internal experts, supported by the services of renowned authorised verification companies specialising in labelling compliance, are responsible for preparing and ensuring compliance of label declarations on all markets where the Group operates.

Besides basic information, the declarations and packaging of the Group's products feature valuable information for the consumer and the environment⁴⁸ as is shown in the table.

The companies strive to implement best practices in product labelling with a view to achieving transparency and functionality, which in communication with the consumers contributes to healthier habits of the population and to the better quality of life for people with diet restrictions. All products feature instructions for use and many also the reference intake and the proportion of nutrients. Several companies stand out in their labelling practices. In the food processing industry, PIK Vrbovec CRO provides information on processed meat products on the absence of flavour enhancers, artificial colours, gluten and soya. For each meat preparation product, the origin of the product and of the primary ingredient is marked. Meat preparations intended for further culinary processing also have instructions for use as part of the declaration, e.g. sausages for cooking and hot dogs, Planet of Plants burger and meatballs.

On all functional products, the reference intake is indicated or a statement or claim is provided, which is based on legal regulations and confirmed by analyses.

Basic product labelling information	Information on additional value of the product
<ul style="list-style-type: none">• Name of the food and list of ingredients• Category or quantity of ingredients• Allergens• Date of minimum durability• Special storage conditions• Country of origin or place of provenance• Instructions for use or preparation• Nutrition declaration• The name or address of the food business operator	<ul style="list-style-type: none">• Nutrition and health claims of functional <i>better-for-you</i> products• Declaration of the primary ingredient for all meat preparations and the origin of the product• Marked origin of the product and the primary ingredient for all products of the private-label brand• Daily reference intake• Certificates or trademarks• Pictograms of packaging and information on recycling possibilities

Belje labels its range of dairy products with the mark “Milk from Croatian farms”, and natural source of calcium, “Baranjski kulen” carries the protected geographical indication label, and Belje wines carry the controlled designation of origin label.

Konzum CRO and Mercator SLO have a marked origin of the product and of the primary ingredient for all private-label products.

When displaying products in the Group's retail stores, particular attention is paid to proper, clear and legible declarations for products sold in bulk or at the gastro and bakery departments, which contributes to customers with diet restrictions finding the

respective ingredients. In the Retail Division several companies have made health claims with regard to the product being a source of vitamins, a source of proteins or without added sugar. Mercator SRB and Konzum BIH apply higher standards in labelling private-label products than those prescribed by the law and, unless in collision with the legislation of the Republic of Srpska, follow the EU legislation⁴⁹.

Several companies also stand out in terms of **offering products with features that contribute to sustainable development** to their consumers. Dijamant and Zvijezda CRO hold the RSPO⁵⁰ certificate for the procurement of sustainable palm oil, while the products of Mercator SLO and Mercator EMBA bear the Rainforest Alliance certificate, that contributes to sustainable agriculture in the value chain, including the preservation of biodiversity and natural resources, as well as socially sustainable practices verifying that no child labour is present on the farms, that ethical working conditions are provided and that the native inhabitants' rights are respected. PIK Vrbovec CRO provides voluntary designations of packaging material types and pictographic instructions on how to dispose of and recycle the packaging material.

Belje uses the Carbon Trust label (packaging with reduced CO₂ emissions) on its packaging of *Kravica kraljica* brand, which includes UHT (sterilisation with ultra-high temperature) milk, fresh milk, cooking cream; packaging is made of 82 % plant-based material; symbols on the packaging are: “recycle, do not pollute the environment”.

The retail companies prevent food waste by highlighting that a product's shelf life is about to expire and by reducing the prices of such products. For some private-label products the features of packaging with reduced environmental impact are declared – for example a list of primary packaging materials, packaging produced of recycled materials, 100 % made of paper or of sugar cane.

48 The companies PIK Vinkovci and Vinka, as producers of primary agricultural products and vegetables, are exempt from the obligation of detailed labelling.

49 Additional benefits and the European declaration standard apply in most cases at Mercator SRB and Konzum BIH, unless they are in collision with the legislation of the Republic of Srpska.

50 Roundtable on Sustainable Palm Oil.

Launching of new products and improvement of existing assortment

Each year Fortenova Group launches new products and performs numerous improvements on the existing ones. Product reformulations are being actively made to reduce sugar and salt and add vitamins and proteins.

The Group's products bearing sustainable development and functional food characteristics are defined within the *better-for-you* category, which includes products that are improved when compared to their traditional equivalent, with a view to contributing to consumer health and promoting raw materials from sustainable sources. The Group has systematically invested in the development and extension of the *better-for-you* product portfolio, and an overview of significant contributions to sustainability in the categories of product declarations, product improvement and new product launches that contribute to sustainable development and consumer health goals is stated below.

During the reporting year the possibilities were assessed for a systematic introduction of requirements to procure raw materials from sustainable sources and the work on imposing additional requirements on the raw materials and packaging supply chain continues in 2024.

Zvijezda CRO has improved the recipes for products in categories: Ketchup mild and hot 500 g and 1 kg and Ketchup pizza 490 g with the amount of total added sugar reduced by 10 %, and Light mayonnaise 95 g, 620 g with fat reduced by 5 %. Also, in all products within the category of yellow fat spreads (total of six SKUs) aroma and colours were substituted with natural aromas and colours.

Under the brand Planet of Plants, a new product called Natur Spread 225g has been launched. It is a clean label margarine spread without added emulsifiers, colours, or preservatives, containing only four ingredients.

Simultaneously, under the Zvijezda and Dijamant brands, mild Ketchup without added sugar has been launched - 0% added sugar, 50% fewer calories.

Mercator SLO has improved the recipes of the following products in the categories: Simply pasta, spelt-flour pasta, dietary

fibre source (three products); Active Zone protein drink and vanilla and chocolate pudding, rich in protein (four products); Active Zone packed wet bread, high fibre, protein source; Active Zone peanut butter 100 %, highly fibre-enriched, protein source, no added sugar; Rise&Smile corn flakes, no added sugar and dietary fibre source; Hrusty lentil snack, salty and with onions and sour cream, dietary fibre and protein source, 53 % less fat (two products); Free Zone oat drink, no added sugar and gluten-free; Hrusty integral tortilla, dietary fibre source; Rise&Smile oatmeal four flavours, rich in fibre and vitamins.

Konzum CRO has reformulated K plus syrup products (10 different flavours) without added sugar.

Konzum BIH has reformulated the products of the brand *Moj dan*; orange nectar, apple nectar; peach and apple nectar, and reduced the sugar content by 30 % by adding sweeteners (sucralose).

The year saw new product launches from the health food line, i.e. *better-for-you* products, as well as several products whose impact on the environment has been reduced due to the characteristics of the selected or changed packaging. **Jamnica** has launched new products: Jana vitamin plus collagen apple and raspberry flavour – new vitamin water with natural aromas, added vitamin C (20 % of the reference intake / 100 ml) and zinc mineral (7.5 % of the reference intake / 100 ml), containing a natural source of collagen, with low energy value. Jana coconut and Jana coconut and lemon contain 4 % of coconut water and 2.7 % of concentrated lemon juice, natural aromas and have a low energy value.

Mercator SRB has launched 14 new products: K plus rice cakes with quinoa and chia seeds 100 g – gluten-free, fibre source, Minute king oyster mushroom 200 g – rich in protein, iron, magnesium, zinc, potassium and phosphorus, Minute oyster mushroom 200 g – rich in protein, iron, potassium and manganese, Minute lion's mane mushroom 200 g – rich in protein, iron, potassium, zinc, phosphorus and copper, Minute shiitake 200 g – rich in protein, phosphorus, potassium, zinc and manganese, Rise&Smile oatmeal 65 g – rich in fibre, Rise&Smile oatmeal with raspberry 65 g – rich in fibre, Rise&Smile oatmeal with forest fruits 65 g – rich in fibre, Active Zone integral biscuits with oat

flakes, chocolate chips and banana 150 g – naturally rich in fibre, natural source of protein, Active Zone integral cookies with raspberry, almond and oat 150 g – naturally rich in fibre, natural source of protein, Active zone spelt crackers with flax seeds and oat flakes 100 g – naturally rich in fibre, natural source of protein, Active Zone integral cracker with pumpkin seeds, oat flakes and caraway 100 g – naturally rich in fibre, natural source of protein, Hrusty Snack lentil product salty 50 g, reduced fat content – natural source of fibre, Hrusty Snack lentil product with cream and onion flavour, 50 g, reduced fat content – natural source of fibre, pea protein.

PIK Vrbovec CRO has launched seven new products from the Planet of Plants category: bologna sausage with olives 270 g (100 % plant-based, with sunflower protein, soy-free, gluten-free, dietary fibre source), Planet of Plants bologna sausage with olives, sliced 80 g (100 % plant based, with sunflower protein, soy-free, gluten-free, dietary fibre source), PIK Natur dry sausage, sliced 80 g (no added nitrites and phosphates), PIK Natur bologna sausage (no added nitrites and phosphates), PIK Natur mortadella (no added nitrites and phosphates), PIK Natur ham (no added nitrites and phosphates), PIK smoked turkey breast 300 g (no flavour enhancer, no artificial colours, gluten-free and soy-free, 2 % fat, 17 g protein per 100 g, 389 kJ/92 kcal per 100 g; naturally rich in protein, with low fat content). At the same time, the Clean Label line of meat preparations, after thorough industrial research and experimental development, was successfully placed on the market.

The project was implemented with the use of funds from the European Regional Development Fund, which, among other things, provides support to companies for innovations that support sustainable development. In addition, one of the important elements of the successful implementation of this project was cooperation with the Croatian Institute of Public Health, which provided expertise and support as a strategic partner. Owing to this, Clean Label products meet the strictest quality and safety criteria.

The *Clean Label* line of meat preparations consists of cooked ham, bologna sausage, mortadella and dry sausage. What makes them special is the absence of phosphate, carrageenan, nitrite and nitrate and the use of natural source of ascorbic acid, resulting in products of pure taste and high nutritional value.

Product quality, safety and sustainability

Certificates Introduced quality system certificates

All the Group's companies commonly achieve high results in certification audits, and are proud holders of certificates in many areas: food quality and safety management systems (ISO 9000/9001⁵¹, ISO 22000⁵², FSSC 22000⁵³, HACCP⁵⁴, IFS⁵⁵, IFS Logistic⁵⁶ or SQMS⁵⁷), good manufacturing practices (GMP+⁵⁸, GLOBAL GAP⁵⁹), occupational health and safety (ISO 45001⁶⁰), information security (ISO 27000⁶¹), environmental management systems (ISO 14001⁶²) and energy management systems (ISO 50001⁶³).

The companies hold the following sustainability certificates: Sedex Members Ethical Trade Audit (SMETA⁶⁴), UTZ⁶⁵, KOSHER⁶⁶, GRASP⁶⁷, DONAU SOJA⁶⁸, RSPO⁶⁹, Organic Production⁷⁰.

Mercator SRB is the holder of the Family Friendly Enterprise and the Socially Responsible Employer certificates, Mercator SLO is the holder of the Family Friendly Enterprise certificate (*Družini prijazno podjetje*), Green Star, Selected Quality Slovenia (*Izbrana kakovost Slovenija*) for poultry, beef, offal, and fruit products.

Dijamant, Zvijezda CRO and Belje are holders of the Halal certificate, and Jamnica and Mercator EMBA of the SQMS certificate awarded by McDonald's Corporation to its suppliers for exceptional quality.

Jamnica is the holder of the NSF certificate, awarded by an independent American institution for quality control, for its natural mineral water that it places on the American market.

For the third consecutive year the company PIK Vinkovci has been awarded the GRASP certificate for responsible social practices in the production of fruit and vegetables, which is an external verification of workers' health, safety and well-being, and the



assessment includes the consistent adherence to national laws and the guidelines of the International Labour Organisation. The procedure specifically assesses the workers' voice, information on human and labour rights, indicators of human and labour rights and the protection of children and young workers.

Belje, PIK Vinkovci, Vinka and Vupik also hold the GLOBAL G.A.P. standard and the *Integrated Farm Assurance* (IFA), applicable to

fruit and vegetables, aquaculture, floriculture, livestock breeding etc. This standard is also the basis for the GGN designation, a consumer designation for certified, responsible agriculture and transparency.

Since this year, the company PIK Vinkovci carries the Proven Quality label (*Dokazana kvaliteta*), a voluntary national quality system for agricultural and food products of the Ministry of Agriculture.

51 Belje, PIK Vinkovci, Vinka, Vupik, Energija Gradec, Agrolaguna, Dijamant, Jamnica CRO, PIK Vrbovec CRO, Zvijezda CRO, Mg Mivela, Mercator SRB, mStart CRO, Mercator SLO.

52 Sarajevski kiseljak, Konzum CRO.

53 Vinka, Dijamant.

54 PIK Vinkovci, Dijamant, Jamnica CRO, Jamnica Mineralna Voda, Mg Mivela, Roto dinamic, Zvijezda CRO, Idea MN, Mercator SRB, Konzum CRO.

55 Belje, Agrolaguna, Jamnica, Mercator EMBA, PIK Vrbovec CRO, Sarajevski kiseljak, Zvijezda CRO, Dijamant

56 PIK Vrbovec CRO, Konzum CRO.

57 Mercator EMBA holds this certificate verifying the high standards of the company McDonald's, a partner it has collaborated with for many years; Jamnica.

58 Dijamant.

59 Belje, PIK Vinkovci, EKO Biograd, Vinka, Vupik.

60 Belje, PIK Vinkovci, Dijamant, PIK Vrbovec CRO, Mercator SRB.

61 Konzum CRO.

62 Belje, Energija Gradec, PIK Vinkovci, Vupik, Agrolaguna, Dijamant, Jamnica CRO, MG Mivela, PIK Vrbovec CRO, Zvijezda CRO, Sarajevski Kiseljak, Konzum CRO, Mercator SRB, Mercator SLO.

63 Belje, PIK Vinkovci, Jamnica CRO, PIK Vrbovec CRO, Zvijezda CRO, Konzum CRO.

64 Zvijezda CRO.

65 Mercator EMBA.

66 Belje, Vinka, Dijamant, Zvijezda CRO.

67 Eko Biograd, PIK Vinkovci.

68 Belje, PIK Vinkovci, Vupik.

69 Zvijezda CRO, Dijamant.

70 Mercator SRB, Mercator SLO.

The image features a teal-colored report cover hanging from a metal rod in the foreground. The cover has the text "FORTENOVA GRUPA" printed vertically in white, with a decorative pattern of small white dots at the bottom. In the background, a blurred office scene shows a man in a brown suit standing and presenting to a group of people seated at a table. A laptop is open on the table, displaying a document. The overall setting is a professional meeting or presentation.

FORTENOVA
GRUPA

5.

CORPORATE GOVERNANCE

2023 SUSTAINABILITY REPORT

Fortenova Group consists of the parent (holding) company Fortenova grupa d.d. (“Company“) and operating companies. The governance of Fortenova grupa d.d. and its subsidiaries (“Group”) is based on statutory regulations, healthy business practices and general corporate governance principles.

Five principles of Fortenova Group’s Corporate Governance Code

Purpose	Enables the achievement of operational purpose and goals
Accountability	Clearly defined roles and responsibilities/accountabilities
	Transparency of information on all important matters
Integrity, honesty, transparency and stability	Enables independent contribution in decision-making and diversity of perspectives
	Based on ethical business practices and honesty to capital holders and stakeholders
Strategic alignment/uniformity	Facilitates effective formulation and implementation of strategy
Organisational efficiency	Supported by appropriate organisational structure, with checks and balance between controls and efficiency

Company Assembly

The General Assembly is the Company’s only governing body the work of which is open to the participation of all holders of ownership stakes (shareholders). The main function of the General Assembly is to provide for the expression of will of the shareholders. Unlike the Board of Directors, the General Assembly is not a permanent governing body and is convened *ad hoc*, but not less than once a year. The General Assembly of the Company’s direct shareholder, Fortenova Group HoldCo B.V., is convened by written notification (invitation) published within the legal deadline before the day of holding the General Assembly. The Meeting of Depositary Receipt (DR) Holders of Fortenova Group STAK Sticking in Amsterdam, the Company’s ultimate owner, is held in the Netherlands either in person or by electronic means, and is convened via email notification containing data on the venue, date and exact time of holding the Meeting, sent to the DR Holders not later than eight days prior to the Meeting.

Key decisions with a significant or important impact on the Company’s assets, financial position, operating result, ownership structure and management are made solely at the General Assembly by the stipulated majority.

Shareholders are allowed to participate and particularly to vote at the General Assembly by using modern communication technologies (e.g. by electronic

means). The voting rights comprise all of the Company’s shareholders other than those not allowed to vote due to sanctions, and the number of votes belonging to shareholders at the General Assembly is equal to the number of shares / ownership stakes they hold, regardless of the type of those shares / ownership stakes.

Responsibilities of the General Assembly

The General Assembly decides, among other matters, on amendments to the Articles of Association; change of registered seat or country of incorporation of the Company and any change in the Company’s form; merger, demerger, amalgamation or cessation of the Company; appointment and/or revocation of members of the Company’s Board of Directors, remuneration for their work and any other benefits (e.g. insurance) based on their position; appointment of auditors; increases or decreases of the Company’s equity capital; initial public offering of the Company; establishment of consolidated and stand-alone financial statements of the Company; giving approval on matters that require the approval of the General Assembly in accordance with the legal regulations or the Articles of Association; performs other duties that fall within the competence of the General Assembly in accordance with the law or the Articles of Association.

Board of Directors

The Company is run by the Board of Directors (BoD).

The Company's Board of Directors is committed to high standards of corporate governance, which it considers to be of crucial importance for the integrity of the business and maintaining the trust of all stakeholders. The company expects all its directors and employees to act honestly and with integrity. The company strives to act in accordance with the laws and customs of the countries in which it operates; adopts appropriate standards of business practices and procedures; operates with integrity and respects and values the culture of each country in which it operates. The BoD applies high ethical standards and where the decisions of the BoD may have different effects on different shareholder groups, the BoD treats all shareholders in a fair way.

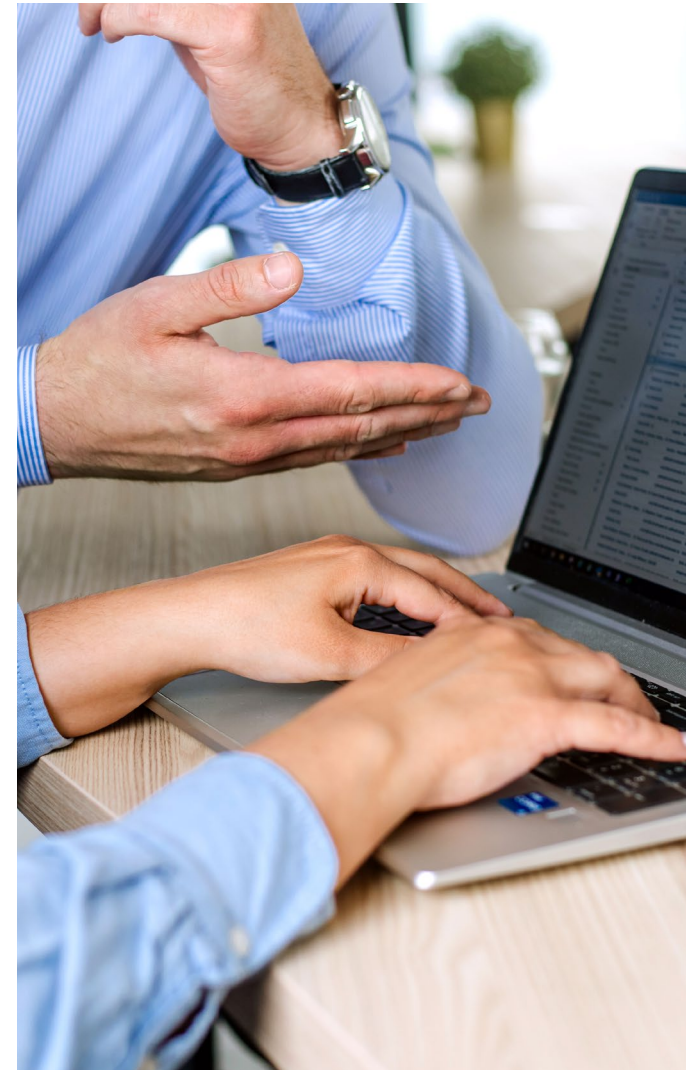
The BoD is envisaged to consist of up to nine members, whereof one Member of the BoD is an Executive Director, who is appointed as Chief Executive Officer (CEO). Other members of the BoD are Non-Executive Directors, one of whom is the representative of the Company's employees, in accordance with the binding provisions of the labour regulations.

Members of the BoD elect a Chairman and at least one Deputy Chairman of the BoD among themselves. The person who is also an Executive Director can be elected neither as the Chairman nor as the first Deputy Chairman of the BoD.

Members of the Board of Directors

As at 31st December 2022, the Board of Directors acted in the following composition:

- Chairman of the BoD and Non-Executive Director Maksim Poletaev
 - Appointed by decision of the General Assembly of 20th January 2023
 - Born on 6th April 1971
 - Other significant positions: independent member of the Supervisory Board of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan
- Member of the BoD and Non-Executive Director: Pavao Vujnovac
 - Appointed by decision of the General Assembly of 20th January 2023
 - Born on 20th December 1974
 - Other significant positions: CEO at Blue Horizon d.o.o., Chairman of the Supervisory Board of ENNA Fruit d.o.o., member of the Supervisory Board of Dalekovod d.d.
- Deputy Chairman of the BoD and Non-Executive Director: Damir Spudić
 - Appointed by decision of the General Assembly of 20th January 2023
 - Born on 9th April 1982
 - Other significant positions: Deputy Chairman of the Supervisory Board of Pevev d.d., Deputy Chairman of the Supervisory Board of ENNA Fruit d.o.o., member of the Supervisory Board of Dalekovod d.d.
- Member of the BoD, Non-Executive Director and workers' representative: Ivica Mudrinić
 - Appointed by decision of the Workers' Council of 31st August 2022
 - Born on 28th October 1955
 - Other significant positions: Founder and Director of the company MUDRINIC MANAGEMENT CONSULTING d.o.o., Co-Founder of the company HUB385, Member of the Board of Directors of the Rochester Institute of Technology
- Member of the BoD and Non-Executive Director: Vsevolod Rozanov
 - Appointed by decision of the General Assembly of 20th January 2023
 - Born on 30th July 1971
 - Other significant positions: independent member of the Board of Directors of Softline JSC; and Whoosh Holding PJSC
- Member of the BoD and Chief Executive Officer: Fabris Peruško
 - Appointed by decision of the General Assembly of 20th January 2023
 - Born on 19th September 1973.



Principles of selecting Members of the Board of Directors

The basic criteria for selecting a new BoD Member ensure that:

- The structure of the BoD membership represents a combination of various types of knowledge and professional and practical experience, reflecting the balance of qualifications aligned with the structure and main operations of the Company
- The members of the BoD are persons who possess appropriate personal qualities that reflect high moral standards and the readiness to take part in the activities and process of making decisions in the Company in an active and unbiased manner
- The members of the BoD are persons with special expertise required to manage the Company
- No conflict of interest occurs between the members of the BoD and the Company.

At least once a year the BoD evaluates its own work in the preceding period, as well as the work of each of the committees. The BoD submits a report on the evaluation of its work to the General Assembly. The evaluation and the report must include the contribution and responsibilities of individual members, joint activities of the BoD, the work of the committees, the goals achieved by the Company in comparison to the goals set as well as other relevant findings, taking into account the owners' determination to achieve the highest standards of the Group's activities in accordance with its presence in the local community.

Responsibilities of the Board of Directors

The BoD sets the Company's strategic goals, takes care that the necessary financial and human resources are in place for the realisation of the Company's goals and supervises and controls the management of the Company's affairs. The BoD is also responsible for the effectiveness of corporate governance practices, remunerations to directors and succession planning, a transparent process of nominating and appointing members of the BoD and Executive Directors, managing potential conflicts of interest, the integrity of the system of accounting and finance as well as the process of disclosing information and communications.

The competence of the BoD includes, among other:

- Determining the Company's long-term strategy and goals and monitoring the implementation of the strategy and achievement of the goals

- Establishing Company and Group culture, values and standards and taking care that the obligations to shareholders are understood and met
- Supervising the management with regard to their performance in meeting the agreed short-term and long-term goals and compliance with relevant laws, rules and regulations
- Setting financial goals and approving budgets and financial plans as well as the funds required to meet those goals
- Reviewing and approving the annual business plans of the Company, the Group and at least each of the key operating companies of the Company
- Deciding on whether the Company and the Group will enter into significant new business areas/divisions or exit from any of the existing business areas/divisions
- Deciding on major acquisitions, mergers, divestments or capital investments

- Approving Group policies and adopting rules of procedure of the BoD and rules of procedure of the Executive Directors
- Appointing the Company's executive directors
- Approving employments or dismissals of employees in key positions upon recommendation of the Executive Directors and
- Approving any matters and business decisions where such decisions exceed the authority that the BoD delegated to the committees, the CEO or the Executive Directors of the Company in accordance with the corporate documents.

The Board of Directors acts in compliance with the Articles of Association, the Corporate Code of Governance, the Rules of Procedure of the BoD and the Group's Code of Ethics.



Remunerations for Members of the Board of Directors

The BoD is entitled to a fixed fee and other benefits in accordance with the rules of the Remuneration and Travel Policy for Non-Executive Directors of Fortenova grupa d.d., as adopted by the General Assembly.

Committees of the Board of Directors

The BoD delegates certain responsibilities and authorities to its committees. The work of the committees is of crucial importance for the effective operations of the BoD. On behalf of the Board of Directors the committees consider in depth and in detail the matters relevant to their Terms of Reference and report to the BoD after every meeting. The committees prepare reports, materials, recommendations or draft decisions for the BoD (advisory role), but do not decide on matters falling under the competence of the BoD.

In its work the Board of Directors is supported by four key committees:

1. Audit and Risk Committee

Founded for the purpose of establishing an effective and high-quality internal control system in the Company.

This Committee:

- Monitors the integrity of the Company's financial statements, especially the regularity and consistency of the accounting methods used by the Company, including the criteria for consolidating the financial statements of subsidiaries belonging to the Company
- Assesses the quality of the internal control and risk management system at least once a year, with the aim of adequately identifying and disclosing the main risks to which the Company is exposed (including risks related to compliance with legal and regulatory regulations), and managing these risks in an adequate manner
- Ensures the efficiency of the internal audit system, especially by making recommendations for the selection, appointment, re-appointment and dismissal of the manager of the Internal Control Department, with regard to the resources at his disposal, as well as by evaluating the

actions taken by the management following the findings and recommendations of the Internal Audit (if there is no audit system in the company, this Committee considers the need for its establishment once a year)

- Ensures the provision of good-quality information from subsidiaries and affiliated companies, as well as from third parties (such as expert advisors), taking into account the impact of this information on the consolidated financial statements.

2. Finance Committee

Founded for the purpose of analysing in detail the financial statements and providing support to the Company's accounting department.

This Committee:

- Establishes principles for accounting, financial and risk control and approves significant changes to these principles
- Reviews and proposes for approval the annual financial business plan
- Reviews and proposes for approval Company's annual and semi-annual financial statements.

This Committee monitors the integrity of the Company's financial statements, including its annual and semi-annual statements, interim management statements, preliminary announcements and any other formal statements related to its financial results, and reviews and reports to the Board of Directors on the significant financial reporting problems and assessments contained in those statements. When this Committee is not satisfied with an aspect of the proposed financial reporting of the Company, it shall inform the Board of Directors about its views.

3. Nomination, Remuneration and Corporate Governance Committee

The purpose of this Committee is to take care of the generally accepted principles of good governance and to:

- Make sure that there is a formal, rigorous and transparent procedure of appointing new members of the BoD and executive directors

- Assist the BoD by taking care that its composition is regularly reviewed and refreshed in order to be efficient and able to work in the best interests of the shareholders
- Assist the BoD in meeting its supervisory function, taking care that the remuneration policy and practice are implemented in a fair and responsible manner and that remuneration is always related to corporate and individual results
- Evaluate and recommend a corporate structure of the Company in order to improve it
- Advise on appointments of other key personnel, including newly created positions.

4. Strategy and Transformation Committee

The purpose of the Strategy and Transformation Committee is to monitor the strategic direction and transformation portfolio of the Group (including its financial and non-financial impacts and benefits, scope, potential risks, determining the sequence and timeline of projects contained therein). The primary responsibility for the implementation of strategy and transformation projects is assigned to the Executive Directors and supervised by the Board of Directors. This Committee supports the BoD in meeting its supervisory responsibilities related to the Company's strategy.

This Committee is authorised to:

- Monitor and manage projects in the Group's transformation portfolio
- Monitor and manage the progress, benefits (savings) and impact of each project
- Monitor spending against defined budget
- Select projects, determine their priorities, and allocate resources
- Manage high-level interdependencies and risks associated with all transformation projects and transformation portfolio of the Group
- Review and approve communications of the Group's transformation portfolio (internally and externally)
- Solicit, at the expense of the Company, appropriate external advice on decision-making as it deems necessary.

Executive Directors

The Board of Directors appoints the Executive Directors. The Company may have from three to seven Executive Directors, at least one of whom is appointed from among the members of the BoD. One of the Executive Directors who is also member of the BoD is appointed as Chief Executive Officer. The Executive Directors manage the Company’s operations as a collegiate body.

Executive Directors

As at 31st December 2023 the Company’s Executive Directors are:

- Chief Executive Officer: Fabris Peruško, appointed for the first time in April 2019; specific knowledge: restructuring, corporate governance; experience: member of the Management Board for Finance at Tisak; Director of Operations of the company Lamoda.ru, Consultant at McKinsey & Co.
- Executive Director, Finance Division: James Pearson, appointed for the first time in March 2020; specific knowledge: controlling, treasury, auditing of retail, FMCG and agriculture areas; experience: Director of Finance, British American Tobacco
- Executive Director, Retail Division: Zoran Mitreski, appointed for the first time in March 2023; specific knowledge: retail, wholesale, procurement; experience: President of the Konzum CRO Management Board, Member of the Konzum CRO Management Board for Procurement and Marketing, Director of Procurement and Category Management in Mercator SLO
- Executive Director, Agriculture Division: Damir Leko, appointed for the first time in March 2023; specific knowledge: sales, restructuring, agricultural production, corporate governance; experience: Sales Director at Petrokemija
- Executive Director, Food Division: Sotiris Yannopoulos, appointed for the first time in November 2019; specific knowledge: strategy, routes to market and revenue growth; experience: Manager at Procter & Gamble, Regional General Manager at Coca Cola Hellenic



- Executive Director for Legal Affairs and Compliance: Hido Lajtman, appointed for the first time in August 2023; specific knowledge: corporate governance, restructuring, acquisitions and sales, financial arrangements, compliance; experience: Director of Legal Affairs and Compliance at Fortenova Group, Director of Legal Affairs at Agrokor
- Executive Director for Human Resources: Gordana Fabris, appointed for the first time in August 2023; specific knowledge: strategy, employee development and organisational change management; experience: Human Resources Manager at Valamar Hotels and Resorts, and at Valamar Riviera.

Principles of selecting Executive Directors

The Board of Directors elects the executive directors of Fortenova grupa d.d. taking into account the candidate’s previous work, competences and expertise. According to the input parameters provided by the Board of Directors, independent specialised agencies with relevant experience in the field of strategic management recruitment are also included in the selection process. The selection process is managed by the Group’s Human Resources. In the process of selecting among applying candidates care is taken that the candidates’ professional history or their life’s work particularly stand out in terms of the values supported or proclaimed by the Group in its statutory acts in accordance with the principles of the Corporate Governance Code.

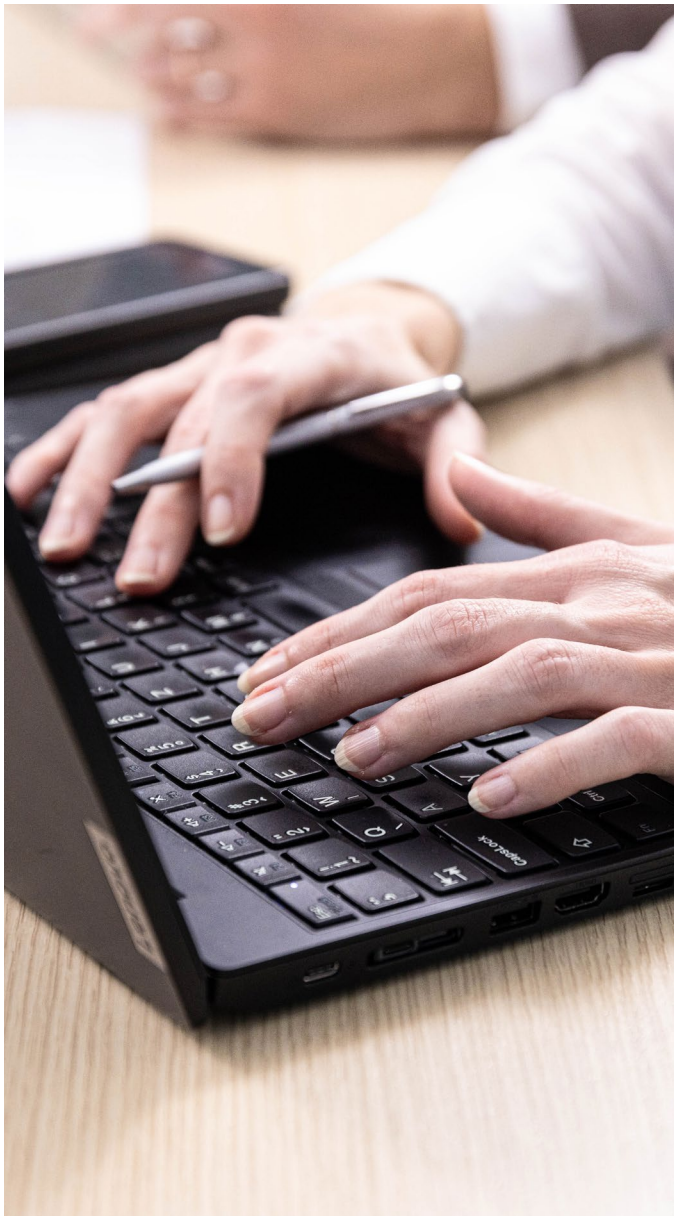
Responsibilities of Executive Directors

The Executive Directors manage business affairs of the Company and act in accordance with the Group's Articles of Association, Corporate Governance Code, Rules of Procedure of the Executive Directors and Code of Ethics.

In accordance with their responsibilities under the Articles of Association, the Executive Directors perform the following duties and responsibilities:

- Represent the Company
- Manage the Company's operations
- Convene the General Assembly of the Company in situations prescribed by the relevant laws
- Execute the decisions adopted by the General Assembly and the Board of Directors within the scope of their responsibilities
- Exercise shareholders' rights on behalf of the Company in its direct subsidiaries, with the approval of the BoD and the General Assembly, as applicable
- Submit reports to the BoD in accordance with the law
- Perform duties falling under their competence according to the law or the Articles of Association.

The Executive Directors are authorised to represent the Company in day-to-day operations. For specific matters relating to the Company the Executive Directors need the prior approval of the BoD and/or the General Assembly. For certain matters related to the direct or indirect subsidiaries the Executive Directors require the prior approval of the BoD or the General Assembly. Namely, the Executive Directors represent the Company in exercising



voting rights at the general assemblies of its direct or indirect subsidiaries.

Remunerations for Executive Directors and highest governance bodies of key operating companies

The remuneration criteria and amounts for Executive Directors are determined by the BoD. The Executive Directors' remuneration consists of the following:

- Fixed remuneration (i.e. basic salary, benefits and pension)
 - Fixed remuneration that does not depend on the Company's results
- Annual bonus
 - Variable remuneration related to operational success and individual performance and contribution in the respective business year
- Reimbursement of travel and other costs.

Regulations on the Conditions for Exercising Bonus Rights for Management have been adopted at Group level, and the key performance indicators (KPI) for the Executive Directors are defined by separate BoD decision, with particular focus on the results of the corporate climate and culture survey.

The annual KPI's for members of the highest governance bodies are defined by decision of the BoD of Fortenova grupa d.d. and are cascaded from the Group BoD through the Executive Directors to the operating company managements. In the KPI's of the members of highest governance bodies of a respective company, special emphasis is

placed on the goals of occupational health and safety of employees and the results of the organizational climate and culture.

The BoD evaluates the work of the Executive Directors according to key performance indicators, using methods of self-assessment and assessment. The Executive Directors conduct the same procedure in assessing the performance of operating company managements. Assessments made so far have shown satisfactory results of highest governance body members. In follow-up interviews possible improvements are agreed and suggestions made with regard to the previous period.

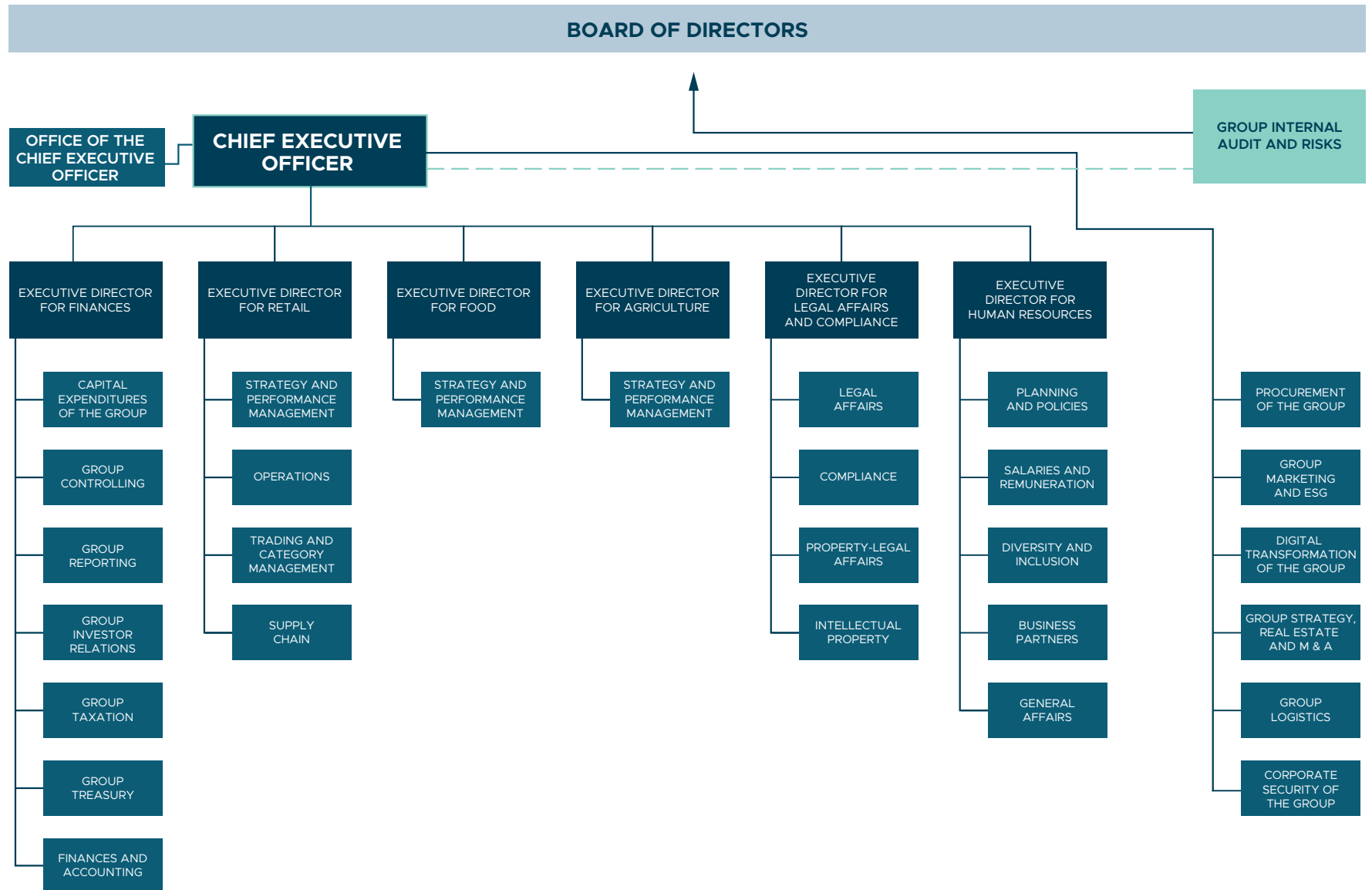
The evaluation of performance of the highest governance bodies in key companies⁷¹ takes place pursuant to the Regulations on the Conditions for Exercising Bonus Rights for Management, where the criteria of performance evaluation are precisely defined. Evaluation principles apply in key Group companies and as a rule, the criteria for exercising bonus rights include the generated EBIT, cash flow, market share, corporate culture and personal contribution, provided that the annual bonus amount for disbursement is determined depending on the level of success of the respective company, level of individual success, the period of time actively spent in the position that gives rise to the annual bonus and the solidarity factor. For each participant an individual annual bonus plan is established and signed (contracted) consisting of the goals to be achieved, which include common goals as defined by the General Assembly of the respective company and personal goals.

71 Fortenova grupa d.d., Konzum CRO, Konzum BiH, Tisak, Mercator SLO, Mercator BiH, Mercator SRB, Idea MN, Dijamant, Zvijezda CRO, Sarajevski kiseljak, Jamnica CRO, Mg Mivela, Roto Dinamic, PIK Vrbovec CRO, PIK Vinkovci, Vupik, Belje, Agrolaguna, mStart CRO.

Executive Directors

Corporate Structure 2023

In August 2023, there were some changes in the organizational structure of the Group. Thus, human resources and legal affairs and the Group's compliance were elevated from corporate functions to the level of executive directors. The ESG Division was added to the Marketing Division, and three new divisions were introduced: Group Logistics Division, Group Strategy, Real Estate and M&A Division and Group Digital Transformation Division.



Communication on key matters

The Articles of Association of Fortenova grupa d.d. stipulate that shareholders may request for the General Assembly meeting to be held at any point in time by sending a written notice to the Executive Directors. The General Assembly meeting is held at least once a year and whenever the interests of the Company require it.

The reporting process in the Company takes place via proposing decisions and holding regular and extraordinary meetings of the BoD and meetings of the Executive Directors of Fortenova grupa d.d.

In 2023, the Board of Directors, as the highest governance body, held a total of 19 meetings, where its members were present either in person or via an appropriate means of communication. At the meetings a total of 103 decisions were adopted on matters of key importance for the Group, and 33 decisions were adopted by the BoD voting by correspondence.

The Executive Directors held 48 regular and 31 extraordinary meetings, where they adopted 453 decisions in regular

procedure and 42 decisions in extraordinary procedure. Out of the total number of decisions made, 466 were related to operating company decisions, and 29 to Fortenova grupa d.d.

The Executive Directors are responsible for the continuous monitoring and evaluation of:

- Performance / operating results of the Company and the Group
- Relevant market circumstances and outlook
- Other events and circumstances (political, regulatory etc.) which may significantly affect the operations or the position of the Company, the Group or any of its members.

The Executive Directors are obligated to report to the BoD any significant developments, circumstances or prospects that may have a significant adverse effect on the operations or the position of the Company, the Group or any of its members. Such reports are prepared in writing, with appropriate argumentation and data, except in extraordinary circumstances which require for them to be communicated immediately, by the fastest possible means of communication. When requested by the BoD, the

Executive Directors are obligated to timely prepare explanations and reports on any matters falling under their responsibility.

Communication on key matters in the operating companies takes place in management board meetings and in communication between the respective management and the Executive Directors of Fortenova grupa d.d., orally and directly at meetings and in writing via email, newsletters, in the form of decisions, instructions, policies, regulations, recommendations and so on. Job systematisations with terms of reference and internal decisions clearly prescribe the obligations and responsibilities of managers and other employees in charge of economic, environmental and social topics.

The supervisory boards of companies submit reports on the supervision performed over the management to the general assemblies of the respective companies.

Communication on key matters also takes place via required annual management reports such as the annual financial statements and other prescribed reports.



Compliance and corporate policies

Fortenova Group's compliance system is continuously being improved in order to secure the compliance with laws and adopt best practices, the goal being to make sure that changes in legislation are taken into account as soon as possible. Compliance is defined by the Compliance Policy, according to which the responsibilities of employees and management are defined, and it is implemented by means of four basic compliance principles and with the help of the Compliance Function.

The **Compliance Policy** establishes the main requirements with regard to the compliance framework across the Group as well as the minimum safeguards and standards that need to be applied. The main principles of compliance are:

- Integrity
- Tone-at-the-top principle
- Compliance is owned by the management
- Compliance is the responsibility of each employee.

All Group companies are required to properly understand all relevant laws, regulations and standards on the respective markets and in the legislations in which they operate and to act in accordance with them. Additionally, in 45 % of Fortenova Group companies⁷² there is a compliance function holder. Compliance function holders are educated on compliance policies through individual and group meetings and educational materials as well as through day-to-day communication in case of any questions related to implementation. Group companies that do not have a compliance function holder are obligated to establish a compliance framework as well, by adopting group policies and other internal acts, conducting implementation activities and other activities coordinated by Fortenova Group.

In 2023, at the Fortenova Group level 419 cases (inspections, formally initiated court cases and so on) were recorded in which monetary fines in the total value of EUR 274,543 were imposed. The most significant cases in 2023 have been described in the section on operations in compliance with market competition rules and the section on information security and data protection.



Compared to 2022, the number of cases in which monetary fines were imposed increased. However, the amounts of individual fines are on average two times smaller. Most frequently such cases were related to standard inspection procedures in the domain of labour law, food safety and environment protection.

Corporate policies

In 2021, the development of own compliance policies started – the general Compliance Policy, the Anti-Bribery and Anti-Corruption Policy – Gifts and Gratuities, the Anti-Money-Laundering Policy and the Prevention of Conflict of Interest Policy. Over the course of 2022, implementation activities were conducted with regards to the adopted policies and another policy was adopted – the Competition Policy. Over the course of 2023, new group policies were adopted and implementation activities were conducted, namely the Diversity, Equity and Inclusion Policy and the Corporate Communications Policy.

All the most important compliance policies were adopted as Group policies and all Group companies are required to adhere to them.

Integration/incorporation of corporate policy obligations

The Group promotes an appropriate culture of compliance, awareness of compliance standards, procedures and guidelines and of understanding relevant problems related to compliance. Therefore, each process within the Group companies has to be regulated by an appropriate internal procedure, and if further clarification is required for the internal procedural steps, work instructions are prepared for each sector/department taking part in the process separately.

It is exceptionally important for all internal procedures to include internal controls, i.e. to define a person and the way to control the regularity of implemented activities and the pertaining documentation for each key step. The procedure should also envisage the way in which the person in charge of the control shall verify to have performed a substantive, and not just a formal control of the regularity of the implemented activities.

Group companies regularly provide appropriate training and education on topics related to compliance as set forth in the Code of Ethics and related policies, as well as make sure that all internal acts are readily available and apply an open-door policy for all issues.

72 Konzum CRO, Konzum BIH, Mercator SLO, Mercator SRB, Tisak, Jamnica CRO, Mg Mivela, Sarajevski kiselj, Zvijezda CRO, Dijamant, PIK Vrbovec CRO, Belje, Agrolaguna, PIK Vinkovci, Vupik, mStart CRO, Roto dinamic.

Code of Ethics

The Code of Ethics of Fortenova Group establishes a basic set of rules and principles regarding morals and professional ethics that are applied to the Group's daily activities in order to establish and maintain corporate responsibility and organizational culture among all Group stakeholders.

The basic ethical principles that must be protected and respected according to the Code of Ethics are:

- Protection of dignity and respect for human rights
- Freedom of work and prohibition of child labour and forced labour
- Professional and personal development of employees
- Environment, health and safety protection.

The Code applies to all persons, natural or legal, who are in any business relationship with Fortenova Group, including but not limited to employees of the Group, its subsidiaries, business partners, consultants, suppliers, clients, etc.

Reporting of irregularities and unethical conduct at Fortenova Group

The mechanism of reporting, founded in the Group Code of Ethics, is implemented in all Group companies, and so is the procedure of investigating received reports.

Process of handling complaints to the Ethics Committee



The Board of Directors and the Executive Directors are regularly informed on the matters of special concern, with the total number of reports and their status being regularly presented at meetings. Furthermore, if the Internal Audit has performed a review or extraordinary audit based on a report received, the results thereof are also regularly presented to the Executive Directors and to the Audit and Risk Committee of the BoD in the form of reports.

Code of Ethics

Other channels for reporting irregularities within Fortenova Group

Fortenova grupa d.d. recognises that integrity and reputation are based on the trust of its employees and business partners and hence the Company applies and promotes ethical principles and values, proactively striving to adhere to the highest possible business standards according to applicable laws and regulations with a view to regulating and clearly communicating the corporate responsibility of all Group stakeholders, achieving regulatory compliance and protecting the people who “speak up” against suspected or committed irregularities.

Hence Fortenova grupa d.d. has adopted the **Rulebook on the Procedure for Internal Reporting and Resolution of Irregularities**, which governs the procedure of internal reporting of irregularities in the Company, establishes the procedure that applies in case a Company employee or another person should report suspected or committed irregularities in the work environment and governs the procedure of appointing a confidant and their deputy. The Rulebook is intended to provide for appropriate reporting of irregularities and for the protection of the person reporting the irregularities from retaliation related thereto. The confidant is obligated to receive the irregularity report, take action to investigate the irregularities and provide the reporting person with feedback, as a rule within 30 days, but not longer than within 90 days following the date of the acknowledgement of receipt of the report and protect the identity of the person reporting the irregularity and the data received in the report from unauthorised disclosure, i.e. from disclosure to other persons. All rights, authorities and obligations of the confidant also apply to the deputy confidant.

Other Group companies in Croatia, which were obligated to do so in accordance with the Act on the Protection of Persons Reporting Irregularities/Whistle-Blowers from 2022, have as well established or updated the already existing mechanisms of internal reporting of irregularities to a confidant.

In addition, the **Work Regulations** of the respective Group companies stipulate the procedure and measures of protecting the workers’ dignity at work and prohibit any direct or indirect discrimination related to work and work conditions, including the criteria and conditions for employment, career advancement, career guidance, professional qualifications, training and retraining,

Total number of irregularity reports received through various channels in 2023

Number of reports received in 2023			
Ethics Committee (Code of Ethics)	Confidant (Rulebook on the Procedure for Internal Reporting and Resolution of Irregularities)	Employer's authorised representative for employee complaints (Work Regulations)	TOTAL
15	17	31	63

Irregularity report categories	Ethics Committee	Confidant	Employer's authorised representative for employee complaints	TOTAL
Violation of human rights	4	4	6	14
Violation of workers' rights	3	0	15	18
Violation of business ethics	6	11	10	27
Environment protection	0	1	0	1
Health and safety	2	0	0	2
Other	0	1	0	1

Total number of irregularity reports received by the Ethics Committee – comparison of 2022 and 2023

	Number of reports received by the Ethics Committee in 2023	Number of reports received by the Ethics Committee in 2022
In the process of resolving	1	0
Resolved reports	14	15
TOTAL	15	15

in accordance with the specific legislation. Fortenova grupa d.d. and its operating companies have nominated an authorised representative for receiving and dealing with complaints related to the protection of workers’ dignity.

Human Rights

The respect for human rights and the protection of dignity are among the basic ethical principles defined in the Group's Code of Ethics. The respect for human rights is the basic principle of all Group companies. In 2023, 15 % of employees received some form of training related to human rights. The goals of Human Resources are to gradually increase this number.

Processes of mitigating and preventing negative impacts

The processes of mitigating and preventing negative impacts include the development and implementation of risk mitigating measures or the provision of advice and help with regards to those measures, including clear standards, procedures and guidelines in order to prevent, mitigate and minimise important compliance risks and to detect and report compliance breaches and react to them.

Remediation in case of reports made by workers relating to human rights protection, as well as other social and staff matters, is carried out by notifying the person reporting the irregularities of their rights stipulated by national regulations, in accordance with the Rulebook on Reporting Internal Irregularities. The organisation's mechanisms of action are stipulated in the Rulebook on the Procedure for Internal Reporting of Irregularities at Fortenova Group and rely on the Code of Ethics, the Personal Data Protection Policy, the Anti-Money-Laundering Policy, the Competition Policy and the Work Regulations. In the operating companies the collective agreements prescribe the procedure of protecting workers' dignity and the measures in

MAIN AREAS OF THE GROUP'S ACTIVITIES REGARDING HUMAN RIGHTS:

- **Protection of dignity and unconditional respect for human rights**
- **Freedom of individuals to work and choose their job and prohibition of child labour or forced labour**
- **Professional and personal development of employees**
- **Protection of privacy**
- **Zero tolerance for discrimination, harassment and mobbing, and accordingly strict prohibition of any discrimination, harassment and mobbing against any person**
- **Diversity and inclusion**
- **Health and safety for everyone**

case of possible breaches. Workers are involved through their representatives such as workers' councils, employees' councils or trade unions, depending on the legislation of the respective country. Any person who was involved in the procedure of reporting irregularities has the right to receive feedback and the reporting person also has the right to receive the decision with legal remedy instruction. The Group conducts audits, surveys and analyses which are the basis for creating policies and procedures with a view to mitigating existing and preventing any future negative effects.



Conflict-of-interest management

Given that Fortenova Group comprises operating companies that operate on several markets and engage in numerous activities, there is an increased possibility of the occurrence of conflict of interest. Fortenova Group has therefore adopted a **Prevention of Conflict of Interest Policy** and the pertaining **Ultimate Beneficial Owner Procedure**. They define examples of potential conflicts of interest, key persons, roles and responsibilities, the procedure of reporting, the procedure of addressing the reports and mitigating measures. Any reported conflict of interest and any reasonable suspicion of conflict of interest are adequately documented in the Conflict of Interest Register.

All employees and key persons⁷³ are obligated to avoid any conflict of interest that may affect the performance of their duties. Once a conflict of interest is identified, reasonable steps for its resolution have to be taken without delay in order to protect the interests of the Group and its operating companies. Key persons are obligated to provide information on their own and the relationships of their spouses and blood relatives in the direct line, relatives in the side-lines up to the fourth degree or in-laws (marital line) up to the second degree regarding ownership over business entities (of more than 5 %), managerial positions in legal entities or employments in any other business entity. The Conflict of Interest Statement is submitted once a year and potential

conflicts of interest can also be checked by Internal Audit as part of its tasks. In addition, the Ultimate Beneficial Owners Procedure regulates potential conflict of interest regarding third parties as well. An ultimate beneficial owners and other business partners database was established at Group level. It is a live database where data on new partners are entered regularly, and data on existing partners are updated periodically. The Prevention of Conflict of Interest Policy and the pertaining internal acts have been adopted at all Fortenova Group operating companies.

Anti-corruption

Fortenova Group does not tolerate the abuse of power and does not engage in any form of corruption or bribery to achieve undue advantage or gain. Any form of illegitimate use of influence to gain personal benefits or benefits for any other person or the Group is prohibited, including but not limited to the following: active, passive and indirect bribery and nepotism. In accordance with the principles defined in the Group's Code of Ethics on zero tolerance for any form of corruption and the employees' obligation to familiarize themselves with, recognize and prevent any contact with situations where there is a suspicion of corruption, preventive notifications on the Group's anti-corruption policy and educations on the consistent implementation of that policy are carried out.

In 2023, at five companies accounting for 13 % of operations, an assessment of exposure to the risk of corruption was made. The risk is related to avoiding bribery and corruption practices, with particular focus on gifts and gratuities, specifically with regard to establishing new business relationships or continuing existing relationships as well as current or recently completed projects.

In the reporting period, 38 % of employees were directly informed about the Group's anti-corruption policy and 9 % of employees attended anti-corruption training. The notification on the Group's anti-corruption policy was addressed to 60 % of senior managers. The highest share, or 55 % of the total number of notifications on anti-corruption policies was addressed to workers in Slovenia, and 71 % of anti-corruption trainings carried out was attended by workers in Croatia. In 2023, no anti-corruption trainings took place in Bosnia and Herzegovina and Montenegro, but the companies in Crna Gora reported 10 % of all notifications of the anti-corruption policy at Fortenova Group. At the Group, an increase of the level of monitoring and consistency in reporting in the years to come is being considered, integrating the knowledge of existing practices at all companies due to the high importance of this topic for the Group's external stakeholders.

Notifications of anti-corruption policy and number of anti-corruption trainings in 2023

	Croatia	Slovenia	Serbia	Bosnia and Herzegovina	Montenegro	Senior Management	Middle Management	Line Management	Other employees	Total
No. of employees who received notification of anti-corruption policy and procedures	5485	9344	404	0	1712	158	398	1884	14 505	16 945
%	32 %	55 %	2 %	0 %	10 %	60 %	71 %	53 %	36 %	38 %
No. of employees who attended anti-corruption training	2694	1028	61	0	0	43	76	252	3412	3783
%	71 %	27 %	2 %	0 %	0 %	16 %	14 %	7 %	9 %	9 %

73 Executive directors and directors/managers at B-1 level in Fortenova grupa d.d. as well as management board members, directors/managers at B-1 level and supervisory board members of operating companies. In all companies (where applicable) – workers who have the authority to make decisions about the performance of work tasks: directors/managers at B-2 level, workers within the Compliance department/function, Procurement, Sales, Internal Audit, Human Resources and/or Personnel, workers who perform tasks related to real estate and other workers who may be more exposed to situations of conflict of interest.



Operations in compliance with market competition rules

In 2023, there were no significant incidents or court proceedings related to market competition against any of the Group companies. The only potentially significant case was related to an administrative proceeding, determining the use of significant bargaining power by imposing unfair trade practices on a supplier of one of the Group's companies.

Information security and personal data protection

Given all the major global operational, financial and reputational risks related to information security and personal data protection, this area has been recognized as part of the Group's sustainability in two aspects – technical and social excellence in managing information systems, as well as the right to privacy as an area of fundamental human rights, where Fortenova Group has an impact on numerous stakeholders – from employees and business partners to consumers and customers.

The Group's information security management system is based on the continuous assessment of security threats and risks that the Group is exposed to, the application of best industrial practices in protecting the confidentiality, integrity and availability of data and IT systems, continuous surveillance and reporting on the efficiency of key IT security controls and employee education.

Each Group employee that uses IT systems, other than check-outs in retail and wholesale, is obligated to attend an online training on information security immediately upon employment, where they receive information on practices set forth in the rulebooks, as well as instructions for reporting security incidents. Additionally, the information security system holds the ISO 27001 standard and applies CIS Critical Security Controls and PCI DSS (Payment Card Industry Data Security Standard). No security incident was recorded in 2023.

When using personal data for business purposes, Fortenova Group establishes the protection and promotion of the right to privacy and procedures for reporting, monitoring and preventing the breach of privacy. The Group's Data Classification Policy defines personal data as confidential information. The data protection management is conducted in accordance with the Act on the Implementation of the General Data Protection Regulation (GDPR), and the European data protection standard is also implemented in countries of operation outside the EU.

The most important case of personal data breach in 2023 was related to the loss of postal letters, among which were three letters containing personal data. The company took additional measures to search for the letters, and the worker responsible for the violation had their employment contract terminated.



6.

FINANCIAL INDICATORS

2023 SUSTAINABILITY REPORT

Generating economic value

Determining financial indicators that measure progress towards sustainable development is one of the key tools that private companies use to monitor their journey towards sustainability. In 2023, we continued to monitor relevant indicators within Fortenova Group, and we are also working on introducing new ones. Thus, we incorporated ESG criteria into investment decisions in order to be able to assess the future impacts of projects and their contribution to the Group's green transition. It is believed that the generating of economic value within the Group has a positive

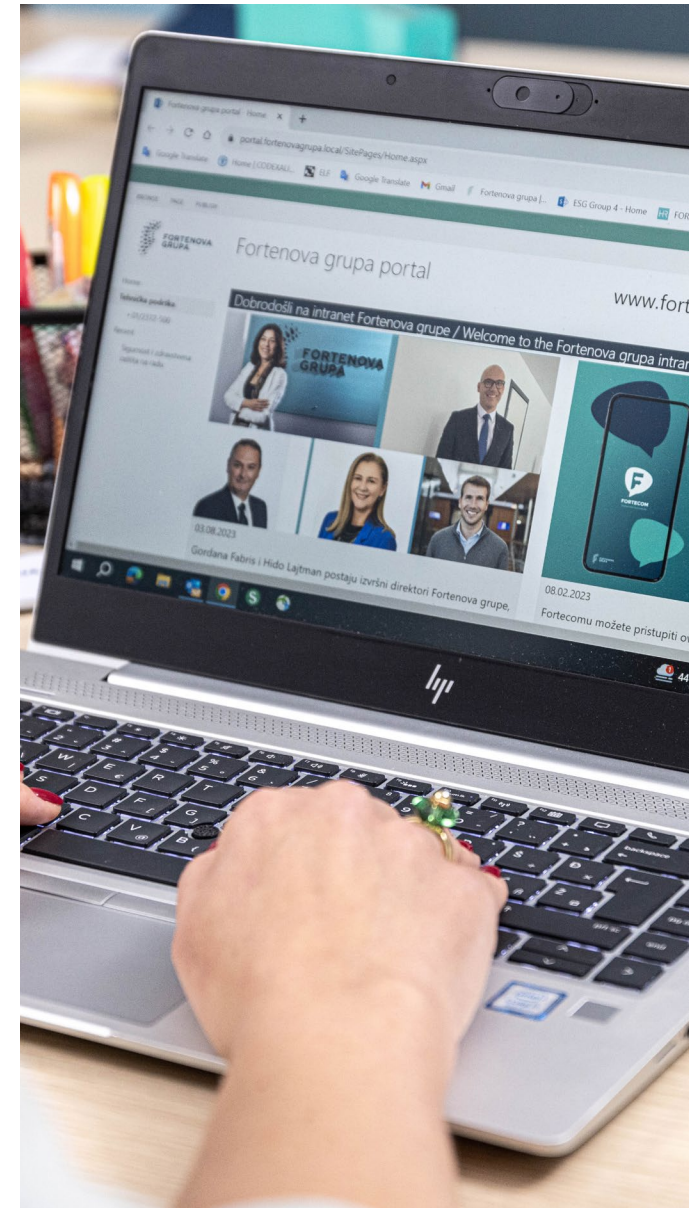
effect on the economic development of the communities in which the Group operates, especially through payments into the state budget which amount to EUR 533.7 million, and strategically selected sponsorships and donations that encourage projects related to the welfare of the local community and environmental protection.

Data on generating and distributing economic value provide a basic indication of how an organization has generated value for stakeholders. In 2023, the amount of the net sales generated was

EUR 5,750 million, an increase of 8.9 % compared to 2022, while the directly generated economic value increased by 8.86 %. Distributed economic value is the result of operating costs, employees' salaries, payments to capital providers, payments into state budgets and investments in community. Paid taxes and other dues are shown at the country level in the table. The overview of financial results, related to the contribution to generating and distributing economic value for stakeholders is given in the annexed table.

Parameter	Total (million EUR) 2023	Total (million EUR) 2022
Directly generated economic value – income from the sale of products, goods, services, property, lease, interest, dividends, and other business income	5,899.6	5,419.0
Distributed economic value	5,916.9	5,297.5
Operating costs: costs of materials and commercial products, services, bank services and commissions, employee benefits, insurance premiums, commissions to credit card issuers and other costs.	4,774.5	4,287.9
Employees' salaries	447.2	408.6
Payments to capital providers (interest paid)	158.7	67.0
Payments into state budget (taxes and other dues)	533.7	531.4
Investments in community	2.8	2.6
Retained economic value	-17.3	121.5

Directly generated and distributed economic value



Tax and Tax Risk Management

The tax policy of Fortenova Group, introduced in 2020, was approved by the Board of Directors of Fortenova grupa d.d. and it is updated when circumstances require it. The policy establishes the Group's tax strategy, at the core of which are the following:

- Compliance with the business strategy and relevant legislation by fulfilling tax compliance and reporting obligations in all countries in which the Group operates
- Tax optimization and assessment of opportunities for planning in accordance with the legislation and within clear risk parameters, and maintaining a tax control framework that enables proactive tax risk management
- Tax reporting in accordance with relevant national regulations, reporting requirements and standards such as IFRS
- Supporting business in generating, building and protecting value for shareholders.

The tax function organized within the Group's Finance Division is responsible for strategic tax matters and tax matters relevant to the Group, while departments and competent persons in operating companies are responsible for day-to-day and specific tax matters. An internal audit can be performed annually with the aim of verifying whether the operating companies acted in accordance with the principles of the Tax Policy and the tax strategies defined at the level of the operating companies.

Communication with the tax authorities on tax matters is open and transparent. The operating companies manage the day-to-day operational communication with the tax authorities on matters such as the submission of tax returns and technical matters, while the Group's tax function is involved in matters relevant to the entire Group and in specific circumstances where its involvement is relevant, such as public consultations in the case of new tax regulations.

The tax risks that the Group faces are related to its size and complexity and include non-compliance, legal, transactional, operational and reputational risks. Before undertaking significant transactions, preventive analyses of tax implications and risks are carried out. The tax function is involved in carrying out analyses and making decisions on significant transactions. Central management of tax risks at the Group level is the responsibility of the Group's tax function,

which for the purposes of tax risk analysis communicates with operating companies and other organizational units.

Published in this report are data on taxes related to the economic value exchanged with the local population through obligations, including tax expenditures, specified in the local legislation, while the remaining parameters are available in the financial statements of Fortenova Group and the operating companies.

The most important dues of Fortenova Group are personal income tax and surtax, contributions, value added tax and corporate income tax, which make up 98 % of total taxes paid. The largest share of total taxes paid, which amounts to 48 %, refers to dues related to salaries, including income tax, surtax and contributions. 56 % of the total dues were paid in the Republic of Croatia, which is directly related to the number and size of the Group's companies in Croatia.

Additionally, general information on corporate income taxes, such as information on current corporate income tax, deferred taxes, tax losses carried forward, etc., can be found in the consolidated financial statement of the Group.

The European Green Deal envisages updating the tax policy of the European Union as one of the financial instruments aimed at gearing business towards sustainable development. With the

Generating economic value

preliminary identification of regulatory changes related to the European Green Deal, Fortenova Group takes into account the possibility of the increase of green taxes, and will assess the relevant future impacts on business in the next year in accordance with the expected changes.

Payments into state budget – taxes and other dues



Parameter	Croatia	BiH	Slovenia	Serbia	Montenegro	Total (mil. EUR) 2023	Total (mil. EUR) 2022
Payments into the state budget (taxes and other payments to the state):	-300.7	-28.1	-131.5	-64.3	-9.1	-533.7	-531.3
Value added tax	-149.6	-13.5	-55.3	-26.7	-4.6	-249.7	-207.1
Corporate income tax	-19.3	-0.2	1.7	-0.7	0.0	-18.5	-17.0
Personal income tax and surtax, contributions	-123.8	-13.5	-77.2	-36.0	-4.5	-254.9	-251.0
Other taxes and dues (excise duties, membership fees, public utility charges, customs duties, concessions, other)	-8.0	-1.0	-0.7	-0.8	0.0	-10.5	-56.2

Financial assistance received from the government

At Fortenova Group, government aid is mainly received in the Agriculture Division, particularly in livestock breeding. Based on registered crop farming and livestock breeding activities, the right to receive direct aid is exercised according to the Regulation on the Implementation of Direct Support for Agriculture and IAKS Rural Development Measures, with a view to preserving the activities of companies engaging in agriculture. Aid is assigned for the production, growing or planting of agricultural products, for breeding or keeping livestock, as well as for maintaining agricultural areas in a condition suitable for grazing or cultivation.

In order for beneficiaries to be eligible for direct aid, they have to adhere to the conditions set forth in the above mentioned Regulation, as well as the Regulation on Multiple Conformity, stipulating the conditions and standards that agricultural producers have to adhere to in production. Similarly, all production surface areas have to be entered into the ARKOD system and all pieces of livestock into the Single Register of Domestic Animals (*Jedinstveni registar domaćih životinja, JRDŽ*).

The companies file their applications within the required deadline to the Agency for Payments in Agriculture, Fisheries and Rural Development for each production year, according to the sowing plan and the number of livestock.

Financial assistance received from the government

Parameter	Croatia	BiH	Slovenia	Serbia	Montenegro	Total (mil. EUR) 2023	Total (mil. EUR) 2022
The total monetary value of government financial assistance received by the organization during the reporting period	31.7	0.0	8.2	1.9	0.0	41.8	26.7
Exemption from tax payment and tax credits	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Aid, grants for investments, research and development, and other significant types of grants, financial incentives and awards	31.6	0.0	4.1	1.9	0.0	37.6	25.6
Deferred fee payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assistance from export credit agencies (ECA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial benefits that were or may be received from any government for any business activity	0.1	0.0	4.1	0.0	0.0	4.2	0.6
Share of government in the shareholder structure (%)	14.1	-				14.1	14.14



EU Taxonomy

The EU Taxonomy represents a classification system that identifies and promotes environmentally sustainable economic activities and contains detailed technical criteria that must be met in order for a certain activity to be considered sustainable. This system represents a key segment of the European Union's comprehensive plan to encourage sustainable investments and implement the European Green Deal at a broader level.

The European Green Deal initiative, presented in 2019, included a wide range of political measures aimed at achieving a number of environmental objectives, in order to reach climate neutrality by 2050. However, in order to effectively face challenges such as greenwashing, a common definition of sustainable activities and investments has been established. For this reason, the EU developed the Action Plan on Sustainable Finance, which included ten key measures divided into three main categories:

Reorienting capital flows towards sustainable activities: This segment of the action plan focuses on promoting the financing of projects and activities that support environmental sustainability. The objective is to encourage investors to direct their resources towards initiatives that contribute to sustainable development and the reduction of negative environmental impact.

Incorporating sustainability into risk assessment: The second key category of the action plan emphasizes the importance of integrating environmental factors into the risk assessment of financial investments. This ensures that environmental risks are considered as much as traditional financial risks, which facilitates informed decision-making and reduces potential losses for investors.

Incorporating sustainability into corporate reports: The third category of the action plan is aimed at ensuring transparency and accountability by required inclusion of environmental indicators in corporate reports. This enables investors to better understand companies' environmental impact and make decisions that support sustainability.

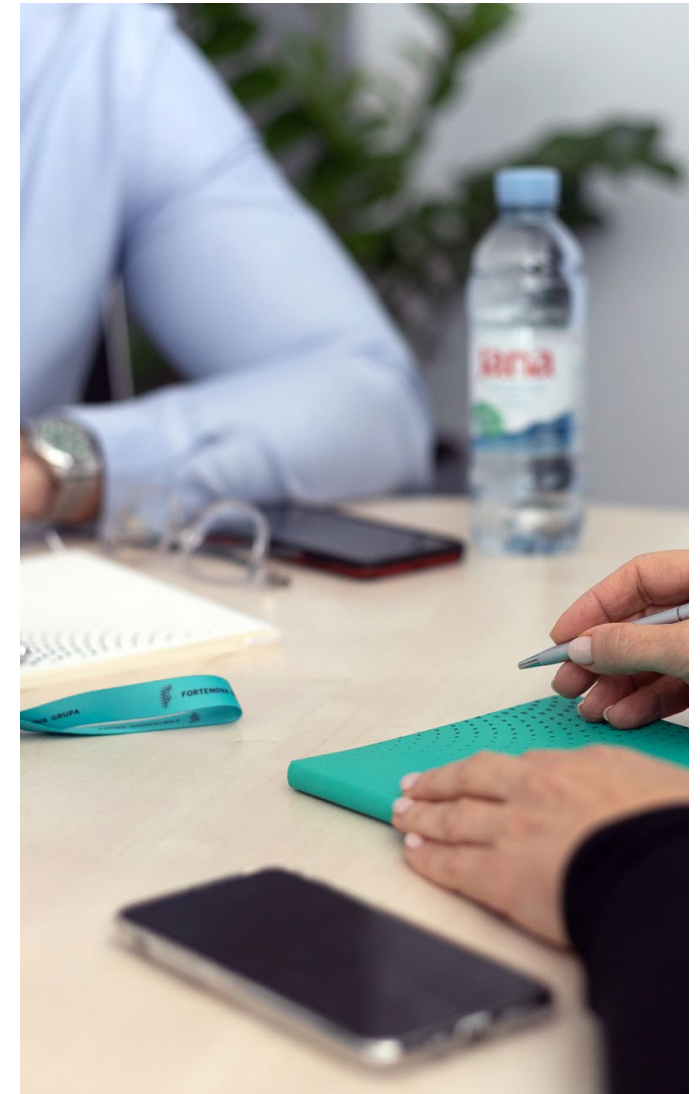
In order to determine the sustainability of an economic activity, the following environmental objectives are defined:

- **Mitigation of climate changes** – significantly contributes to the stabilization of greenhouse gas emissions by avoiding or reducing them or by enhancing the removals of greenhouse gases
- **Climate change adaptation** – significantly contributes to the reduction or prevention of the harmful effect that the current or expected climate might have on the activity itself or on people, nature and property
- **Sustainable use and protection of water and marine resources** – promotes the preservation of water and marine ecosystems and their sustainable use. This implies efficient management of water resources, prevention of water pollution and protection of marine ecosystems from degradation
- **Transition to a circular economy** – encourages economic activities that promote a circular economy, where resources are used more efficiently, and waste is minimized and recycled
- **Pollution prevention and control** – emphasizes the importance of reducing and mitigating the harmful effects of pollution on the environment and human health
- **Protection and restoration of biodiversity and ecosystems** – emphasizes the importance of preserving biological diversity and functionality of the ecosystem through the protection of natural habitats, the restoration of degraded areas and the population control of invasive species.

In order for the economic activity to be considered sustainable, it needs to meet the following parameters:

- Contribute significantly to one of the six environmental objectives
- Do no significant harm (DNSH)
- Be carried out in accordance with minimum safeguards (MSS)
- Comply with the technical screening criteria (TSC) developed by the European Commission.

In the regulatory framework of EU delegated acts⁷⁴, sustainable economic activities that significantly contribute to environmental objectives are listed and thoroughly described. It is important to point out that the activity of food and beverage manufacturing was not one of the activities listed in the delegated acts, but it is expected to be in the near future.



74 Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852; Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139; Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852.

EU Taxonomy

General methodological approach

Step 1 – identification of taxonomically acceptable activities

The first step in assessing the EU taxonomy is the acceptability test, during which a top-down approach is taken. In order to determine which activities are acceptable within the framework of the taxonomy, a detailed assessment, related to economic activities, was carried out at the level of all operating companies and Fortenova grupa d.d. by reviewing the activity descriptions and NACE codes listed under the EU taxonomy and delegated acts. Assessments were carried out at the individual level of each operating company involved, and the results were then aggregated at the Group level. For the purposes of the actual assessment, each operating company has carried out its own analysis of registered activities, including the activities conducted in practice, and has recorded the income, operating expenses or capital investments. Of the 40 operating companies assessed, 34 (85 %) have identified taxonomically acceptable activities. A total of 36 various taxonomically acceptable activities have been identified.

Identified acceptable activities include:

Environmental objective	No. of identified acceptable activities	Name of the activity
Mitigation of climate changes	23	4.1 Production of electricity using solar photovoltaic technology
		4.16 Installation and operation of electric heat pumps
		4.20 Cogeneration of energy for heating/cooling and electricity from bioenergy
		4.24 Production of energy for heating/cooling from bioenergy
		5.1 Construction, expansion and operation of water collection, treatment and supply systems
		5.2 Renovation of water collection, treatment and supply systems
		5.3 Construction, expansion and operation of waste water collection and treatment systems
		5.4 Renovation of waste water collection and treatment systems
		5.5 Collection and transport of non-hazardous waste in fractions that are separated at the source
Mitigation of climate changes	23	5.9 Recovery of materials from non-hazardous waste 6.10 Sea and coastal freight water transport, vessels for port related purposes and ancillary activities 6.14 Infrastructure for rail transport 6.5 Transport by motorcycles, cars and light commercial vehicles 6.6 Road freight transport services 7.1 Construction of new buildings 7.2 Renovation of existing buildings 7.3 Installation, maintenance and servicing of energy efficiency equipment 7.4 Installation, maintenance and servicing of recharging points for electric vehicles in buildings (including in parking lots next to the buildings) 7.5 Installation, maintenance and servicing of instruments and apparatus for measuring, regulating and control of energy performance in buildings 7.6 Installation, maintenance and servicing of renewable energy technologies 7.7 Purchase and ownership of buildings 8.1 Data processing, hosting and related activities 8.2 Data-based solutions to reduce greenhouse gas emissions
Climate change adaptation	-	-
Sustainable use and protection of water and marine resources	3	2.1 Water supply 2.2 Urban waste water treatment 4.1 Providing leakage reduction solutions based on information/operational technology data

EU Taxonomy

Environmental objective	No. of identified acceptable activities	Name of the activity
Transition to a circular economy	8*	2.3 Collection and transport of non-hazardous and hazardous waste 2.5 Recovery of bio-waste using anaerobic digestion or composting 2.7 Sorting and recovery of materials from non-hazardous waste → Relevant goal: Mitigation of climate changes 3.1 Construction of new buildings → Relevant goal: Mitigation of climate changes 3.2 Renovation of existing buildings → Relevant goal: Mitigation of climate changes 5.1 Repair, restoration and remanufacturing 5.4 Sale of second-hand goods 5.5 Product-as-service and other circular service models focused on use or results
Pollution prevention and control	1	2.1 Collection and transport of hazardous waste
Protection and restoration of biodiversity and ecosystems	1	2.1 Hotels, resorts, camping sites and similar accommodation

* Out of a total of eight activities identified as acceptable for the environmental goal “Transition to a circular economy”, “Climate change mitigation” was selected as a relevant goal for three. Therefore, in order not to duplicate the contribution of one activity to different environmental goals, only the most relevant goals were selected during alignment assessment, and compliance with TSC and DNSH was carried out only for these goals.

Step 2 – Compliance assessment based on technical screening criteria (TSC)

The EU Taxonomy technical screening criteria are a set of criteria developed by the European Commission to determine sustainable economic activities. Compliance with the technical screening criteria was individually assessed and documented for each economic activity at the level of operating companies, in a decentralized manner. Out of 36 acceptable activities, 16 (44 %) were found to be compliant with the TSC criteria.

Activities compliant with the technical screening criteria include:

Environmental objective	No. of identified acceptable activities	Name of the activity
Mitigation of climate changes	9	4.1 Production of electricity using solar photovoltaic technology 4.24 Production of energy for heating/cooling from bioenergy 5.2 Renovation of water collection, treatment and supply systems 5.5 Collection and transport of non-hazardous waste in fractions that are separated at the source 6.5 Transport by motorcycles, cars and light commercial vehicles 7.3 Installation, maintenance and servicing of energy efficiency equipment 7.4 Installation, maintenance and servicing of recharging points for electric vehicles in buildings (including in parking lots next to the buildings) 7.5 Installation, maintenance and servicing of instruments and apparatus for measuring, regulating and control of energy performance in buildings 7.6 Installation, maintenance and servicing of renewable energy technologies
Climate change adaptation	-	-
Sustainable use and protection of water and marine resources	2	2.2 Urban waste water treatment 4.1 Providing leakage reduction solutions based on information/operational technology data
Transition to a circular economy	4	2.3 Collection and transport of non-hazardous and hazardous waste 5.1 Repair, restoration and remanufacturing 5.4 Sale of second-hand goods 5.5 Product-as-service and other circular service models focused on use or results

EU Taxonomy

Environmental objective	No. of identified acceptable activities	Name of the activity
Pollution prevention and control	1	2.1 Collection and transport of hazardous waste
Protection and restoration of biodiversity and ecosystems	-	-

Step 3 – Assessment of significant harm done to other environmental objectives (do no significant harm – DNSH)

The DNSH principle serves as a safeguard to ensure that an economic activity classified as compliant does not cause significant harm to other environmental objectives, and in case of potential negative impacts, measures must be taken to mitigate or reduce them to an acceptable level.

The DNSH criteria were examined at the level of activity within an individual operating company. Out of 16 activities compliant with the TSC criteria, 11 (69 %) were found to be compliant with the DNSH criteria.

Activities compliant with the DNSH criteria include:

Environmental objective	No. of identified acceptable activities	Name of the activity
Mitigation of climate changes	7	<p>4.1 Production of electricity using solar photovoltaic technology</p> <p>5.2 Renovation of water collection, treatment and supply systems</p> <p>5.5 Collection and transport of non-hazardous waste in fractions that are separated at the source</p> <p>7.3 Installation, maintenance and servicing of energy efficiency equipment</p> <p>7.4 Installation, maintenance and servicing of recharging points for electric vehicles in buildings (including in parking lots next to the buildings)</p>

Environmental objective	No. of identified acceptable activities	Name of the activity
Mitigation of climate changes	7	<p>7.5 Installation, maintenance and servicing of instruments and apparatus for measuring, regulating and control of energy performance in buildings</p> <p>7.6 Installation, maintenance and servicing of renewable energy technologies</p>
Climate change adaptation	-	-
Sustainable use and protection of water and marine resources	1	2.2 Urban waste water treatment
Transition to a circular economy	2	<p>5.4 Sale of second-hand goods</p> <p>5.5 Product-as-service and other circular service models focused on use or results</p>
Pollution prevention and control	1	2.1 Collection and transport of hazardous waste
Protection and restoration of biodiversity and ecosystems	-	-

In 2022, 11 taxonomy-aligned activities were identified at the Group level. While the total count of aligned activities remains consistent with the previous year, the list of activities itself has changed.

Step 4 – Assessment of minimum safeguards – MSS

Member companies meet the requirements of minimum safeguards in four areas – human rights, including workers’ rights, corruption and bribery, taxation, fair market competition. The assessment was carried out at the Group level by identifying documents related to the policy and legislation requirements established by the Taxonomy Regulation and assessing the documents based on key thematic areas of minimum safeguards. For this reporting period, the MSS assessment was made only at the Group level, and for the next reporting period, in accordance with the regulation, an MSS assessment at the level of the entire value chain is planned.

Step 5 – KPI calculation (turnover, operating expenses, capital investments)

After the identification of economic activities within Fortenova Group that are acceptable under the taxonomy and compliant to it, the financial data were collected and the analysis of KPIs (turnover, operating costs and capital investments) related to individual activities was carried out. The relevant KPIs according to the EU taxonomy are derived from consolidated financial indicators and therefore include only operating companies that are fully included in the consolidation. For the fiscal year 2023, such an analysis was carried out at the level of each company that had identified at least one activity acceptable under the taxonomy. The companies included in the analysis collected and analysed their own financial data related to the economic activities included in the EU taxonomy, i.e. the denominator

and numerator for each KPI. The KPI denominator for identified acceptable and compliant activities includes items defined by the Taxonomy Regulation, while the numerator can be attributed to activities identified as acceptable or compliant during the relevant assessment. As mentioned earlier, the results were then consolidated for reporting purposes.

The final step after the calculation of KPIs was the publication of relevant information and KPIs as an integral part of the non-financial report. According to the Taxonomy Regulation, Fortenova Group is obliged to publish in what way and to what extent its economic activities are related to the sustainable activities listed in the Regulation. Publication compliant to the EU taxonomy allows Fortenova Group to create transparency regarding sustainable activities and show its progress in sustainability.

PIK Vinkovci, Jamnica CRO and Konzum CRO are operating companies that stand out for the largest number of compliant activities, five of them in total:

PIK Vinkovci	Jamnica CRO	Konzum CRO
4.1 Production of electricity using solar photovoltaic technology	5.5 Collection and transport of non-hazardous waste in fractions that are separated at the source	4.1 Production of electricity using solar photovoltaic technology
5.5 Collection and transport of non-hazardous waste in fractions that are separated at the source	7.4 Installation, maintenance and servicing of recharging points for electric vehicles in buildings (including in parking lots next to the buildings)	5.5 Collection and transport of non-hazardous waste in fractions that are separated at the source
7.3 Installation, maintenance and servicing of energy efficiency equipment	2.1 Collection and transport of hazardous waste	7.3 Installation, maintenance and servicing of energy efficiency equipment
7.5 Installation, maintenance and servicing of instruments and apparatus for measuring, regulating and control of energy performance in buildings	5.4 Sale of second-hand goods	7.4 Installation, maintenance and servicing of recharging points for electric vehicles in buildings (including in parking lots next to the buildings)
7.6 Installation, maintenance and servicing of renewable energy technologies	5.5 Product-as-service and other circular service models focused on use or results	7.5 Installation, maintenance and servicing of instruments and apparatus for measuring, regulating and control of energy performance in buildings

EU taxonomy table

In the last reporting period, the calculation of KPIs for aligned activities was done for the first time and the requirements of the EU taxonomy were just being adopted, while in this reporting period operating companies improved on the process of KPI calculation, especially when it comes to OpEx and separation of operational costs. Compared to the previous year, on the turnover side, KPI remained unchanged (0.6%, including eligible and aligned turnover), aligned CapEx increased from 1.8% to 4.5%, and eligible from 18% to 23.5% in 2023, which shows the Group's commitment in the implementation of the green transition. Aligned KPI related to OpEx increased from 0.5% to 0.6%, while the eligible OpEx decreased from 4.6% to 3.6%, which is the result of a more careful separation of operating costs into acceptable elements for the calculation of KPIs.

An important aspect of the KPI contribution lies in intercompany transactions. Although such transactions are excluded from the formal calculation of KPIs, their significant contribution is still relevant and in line with the requirements of the EU taxonomy, which highlights the Group's commitment to sustainability.

EU Taxonomy

Financial year - Turnover 1/2	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')											
Economic activities (1)	Codes (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)*	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2023 (18)**	Taxonomy-aligned proportion of turnover, year 2022 (19)	Category enabling activity (20)	Category transitional activity (21)	
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			0.6%																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Collection and transport of hazardous waste	2.1.	8,255.00	0.0%	-	-	-	Y	-	-	Y	Y	Y	-	Y	Y	Y	0.0%	n/a	E	-	
Electricity generation using solar photovoltaic technology	4.1.	346.25	0.0%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.0%	n/a	E	-	
Sale of second-hand goods	5.4	760.00	0.0%	-	-	-	-	Y	-	Y	Y	Y	Y	-	Y	Y	0.0%	n/a	E		
Collection and transport of non-hazardous waste in source segregated fractions	5.5.	233,254.21	0.0%	Y	-	-	-	-	-	-	Y	Y	Y		Y	Y	0.0%	0.0%	E	-	
Product-as-a-service and other circular use- and result-oriented service models	5.5.	900.00	0.0%	-	-	-	-	Y	-	Y	Y	Y	Y	-	Y	Y	0.0%	n/a	E	-	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	29,527.40	0.0%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.0%	0.0%	E	-	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		273,042.86	0.0%	0.0%	n/a	n/a	0.0%	0.0%	n/a	-	-	-	-	-	-	-	0.0%				
Of which Enabling		273,042.86	0.0%	100.0%	n/a	n/a	100.0%	100.0%	n/a	-	-	-	-	-	-	-	0.0%	0.0%	E		
Of which Transitional		-	-	0.0%						-	-	-	-	-	-	-	-	-		T	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Collection and transport of hazardous waste	2.1	127.10	0.0%	-	-	-	EL	-	-							0.0%					
Hotels, holiday, camping grounds and similar accommodation	2.1.	22,153.64	0.0%	-	-	-	-	-	EL							0.0%					
Collection and transport of non-hazardous and hazardous waste	2.3.	230,409.04	0.0%	-	-	-	-	EL	-							0.0%					
Recovery of bio-waste by anaerobic digestion or composting	2.5.	26,612.10	0.0%	EL	-	-	-	-	-							0.0%					
Electricity generation using solar photovoltaic technology	4.1.	89.65	0.0%	EL	-	-	-	-	-							0.0%					
Cogeneration of heat/cool and power from bioenergy	4.20.	14,436,829.46	0.2%	EL	-	-	-	-	-							0.2%					

EU Taxonomy

Financial year - Turnover 2/2	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')											
Economic activities (1)	Codes (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)*	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2023 (18)**	Taxonomy-aligned proportion of turnover, year 2022 (19)	Category enabling activity (20)	Category transitional activity (21)	
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
Sale of second-hand goods	5.4.	86,406.03	0.0%	-	-	-	-	EL	-								0.0%				
Collection and transport of non-hazardous waste in source segregated fractions	5.5.	489,226.40	0.0%	EL	-	-	-	-	-								0.0%				
Material recovery from non-hazardous waste	5.9.	954,542.95	0.0%	EL	-	-	-	-	-								0.0%				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	395,343.97	0.0%	EL	-	-	-	-	-								0.0%				
Freight transport services by road	6.6.	1,380,307.62	0.0%	EL	-	-	-	-	-								0.0%				
Acquisition and ownership of buildings	7.7.	17,938,404.74	0.3%	EL	-	-	-	-	-								0.3%				
Data-driven solutions for GHG emissions reductions	8.2	173,819.87	0.0%	EL	-	-	-	-	-								0.0%				
Turnover of Taxonomyeligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		36,134,272.57	0.6%	0.6%	n/a	n/a	0.0%	0.0%	0.0%								0.6%	0.6%			
A. Turnover of Taxonomy eligible activities (A.1+A.2)		36,407,315.43	0.6%	0.6%	n/a	n/a	0.0%	0.0%	0.0%								0.6%	0.6%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
Turnover of Taxonomynon-noneligible activities (B)		5,850,591,684.57	99.4%																		
TOTAL (A+B)		5,886,999,000.00	100.0%																		

* For the purposes of this illustrative template, this figure shows the: Taxonomy-aligned turnover of the activity / Total Taxonomy eligible turnover of the activity.
** Taxonomy-aligned turnover of the activity/ Total turnover of undertaking

EU Taxonomy

Financial year - CapEx 1/2	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')										
Economic activities (1)	Codes (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)*	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned CapEx, year 2023 (18)*	Proportion of Taxonomy aligned CapEx, year 2022 (19)	Category enabling activity (20)	Category transitional activity (21)
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			28.0%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation using solar photovoltaic technology	4.1.	698,566.33	0.6%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.6%	n/a	E	-
Renewal of water collection, treatment and supply systems	5.2.	7,930.18	0.0%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.0%	n/a	E	-
Collection and transport of non-hazardous waste in source segregated fractions	5.5.	86,185.30	0.1%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.1%	0.0%	E	-
Installation, maintenance and repair of energy efficiency equipment	7.3.	3,303,025.48	2.8%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	2.8%	1.3%	E	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	167,010.58	0.1%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.1%	0.0%	E	-
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	174,047.84	0.1%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.1%	0.1%	E	-
Installation, maintenance and repair of renewable energy technologies	7.6.	848,476.79	0.7%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.7%	0.0%	E	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		5,285,242.50	4.5%	4.5%	n/a	n/a	n/a	n/a	n/a	-	-	-	-	-	-	-	4.5%			
Of which Enabling		5,285,242.50	4.5%	100.0%	n/a	n/a	n/a	n/a	n/a	-	-	-	-	-	-	-	4.5%	1.8%	E	
Of which Transitional		-	-	0.0%						-	-	-	-	-	-	-	-	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Water supply	2.1.	26,936.46	0.0%	-	-	EL	-	-	-								0.0%			
Urban waste water treatment	2.2.	1,885.00	0.0%	-	-	EL	-	-	-								0.0%			
Renovation of existing buildings	3.2.	27,792.44	0.0%	-	-	-	-	EL	-											
Cogeneration of heat/cool and power from bioenergy	4.20.	57,696.54	0.0%	EL	-	-	-	-	-								0.0%			
Production of heat/cool from bioenergy	4.24.	556,191.71	0.5%	EL	-	-	-	-	-								0.5%			

EU Taxonomy

Financial year - CapEx 2/2	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')											
Economic activities (1)	Codes (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)*	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned CapEx, year 2023 (18)**	Proportion of Taxonomy aligned CapEx, year 2022 (19)	Category enabling activity (20)	Category transitional activity (21)	
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
Construction, extension and operation of water collection, treatment and supply systems	5.1.	58,245.73	0.0%	EL	-	-	-	-	-									0.0%			
Renewal of water collection, treatment and supply systems	5.2.	103,800.00	0.1%	EL	-	-	-	-	-									0.1%			
Renewal of waste water collection and treatment	5.4.	182,718.12	0.2%	EL	-	-	-	-	-									0.2%			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	4,399,009.16	3.8%	EL	-	-	-	-	-									3.8%			
Freight transport services by road	6.6.	2,493,040.04	2.1%	EL	-	-	-	-	-									2.1%			
Construction of new buildings	7.1.	10,442,204.24	8.9%	EL	-	-	-	-	-									8.9%			
Renovation of existing buildings	7.2.	8,942,269.67	7.6%	EL	-	-	-	-	-									7.6%			
Installation, maintenance and repair of energy efficiency equipment	7.3.	46,384.30	0.0%	EL	-	-	-	-	-									0.0%			
Data processing, hosting and related activities	8.1.	10,412.54	0.0%	EL	-	-	-	-	-									0.0%			
Data-driven solutions for GHG emissions reductions	8.2.	116,348.74	0.1%	-	EL	-	-	-	-									0.1%			
CapEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		27,464,934.69	23.5%	23.3%	0.1%	0.0%	n/a	n/a	n/a									23.5%	15.0%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		32,750,177.19	28.0%	27.8%	0.1%	0.0%	n/a	n/a	n/a								28.0%	16.7%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of Taxonomy-noneligible activities (B)		84,328,822.81	72.0%																		
TOTAL (A+B)		117,079,000.00	100.0%																		

* For the purposes of this illustrative template, this figure shows the: Taxonomy-aligned turnover of the activity / Total Taxonomy eligible turnover of the activity.
** Taxonomy-aligned turnover of the activity/ Total turnover of undertaking

EU Taxonomy

Financial year - OpEx 1/2	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')											
Economic activities (1)	Codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)*	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned OpEx, year 2023 (18)**	Proportion of Taxonomy aligned OpEx, year 2022 (19)	Category enabling activity (20)	Category transitional activity (21)	
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES			4.2%																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Collection and transport of hazardous waste	2.1.	4,590.00	0.0%	-	-	-	Y	-	-	Y	Y	Y	-	Y	Y	Y	0.0%	n/a	E	-	
Urban waste water treatment	2.2.	11,836.00	0.0%	-	-	Y	-	-	-	Y	Y	-	Y	Y	Y	Y	0.0%	n/a	E	-	
Renewal of water collection, treatment and supply systems	5.2.	1,570.00	0.0%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.0%	n/a	E	-	
Collection and transport of non-hazardous waste in source segregated fractions	5.5.	3,536,144.83	0.3%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.3%	0.3%	E	-	
Installation, maintenance and repair of energy efficiency equipment	7.3.	3,175,445.33	0.3%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.3%	0.2%	E	-	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	16,388.80	0.0%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.0%	n/a	E	-	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	14,889.59	0.0%	Y	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.0%	n/a	E	-	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		6,760,864.55	0.6%	99.8%	n/a	0.2%	0.0%	n/a	n/a	-	-	-	-	-	-	-	0.6%				
Of which Enabling		6,760,864.55	0.6%	100.0%	n/a	100.0%	100.0%	n/a	n/a	-	-	-	-	-	-	-	0.6%	0.5%	E		
Of which Transitional		-	-	0.0%						-	-	-	-	-	-	-	-	0.0%		T	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Collection and transport of hazardous waste	2.1.	79,315.86	0.0%	-	-	-	EL	-	-							0.0%					
Hotels, holiday, camping grounds and similar accommodation	2.1.	17,512.49	0.0%	-	-	-	-	-	EL							0.0%					
Urban waste water treatment	2.2.	68,927.78	0.0%	-	-	EL	-	-	-							0.0%					
Collection and transport of non-hazardous and hazardous waste	2.3.	190,526.42	0.0%	-	-	-	-	EL	-							0.0%					
Recovery of bio-waste by anaerobic digestion or composting	2.5.	27,393.89	0.0%	-	-	-	-	EL	-							0.0%					
Provision of IT/OT data-driven solutions for leakage reduction	4.1.	1,058.00	0.0%	-	-	-	-	EL	-							0.0%					
Cogeneration of heat/cool and power from bioenergy	4.20	1,093,757.05	0.1%	EL	-	-	-	-	-							0.1%					
Production of heat/cool from bioenergy	4.24	244,575.51	0.0%	EL	-	-	-	-	-							0.0%					

EU Taxonomy

Financial year - OpEx 2/2	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')											
Economic activities (1)	Codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)*	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned OpEx, year 2023 (18)**	Proportion of Taxonomy aligned OpEx, year 2022 (19)	Category enabling activity (20)	Category transitional activity (21)	
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
Construction, extension and operation of water collection, treatment and supply systems	5.1.	7,200.00	0.0%	EL	-	-	-	-	-								0.0%				
Repair, refurbishment and remanufacturing	5.1.	394,100.00	0.0%	-	-	-	-	EL	-								0.0%				
Renewal of water collection, treatment and supply systems	5.2.	21,316.98	0.0%	EL	-	-	-	-	-								0.0%				
Renewal of waste water collection and treatment	5.4.	40,109.45	0.0%	EL	-	-	-	-	-								0.0%				
Collection and transport of non-hazardous waste in source segregated fractions	5.5.	3,364,974.76	0.3%	EL	-	-	-	-	-								0.3%				
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	240,389.46	0.0%	EL	-	-	-	-	-								0.0%				
Infrastructure for rail transport	6.14	19,147.60	0.0%	EL	-	-	-	-	-								0.0%				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	3,544,972.95	0.3%	EL	-	-	-	-	-								0.3%				
Freight transport services by road	6.6.	5,760,482.75	0.5%	EL	-	-	-	-	-								0.5%				
Renovation of existing buildings	7.2.	20,983,851.46	1.9%	EL	-	-	-	-	-								1.9%				
Installation, maintenance and repair of energy efficiency equipment	7.3.	268,384.17	0.0%	EL	-	-	-	-	-								0.0%				
Acquisition and ownership of buildings	7.7.	11,549.57	0.0%	EL	-	-	-	-	-								0.0%				
Data processing, hosting and related activities	8.1.	506,563.34	0.0%	EL	-	-	-	-	-								0.0%				
Data-driven solutions for GHG emissions reductions	8.2	3,015,958.55	0.3%	-	EL	-	-	-	-								0.3%				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	39,902,068.04	3.6%	3.3%	0.3%	0.0%	0.0%	0.1%	0.0%								3.6%	4.6%				
A. OpEx of Taxonomy eligible activities (A.1+A.2)	46,662,932.59	4.2%	103.0%	0.3%	0.2%	0.0%	0.1%	0.0%								4.2%	5.1%				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
OpEx of Taxonomy-noneligible activities (B)	1,054,736,204.31	95.8%																			
TOTAL (A+B)	1,101,399,136.90	100.0%																			

* For the purposes of this illustrative template, this figure shows the: Taxonomy-aligned turnover of the activity / Total Taxonomy eligible turnover of the activity.

** Taxonomy-aligned turnover of the activity/ Total turnover of undertaking

7. KEY INDICATORS IN 2023

2023 SUSTAINABILITY REPORT



E

Quantity of GHG emissions in Scope 1 and 2 in 2023 (tonnes of CO2e)	666,796.1
Quantity of GHG emissions in Scope 1 and 2 in 2022 (tonnes of CO2e)	677,493.2
Changes in GHG emissions in Scope 1 and 2 (%)	-2
Quantity of GHG emissions in Scope 3 in 2023 (tonnes of CO2e)	5,184,410.8
Quantity of GHG emissions in Scope 1 and 2 in 2023 (tonnes of CO2e/EUR net sales)	0.11
Energy consumption in 2023 (GJ)	5,719,051
Energy consumption in 2022 (GJ)	5,996,484
Reduction in energy consumption (%)	5
Energy products from renewable sources (%)	17
Operating locations owned, leased, under management or in the immediate vicinity of protected areas and areas of high value with regards to biological diversity outside of protected areas (%) ⁷⁵	12
Potable water withdrawn (ML)	2,779
Water withdrawn (ML)	7,283
Water consumed (ML)	2057
Fluctuation in water withdrawn (%)	-5
Water withdrawn from areas with water shortage (ML)	0
Quantity of material and raw material used (t)	1,449,756
Fluctuation in material consumption (%)	8
Number of pollutions in water discharge	0
Waste quantity in 2023 (t)	88,380.85
Increase in the amount of waste (%)	1
Pollutions related to waste	0
Companies with ISO 14001 certificate (%)	35

75 PIK Vinkovci (production activity bordering on protected areas in Croatia no. 930 and 892), Belje (agricultural activity within the Kopački rit National Park), Jamnica CRO (production activity within the Pokupsko/Kupa river basin, Natura 2000 POP HR1000001), Idea MN (smaller store within the Skadarsko jezero National Park, WDPA ID 16385), Mercator SRB (medium-sized store within the Kopaonik National Park in Serbia).

S

Number of employees	45,383
Employee turnover (% of employment contract termination)	23
Lost Time Incident Rate per 100 employees (LTIR)	2.5
Lost Work Day Rate due to injury at work per 100 employees (LWDR)	113
Share of women in senior management (%)	37
Share of women in management (%; including senior, middle and line management)	60
Number of foreign workers	1,930
Average number of employee training hours	7.4
Employee coverage by collective agreements (%)	94.16
Share of employees who received performance assessment (%)	37
Share of employees directly asked to familiarise themselves with anti-corruption policy (%)	17
Share of employees who attended human rights training (%)	15

G

Separate Executive Director and BoD Chairman functions	Yes
ESG criteria for performance evaluation of executive director team members	Yes
Share of companies where risk of exposure to corruption has been assessed (%)	13
Number of well-founded cases of corruption	0
Number of well-founded cases contrary to market competition rules	0
Number of reports lodged to the Ethics Committee	15
Number of reports lodged to the Ethics Committee related to breach of children's rights	0
Number of well-founded cases of Code of Ethics violation	1
Number of well-founded cases of discrimination	1 ⁷⁶
Total number of reported concerns about ethical issues in Group companies including reports lodged to the Ethics Committee	63
Number of significant information security incidents	0
Number of cases of personal data protection breaches	0

76 14 cases have been resolved, one is still being investigated.



8. ABOUT THIS REPORT AND APPENDICES

2023 SUSTAINABILITY REPORT

Memberships and awards in 2023

Awards

In 2023, Fortenova Group companies won more than 150 medals, honours and other awards, 12 of which were related to positive human resource management practices, 105 were related to product quality, and the rest were related to marketing communication, campaigns and other corporate awards.



COMPANY	OTHER AWARDS	PRODUCT QUALITY	HUMAN RESOURCES	TOTAL IN 2023	TOTAL IN 2022
Agrolaguna d.d. (+ Vinarija Novigrad)	0	24	0	24	25
Belje plus d.o.o. (+ Belje Agro-vet plus d.o.o.)	2	12	1	15	27
Dijamant d.o.o.	7	6	0	13	7
JAMNICA plus d.o.o.	3	0	0	3	8
Konzum plus d.o.o. (+ Mercator H d.o.o. + Žitnjak d.d.)	6	2	2	10	9
Konzum d.o.o. Sarajevo	2	0	2	4	0
M Energija d.o.o.	2	0	0	2	0
Mercator IP d.o.o.	0	55	0	55	4
MERCATOR-S d.o.o. Beograd	3	1	1	5	10
MultiPlusCard d.o.o.	0	1	0	1	0
PIK Vinkovci plus d.o.o. (+Felix)	1	0	0	1	0
PIK VRBOVEC plus d.o.o.	0	2	2	4	7
Poslovni sistemi Mercator d.o.o..	12	0	1	13	17
ROTO DINAMIC d.o.o.	2	0	1	3	0
Sarajevski kiseljak d.o.o.	0	0	1	1	3
ZVIJEZDA plus d.o.o.	2	1	1	4	3
	42	105	12	159	120

Memberships

In 2023, Fortenova Group remained a member of associations and initiatives that deal with the objective of sustainable development, such as the UN Global Compact, Croatian Business Council for Sustainable Development (HR PSOR), the International Institute for Climate Action (IICA Institute), the Slovenian Institute for the Development of Social Responsibility (IRDO Institute), and started the process of becoming a member of the Responsible Business Forum in Serbia.

By being a member of these organizations, Fortenova Group is an active participant in relevant sustainability development initiatives, and has access to all the information and knowledge important for that scope of social activity. Thus, it serves as a role model for a stronger involvement of the business sector in activities aimed at progressing towards achieving the objectives of sustainable development and corporate sustainability.

Pursuant to the effective legislation that obligates employers in Croatia, Serbia, Bosnia and Herzegovina, Montenegro and Slovenia to be members of independent professional and business organisations, Fortenova Group and its operating companies are members of the Croatian Chamber of Commerce and the respective Chambers of Commerce of Serbia, Bosnia and Herzegovina, Montenegro and Slovenia.

At the same time, on a voluntary basis, the Group and its operating companies are members of numerous national and wider interest groups and associations intended to protect, advocate, align and promote the interests of its members, employers/managers, i.e. the activities of the companies.

In Croatia, Fortenova Group companies were **compulsory** members of **12** associations in 2023. In terms of **voluntary membership**, the companies were members of **37** associations, including Croatian Business Council for Sustainable Development and Trade and Logistics Association.

In Serbia, in 2023, companies were **compulsory** members of five associations, and **voluntary** members of **25** associations, the

prominent ones being NALED, Žita Srbije, eCommerce Asocijacija Srbije and Produktivna berza.

In Slovenia, in 2023, companies had **compulsory membership** in **13** associations, and **voluntary** membership in **15** associations, such as Udruženje nadzornika Slovenije, Udruženje menadžera, Zbornica za arhitekturu i prostor Slovenije i Slovenski

nacionalni naftno-plinski komite svetovnega naftno-plinskega sveta (SNNK-WPC).

In Bosnia and Herzegovina and Montenegro, companies become members of associations exclusively on a voluntary basis, so in 2023, they were members of **12** associations in Bosnia and Herzegovina and **30** associations in Montenegro.



Methodology of data collection and corrected disclosures



The third Sustainability Report of Fortenova Group covers the period from 1 January 2023 to 31 December 2023, and was prepared taking into account the standards of the Global Reporting Initiative, 2021 revision. The Report covers 40 companies, with GRI content included at the end. For any additional questions on the Report please contact: sustainability@fortenovagrupa.hr.

Data collection and quality

Data on social and environmental indicators were collected through standardized forms that were established as early as 2022. In order to further improve the quality of collected data, these forms were minimally changed in 2023. All 40 included companies submitted filled-in tables, but it is important to point out that some cells in the tables remained empty. Those were the cells where the data either amounted to zero or contained certain aspects which were not relevant to companies, mainly small office businesses. All collected data were carefully analysed and verified manually, because data processing is not yet fully automated, which means that there is a possibility of deviations or limitations in data quality.

The data were compared to data from 2022, which were also collected using a complex manual methodology, and because of that there is a possibility of deviations. Due to the change in methodology, a particularly big challenge was the comparison of data on energy and consumption of key energy sources that were collected by means of the forms used for GHG calculations in 2022. Because of such challenges, the process of greater automation of data collection through the IT platform was launched in 2024, with the aim of improving the quality and comparability of data in the future.

Scope of companies included

The Report covers 39 companies and Fortenova grupa d.d. as a holding company, a total of 40 companies. The difference compared to last year, when it included 43 companies, is due to the

merger of Žitnjak with Konzum CRO, Mercator BiH with Konzum BiH, and the fact that Jamnica Water Limited Liability Company is in the process of liquidation.

Data for Žitnjak and Mercator BiH are included in the report, but they are integrated into Konzum CRO and Konzum BiH data.

Due to the diversity of the Group's operations, the companies are classified into four divisions: Agriculture, Food, Retail and Wholesale, and Non-Core Businesses. Non-Core Businesses are sometimes grouped with the Holding Company. Retail and Wholesale Division is further divided into Retail, Loyalty Card Operation Companies and Retail – Other. Food Division is divided into Beverages Group, Oil Group, Meat Group and Other. The reason for the additional segmentation is easier comparability of data with regard to similar activities of individual companies.

All significant topics are reported for all 40 Group companies, except in the area of occupational health and safety.

Reporting on occupational safety is limited to companies from the Agriculture, Food, Retail and Wholesale Divisions. Non-core Businesses and Fortenova grupa d.d. were excluded from reporting because their activities are very limited to administrative or low-risk activities and because they employ 14 people on average.

In addition to the segmentation by divisions, there is also a segmentation by markets in which the Group operates, which includes five countries in the region: Croatia, Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. For easier overview, the Report is accompanied by tables that are also described in detail in the texts. Given the extensiveness of the data, the key ESG indicators can be found in the table "Key indicators in 2023". The number of companies included in the Report differs from the number of companies listed in the consolidated financial statement⁷⁷. Excluded companies generated no revenue, employed less than two employees, or engage in activities with no significant impact on ESG aspects.

⁷⁷ The companies that are included in the consolidated financial statement but not in this report are as follows: Agropromet, Euroviba, Idea real estate, Jamnica Water Limited Liability Company, Kron, M-Profil SPV and Zvijezda BiH.

Environmental parameters

Energy

Energy consumption is calculated by subtracting the sum of sold energy from the sum of total energy purchased and produced within the organisation. In doing so, data is collected on various energy sources, including electricity and renewable and non-renewable sources. Non-renewable energy sources include fossil fuels, gas, heating oil and the like, while data on renewable energy sources include biomass and biogas. When it comes to sold energy, it especially refers to electricity produced in five biogas facilities of the company Energija Gradec.

GHG emissions

Fortenova Group's direct gross emissions were calculated on the basis of operational supervision for 40 companies included in Scopes 1, 2 and 3, expressed in tonnes of CO₂ equivalent, including all relevant types of greenhouse gas (CO₂, CH₄, N₂O and PFCs). The methodology used to calculate greenhouse gas emissions is based on the GHG Protocol Corporate – A Corporate Accounting and Reporting Standard and the ISO 14064-1 standard. The national emission factors were taken from the database of the European Environment Agency (EEA) for Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro. All relevant categories were taken into account for all three Scopes⁷⁸.

In 2023, the Group indicated Scope 3 for all 40 companies for the first time. Apart from that, a monitoring system for additional categories such as Product Use and the extended scope of the Purchased Materials and Services category was established. We have recalculated data for the year 2022 in accordance with established deficiencies in previous data monitoring and identified double counting resulting from intercompany business relations. In 2024, it is planned to improve the monitoring of data related to upstream and downstream transportation, to report purchased materials, capital goods in kilograms, data related to leased premises and franchises in a more precise way, and in the case of some companies, to improve the monitoring of data related to refrigerant losses.

Water

Water consumption is calculated by deducting the discharged water quantity from the withdrawn. Part of the withdrawn water has been embodied in commercial products. For agricultural and



food companies, water discharge is measured at locations, while retail and wholesale companies estimate water discharge. Based on this, the objectives set for retail and wholesale are related to the total amount of withdrawn water.

Total amounts of water withdrawn and water discharged for 2022 have been corrected. As a result of manual data analysis, an error occurred in the calculation of the total amount of water in the companies Konzum CRO and Mercator SLO. These data were supplemented and corrected in 2023.

Materials

Because of the increase in the scope of materials analysed in 2023, some smaller deviations were identified in packaging materials and raw materials, such as plastic bags at cash registers and fruit and vegetable departments in Retail and Wholesale and live stock in the Food and Agriculture Division.

Human Resources

Management

Senior management is defined as persons who are either members of the highest governance body in the company or directors at B-1 level. Middle and line management are defined in each company according to internal organisation charts and job systematisations.

Other workers

According to the methodology of the Global Reporting Initiative, Standard GRI 2, Disclosure 2-8, the category “workers who are not employees and whose work is controlled by the organization” includes workers with a service contract, users of vouchers, consultants, seasonal workers, workers with temporary contracts, storage and handling of goods providers and other natural persons who perform work under other types of contracts.

In this year's methodology, more detailed “male” and “female” categories have been added, which allows data to be reviewed by gender and age, taking gender into account. These improvements in methodology allow for a more in-depth analysis and transparency when it comes to the workforce.

Declaration of gender identity

In the legislative framework of the countries in which the companies operate, workers are not allowed to declare themselves as anything other than “male” and “female”, and they are not given the possibility to refuse to declare their gender, which is why that category is not included in the employee data.

78 Scope 1 (direct emissions from stationary combustion sources, direct emissions from mobile combustion sources, direct emissions from processes, direct fugitive emissions and direct emissions/removals from LULUCF). Scope 2 (indirect emissions from electricity consumption and indirect emissions from heating and cooling energy consumption). Scope 3 (Purchased goods or services, Capital goods, Input gas and energy stream not included in Scopes 1 or 2, Upstream transportation and distribution of goods, Waste generated in operations, Duty travel, Daily commuting of employees, Downstream transportation and distribution of goods, Use of sold products, Sold products' end-of-life, Leased property and Franchises).

Abbreviated names of Fortenova Group companies for reporting purposes

Division		Country of operations	Full company name		Abbreviated company name	Division	Country of operations	Full company name		Abbreviated company name		
Agriculture		Croatia	1	Belje Agro-vet plus d.o.o.	Belje Agro-vet	Retail and Wholesale	Retail	Bosnia and Herzegovina	23	Konzum d.o.o. Sarajevo	Konzum BiH	
			2	Belje plus d.o.o.	Belje			Croatia	24	Konzum plus d.o.o.	Konzum CRO	
			3	Eko Biograd plus d.o.o.	Eko Biograd			Bosnia and Herzegovina	25	Mercator-BH d.o.o. Sarajevo	Mercator BiH	
			4	Energija Gradec d.o.o.	Energija Gradec			Slovenia	26	Mercator IP d.o.o.	Mercator IP	
			5	PIK-Vinkovci plus d.o.o.	PIK Vinkovci			Crna Gora	27	MERCATOR-CG d.o.o. Podgorica	Idea MN	
			6	VINKA plus d.o.o.	Vinka			Serbia	28	MERCATOR-S d.o.o. Beograd	Mercator SRB	
			7	VUPIK plus d.o.o.	Vupik			Slovenia	29	Poslovni sistem Mercator d.d.	Mercator SLO	
			8	Felix plus d.o.o.	Felix			Slovenia	30	M-Energija d.o.o.	M-Energija	
Food	Beverages Group	Bosnia and Herzegovina	9	Sarajevski kiseljak d.o.o.	Sarajevski kiseljak			Loyalty Card Operation Companies	Hrvatska	31	MultiPlusCard d.o.o.	MultiPlusCard
		Slovenia	10	Jamnica mineralna voda d.o.o.	Jamnica SLO		Serbia		32	Super Kartica d.o.o. Beograd	Super Kartica SRB	
		Croatia	11	JAMNICA plus d.o.o.	Jamnica CRO		Crna Gora		33	Super Kartica d.o.o. Podgorica	Super Kartica MN	
		Serbia	12	Mg Mivela d.o.o. Trstenik	Mg Mivela		Bosnia and Herzegovina		34	Super Kartica d.o.o. Sarajevo	Super Kartica BiH	
		Croatia	13	Agrolaguna d.d.	Agrolaguna		Retail – other		Croatia	35	Mercator-H d.o.o.	Mercator CRO
		Croatia	14	Vinarija Novigrad d.o.o.	Vinarija Novigrad					36	A007 plus d.o.o.	A007
	Meat Group	Bosnia and Herzegovina	15	PIK BH d.o.o. Laktaši	PIK BiH			37		TISAK plus d.o.o.	Tisak	
		Croatia	16	PIK VRBOVEC plus d.o.o.	PIK Vrbovec CRO			38		ŽITNJAK d.d.	Žitnjak	
		Serbia	17	PIK Vrbovec S d.o.o. Beograd	PIK Vrbovec SRB							
	Edible Oils Group	Slovenia	18	Zvijezda d.o.o. Ljubljana	Zvijezda SLO	Holding Company		Croatia	39	Fortenova grupa d.d.	Fortenova grupa d.d.	
		Croatia	19	ZVIJEZDA plus d.o.o.	Zvijezda CRO	Non-Core Businesses and Real Estate	Croatia	40	Kor Broker d.o.o.	Kor Broker		
		Serbia	20	Dijamant d.o.o. Zrenjanin	Dijamant			41	LG Moslavina plus d.o.o.	LG Moslavina		
		Slovenia	21	Mercator-EMBA d.o.o.	Mercator EMBA			42	mStart plus d.o.o.	mStart CRO		
	Food – other	Croatia	22	ROTO DINAMIC d.o.o.	Roto dinamic			Serbia	43	mStart Business Solutions d.o.o.	mStart SRB	

Opinion of the Committe of the Croatian business council for sustainable development (HR PSOR) regarding the Fortenova group’s 2023 sustainability report

By evaluating the Fortenova Group’s Sustainability Report, which contains information on the Group’s sustainability impacts in 2023, we confirm that the report complies with the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards 2021, including the relevant Sector Standard GRI 13 – Sector Standard for Agriculture, Aquaculture and Fishing 2022.

The Fortenova Group is the largest business organisation in Croatia, with various production activities, active presence in the countries of the region and an extremely complex structure. Creating a report for such a complex system, which will encompass all the differences of the Fortenova Group companies in a clear, comprehensible and organised manner, is an extremely challenging process. We are impressed by the way in which this was achieved because this report is clear, understandable, informative and compliant with the requirements of the GRI Standards, and at the same time interesting to the wider public because it offers a lot of information.

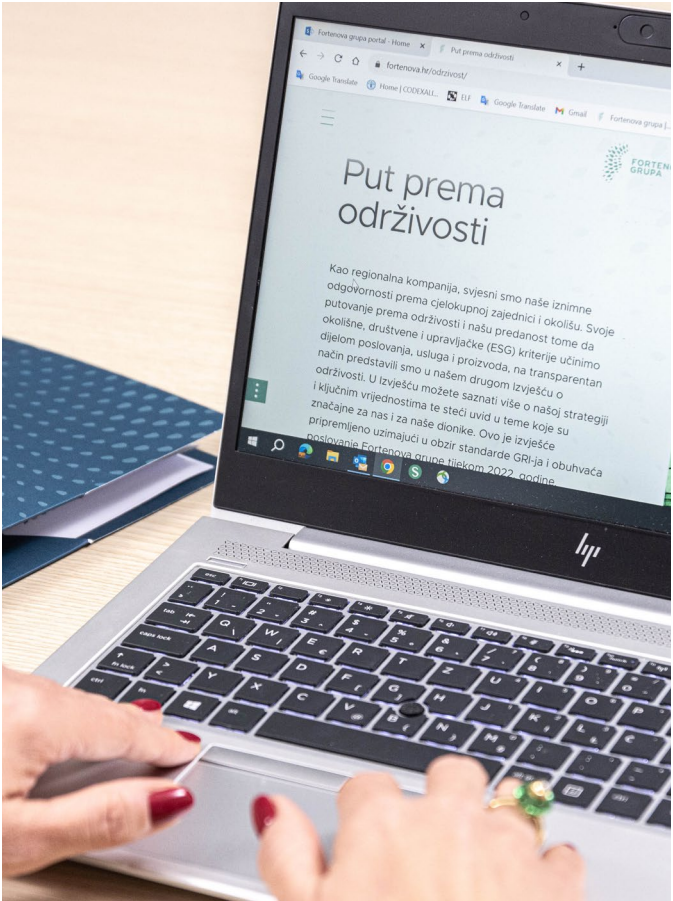
The report is, in the true sense of the word, a business management report, because the introductory part provides a clear overview of the business in relation to all significant external influences and changes in circumstances that led to certain strategic decisions aimed at mitigating their impact. This is especially important when we take into account the size of the company and its share in domestic food and energy production.

The report shows to some extent the structure of sustainable development management in the company, which includes the Committee for Sustainable Development, as well as the Sustainability Steering Committee, whose members are also the executive directors of the Fortenova Group. ESG criteria are the

basis for evaluating the performance of managers, which means that sustainability goals are quantified. However, the same criteria are not integrated into the evaluation of the senior management’s performance. We consider it important to point out that ESG criteria are also the basis for deciding on CAPEX projects, which is perhaps the best indicator that the company is taking a serious step towards sustainability.

In the assessment of its corporate culture, the number of responses to the employee survey (at Group level 69.5% of employees participated in the survey, and in 15 companies more than 90% of employees participated) and the number of propositions and suggestions (almost 18,600) related to business improvement were significant. The efforts to increase the satisfaction of the Fortenova Group employees should be examined in the context of the growing problems of attracting and retaining the workforce. The report provides a clear presentation of employee management, with a detailed overview of the structure, number and type of employees. Projects aimed at improving the working conditions as well as employee benefits are described in detail. However, the report does not specify the salary ratio between the highest paid person of the Group and other employees, nor does it disclose the ratio of management salaries to employee salaries in any way.

The assessment of climate risks and other environmental risks was thorough and included the quantification of risks and opportunities, which is an example of good practice for Croatia. A clearer link between risk evaluation and the determination of material topics may be missing. However, it is crucial that the impacts were evaluated and quantified and that goals and investments were defined on the basis of those impacts, which means that the implementation process was successfully completed.



When it comes to climate and related risks, Fortenova invests in the production of energy from renewable sources. There are five biogas plants, which produce 25% of the total electricity from biogas in Croatia from farm bio-waste and other bio-based raw materials. Renewable fuels, including solid biomass and biogas, account for 17% of the energy mix used within the Group. A considerable effort was invested in increasing the capacity for the production of renewable energy by investing in the solar power plants of PIK Vinkovci and Zvijezda CRO and increasing the use of solar panels throughout the Group.

There is also visible progress in the measurement and calculations of greenhouse gas emissions, especially in Scope 3, where a better data monitoring system has been established.

The Group has detailed the consumption of materials divided into renewable and non-renewable sources, which is in line with the ESRS reporting requirements.

The data on waste volumes is clearly described and presented in the form of a table, noting the trend of increasing volumes, and the volume of waste that is recovered for energy has increased significantly. It should be added that the Fortenova Group was actively involved in the process of reducing food waste by signing

the agreement “Together against food waste” with the Ministry of Agriculture, which resulted in a total reduction of food waste by 4%.

It is worth highlighting the efforts invested in the development of new packaging materials whose negative impact on the environment will be significantly reduced. Currently, 50% of the Group’s packaging is recyclable, and it has almost reached the legal minimum share of recycled materials in packaging. Additionally, the Group’s goal is to ensure that by 2030 all of its packaging is reusable, recyclable or compostable, which is a practice that can serve as an example for other stakeholders in the market.

The application of advanced technology in agriculture is evident, for example, in the monitoring of crop health using drones, while the reporting obligations based on the GRI 13 standard for the agricultural sector are fulfilled through the adoption of an animal welfare policy at Group level, which means that at Group’s numerous farms, animal breeding is based on sustainable practices.

The Group described in great detail the taxonomy compliance assessment process for all companies within the Group and presented the results of the taxonomy analysis in a very comprehensible and transparent manner. It was particularly challenging to present the taxonomy compliance for individual companies, which shows

the commitment and involvement in the preparation of data and the creation of the report itself at all levels of the Group.

Fortenova Group has adopted the Supplier Code of Conduct, which is certainly a step towards establishing good and responsible practices in the supply chain. In addition to the application of the Code of Conduct, Fortenova is facing an extremely complex process of in-depth assessment of the sustainability impact of its value chain, which will certainly be an interesting topic for future reports.

The Fortenova Group’s sustainability report is an example of responsible and thorough reporting, which successfully summarizes and integrates a huge range of different impacts of this heterogenous Group. In this rather brief evaluation, it is not possible to mention all the good practices implemented, so we have tried to single out the most important ones. Not only is the report well-designed, but it also shows the company’s continuous efforts to work at multiple levels of impact, investing in quality management and continuously reducing negative impacts and increasing positive ones. Fortenova faces big challenges in the establishment of systematic reporting and management of sustainability impacts, which, as this report shows, the Group has taken very seriously.



GRI content index

Statement of use	Fortenova grupa d.d. has reported in accordance with the GRI Standards for the period between 1st January 2023 and 31st December 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	GRI 13: Agriculture, Aquaculture and Fishery 2022

Material topics	
E	Decarbonisation / risks and opportunities due to climate change (GRI 305 Emissions), Waste Management (GRI 306 Waste), Energy and Efficiency (GRI 302 Energy), Water (GRI 303 Water and Effluents), Animal Welfare (GRI 13)
S	Employee Wellbeing (GRI 202 Market Presence, GRI 401 Employment, GRI 402 Labour/Management Relations, GRI 403 Occupational Health and Safety, GRI 404 Training and Education, GRI 406 Non-discrimination, GRI 407 Freedom of Association and Collective Bargaining), Diversity and Inclusion (GRI 405 Diversity and Equal Opportunity)
G	Ethical issues and anti-corruption (GRI 205 Anti-corruption)

Ethical issues and anti-corruption (GRI 205 Anti-corruption)	
GRI 304: Biodiversity 2016	
GRI 308: Supplier Environmental Assessment 2016	
GRI 413: Local Communities 2016	
GRI 417: Marketing and Labelling 2016	

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	General and Strategic Information				
	2-2 Entities included in the organization’s sustainability reporting	Corporate Structure Abbreviated names of Fortenova Group companies for reporting purposes				
	2-3 Reporting period, frequency and contact point	Methodology of data collection and corrected disclosures				
	2-4 Restatements of information	Methodology of data collection and corrected disclosures				
	2-5 External assurance	Evaluation of the Report by HR PSOR Expert Committee				
	2-6 Activities, value chain and other business relationship	General and Strategic Information Supply chain				13.23.1
	2-7 Employees	Social indicators				
	2-8 Workers who are not employees	Social indicators				
	2-9 Governance structure and composition	Strategy, governance, risks, and materiality assessment Corporate governance	c - ii, vi, viii	Information incomplete	Data currently not recorded in that manner	
	2-10 Nomination and selection of the highest governance body	Principles of selecting BoD members Principles of selecting Executive Directors	b - ii, iii	Information incomplete	Data currently not recorded in that manner	
	2-11 Chair of the highest governance body	BoD members Executive Directors				

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	Strategy, governance, risks, and materiality assessment				
	2-13 Delegation of responsibility for managing impacts	Strategy, governance, risks, and materiality assessment				
	2-14 Role of the highest governance body in sustainability reporting	Strategy, governance, risks, and materiality assessment				
	2-15 Conflicts of interest	Conflict-of-interest management				
	2-16 Communication of critical concerns	Code of Ethics				
	2-17 Collective knowledge of the highest governance body	Strategy, governance, risks, and materiality assessment				
	2-18 Evolution of the performance of the highest governance body	Strategy, governance, risks, and materiality assessment Executive Directors				
	2-19 Remuneration policies	Remunerations for Members of the Board of Directors Remunerations for Executive Directors and highest governance bodies of key operating companies Key Information 2023:G				
	2-20 Process to determine remuneration	Remunerations for Executive Directors and highest governance bodies of key operating companies Remuneration for BoD members	a - iii	Information incomplete	In 2023 remuneration consultants were not involved in establishing remunerations. The Workers' Council is authorised to elect a workers' representative into the BoD.	
	2-21 Annual total compensation ratio		a, b, c	Not applicable	Fortenova Group collects data on the ratio of annual compensation using the ESRS methodology and additionally analyses the salary differences between women and men, but does not yet publish this data.	

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	Letter from the CEO and BoD Member				
	2-23 Policy commitments	Strategy, governance and materiality assessment Compliance and Corporate Policies Human rights Integration/incorporation of corporate policy obligations	c	Not applicable	Internal policies are not publicly available, i.e. they are available to internal stakeholders. Human rights are defined in the Group Code of Ethics. The Code of Ethics is published publicly.	
	2-24 Embedding policy commitments	Embedding policy commitments				
	2-25 Processes to remediate negative impacts	Processes of mitigating and preventing negative impacts Reporting of irregularities and unethical conduct at Fortenova Group Other channels for reporting irregularities within Fortenova Group	e	Information incomplete	No established mechanism for collecting, processing and reporting on the efficiency of complaint mechanisms.	
	2-26 Mechanisms for seeking advice and raising concerns	Reporting of irregularities and unethical conduct at Fortenova Group Other channels for reporting irregularities within Fortenova Group				
	2-27 Compliance with laws and regulations	Processes of mitigating and preventing negative impacts				
	2-28 Membership associations	Memberships				
	2-29 Approach to stakeholder engagement	Engaging our stakeholders and materiality assessment				
	2-30 Collective bargaining agreements	Freedom of association				

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	<u>Engaging our stakeholders and materiality assessment</u>				
	3-2 List of material topics	<u>Engaging our stakeholders and materiality assessment</u>				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Financial indicators</u>				
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	<u>Generating economic value</u>				
	201-2 Financial implications and other risks and opportunities due to climate change	<u>Risks and opportunities related to environmental, social and governance aspects</u>	iii, iv	Information incomplete	The analysis of risks and opportunities has been carried out, but the data on the disclosures on financial implications of risks and opportunities before measures are taken and disclosures on the costs of measures taken for risk or opportunities management are still in the phase of analysis and methodological harmonisation.	
	201-4 Financial assistance received from government	<u>Financial assistance received from government</u>				
Market Presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Social indicators</u>				
	202-2 Proportion of senior management hired from the local community	<u>Employee wellbeing</u>				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Supply chain</u>				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	<u>Local procurement brings benefits for the entire supply chain</u>	a	Information incomplete		

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	Compliance and Corporate Policies				13.25.1, 13.26.1
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Compliance and Corporate Policies Anti-corruption				13.26.2
	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption				
	205-3 Confirmed incidents of corruption and actions taken	Key indicators in 2023				
Anti-competitive behaviour						
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-corruption				
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Key indicators in 2023				
Tax						
GRI 207: Tax 2019	207-1 Approach to tax	Tax and Tax Risk Management				
	207-2 Tax governance, control, and risk management	Tax and Tax Risk Management Code of Ethics	i, iv	Information incomplete	The Tax Policy is not publicly available.	
	207-3 Stakeholder engagement and management of concerns related to tax	Tax and Tax Risk Management Code of Ethics	c	Information incomplete	Certain tax data are available as part of the financial reporting, pursuant to legislative regulation. The Financial Statements are available on the FINA website.	

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Materials and raw materials				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Materials and raw materials				
	301-2 Recycled input materials used	Materials and raw materials				
	301-3 Reclaimed products and their packaging materials	Repeated use of materials				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Energy and emissions				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy and emissions	c-i, d-i	Information incomplete	The consumption of steam is included in the consumption of thermal energy.	
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Water Data collection methodology and corrected disclosures: Water				13.7.1.
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Strategy, governance, risks, and materiality assessment Water				13.7.2.
	303-2 Management of water discharge-related impacts	Strategy, governance, risks, and materiality assessment Water	a - i, ii, iii	Information incomplete	The Group has not yet approved a policy on this topic, that is, it is in the preparation phase.	13.7.3.
	303-3 Water withdrawal	Strategy, governance, risks, and materiality assessment Water	c			13.7.4.
	303-5 Water consumption	Strategy, governance, risks, and materiality assessment Water				13.7.6.

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Biodiversity						
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Key indicators in 2023	a - vi, viii	Information incomplete	The Company acts in accordance with statutory regulations with regards to stores located in national parks and in compliance with the concessions granted to the production businesses.	
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Climate change				13.1.1, 13.2.1
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	GHG emissions Key indicators in 2023				13.1.2
	305-2 Energy indirect (Scope 2) GHG emissions	GHG emissions Key indicators in 2023				13.1.3
	305-3 Other indirect (Scope 3) GHG emissions	GHG emissions Key indicators in 2023				13.1.4
	305-4 GHG emissions intensity	Key indicators in 2023				13.1.5
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Waste				13.8.1
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste				13.8.2
	306-2 Management of significant waste-related impacts	Waste	b	Information incomplete	There is no procedure to establish whether third parties manage waste.	13.8.3
	306-3 Waste generated	Waste				13.8.4
	306-4 Waste diverted from disposal	Waste				13.8.5
	306-5 Waste directed to disposal	Waste				13.8.6

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Supplier Environmental Assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Supply chain				
	308-2 Negative environmental impacts in the supply chain and actions taken	Creating the prerequisites for driving sustainable development through the supply chain				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Social indicators				13.20.1
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employee wellbeing				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Equality in granting benefits				
	401-3 Parental leave	Right to maternity, parental and paternity leave				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Occupational Health and Safety				13.19.1

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Health and Safety				13.19.2
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety				13.19.3
	403-3 Occupational health services	Occupational Health and Safety				13.19.4
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety				13.19.5
	403-5 Worker training on occupational health and safety	Occupational Health and Safety				13.19.6
	403-6 Promotion of worker health	Main types of injuries				13.19.7
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety activities				13.19.8
	403-8 Workers covered by an occupational health and safety management system	Occupational Health and Safety				13.19.9
	403-9 Work-related injuries	Main types of injuries				13.19.10
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Employee wellbeing				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Employee development, advancement and training				
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee development, advancement and training				
	404-3 Percentage of employees receiving regular performance and career development reviews	Feedback and performance evaluation				

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Employee wellbeing				13.15.1
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Corporate governance Equality and equal opportunities				13.15.2
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Employee wellbeing				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Human rights Code of Ethics				13.15.4
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	Strategy, governance, risks, and materiality assessment Employee wellbeing				13.18.1, 13.21.1
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Freedom of association	b	Not applicable	The freedom of association and bargaining is fully provided and this right has been exercised in 94 % of cases, hence no measures for its provision have been stated.	13.18.2, 13.21.2

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Local communities						
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	<u>Local community</u>	a	Not applicable	Systematic monitoring of impacts on society and environment has not yet been established at Group level, i.e. currently only part of that segment has been established through the Corporate Giving Policy.	13.12.2
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Strategy, governance and materiality assessment</u> <u>Product quality, safety and sustainability</u>				13.10.1
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	<u>Launching of new products and improvement of existing assortment</u>				13.10.2
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	<u>Health safety analyses and inspections</u>				13.10.3
Marketing and labelling						
GRI 3: Material Topics 2021	3-3 Management of material topics	<u>Product quality, safety and sustainability</u>				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	<u>Labelling of products and services</u>	b	Not applicable	Data are currently not recorded by the criteria of Disclosure 417-1 a.	
	417-2 Incidents of non-compliance concerning product and service information and labelling	<u>Labelling of products and services</u>				

GRI standard	Disclosure	Reference	Requirements omitted			GRI Sector Standard Ref. No.
			Requirements omitted	Reason	Explanation	
Agriculture, Aquaculture and Fishery 2022						
GRI 13.4: Soil health	3-3 Management of material topics	Sustainable agricultural practices				13.5.1
GRI 13.6: Pesticides use	3-3 Management of material topics	Sustainable agricultural practices				13.6.1
	13.6.2 Use of pesticides by the toxicity hazard levels	Sustainable agricultural practices	.13.6.2	Information incomplete	Initiatives were launched to reduce mineral fertilizers and pesticides at the Group level.	13.6.2
GRI 13.9: Food security	3-3 Management of material topics	Sustainable agricultural practices Waste				13.9.1
	13.9 Weight of waste generated	Waste				13.9.2
GRI 13.22: Economic inclusion	3-3 Management of material topics	Local procurement brings benefits for the entire supply chain Creating economic value for stakeholders				
Animal health and welfare						
GRI 13.11: Animal health and welfare	3-3 Management of material topics	Animal Welfare				13.11.1