



ČAKOVEČKI
MLINOVI

-1893-

ČAKOVEČKI MLINOVI INC.

SUSTAINABILITY REPORT
FOR 2023



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ČAKOVEČKI MLINOVI D.D.

**SUSTAINABILITY REPORT
FOR 2023**

CONSOLIDATED NON-FINANCIAL REPORT

The Čakovečki mlinovi Group prepares non-financial statements pursuant to the Accounting Act (OG 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22, 82/23), the Non-Financial Reporting Directive (2014/95/EU), the Taxonomy Regulation (2020/852) and related delegated regulations and acts, as well as the currently applicable guidelines of the Croatian Financial Services Supervisory Agency for the preparation and publication of ESG relevant information of issuers.

The European Union is introducing the ESG reporting obligation in order to encourage investors to make sustainable investments and to direct issuers towards activities that promote some of the sustainable goals or do not significantly harm them.

Sustainable investment means an investment in an economic activity that:

- contributes to an environmental objective (“E”)
- contributes to a social objective (“S”)
- does not significantly harm any of those environmental or social objectives and
- invests in companies that follow good governance practices (“G”), in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

THE GROUP'S BUSINESS MODEL

Čakovečki mlinovi Group is organized into two strategic business segments:

- Trade, which includes retail and wholesale of food and non-food assortment, and
- Food, which includes the production of flour, bakery products and oils.

Čakovečki mlinovi Inc. manages segments at a strategic level. The Trade business segment is operationally managed by Trgovina Krk Inc. The Food business segment is operationally managed by Čakovečki mlinovi Inc. and Radnik Opatija Inc.

The Group's business strategy – "Dedicated to creating premium products" – encompasses food production on the one hand and the development of a quality retail range on the other.

As shown in the Group's value chain that follows below, in addition to the emphasis on product quality, the management continuously cares about the satisfaction of employees, end consumers and the communities in which the Group operates in a manner that supports the growth of stock value.

More information on the Group's business model is available in the Annual Consolidated Report for 2023 under the Management Report – 1. Basic activity and general data, please see pages 4 - 6.



ENVIRONMENTAL PROTECTION

The Čakovečki mlinovi Group is actively working on the sustainable and responsible management of production and sales locations, processes and technologies that have an impact on the environment and ensure their compliance with laws and regulations.

The Group's environmental policy includes:

- developing new and updating existing general acts (regulations, plans, decisions) in the field of environmental protection
- supervision of the implementation of waste management regulations, identification and elimination of identified deficiencies
- education of workers involved in temporary waste storage in containers
- organization of timely waste removal, and handing it over exclusively to legal entities authorized by the Ministry of Economy and Sustainable Development
- preparation and management of waste data (following waste sheets, logbooks on the course of waste generation), preparation of waste management plans, and delivery to the competent state authorities
- organization and monitoring of the deadlines for measuring emissions from stationary sources (boiler rooms, bakery ovens, dryers, etc.), sampling of wastewater in accordance with water permits and testing of permeability of equipment and devices for cooling and air conditioning at authorized legal entities.
- submission of annual emission reports and calculations of emissions
- daily monitoring of amendments to legislation, professional literature, attending seminars.

The Group's energy emissions and consumption monitoring system enables quality analysis and improvement in the form of their reduction. Emissions are additionally compared with the prescribed emission limit values in accordance with the Regulation on limit values for emissions of pollutants into the air from stationary sources (OG 42/2021).

Greenhouse gas emissions

Name	Unit of measurement	2023.	2022.	2023./2022.
Carbon dioxide (CO ₂)	t	1,707.9	1,945.8	(12.2%)
Carbon monoxide (CO)	t	1.1	1.2	(8.7%)
Nitrogen dioxide (NO ₂)	t	5.4	5.7	(5.8%)
Sulphur dioxide (SO ₂)	t	0.3	0.4	(12.6%)
Dust particles (PM ₁₀)	t	0.2	0.2	(17.3%)
Total	t	1,714.9	1,953.3	(12.2%)

The Group emits in the Food segment, greenhouse gases as a byproduct of the combustion of fossil fuels. In 2023, the largest share of 99.6% of emissions was related to carbon dioxide (CO₂).

Waste management

Name	Unit of measurement	2023.	2022.	2023./2022.
Non-hazardous waste ¹	t	2,498	2,729	(8.5%)
Hazardous waste ²	t	6	7	(12.0%)
Total	t	2,505	2,736	(8.5%)

¹ Non-hazardous waste includes paper, glass, plastic, municipal waste. In 2023, there was much less olive oil production, and therefore there was less pomace waste generated compared to 2022.

² Hazardous waste includes waste batteries, waste oils, paints, varnishes, solvents, pesticides, various chemicals, accumulators, electronic waste.

The Group manages waste in accordance with the Waste Management Act (OG 84/21, 142/23), the Waste Management Regulation (OG 84/21, 142/23), and maintains all prescribed documentation on waste generation. In 2023, the Group disposed of 2,505 tons of waste through companies authorized for waste disposal, of which 0.2% was hazardous.

Energy and water consumption

Name	Unit of measurement	2023.	2022.	2023./2022.
Electricity consumption	MWh	28,731	30,577	(6.0%)
Consumed natural gas	MWh	11,027	12,386	(11.0%)
Extra light fuel oil	000 l	208	224	(7.0%)
Water consumption	000 m ³	44	45	(2.9%)

The main energy source in the operations of both segments of the Group is electricity, while electricity is also highly represented in the Trade segment, and fuel oil and gas in the Food segment.

INTRODUCTION TO THE TAXONOMY REGULATION

With the adoption of the European Green Deal, the European Union has set the goal of energy neutrality (*net-zero goal*) by 2050. In this context, the European Commission has developed an extensive sustainable finance program to ensure the achievement of these goals. One of the key steps to encourage investment in sustainable projects is the Taxonomy Regulation (EU) 2020/852.

The Taxonomy Regulation (EU) 2020/852 established a framework to facilitate sustainable investments and sets out the overarching conditions that an economic activity must meet to qualify as environmentally sustainable.

This Regulation requires companies to disclose the proportion of their activities that are taxonomy-eligible and taxonomy-aligned.

DEFINITIONS

An activity is considered eligible under the Taxonomy if it makes a significant contribution to at least one of the following environmental objectives as defined in Article 9. Taxonomy Regulations:

1. climate change mitigation,
2. climate change adaptation,
3. the sustainable use and protection of water and marine resources,
4. the transition to a circular economy,
5. pollution prevention and control, and
6. the protection and restoration of biodiversity and ecosystems.

Taxonomy-aligned activities, on the other hand, in addition to eligibility, must also comply with additional criteria that classify them as environmentally sustainable:

- the activity must comply with the substantial contribution criteria established for each of the environmental objectives of the EU Taxonomy
- the activity must not cause significant harm to any other environmental objective of the EU Taxonomy
- the activity must be carried out in accordance with minimum safeguards, ensuring compliance with the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights. The activity should also comply with the principles and rights set out in the eight fundamental conventions set out in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

A taxonomy-ineligible economic activity is any economic activity that is not described in the delegated acts supplementing the Taxonomy Regulation.

For the 2023 financial year, the EU Taxonomy focuses on climate change compliance (the first two objectives) and eligibility for the other four environmental objectives for the activities described in the Taxonomy Regulation Delegated Act.

BASICS OF PREPARATION

This report assesses the eligibility and, where applicable, the compliance of the economic activities of the Čakovečki mlinovi Group for the financial year 2023, based on the Taxonomy Regulation, the related legislative acts (Delegated Acts) described below, as well as any additional guidelines published since their adoption:

- **Climate Delegated Act** – sets out a technical screening criterion (TSC) to determine the qualification conditions under which an economic activity contributes significantly to climate change mitigation (Annex 1) or climate change adaptation (Annex 2), and to determine the 'do no significant harm' (DNSH) to other environmental objectives

- **Disclosure Delegated Act** - Specifies the content and presentation of the information to be disclosed in relation to environmentally sustainable economic activities and specifies the methodology for carrying out this assessment
- **Complementary Delegated Act on Climate** - Sets out the Technical Screening Criteria (TSC) and the associated 'do no significant harm' (DNSH) principle for the objectives of Annexes 1 and 2 in relation to natural gas and nuclear energy activities
- **Taxonomy Regulation Delegated Act** - sets out technical screening criteria to determine the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution planning and control, or to the protection and restoration of biodiversity and ecosystems, and to determine whether that economic activity causes significant harm to any of the other environmental objectives and to amend the Delegated Regulation Commission (EU) 2021/2178 as regards specific public obligations for those economic activities.

The analysis of economic activities includes the entire portfolio of the Čakovečki mlinovi Group. With the application of four new environmental goals for the fiscal year 2023 and amendments to the existing goals, an increased coverage of business activities and taxonomic acceptability of the Čakovečki mlinovi Group is expected.

ČAKOVEČKI MLINOVI – CONSOLIDATED DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF THE TAXONOMY REGULATION

For details and templates, the chapter "Accounting policies and key indicators" can be found below.

TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Section 1.2.2.1 (a) Annex I of the Disclosures Delegated Act

The Čakovečki mlinovi Group generates the largest part of its revenue from the retail and wholesale of food and non-food products. These income activities are not aligned with the eligibility criteria of the EU Taxonomy.

The Čakovečki mlinovi Group reviewed all economic activities that meet the Taxonomy requirements specified in the Climate Delegated Act and the Taxonomy Regulation Delegated Act based on expenditure and investment. Identified expenses that can be aligned with the so-called procurement of outputs (in accordance with Commission Delegated Regulation (EU) 2021/2178). Activities in the following areas are eligible under CapEx and OpEx: transport, construction and real estate and water supply, wastewater removal, waste management and environmental remediation, table of taxonomically acceptable economic activities of Čakovečki mlinovi Group shown below.

In 2023, the following are taxonomically acceptable: 0.19% of revenue, 61.62% of total CapEx and 85.74% of OpEx.

The table below shows the environmental objective for which the activities qualify as eligible. The templates also give a clear indication of which environmental objective a particular activity is pursuing.

Taxonomically acceptable economic activities of Čakovečki mlinovi Group

Sector	Eligible activity	Environmental objective
Construction and Real Estate Business	3.2. Renovation of existing buildings	CCM CCA CE
	3.3. Demolition and wrecking of buildings and other structures	CE
	7.3. Installation, maintenance and repair of energy efficiency equipment	CCM CCA
	7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM CCA
	7.7. Acquisition and ownership of buildings	CCM CCA
Water supply; sewerage, waste management and remediation	5.1. Construction, expansion, and operation of water collection, purification, and supply systems	CCM CCA
Transport	6.5. Transport by motorbikes, passenger cars and light commercial vehicles	CCM CCA
	6.6. Freight transport services by road	CCM CCA

CCM: Climate Change Mitigation
 CCA: Climate Change Adaptation
 WTR: Water and Marine Resources
 CE: Transition to a circular economy
 PPC: Pollution Prevention and Control
 BIO: Biodiversity and Ecosystems

MINIMUM SAFEGUARDS

Article 18 Taxonomy Regulations

The minimum measures to protect the basis of harmonization with the EU Taxonomy, in accordance with Art. 18 of the Regulation. One includes all the procedures that are carried out to ensure that economic activities are carried out in accordance with:

- the OECD Guidelines for Multinational Enterprises
- the UN Guiding Principles on Business and Human Rights (UNGPs), including the principles and rights set out in the eight fundamental conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- the International Bill of Human Rights.

The minimum safeguards cover four topics: human rights (including labour and consumer rights), corruption and bribery, taxation and fair competition. The Čakovečki mlinovi Group does not currently assess its activities against the minimum safeguards criteria set out in the Taxonomy, as reporting efforts are focused solely on the assessment of eligibility rather than alignment with these standards.

ACCOUNTING POLICIES AND KEY INDICATORS

Sections 1.2.1(a), (b) and 1.2.2.1(c) of Annex I to the Disclosures Delegated Act

Key performance indicators include turnover (*Turnover*), Capital Expenditure (*CapEx*) and Operating Expenditure (*OpEx*). The assumptions set out in Annex II of the Taxonomy Delegated Act shall be used to represent the key indicators of the Taxonomy.

Since the Čakovečki mlinovi Group does not perform any activities related to natural gas and nuclear energy (activities 4.26 - 4.31), the dedicated templates introduced by the Supplementary Delegated Act for activities in certain energy sectors are not used.

Only capital expenditure and operating expenditure "category c" can qualify as Taxonomy-eligible, i.e. CapEx/OpEx related to the procurement of *outputs* from Taxonomy-eligible economic activities and individual measures that enable the target activities (ineligible activities of the Čakovečki mlinovi Group) to become low-carbon or lead to greenhouse gas reductions (Section 1.1.2.2(c) of Appendix I of the Taxonomy Delegated Act).

KPI RELATED TO TURNOVER

Definition

Section 1.2.1(a), (b) Annex I of the Disclosures Delegated Act

The turnover KPI is defined as the net turnover derived from taxonomy-eligible and taxonomy-aligned economic activities (numerator) divided by the net turnover (denominator).

The title of the Key Turnover Indicator shall be based on the consolidated net turnover recognized in accordance with paragraph 82(a) of IAS 1. Additional details on accounting policies related to consolidated net turnover can be found in the Consolidated Annual Report of the Čakovečki mlinovi Group for 2023, p. 61 and 62.

Alignment

Section 1.2.1 (second subparagraph) of Annex I to the Disclosures Delegated Act

Consolidated net turnover can be adjusted with the consolidated financial statements, Profit and Loss Account within the Consolidated Annual Report of the Čakovečki mlinovi Group for 2023, p. 40. ("<<Operating Income>>").

TURNOVER TEMPLATE FOR THE BUSINESS YEAR 2023

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards	Taxonomy aligned proportion (A.1.) or eligible (A.2.) Turnover, 2022	Category - enabling activity	Category - transitional activity
Economic activities	Code	Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaption	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaption	Water	Pollution	Circular Economy	Biodiversity				
Text		m€	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b)	Y; N; N/EL (b) (c)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Turnover of environmentally sustainable activities (Taxonomy-aligned)																			
-		0,00	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0,00%	-	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0,00	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%	-	-
Proportion of enabling		0,00	0,00%																
Proportion of transitional		0,00	0,00%																
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Acquisition and ownership of buildings	CCM 7.7 / CCA	0,38	0,19%	EL	EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0,38	0,19%	0,19%	0,19%	0,00%	0,00%	0,00%	0,00%								0,00%		
A. Turnover from eligible activities (A.1 + A.2)		0,38	0,19%	0,19%	0,19%	0,00%	0,00%	0,00%	0,00%								0,00%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		199,24	99,81%																
TOTAL		199,62	100,00%																

KPI RELATED TO CAPITAL EXPENDITURE (CAPEX)

Section 1.2.1 (a), (b) of Annex I to the Disclosures Delegated Act

The key indicator CapEx is defined as taxonomy-eligible and taxonomically aligned capital expenditures (numerator) divided by total capital expenditures (denominator).

Total equity investments consist of increases in tangible (IAS 16) and intangible fixed assets (IAS 38) including right-of-use assets (IFRS 16) during the financial year, before depreciation and amortization, and any remeasurements, including that resulting from revaluations and impairments. Accessories derived from the business combination are also included. *Goodwill* is not included in equity investments because it is not defined as an intangible asset in accordance with IAS 38. Additional details on accounting policies related to capital investments can be found in the Consolidated Annual Report of the Čakovečki mlinovi Group for 2023, p. 52.

All types of capital investments that took place in 2023 in accordance with the Taxonomy Regulation were analyzed and investments related to defined economic activities eligible for the Taxonomy on an individual basis were identified. This approach aims to ensure that each capital amount is accounted for only once.

Alignment

Section 1.2.1 (second subparagraph) of Annex I to the Disclosures Delegated Act

Total capital investments can be adjusted to the consolidated financial statements, Consolidated Annual Report of the Čakovečki mlinovi Group for 2023, p. 72 to 75 ("<<Table of Changes in Intangible Assets, in Right-of-Use Assets, and in Property, Plant and Equipment>>").

They are the sum of the following types of movements (takeover and production costs)

- Appendices and
- Additions from the business combination

for intangible assets, right-of-use assets and real estate, plant and equipment.

CAPITAL EXPENDITURE TEMPLATE (CAPEX) FOR THE FINANCIAL YEAR 2023

Financial year 2023	2023		Substantial Contribution Criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards	Taxonomy aligned proportion (A.1.) or eligible (A.2.) CapEx, 2022	Category - enabling activity	Category - transitional activity	
Economic activities	Code	CapEx	Proportion of CapEX	Climate Change Mitigation	Climate Change Adaption	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaption	Water	Pollution	Circular Economy					Biodiversity
Text		m€	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
-		0,00	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0,00	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0%	-	-
Proportion of enabling		0,00	0,00%																
Proportion of transitional		0,00	0,00%																
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Renovation of existing buildings	CE 3.2.	0,15	2,03%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
Demolition and wrecking of buildings and other structures	CE 3.3.	0,01	0,19%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1 / CCA 5.1	0,01	0,13%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5 / CCA 6.5.	0,10	1,37%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
Freight transport services by road equipment	CCM 6.6 / CCA 6.6	0,68	9,24%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.3 / CCA 7.3	0,22	3,01%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
Acquisition and ownership of buildings	CCM 7.5 / CCA 7.5.	0,03	0,38%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	3,35	45,26%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0,00%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,56	61,62%	59,39%	0,00%	0,00%	0,00%	2,22%	0,00%								0,00%		
A. CapEx from eligible activities (A.1 + A.2)		4,56	61,62%	59,39%	0,00%	0,00%	0,00%	2,22%	0,00%								0,00%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		2,84	38,38%																
TOTAL		7,41	100,00%																

KPI RELATED TO OPERATING EXPENDITURE (OPEX)

Section 1.2.1(a), (b) Annex I of the Disclosures Delegated Act
Section 1.2.3.3(c) Annex I of the Disclosures Delegated Act

The key indicator OpEx is defined as a taxonomy-eligible and taxonomically compliant operating expenditure (numerator) divided by the total operating expenditure as defined by the EU taxonomy (denominator).

Total operating expenditure consists of direct non-capitalised costs related to research and development, building renovation measures, short-term rentals, maintenance and repairs. This includes:

- The scope of uncapitalized leases is determined in accordance with IFRS 16 and includes the costs of short-term leases and the largest low-value leases (Consolidated Annual Report of the Čakovečki mlinovi Group for 2023, p. 57. to 58.) tag. Although the largest low-value are not explicitly listed in Art. 8 of the delegated act, the Čakovečki mlinovi Group interprets the act in such a way as to include the most important ones.
- The costs of maintenance and repairs of real estate, plant and equipment were determined on the basis of maintenance and repair costs allocated to the internal cost centers of the Čakovečki mlinovi Group. Related cost items can be found in various items in the profit and loss account of the Čakovečki mlinovi Group, including production costs (maintenance of operations), sales and distribution costs (maintenance of logistics) and administrative expenses (such as maintenance of IT systems). This includes building renovation measures.

In general, this includes personnel costs, service costs and material costs for daily servicing, as well as for regular and unplanned maintenance and repair measures. These costs are directly allocated to the NPO (Property, Plant and Equipment). This does not include expenses related to the day-to-day operation of the NPO such as: raw materials, costs of employees operating the machinery and electricity or fluids that are required for the operation of the NPO. Direct costs of training and other human resources adjustment needs are excluded from the denominator and numerator. The exclusion was carried out because Annex I, Art. Article 8(8) of the delegated act lists these costs only as a numerator, which does not allow for a mathematically meaningful calculation of the Key Operational Expenditure Indicators.

The analysis of the operating costs of the Čakovečki mlinovi Group identified the costs associated with the defined activities that meet the requirements of the Taxonomy. This approach aims to ensure that each operating expense is accounted for only once.

OPERATING EXPENDITURE TEMPLATE (OPEX) FOR THE FINANCIAL YEAR 2023

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards	Taxonomy aligned proportion (A.1.) or eligible (A.2.) OpEx, 2022	Category - enabling activity	Category - transitional activity
Economic activities	Code	OpEx	Proportion of OpEX	Climate Change Mitigation	Climate Change Adaption	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaption	Water	Pollution	Circular Economy	Biodiversity				
Text		m€	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. OpEx of environmentally sustainable activities (Taxonomy-aligned)																			
-		0,00	0,00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0,00%	-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0,00	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%	-	-
Proportion of enabling		0,00	0,00%																
Proportion of transitional		0,00	0,00%																
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5 / CCA 6.5	0,079	2,97%	EL; N/EL (f) EL	EL; N/EL (f) EL	EL; N/EL (f) N/EL	EL; N/EL (f) N/EL	EL; N/EL (f) N/EL	EL; N/EL (f) N/EL								0,00%		
Freight transport services by road	CCM 6.6 / CCA 6.6	0,098	3,66%	EL	EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	2,11	79,10%	EL	EL	N/EL	N/EL	N/EL	N/EL								0,00%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,29	85,74%	85,74%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%		
A. OpEx from eligible activities (A.1 + A.2)		2,29	85,74%	85,74%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		0,38	14,26%																
TOTAL		2,67	100,00%																

RECAPITULATION OF KPI

	Turnover share/total turnover			CapEx Share/Total CapEx			OpEx Share/ Total OpEx	
	Taxonomy aligned	Taxonomy eligible		Taxonomy aligned	Taxonomy eligible		Taxonomy aligned	Taxonomy eligible
CCM	%	0.19%	CCM	%	59.39%	CCM	%	85.74%
CCA	%	0.19%	CCA	%	59.39%	CCA	%	85.74%
WTR	%	%	WTR	%	%	WTR	%	%
CE	%	%	CE	%	2.23%	CE	%	%
PPC	%	%	PPC	%	%	PPC	%	%
BIO	%	%	BIO	%	%	BIO	%	%

CCM: Climate Change Mitigation
 CCA: Climate Change Adaptation
 WTR: Water and Marine Resources
 CE: Transition to a circular economy
 PPC: Pollution Prevention and Control
 BIO: Biodiversity and Ecosystems

The tables introduced by the Taxonomy Regulation Delegated Act have the purpose of providing information if companies have activities that are eligible under multiple objectives. In this way, companies can show all their contributions, as double counting is allowed within these new smaller tables, which is not allowed in the standard table (templates).

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of the responsibility in the business of the Čakovečki mlinovi Group due to its size and importance in the market.

In addition to the tradition and quality of its products, the Group has gained its position as a socially responsible company through building quality relationships with end customers, local farmers, suppliers and other business partners, through caring for its own employees and through investing in the local one in which it operates.

Quality Management

The Čakovečki mlinovi Group is continuously working to improve the quality standards of its products using the highest quality raw materials available and applies transparent and credible labeling and certification of its products.



DEDICATING TO CREATING PREMIUM PRODUCTS

As the logo of Čakovečki mlinovi sounds, premium products are imperative and one of the key values of the Group.

The basic factors of the offer of the Trade segment are:

- proximity or accessibility of stores to customers,
- a wide range of products that includes best-selling food and non-food brands and quality private labels and further adapts to the micro-location of stores,
- competitive prices with regular promotions, and
- shopping experience in modernly designed stores with service-oriented sales staff.

In the Food segment, the greatest emphasis is placed on the production of premium products. All products and business processes are based on the management system defined by the Quality and Food Safety Policy, from the selection of the highest quality raw materials, the use of state-of-the-art technologies, the development of special recipes to the continuous education of employees.

The strategic principles of quality management in the Food segment are:

- production, sale and development of milling, bakery and oil products in accordance with laws and safety regulations
- focus on the customer and market requirements
- responsibility towards the environment and sustainable production
- ensuring the necessary working conditions, resources and expertise of employees.

The entire production process, from the procurement of raw materials to the distribution of finished products, is under the continuous control of technologists, internal laboratories, authorized external laboratories, state inspections and authorized certification houses.

Valid certificates at the Group level as of 31 December 2023 are:

Standard	Company	Authorized body
ISO 9001:2015	Čakovečki mlinovi Inc., all work units	SGS Adriatica Ltd.
	Radnik Opatija Inc., bakery Lovran	SGS Adriatica Ltd.
HACCP according to the Code Alimentarius	Čakovečki mlinovi Inc., all work units	SGS Adriatica Ltd.
	Trgovina Krk Inc.	Bioinstitut Ltd.
	Radnik Opatija Inc., bakery Lovran	SGS Adriatica Ltd..
IFS Food, version 7	Čakovečki mlinovi Inc., WU Mlin Čakovec and WU Mlin D. Kraljevec	SGS United Kingdom Ltd
KOSHER	Čakovečki mlinovi Inc., WU Mlin Čakovec, WU Mlin D. Kraljevec, OU Oil production and product exchange	Jewish religious community Bet Israel in Croatia
GS1	Trgovina Krk Inc.	GS1 Croatia
	Radnik Opatija Inc.	GS1 Croatia

WU- work unit, OU – organizational unit

Employee relations

The employees are the greatest asset of Čakovečki mlinovi Group, and achieving the Group's business objectives would not be possible without them. Employee satisfaction is one of management's strategic goals, with special attention given to creating a high-quality work environment, providing training and education opportunities, fostering respect and non-discrimination, ensuring workplace safety, and offering competitive compensation based on qualifications and performance.

In addition to salaries, employees of the Group also have other material rights that include holiday pay, Christmas bonus, Easter bonus, awards, reimbursement of transportation expenses, business travel costs and hot meal, a gift for children up to 15 years of age, various assistance, the right to severance pay, jubilee awards and similar benefits.

Continuous investments are made in increasing the safety of employees and achieving occupational safety standards in accordance with legal regulations. Employees undergo medical examinations, occupational safety education, seminars, and there is continuous supervision of occupational safety by technical services.

During 2024, continuous investments in employee satisfaction continue by providing additional benefits such as grants for the birth of a child, additional vacation days for employees for the first day of the start of the school year, fees for mentoring students and fees for mentoring newly employed on probation. Employees can also receive a referral bonus for successfully recommending a new hire. Remote work and flexible working hours are available.

Communication with employees takes place through regular meetings, employee gatherings, meetings with union representatives, and occasional annual gatherings.

As of December 31, 2023, the Group employed 2,249 employees (2022: 2,305), or in 2023 an average of 2,112 employees based on hours worked (2022: 2,351).

Diversity of employees

Age groups	31.12.2023.					31.12.2022.					
	Management*		Other functions			Total	Management*		Other functions		
	W	M	W	M	W		M	W	M	Total	
< 18 y.	-	-	-	-	-	-	-	-	-	-	
18-24 y.	-	-	111	31	142	-	-	101	30	131	
25-29 y.	-	-	124	31	155	-	-	132	38	170	
30-39 y.	2	4	370	96	472	3	6	406	106	521	
40-49 y.	5	12	578	116	711	4	5	601	127	737	
50-59 y.	8	11	478	146	643	7	11	472	142	632	
60-64 y.	5	0	72	34	111	3	1	70	33	107	
> 65 y.	-	-	6	9	15	2	-	-	5	7	
Total	20	27	1,739	463	2,249	19	23	1,782	481	2,305	
<i>Share in the total</i>	<i>1%</i>	<i>1%</i>	<i>77%</i>	<i>21%</i>	<i>100%</i>	<i>1%</i>	<i>1%</i>	<i>77%</i>	<i>21%</i>	<i>100%</i>	

* For the purposes of this review, management includes the Management Board, Directors and Managers.

At the end of 2023, 78% of the Group's employees were women and 22% were men. Of the total number of employees at the management level, 43% were women and 57% were men. Of the total number of employees in other positions, 79% were women and 21% were men.

Employee turnover

2023.				2022.			
Beginning of employment		Termination of employment		Beginning of employment		Termination of employment	
W	M	W	M	W	M	W	M
332	117	378	126	421	125	509	177

In 2023, the Group recorded an average employee turnover, measured at the beginning of employment compared to the initial balance, of 19%.

Qualification structure of employees

	BE		LPQ		LSE		SE		SVQ		HQVE		BA		MBA		MSc		Total
	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	
No. of employees	18	66	15	21	16	6	55	35	328	1,530	4	1	19	35	32	54	3	11	2,249

At the end of 2023, 87% of the Group's employees had a skilled and secondary education qualification, which corresponds to the average of the food and retail sectors, respectively.

BE – Basic Education, LPQ – Lower Professional Education, LSE - Lower Secondary Education, SE – Secondary Education (finished three class of secondary education), SVQ - Secondary Vocational Qualification (finished fourth class of secondary education), HQVE - Highly Qualified Vocational Education (finished fifth class of secondary education), HVE- Highly Vocational Education, BA – Bachelor, MBA – Master of bachelor, MSc – Master of Science

Number of employees by type of contract and gender

Gender	Permanent contract	Fixed-term employment contract	Total
M	443	47	490
W	1558	201	1759
Total	2.001	248	2.249
<i>Share in the total</i>	89%	11%	100%

At the end of 2023, 89% of the Group's employees had an indefinite contract, most of the Group's employees have a stable job and long-term security, which is an indicator of the stability of the Group's business. The Group takes care of its employees and provides them with favorable employment conditions to encourage their loyalty and long-term engagement.

Injuries at work

	2023.	2022.
Number of employees slightly injured at work	41	34
Number of employees seriously injured at work	-	2
Number of employees killed at work	-	-

In 2023, there were 41 injuries at work.

Protection of human rights

Employees are the key to success and competitive advantage of the Group, and great emphasis is placed on their rights and needs. The strategic goal of the management is to build and maintain a positive, quality, stimulating and productive work environment in which employees will be fulfilled and motivated, and at the same time maximize their contribution to the Group's goals.

Čakovečki mlinovi Inc. has been a member of the Croatian Employers' Association since 1994 and contribute to its activities with their knowledge and experience. In addition, as a member of the Croatian Employers' Association, the Group supports United Nations Global Compact (UNGC) and its Fundamental Principles on Human Rights and Labor. The Group implements a policy of equal opportunities regardless of race, gender, color, religion, age, ethnicity, external orientation, disability or other permanent characteristics of employees. Management is committed to creating a professional work environment in which employees are treated with respect and dignity and in which there is no inappropriate behavior, discrimination, or harassment.

At the level of the Čakovečki mlinovi Group, employees participate in decision-making through their representatives in trade unions that promote their rights and interests towards the employer, but also through the institute of employee representatives in the Supervisory Board of Čakovečki mlinovi Inc.

On December 31, 2023, within the Group, there are:

- Independent Trade Union of Workers Čakovečki mlinovi Čakovec,
- Independent Trade Union of Workers of Croatia,
- Trade Union of Croatia, and
- Industrial Volunteer Fire Brigade Čakovečki mlinovi.

In all forms of work, employment, salaries and awards, training, promotion, transfer or termination of employment, all employees are treated fairly, in accordance with their qualifications and performance.

Helping the community

Through donations and sponsorships, the Group helps various humanitarian, cultural, educational, sports and other associations and related events.

Čakovec mlinovi Inc., as a company that has committed to tradition, regularly supports the traditional "Međimurje Carnival", where every year in February, in the center of Čakovec, in addition to traditional Međimurje masks and cheerful socializing, song and dance, masks from all over Croatia and neighboring countries can be seen. In October 2023, Čakovečki mlinovi Inc. donated several types of bread and pastries to business partners and schools and kindergartens to mark the "Days of Bread" on their premises. Also, Čakovečki mlinovi Inc. responded to the "Lenten action" and "Advent action" through which they donated flour to the most needy families in Čakovec on Easter and Christmas 2023.

Trgovina Krk Inc. helps the local community and beyond with donations in goods and money. In particular, they help kindergartens, football youth schools, various associations and animal shelters.

Radnik Opatija Inc. donated to the goods of the local elementary school after the end of the school year and homes for the elderly during Christmas events.

Fight Against Corruption

Corruption is any act that, contrary to the public interest, undoubtedly violates moral and legal norms and violates the foundations of the rule of law.

In its operations, the Group clearly applies defined principles and codes of business that are in line with legal regulations and guidelines of the legislator and are focused on the fight against corruption.

In its operations, the Group's management implements the highest legal, ethical and moral standards of business and no forms of bribery are allowed or accepted. All employees of the Group and all those acting on behalf of the Group are strictly prohibited from offering, paying, soliciting or accepting bribes.

The anti-corruption activities carried out by the Group include the following activities:

- analysis of all business partners to determine that they operate in accordance with acceptable business standards, verification and recording of all donations and sponsorships to ensure they are undertaken in good faith, and to prevent any possibility of conflicts of interest or associating donations with bribery,
- rigorous control over representation expenses, hospitality, gifts, and marketing expenses to ensure they are incurred under justified business circumstances, and
- collaboration with governmental bodies responsible for controlling and combating corruption.

CORPORATE GOVERNANCE

The Company voluntarily applies the Code of Corporate Governance jointly developed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange.

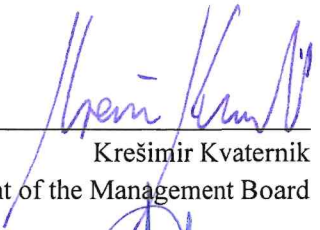
For more details on corporate governance in 2023, please refer to the Consolidated Annual Report for 2023 (pages 28-30) under the Statement of Corporate Governance Code Compliance, Company Bodies, and Corporate Governance (pages 7-10), as well as the publicly available Compliance Questionnaire for equity issuers.

**APPROVAL OF THE MANAGEMENT FOR THE PUBLICATION OF THE 2023
SUSTAINABILITY REPORT ON THE WEBSITE**

The Management Board of the Čakovečki mlinovi Group approves the publication of the 2023 Sustainability Report on the website in accordance with the Accounting Act (OG 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22, 82/23), the Non-Financial Reporting Directive (2014/95/EU), the Taxonomy Regulation (2020/852) and related delegated regulations and acts, as well as the currently applicable guidelines of the Croatian Financial Services Supervisory Agency for the preparation and publication of ESG relevant information by issuers

In Čakovec, 27 June 2024.

For Čakovečki mlinovi Inc.:



Krešimir Kvaternik
Deputy President of the Management Board



Marijan Sršen
Member of the Management Board



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