



MK GROUP

VISION OF SUSTAINABLE FUTURE

ESG REPORT FOR 2023

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FOREWORD



In the year behind us, we marked 40 years of the MK Group's operations and announced a major investment cycle of EUR 1.6 billion until 2026. Relying on the company's long and successful history, as well as new investments in agriculture, tourism and green energy, we will continue to shape the regional economy, guided by a vision of sustainable development, community care and environmental responsibility. Our story is the story about continuous growth and value creation, with dedication to all our employees, partners, clients and local communities. We prove again and again that a company can be the driving force not only of the economy, but also of social changes that leave a lasting impact.



Taking care of ESG performance has become an integral part of our daily operations, something we are very proud of. Transparency and responsibility are the principles "revived" through our practice, and the foundations on which we build a relationship of trust with all interested parties. We are aware that the success of the company depends not only on financial results, but also on our ability to positively influence the environment we live and work in.

Mihailo Janković
MK Group CEO

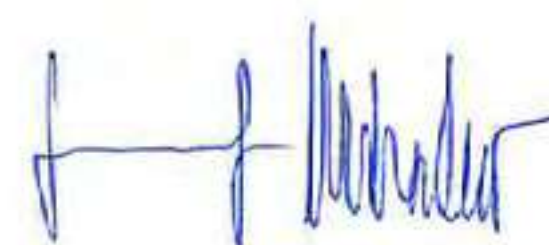
During 2023, we achieved important steps in reaching the goals we set with the ESG strategy. Guided by the imperative to preserve natural resources and protect the environment, we continued investing in renewable energy sources. We opened the fourth wind farm in our MK Energy portfolio, which is the first one in East Serbia. The “Krivača” wind farm at Golubac, an investment worth EUR 165 million, can annually produce 310 GWh of green energy. We invested over EUR 2 million in the installation of solar panels on our facilities within the MK Agri-food and MK Tourism & Real estate divisions, thereby increasing not only the electricity generation from wind energy, but also from solar energy. We implemented new measures to improve energy efficiency and approximate carbon neutrality in member companies. These investments demonstrate our long-term commitment to the combating climate change. We have achieved a particularly significant result in the efficient management of water resources. In 2023, we reduced water consumption by 23%, and the amount of wastewater generated by 19%.

In the field of social impact, our company remains a reliable partner, providing support to local communities. Our corporate social responsibility initiatives further strengthen ties with the communities we operate in throughout the region. We allocated over EUR 2 million for philanthropy in 2023, with one of our favourite actions being the donation of EUR 680,000 for the renovation and equipping of 20 kindergartens in the Adria region, implemented together with AIK Banka and Gorenjska banka. We invest in the future by supporting children and young people, which is why programmes like this are the focus of our CSR strategy. We also invest in the future through the support to our employees. We continuously work to create an inspiring work environment where every individual has the opportunity to realise their full potential. We pay great attention to the education of our employees, so that they can demonstrate our corporate

values – excellence, continuous development, empowerment and synergy – in the performance of working tasks.

When it comes to corporate governance, we are particularly proud of the fact that half of the members of the MK Group Board of Directors are women, and that more than 40% of women occupy managerial positions within the system. Our goal is to increase this percentage to 50% in the near future, which will further strengthen our commitment to gender equality. In the field of ESG management, we have invested huge efforts in establishing the structure and process of data collection and processing and ESG reporting. We have formed a team consisting of members from all our member companies, as well as an ESG board that, together with the leaders of our system, leads the ESG agenda.

We are very pleased to present our second sustainability report. I would like to thank all my colleagues involved in its preparation, data collection, but also in the implementation of the measures we defined in order to reach the goals set in our five-year strategy. With a systematic approach, we continue to regularly review the set ESG goals and adapt action plans to new challenges, in order to raise business sustainability and care for the environment, employees, consumers and society to the highest level.



Mihailo Janković
MK Group CEO





FOUR DECADES OF SUSTAINABLE DEVELOPMENT AND INVESTMENTS

Founded four decades ago, MK Group has become synonymous with stability and sustainability in business thanks to the clear vision of our founder and president Miodrag Kostić.

Through strategic investment we create value for the economy of Serbia and the Adria region, our employees, business partners and the communities we operate in. We are expanding our operations in the agriculture and food industry, renewable energy sources, tourism and the real estate sector, primarily in the markets of Serbia, Slovenia, Croatia and Montenegro.



ECONOMIC INDICATORS - 2023

Operating income:
EUR 394 million

EBITDA:
EUR 75 million

AN ANNIVERSARY MARKED BY INVESTMENTS

MK Group celebrated 40 years of operations, turning to the future and new projects. The previous investments of EUR 1.6 billion will be doubled by the end of 2026.

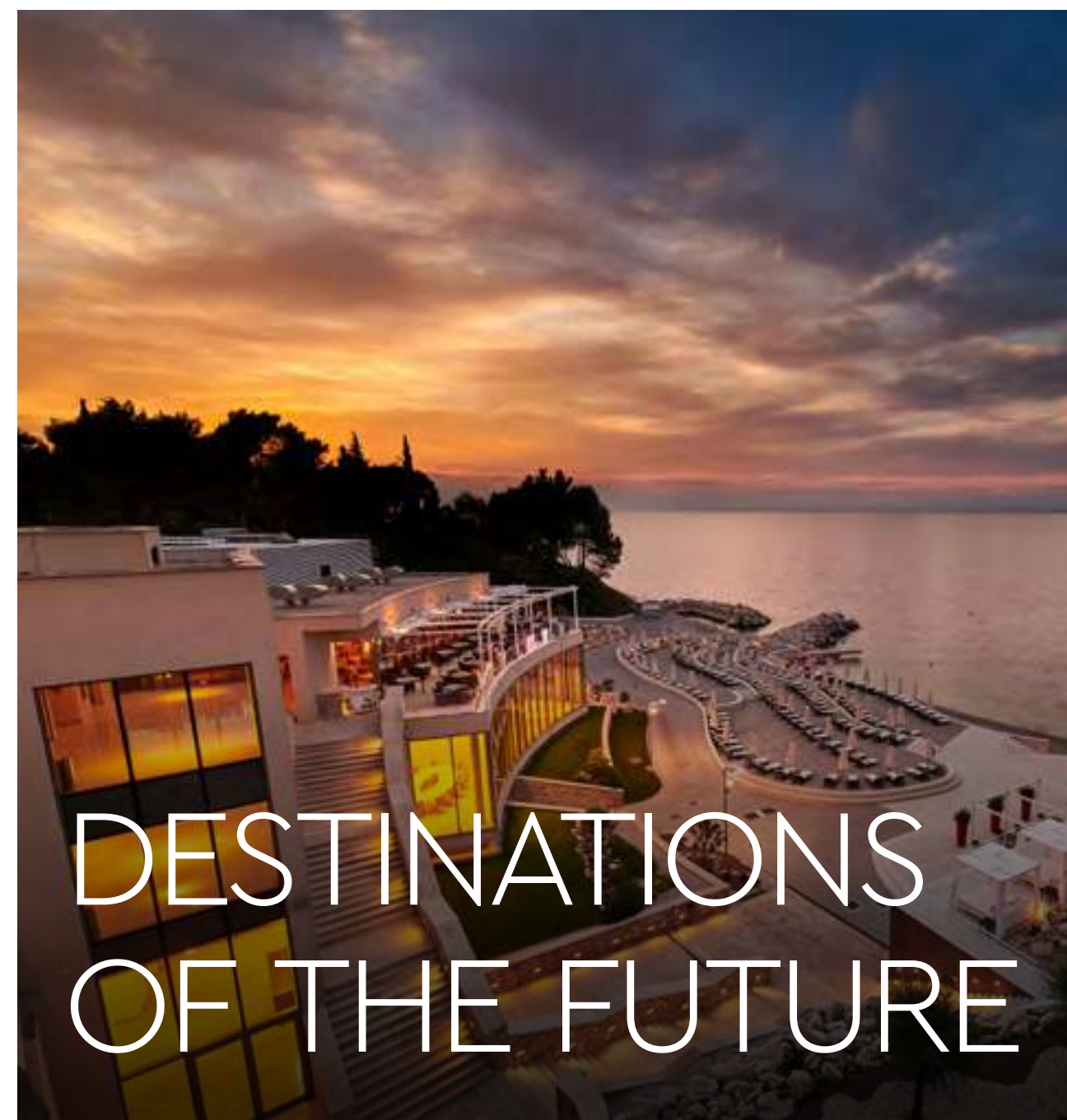
Inspired by a clear vision of the future, we embark on new successes and investments under our anniversary slogan: “Celebrating future – the best is yet to come.”



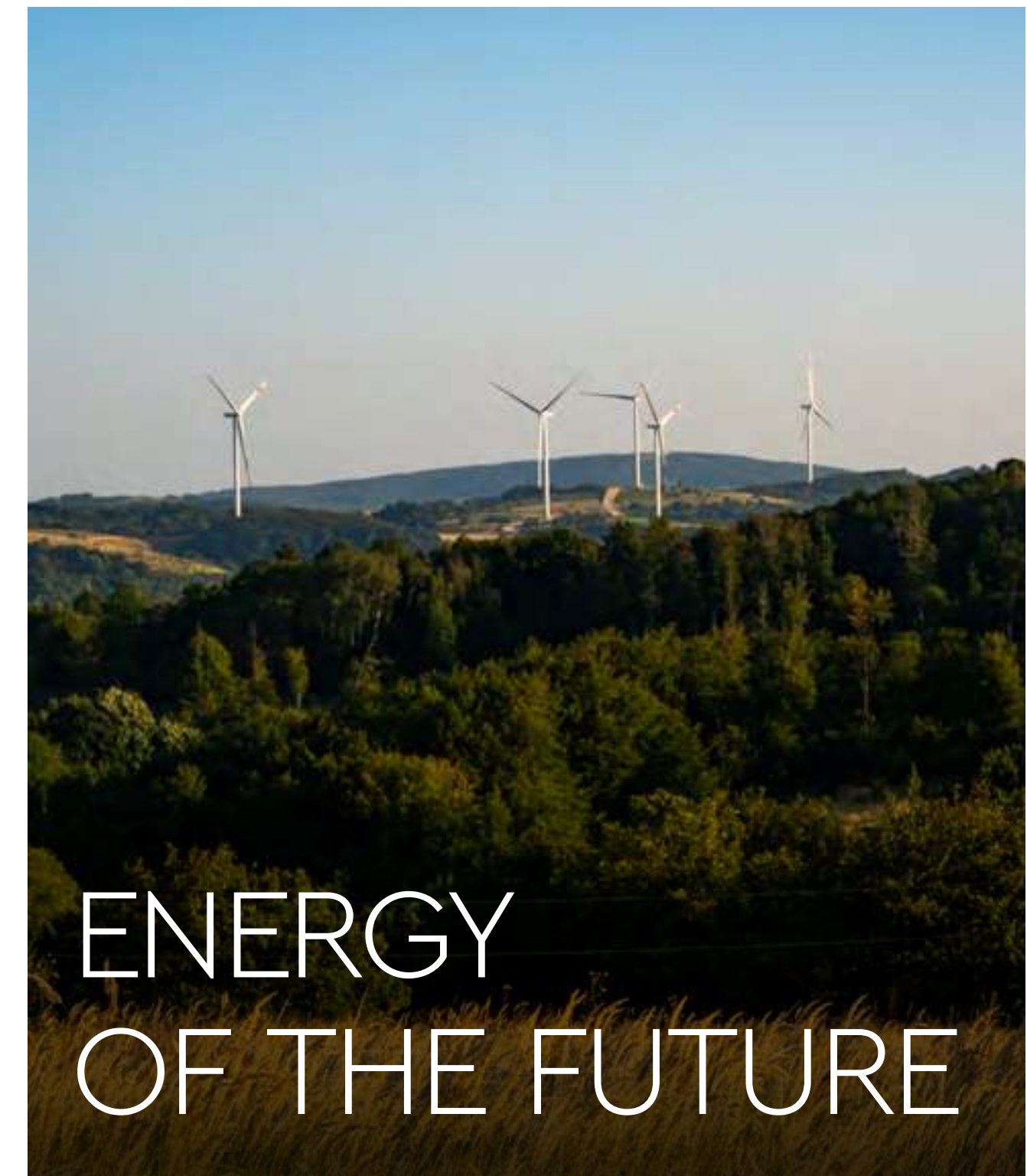
BUSINESS PORTFOLIO



FOOD
OF THE FUTURE



DESTINATIONS
OF THE FUTURE



ENERGY
OF THE FUTURE



MK AGRICULTURE

LEADING POSITION IN SERBIAN AGRICULTURE

The MK Agriculture division includes companies engaged in farming, vegetable and fruit production and processing, viticulture, and cattle breeding.



13,000 ha
of land we cultivate



220,000 t
of agricultural and
vegetable crops annually



25% higher yield
compared to the average in Serbia



70%
of land under irrigation



950
dairy cows



10,000,000 l
of milk per year





MK AGRICULTURE



12,000 t

annual sales of Flora
frozen fruits and vegetables





MK AGRICULTURE



60 ha
vineyard



400,000 l
annual wine sale





MK AGRICULTURE



82 ha
apple orchard



7,000 t
cold storage



15,000 t
annual apple sale

 **AGRŮUNIJA**



REGIONAL LEADER IN SUGAR PRODUCTION

Sunoko is one of the most efficient factories in the European sugar industry and the largest regional sugar manufacturer whose production exceeds the needs of the domestic market.



3 sugar factories

Vrbas, Pećinci and Kovačica



1,500,000 t

annual sugar beet processing



260,000 t

annual sugar production





REGIONAL MEAT INDUSTRY LEADER

With a tradition of 65 years, Carnex is meat industry leader in Serbia, with a complete “farm-to-table” production system.



22,000 t
annual sales



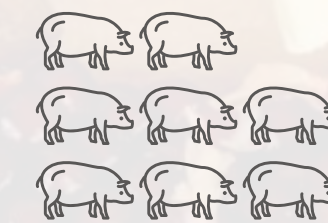
150
meat products in
the portfolio



15
export markets



6
pig farms



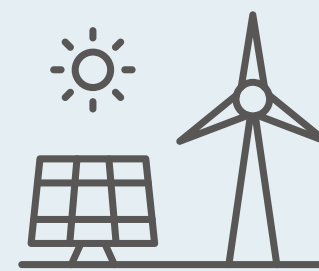
140,000
fattening animals per year

carnex

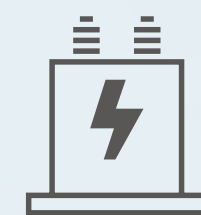


PIONEER IN GREEN ENERGY GENERATION IN SERBIA

MK Group is one of the most important producers of energy from renewable sources in the Balkans, with four operating wind farms and new wind, solar and biomass energy projects.



4
wind farms constructed:
Kula, La Piccolina,
Košava faza I, Krivača



200 MW
total capacity



500 GWh
annual production
of green electricity



130,000
total number of
households
we supply



1 GW
capacity of new RES
projects by the end
of 2026

DEVELOPMENT OF ADRIA REGION DESTINATIONS

Our hotels and real estate projects are located in the most exclusive tourist locations in Serbia, Slovenia, Croatia and Montenegro, attracting guests from all over Europe in search of top experiences and facilities.



HOTELS

Grand Kopaonik (Serbia),
Kempinski Palace (Slovenia),
Kempinski Adriatic (Croatia),
Budvanska rivijera – 6 hotels*
(Montenegro), and Sveti
Stefan* (Montenegro)

* under minority ownership



TOURIST REAL ESTATE

Grand Residences (Serbia), Petram
Resort & Residences (Croatia),
Skipper Resort (Croatia)



MONETIC

real estate projects (Slovenia)



AIRPORT

Portorož (Slovenia)



GOLF COURSE

Golf Adriatic (Croatia)



STAKEHOLDERS AND MATERIAL TOPICS

MK Group highly values the cooperation with stakeholders, as we believe that dialogue is key to long-term success. Our approach is based on transparency, integrity and respect, with active communication with employees, business partners and the communities we operate in. In order to understand their needs and expectations, we have identified stakeholders and material topics of importance to our business. Our ESG report was developed according to guidelines of Global Reporting Initiative (GRI) standards.



EMPLOYEES



COMMUNITY



BUYERS AND CLIENTS



SUPPLIERS



BUSINESS PARTNERS



FINANCIAL INSTITUTIONS



PUBLIC INSTITUTIONS





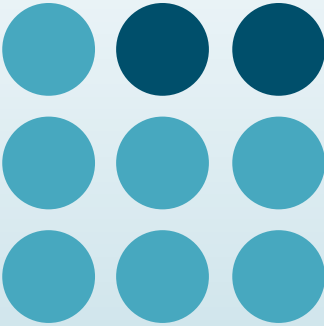
CIVIL SOCIETY ORGANISATIONS



EDUCATIONAL INSTITUTIONS



MEDIA

ESG AREA	MATERIAL TOPICS		
E	ENVIRONMENT	Greenhouse gas emissions and carbon neutrality	
		Energy management and renewable energy sources	
		Water and wastewater management	
		Waste management	
		Soil conservation	
		Biodiversity conservation and animal welfare	
S	ATTITUDE TOWARDS EMPLOYEES	Diversification, equality and inclusion	
		Gender equality	
		Health and safety of employees	
		Development of employees and work practices	
	WELFARE OF BUYERS AND CONSUMERS	Product quality and safety	
		Data safety	
		Value chain	
	ATTITUDE TOWARDS COMMUNITY	Partnership with local communities	
		Support to children and youth	
		Assistance to vulnerable social groups	
G	CORPORATE GOVERNANCE	Optimal governance	
		Economic indicators	
		Business ethics	
		Compliance with regulatory requirements	
		ESG material topic management	



E

ENVIRONMENT

MK Group is continuously working to implement and improve environmental standards in order to reduce our ecological footprint and contribute to a greener future for all.

Objectives in focus until 2026

1 GW of green energy

EUR 900 million

investment into renewable energy sources

A 25% reduction in
Scope 1 and Scope 2 emissions

Key results in 2023

New **105 MW** from wind energy

Krivača wind farm, An investment worth
EUR 165 million opened

3,252 kWp capacity of installed solar
panels with more than EUR 2 million invested



GREENHOUSE GAS EMISSIONS

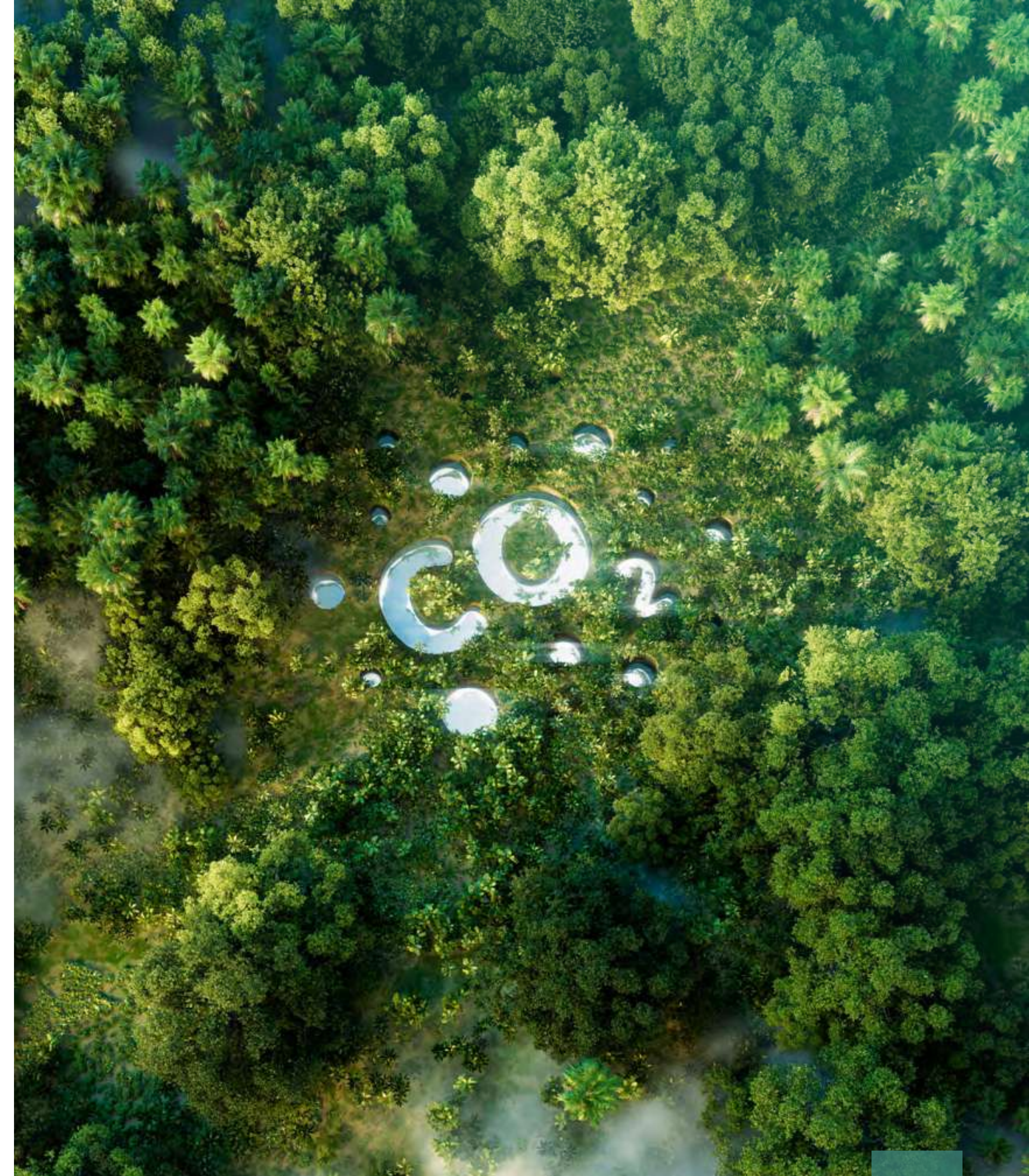
In MK Group we recognise the challenges that climate change and global warming bring, and we are fully committed to implementing measures aimed at reducing greenhouse gas emissions. We are currently monitoring and calculating Scope 1 and Scope 2 emissions.

As part of a comprehensive effort to reduce greenhouse gas (GHG) emissions, corporate reporting standards identify different categories of emissions so companies can accurately track and reduce their environmental footprint. Two key categories in this context are Scope 1 and Scope 2 emissions, which the MK Group members monitor on an annual basis.

Scope 1 emissions are directly related to the activities carried out by the company and are often the easiest to identify and quantify, because they come from directly controlled sources.

These emissions include:

- Emissions from vehicles (GHG emissions resulting from the burning of fuel in vehicles owned or controlled by the company);
- Emissions from manufacturing processes (GHG emissions resulting directly from industry manufacturing processes);
- Emissions from energy plants (emissions resulting from burning fuel in boilers, furnaces or generators within the company).



Scope 2 emissions show the environmental footprint of energy consumption that the company buys, but does not produce itself.

These include:

- Emissions from electricity generation (GHG emissions generated in power plants supplying the company with electricity);
- Emissions from the production of steam, heating and cooling (GHG emissions generated in the facilities providing these resources to the company).

Key factor in Scope 2 emissions is the way the energy is generated – if it originates from fossil fuels, emissions are higher, while the use of renewable energy sources is associated with lower emissions.

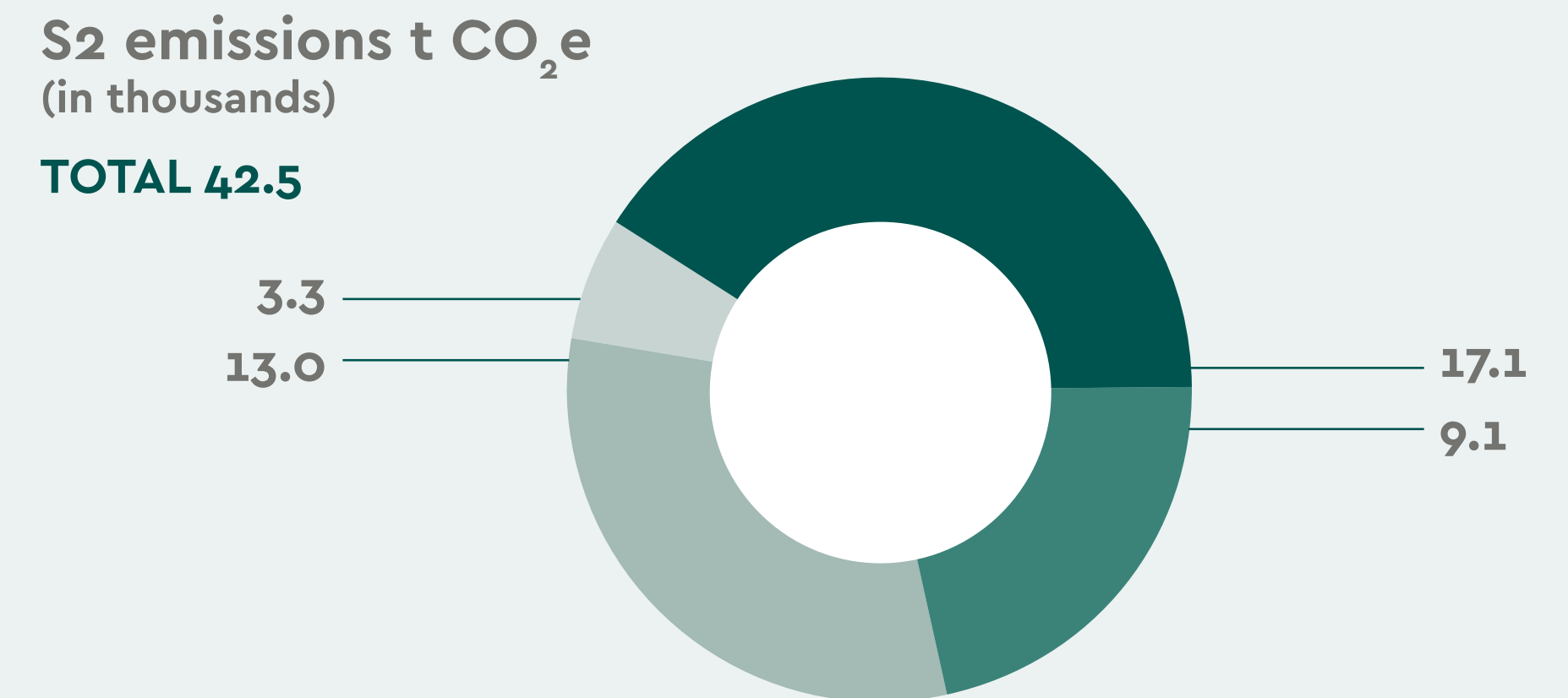
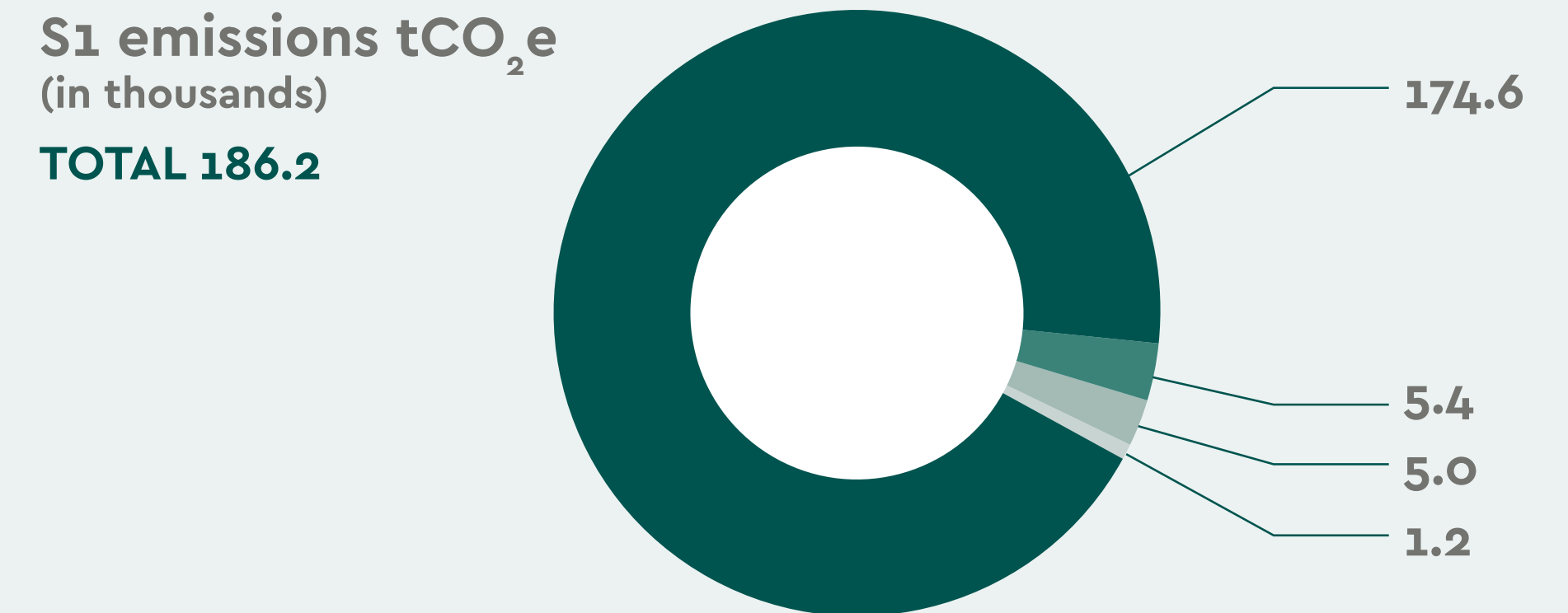
MK Group is making great efforts to contribute to the reduction of greenhouse gas emissions. On the path to this goal, we rely on globally adopted standards and methodologies in defining and calculating these emissions, as well as continuous effort on improving our practices.

GREENHOUSE GAS EMISSION AT THE MK GROUP LEVEL, 2021-2023

YEAR	S1 EMISSION tCO ₂	S2 EMISSION tCO ₂
2021	137,000	48,000
2022	112,000	46,000
2023	186,000	42,000

STRUCTURE OF GREENHOUSE GAS EMISSION PER MK GROUP DIVISION IN 2023

● MK Sugar
 ● MK Agriculture
 ● MK Meat
 ● MK Tourism & Real Estate





SUNOKO CO₂ REDUCTION EFFORTS

Sunoko continues to lead the way in sustainable sugar beet production, reaffirming its commitment to an international programme that brings together agricultural producers and companies committed to sustainability and best agricultural practices.

In 2023, Sunoko continued production in accordance with FSA (Farm Sustainability Assessment) standard requirements, confirming the sustainable development of agricultural production of sugar beet and sugar, where the quality of beet is monitored throughout the entire value chain. During 2023, 11% of the total sugar production was obtained from sustainably produced sugar beet.

It is known that climate change affects businesses more and more, and unfavourable weather conditions during the cultivation of sugar beet in 2023 led to poor sugar beet quality and a large amount of rotten beet for processing, which significantly affected the campaign.

Despite these challenges, the total amount of beet processed reached 1.53 million tonnes, a year-on-year increase of 44%. Precisely because of the poor quality of sugar beet, there was an increase in the CO₂ emission per tonne of processed beet – from 0.09 t CO₂e/t to 0.11 t CO₂e/t.

On the road to decarbonisation, MK sugar is actively working on the transition from highly polluting energy-generating products to more energy efficient alternatives. Significant effects on the reduction of CO₂ emissions are expected through the EUR 3 million investment in a new gas boiler in the production centre in Vrbas. The new modern boiler will replace all three existing coal-fired boilers, with a capacity of 75 tonnes of steam, which will result in a 40% reduction in the total emissions of the Vrbas production centre. The full effects of this investment are expected in the coming years, which will provide an environmentally better future with a high degree of production efficiency to Vrbas, the oldest factory that started operating in 1912.

We have also started the transition towards the use of environmentally cleaner energy sources in our other production centres. In Pećinci, we invested EUR 300,000 into replacement of burners on boilers. One boiler currently uses gas, while the other uses fuel oil. By switching to gas, one boiler reduces CO₂ emissions by 25%. With gradual investments, which would gasify the remaining part of the production, we are planning a total reduction of emissions in Pećinci by 40% in the coming years.

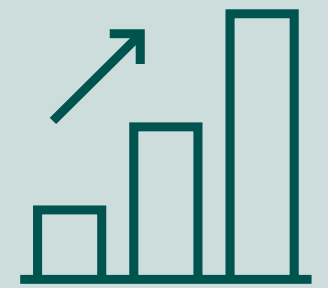
We invested EUR 93,000 in the installation of heat pumps for heating the silos in Kovačica, which resulted in CO₂ emission reduction by 60 tonnes in 2023. The full effect of this investment is yet to be expected, as well as the overall CO₂ emission reduction resulting from this investment – 336 tonnes of CO₂ per year.

The transition is challenging for everyone, and decarbonisation requires long-term investment and careful planning to ensure that the operational efficiency is not compromised.



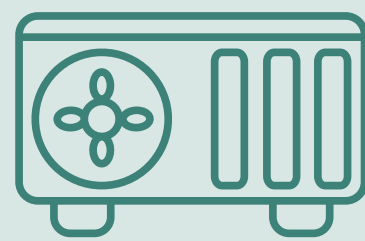
Operations in accordance with FSA standards - **11%** of the total sugar production was obtained from sustainably produced sugar beet.

Despite unfavourable weather conditions, the total amount of beet processed reached 1.53 million tonnes, an year-on-year increase of **44%**.



MK Sugar is investing EUR 3 million into the new gas boiler in Vrbas in order to reduce the production centre total emissions by **40%**.

By switching from fuel oil to gas in Pećinci, the total reduction of CO₂ emissions by **40%** is planned in the following years.



The investment in heat pumps in Kovačica resulted in CO₂ emission reduction by 60 tonnes in 2023, with an expected reduction of **336** tonnes per year.

ENERGY CONSUMPTION AND ENERGY EFFICIENCY

In order to achieve maximum energy efficiency, all our members continuously research and implement innovative measures to reduce electricity consumption. We are focused on the adoption of advanced technologies and solutions that contribute to the reduction of energy consumption, as well as on the optimisation of existing processes. The whole 2023 was predominantly dedicated to installing solar panels and increasing the share of green energy in total consumption.

In different business units of our system, both in Agri-food segment, and in Tourism & Real Estate, a total of 3,252 kWp solar panels, worth EUR 2 million, were installed. These investments in renewable energy sources demonstrate our commitment to increase the production and use of energy from renewable sources. In 2023, they resulted in the generation of 1,306,102 kWh of solar energy. The full effect of these investments is expected to be realised in the coming year, and it will contribute to the reduction of CO₂ emissions and the increase of energy efficiency of all our production processes.

MK GROUP	2022	2023
ELECTRICITY CONSUMPTION (KWH)	68,793,288	66,243,709
Energy consumption from energy-generating products:		
- Diesel (l)	2,744,151	2,809,085
- Gasoline (l)	28,947	24,660
- Gas (m3)	4,052,225	3,344,692
- Coal (t)	67,524	120,384
- Crude oil (t)	2,256	4,576
- Bhutan (t)	47	37
- Fuel oil (l)	1,000	1,000
- Methane (l)	5,184	11,803

SOLAR ENERGY GENERATION

1,306,102 kWh
2023

19,541 kWh
2022

EUR 2 million
investments into solar

ENERGY SAVINGS IN OUR DIVISIONS



Within our MK Meat division, on the roofs of our Carnex Meat Industry, in 2023 we installed 2,062 solar panels with a total installed capacity of 948.52 kWp. In the second half of the year, after commissioning, a total of 236,872 kWh of electricity was generated, while the annual projected generation of 1,014,190 kWh. When the production reaches the expected projections, it is estimated that savings in CO₂ emissions will be about 946.1 t/year.



MK Agriculture was also active in the field of electricity generation from renewable sources. On the Zalivno polje cattle farm solar panels with a capacity of 330 kWp were installed. In the second half of 2023, 121,230 kWh were produced, resulting in electricity savings and an increase in use of energy from renewable sources.

Also, on the roofs of FLORA fruit and vegetable processing factory the installation of solar panels with a capacity of 1,175 kWp was completed, resulting in the generation of 604,610 kWh, which led to electricity saving, whereas the photovoltaic power plant was installed in the Agrounija cold storage, representing a functional unit with a total power of 567 kWp.





Kempinski Adriatic – During 2022, we installed a part of solar panels at the hotel, congress centre and Kempinski villas in order to collect as much energy as possible (the total power of the solar power plant in 2022 was 395 kWp). In 2023, the installation of additional solar panels was completed, increasing the total capacity to 626 kWp. This enabled a significant increase in energy independence, because now we obtain up to 25% of electricity from our own production, depending on load. During 2022, our electricity generation was 19,541 kWh, whereas in 2023 we significantly increased that contribution to 343,260 kWh.

During 2023, we signed an agreement with HEP, the largest electricity distributor in Croatia, guaranteeing that the energy delivered to our company would be generated from renewable sources. To prove this, HEP issued us a certificate. In 2022, 57% of the total electricity purchased was “green energy,” whereas in 2023 that percentage increased to 100%.

Regarding the Kempinski Hotel in Portorož, all the facilities are part of the “GreEn – Nature Friend” programme, confirming that this hotel uses exclusively the electricity generated by renewable sources. This commitment to sustainable development has earned our Kempinski Adriatic hotel the Bronze achievement awarded by EarthCheck, the world’s leading certification and consulting group specialising in sustainability and destination management in tourism industry.

In contrast to the increase in the share of electricity obtained from renewable sources, members are also working on optimising consumption through the use of more cost effective solutions during the performance of their activities.

Looking up to MK Meat division which uses only LED lighting, other divisions are working to achieve that goal, too:

- The lighting was replaced with LED bulbs in all three production centres of MK Sugar division. In addition to savings in electricity consumption, this had a direct effect on reducing CO₂ emissions in 2023 by 40 tonnes.
- In 2023, the project of replacing all lighting with LED bulbs was also completed in Kempinski Adriatic hotel and resort, with positive effects in terms of electricity consumption.
- Kempinski Portorož obtains 70% of lighting from LED bulbs, while the remaining 30% is planned for 2024. In order to reduce energy consumption, it is planned to introduce the automatic switching off of lights after leaving the building in the next 3 years.

Hotel Grand Kopaonik invested EUR 180,000 in the installation of heat pumps, with the aim of increasing energy efficiency. This investment resulted in an annual saving of 400,000 kWh of thermal energy, significantly reducing costs and contributing to the hotel sustainable operation.





AN EXAMPLE OF CIRCULAR ECONOMY

MERGER WITH SUNOKO BIOGAS PLANT FOR THE PURPOSE OF USING HOT WATER IN MEAT INDUSTRY PRODUCTION PROCESSES

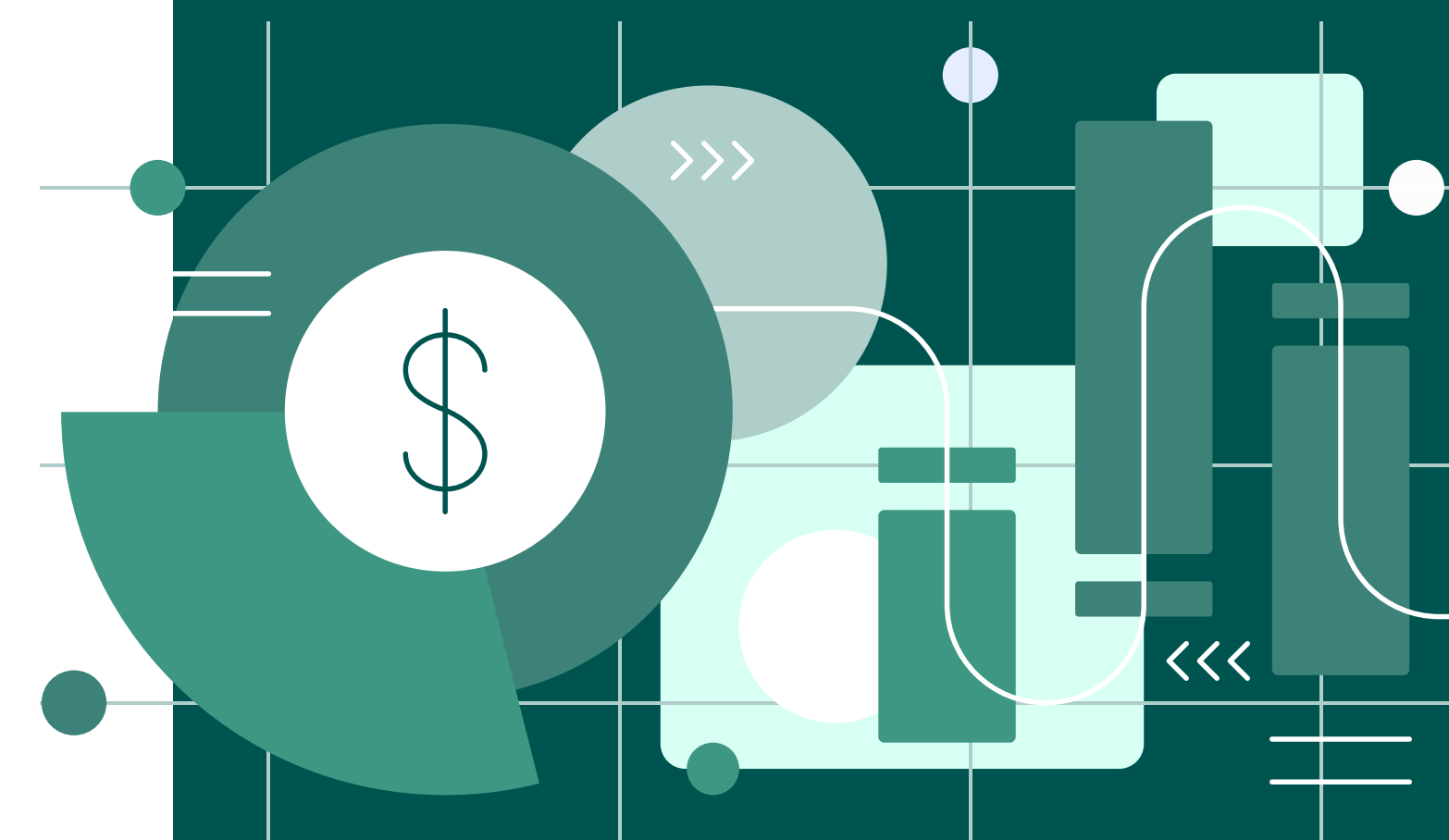
In the period between 2021 and 2022, the line of the main heat pipe between Carnex Meat Industry and Sunoko Biogas Plant was made. The hot water line was built with the aim of using the hot water generated during the engine cooling process at the biogas plant, for the needs of various processes in the meat industry: heating of administrative buildings, warehouses, sanitary water for plant cleaning, heating of glycol in the production part of the durable goods plant, etc. During the aforementioned processes, the temperature of the hot water was reduced and returned to the Sunoko Biogas Plant in a closed system for

reuse for the purpose of engine cooling. This example of circular economy by recirculation use of hot water through merger of two plants indicates the benefits of the reduction of energy consumption, use of energy-generating products and CO₂ emission reduction.

This project has reduced the electricity consumption by cca 1,200,000 kWh/year and CO₂ emission by cca 1.000 t/year.

Installation for the preparation of animal by-products (ABPs)

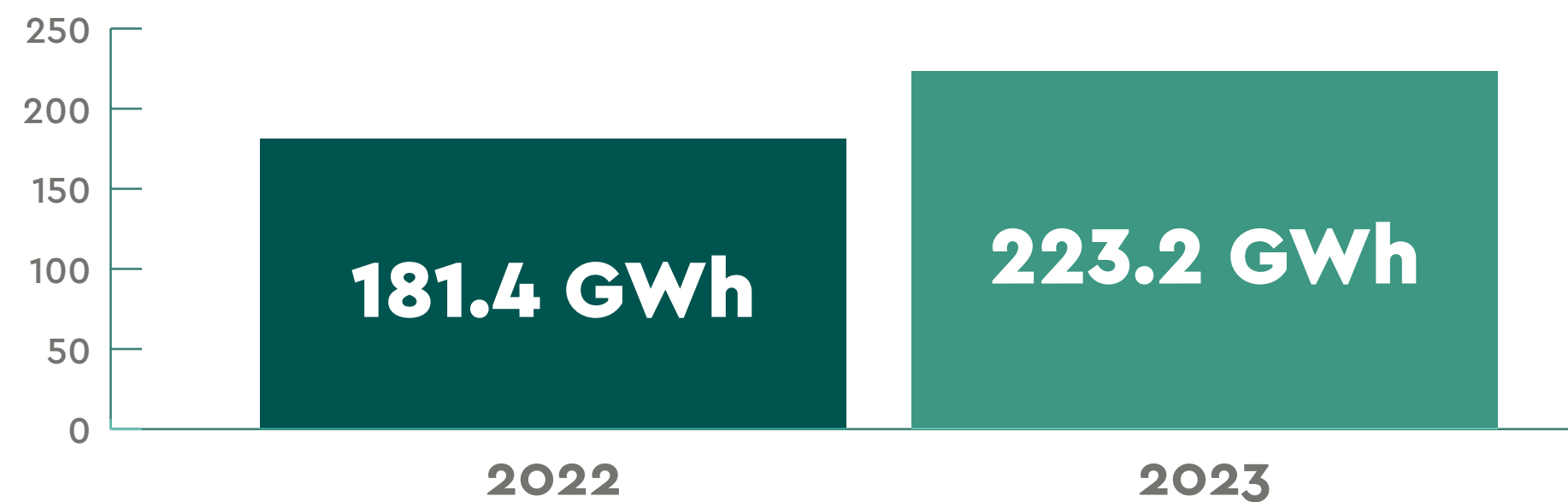
In 2023, the equipment for shredding and homogenisation of category 2 and 3 animal by-products (ABPs) was installed for the purpose of sending to Sunoko Biogas Plant as an additional input raw material for energy generation. The projected capacity of processing is 504 t/month. The investment value is EUR 332,750.



ENERGY GENERATION FROM RENEWABLE SOURCES

Energy generation from renewable sources is becoming increasingly important in global efforts to reduce dependence on fossil fuels, and it is a key element in combating climate change. Within our efforts to reduce the environmental footprint and contribute to the sustainable development of the entire economy, our company continues with strategic investments in renewable energy sources, thereby actively contributing to the national objective of increasing the share of energy from renewable sources in the country's overall energy mix.

TOTAL GENERATION FROM WIND ENERGY



Green electricity generated in 2023 through the operation of wind farms and biogas plants was higher by **23%** compared to the previous year.



KRIVAČA WIND FARM

– A NEW INVESTMENT INTO SUSTAINABLE FUTURE

Recognising the importance of switching to clean energy, during 2023 we intensified activities in this direction. In addition to three operational wind farms, a fourth was officially opened during the previous year.

MK Group and Slovenian Alfi Renewables have opened the wind farm Krivača in Golubac, thus implementing one of the largest regional investments in renewable energy sources, worth EUR 165 million.

Krivača is one of the largest wind farms in the region and the first one in East Serbia. The 105.6 MW wind farm has 22 state-of-the-art wind turbines covering an area of 56 km². This infrastructure enables the annual production of green energy of 310 GWh, which is sufficient for supply of 75,000 households.

In an extremely short deadline for such a large project, in just over two years, MK Group and Alfi Renewables built a wind farm that meets the highest global green standards. Wind energy use significantly contributes to climate change management and GHG emission reduction. Thus, in addition to strengthening energy security, **the important effect of the Krivača wind park is the reduction of carbon dioxide emissions by as much as 120,000 tonnes per year.** In the course of project implementation, the investors built as many as 30 km of new roads, 40 km of transmission lines, a substation, and a connection and distribution plant.



EUR 165 million
investment value



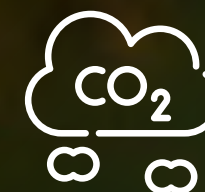
105.6 MW
wind farms capacity



310 GWh
annual green energy generation



22
wind turbines



120,000 t
annual reduction of CO₂ emission

WIND FARMS



4
wind farms
constructed



200 MW
total
capacity



500 GWh
annual green
energy generation



130,000
number of households
supplied

KULA
Kula, Serbia

2015

LA PICCOLINA
Vršac, Serbia

2016

KOŠAVA FAZA I
Vršac, Serbia

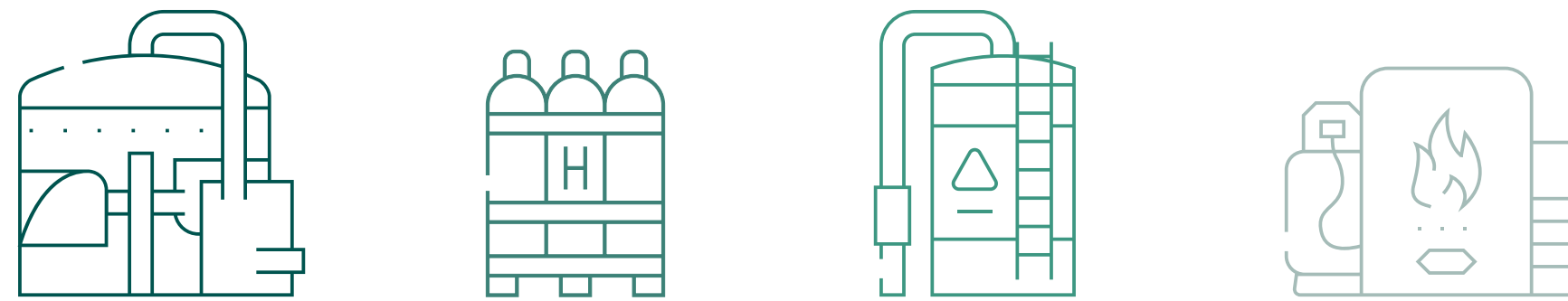
2019

KRIVAČA
Golubac, Serbia

2023

BIOGAS PLANT

Our biogas plant, an investment worth EUR 9.5 million realised in 2021, has significantly contributed to our total electricity generation from renewable sources. Electricity generation amounted to 2.9 GWh in 2023, a significant year-on-year increase.



ELECTRICITY GENERATION (DELIVERED TO NETWORK)

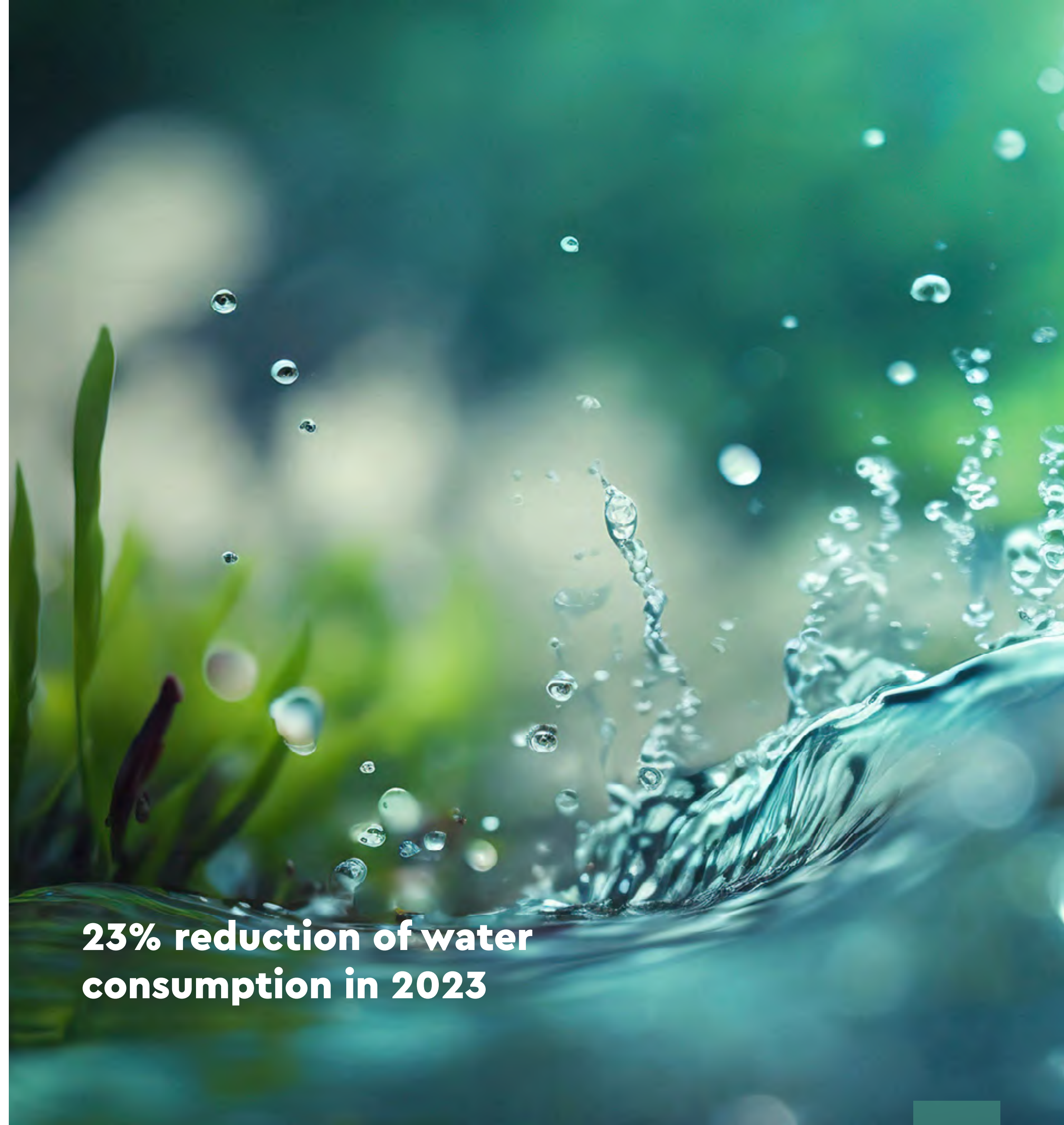


WATER AND WASTEWATER MANAGEMENT

The total water consumption has been reduced owing to efficient management of water resources. Introduction of modern technologies for monitoring and control, along with education of users and employees about the importance of saving water, are parts of our strategy to conserve natural resources. These measures contributed to the consumption optimisation, both in different production processes, and in the irrigation process itself.

WATER CONSUMPTION M ³	2022	2023
ANNUAL WATER CONSUMPTION*	3,252,520	3,133,082
MK Agri-food	2,536,574	2,501,176
MK Tourism & Real Estate	715,946	631,906
WATER USE IN AGRICULTURAL ACTIVITIES (IRRIGATION)	13,925,051	10,035,074
<i>% irrigation in total consumption</i>	81%	76%
TOTAL	17,177,571	13,168,156

**Other processes without irrigation*



23% reduction of water consumption in 2023

The key to any successful agricultural production is the optimal use of water, especially through precisely estimated irrigation. Numerous initiatives have been implemented as a part of our strategy for good and efficient management of water resources.

One of the most significant projects is the implementation of subirrigation on 120 hectares in PIK Bečej. This innovation expanded irrigated lots by 117 hectares and increased crop yields. Sub-irrigation enables a more rational use of water, reduces soil compaction and leaching, and contributes to the preservation of water resources. At the same time, this approach results in a reduction in total water consumption.

Also, new irrigation machines have been acquired that cover about 490 hectares in several locations in Plant Production. We expect that during the next season these machines will improve the quality of irrigation and prevent the negative effects of high droughts on crops. Old models of

irrigation machines were replaced as part of the modernisation process. New equipment, including sprinkler pressure regulators, ensures a reduction in energy and water losses, while simultaneously increasing irrigation efficiency.

In order to manage the irrigation process more precisely, we installed 11 sensors to monitor soil moisture in different lots, which ensured timely watering and reduced unnecessary water consumption. In addition, in the apple orchard, the frost protection system uses water successively, thanks to a network of air temperature sensors, which allows for more effective protection of vulnerable areas without unnecessary consumption in the entire area.





The hospitality sector is actively working on finding new methods for rationalising the consumption of water resources.

In 2023, Kempinski Portorož obtained a permit for swimming pools that use 100% seawater, which is returned to the sea after use, which directly contributes to the conservation of resources. The plan is also to implement a project to use rainwater for water motifs and a fountain, which will further reduce the use of water from other resources.

The project of revitalisation of the pumping plant for the irrigation of the golf course was started in Kempinski Adriatic in 2023. This project will eliminate the need to use water from the public water supply network, thus achieving independence in irrigation, as well as reducing costs.

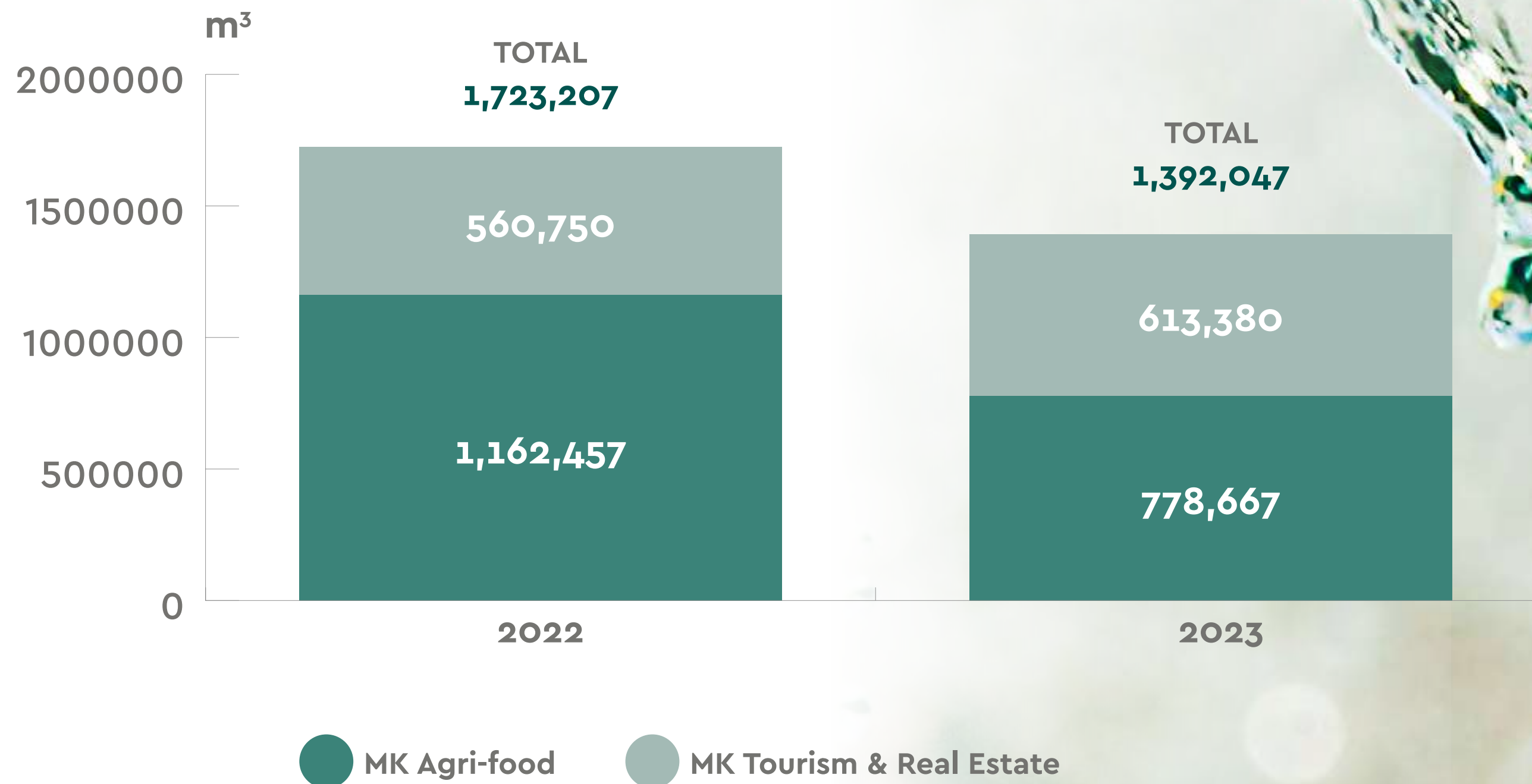
Management of wastewater generated as a result of various operating and manufacturing activities, represents a significant challenge and requires special attention. MK Meat has been committed to sustainable waste water management since 2012. Carnex Meat Industry owns its own waste water treatment plant, with a capacity of 2,300 m³/day.

Water processed at Carnex Meat Industry plant is discharged into the public sewage network, i.e. to the Central Municipal Wastewater Treatment Plant Vrbas-Kula, in accordance with applicable national regulations.

Liquid fertiliser on the pig farms is stored in ground lagoon systems, so it is further used for fertirrigation and irrigation of arable surfaces if needed. This process is performed through tanks and installed ground and surface irrigation systems.



ANNUAL GENERATED AMOUNT OF WASTEWATER (m³)



**19% reduction
of wastewater
amount**





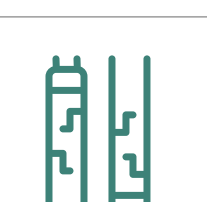

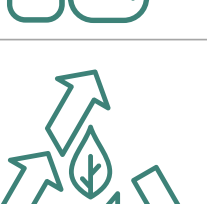
WASTE MANAGEMENT

The Waste Management Procedure was implemented at the MK Group level, and it entails all aspects of the process, including responsibilities and powers, waste type identification, waste management procedures, relevant documentation and obligation reporting to the competent authorities. Each member has a designated responsible person and a clearly defined plan for waste management, enabling consistent compliance with regulations and constant improvement of practices in the field of waste management.

All types of waste, including hazardous and non-hazardous waste, are managed in accordance with the Law on Waste Management and Law on Packaging and Packaging Waste.

As a result of the increase in production volume, but also the expenditure of equipment and additional materials, larger amounts of waste and secondary raw materials were generated in 2023 than in 2022, and they were properly handed over to authorised operators for disposal.

99% WASTE GENERATED HANDED OVER TO WASTE OPERATORS

2022		2023
952	TOTAL GENERATED WASTE (T)	1,813
59	PLASTIC 	170
16	GLASS 	129
188	PAPER 	251
439	METAL 	719
8	ELECTRIC AND ELECTRONIC WASTE 	4
1	EDIBLE WASTE OIL 	4
241	OTHER (TOTAL) 	536
926	AMOUNTS OF WASTE HANDED OVER TO WASTE OPERATORS (T)	1,789

PACKAGING WASTE MANAGEMENT

The packaging of a wide range of our products, which can be found on market shelves throughout Serbia, ends up in recycling centres.

Sugar, pâtés and spreads, permanent sausages, salami, hot dogs, pig and cattle feed mixtures, wine, seed products, apples and frozen fruit and vegetable programmes are just some of our products whose packaging ends up in recycling centres.

Our members operating in MK Group system and marketing their products in primary, secondary and tertiary packaging, successfully fulfilled their obligation stipulated by the National Goal and recycled packaging from their own products.

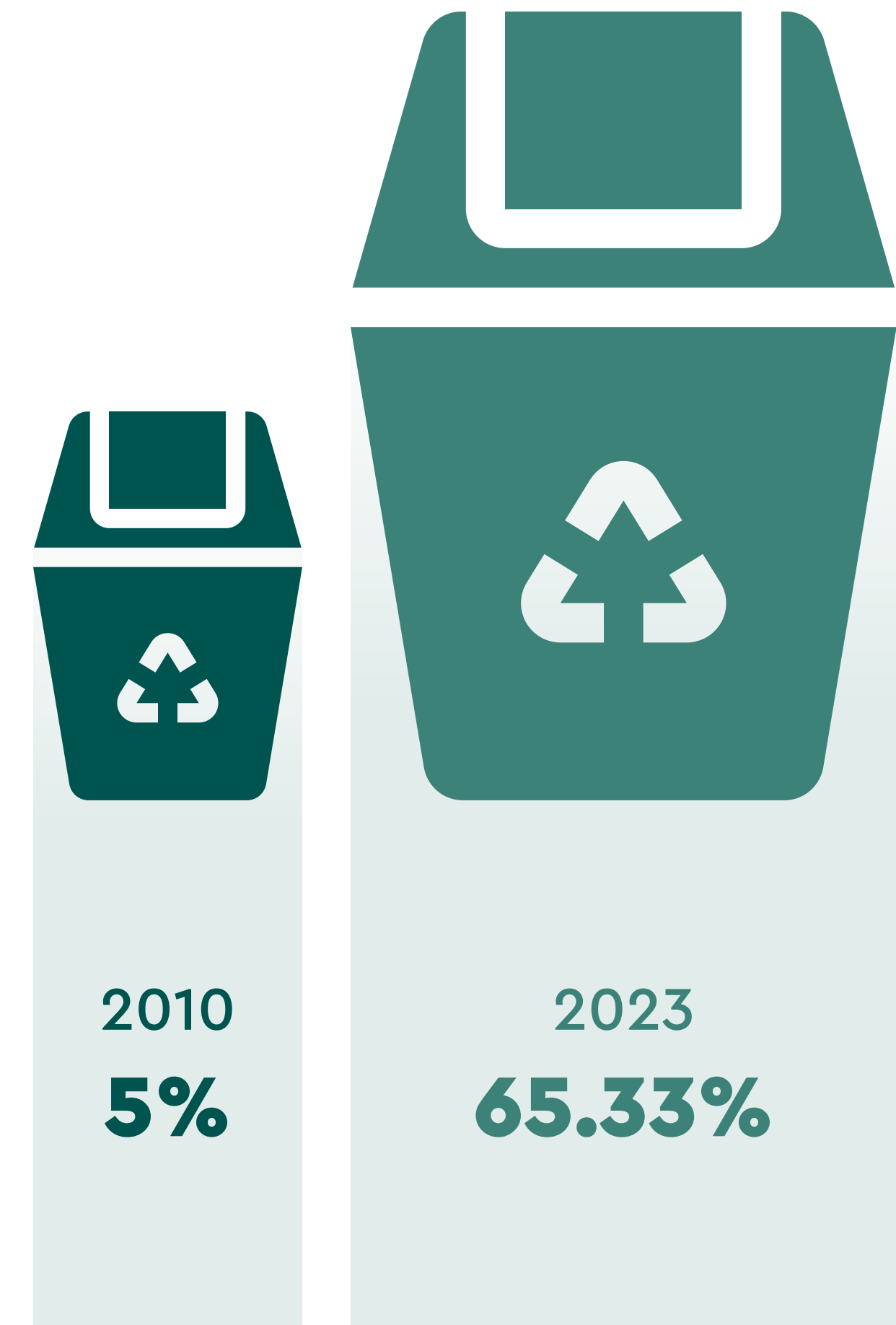
The National Goal stipulated for 2023 was 64% for reuse, that is, 59% for recycling of packaging waste from the total amount of packaging marketed in the Republic of Serbia.

By recycling close to 1,451 tonnes of packaging waste from their own products, such as paper and cardboard packaging, packaging made of plastic, glass, metal and wood, the MK Group members contributed to reducing the amount of packaging waste disposed of in landfills and reducing the negative environmental impact.

While in 2010, on behalf of our members, the packaging waste management operator recycled a total of 5% of packaging waste generated from our marketed products, in 2023 the recycled amount reached 65.33% (1,451 t).

MK Group members marketing their products in packaging (Carnex, Sunoko, Agrounija, PIK Bečej, and Erdevik) have sent 2,221 tonnes of packaging to the Serbian market, and through Ekostarpak, the packaging waste operator, 1,451 tonnes, or 65.33%, were returned.

RECYCLING PERCENTAGE OF PACKAGING WASTE GENERATED FROM MARKETED PRODUCTS



BIODEGRADABLE WASTE MANAGEMENT

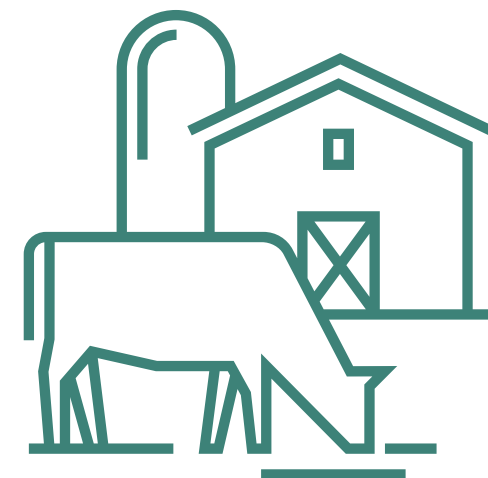
2023
112,014 t
TOTAL BIODEGRADABLE WASTE
GENERATED



Biodegradable waste management plays a key role in our production process, especially in sugar factories.

In 2023, total biodegradable waste generated was 112,014 tonnes. This increase in the amount of waste is the result of a higher yield of beet and problems with the drying of the noodles due to the poor beet quality.

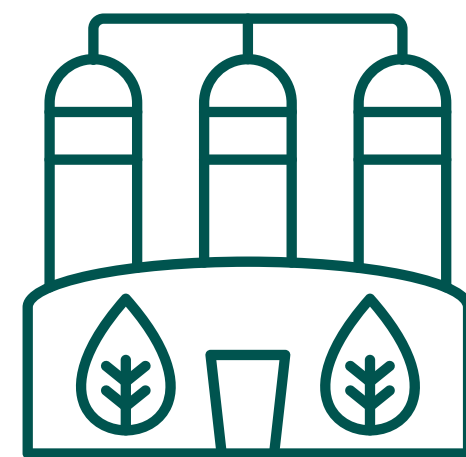
100,665 t
OF BIODEGRADABLE WASTE
USED FOR FEEDING ANIMALS



Majority of biodegradable waste, 100,665 tonnes in total, was used for feeding animals. The remaining amount of 11,349 tonnes was handed over to the biogas plant, by which we contribute to the utilisation of waste resources for energy production and reduce the total amount of organic waste.

Our biogas plant in Vrbas uses the sugar beet processing by-products as input raw materials, thereby disposing of most of the biodegradable waste. The company also plans to use by-products obtained during animal slaughter and meat processing as one of the additional inputs in the production process in the future. The full effect of this investment is expected in 2024.

11,349 t
OF BIODEGRADABLE WASTE
HANDLED OVER TO BIOGAS PLANT



When it comes to secondary products of animal origin (categories 1, 2, 3) from the Meat Industry and from pig farms, this waste has been handed over to authorised rendering plants for many years. During 2023, a total of 3,898 tonnes of this waste was handed over to rendering plants. However, by merging our industrial compound with a biogas plant, we plan to internally dispose of category 2 and 3 animal by-products from the Meat Industry, which will further contribute to the sustainability of our operations.

WASTE MANAGEMENT IN HOSPITALITY INDUSTRY

Our hotels are at the forefront of preserving the environment through innovative approaches to waste management, contributing to the protection of natural resources.

In 2023, Kempinski Adriatic has successfully implemented a recycling programme, leading to a significant reduction in the amount of mixed municipal waste.

In addition, by acquiring a machine for the aerobic treatment of bio-waste from kitchens and restaurants, we showed that we are keeping up with European recommendations in terms of waste management at the point of origin, eliminating transport costs and reducing CO₂ emissions.

Kempinski Portorož, goes a step further in sustainable operations, phasing out single-use PVC products.

Instead, the hotel collects reusable PVC products, such as shampoo and cream bottles, and returns them to suppliers for refilling. In the next two years, we are planning to introduce the classification of waste according to codes, with graphic instructions for sorting, adequate training of employees and the introduction of a micro-sorting system in all hotel rooms.



SOIL AND BIODIVERSITY CONSERVATION

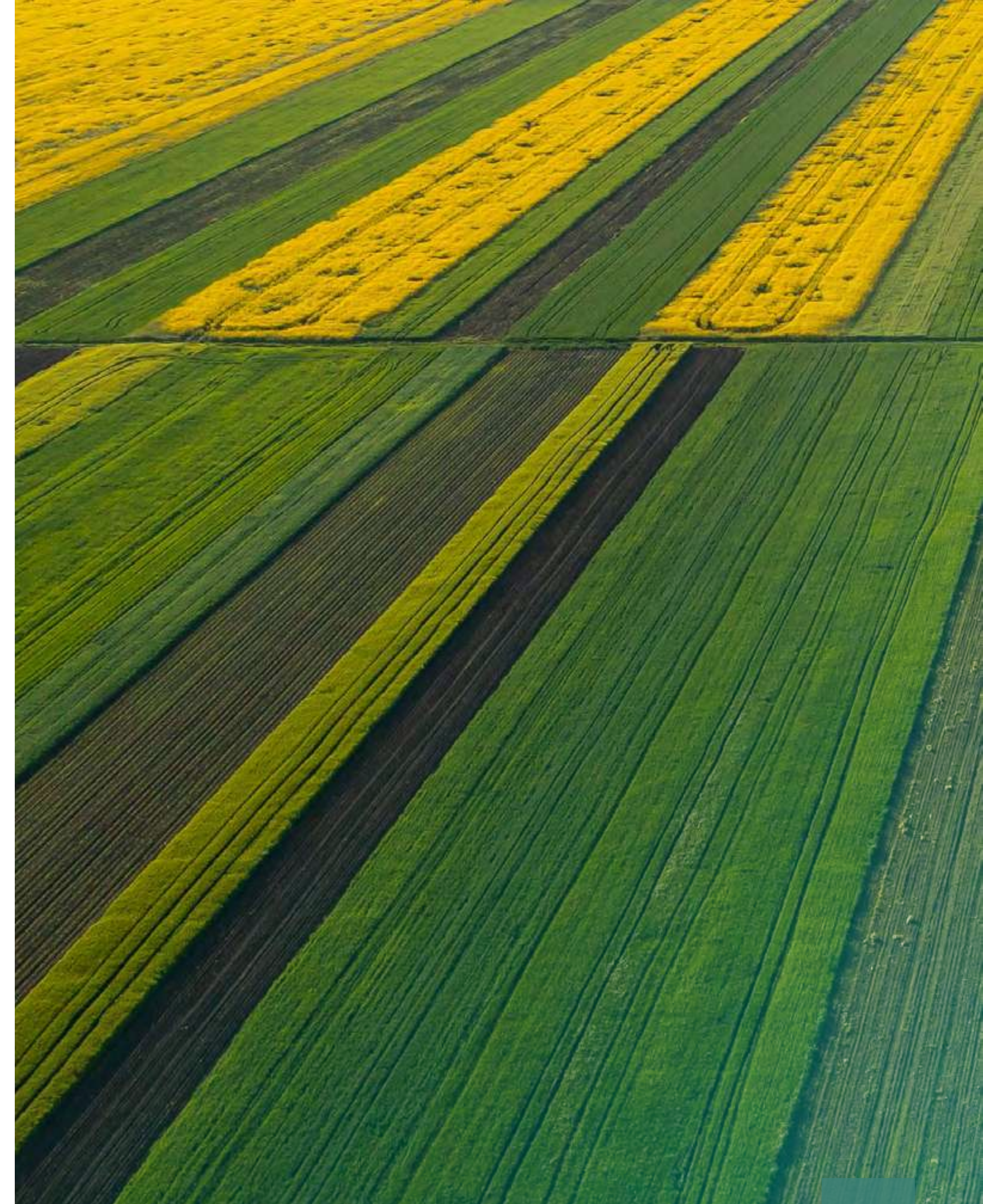
Soil and its biodiversity conservation is very important for MK Group, given that the company developed primarily through this business segment.




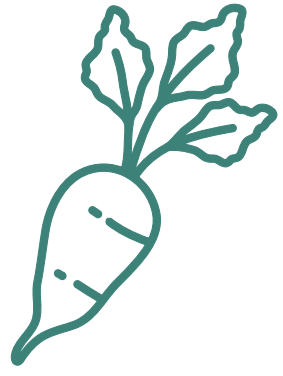
For years, we have been paying special attention to the fertility of our fields and the quality of our crops. By combining modern technologies and the knowledge of experts, we aim to achieve high yields in our fields with optimal use of fertilisers and irrigation. “Constant education of farmers, contacts and exchange of experience with local, European and US experts, allow us to keep up with world trends and be a part of them.”

TOTAL USE OF PESTICIDES IN LITRES:

YEAR	LITRES
2022	130,608
2023	404,660

Unfavourable weather conditions in 2023 caused the need for an increased number of treatments in wheat, pea and sugar beet crops on all lots in plant production, resulting in a significantly higher amount of pesticides used.



PLANT SPECIES	AVERAGE YIELD OF MK AGRICULTURE DIVISION	AVERAGE YIELD IN THE REPUBLIC OF SERBIA
MERCANTILE WHEAT 	6.3 t/ha	5.1 t/ha
MERCANTILE CORN 	7.9 t/ha	7.2 t/ha
MERCANTILE SOY 	3 t/ha	2.8 t/ha
SUGAR BEET 	68.1 t/ha	49 t/ha

All this contributed to MK Group achieving higher yields compared to the average in the Republic of Serbia.

Agriculture is globally recognised as a sector with the highest potential for digitisation, and in accordance with that, our business strategy is based on the automation and robotisation of business processes. We were the first in Europe to introduce SAP S4 Hana in the field of agriculture, we implemented soil mapping, variable sowing and fertilisation, automation of fuelling, and vehicle Fleet Management, etc. All these activities contribute to the optimisation of operations and better results of our business.

VARIABLE FERTILISATION

When it comes to location-specific technology, it is important to note that we have been variably applying fertilisers based on soil fertility maps for a few years now. **The main goal of variable fertilisation is to optimise nutrients, while increasing yields and reducing input costs.** Unlike conventional agriculture, nutrients are not applied in areas where they are not needed. In this way, a lower degree of negative environmental impact is achieved. The application of variable fertilisation technology led to the optimisation of fertiliser use, enabling savings of 10% per hectare.

IRRIGATION PROCESS DIGITALISATION

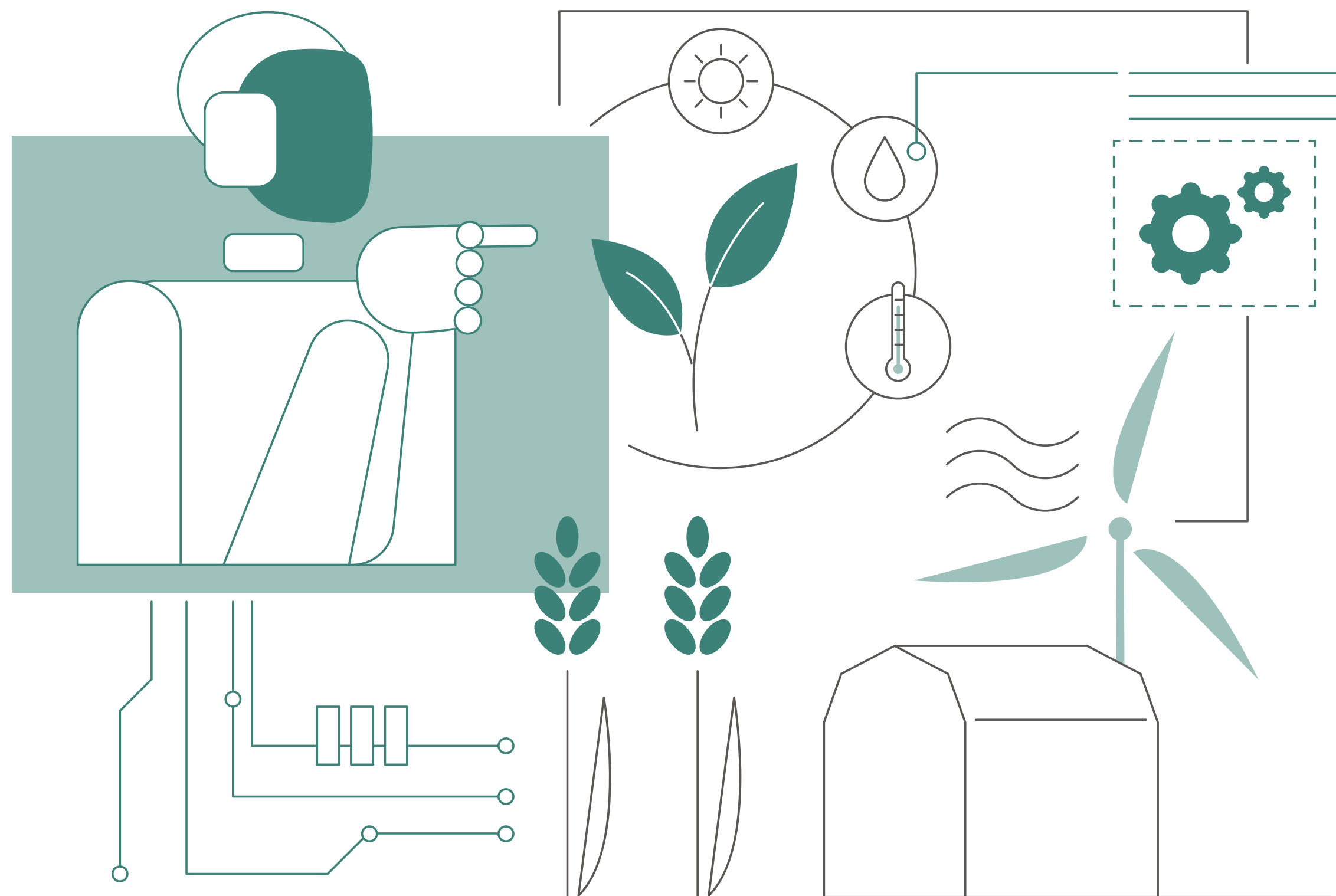
High yields are also the result of irrigation systems on 70% of the areas we cultivate.

PIK Bečej, our member, organised the Days of Fields near Bečej. The “Implementing Software for Irrigation Recommendations” project was presented on that occasion. Its aim is to use appropriate technology to make significant savings in water consumption, as one of the most important natural resources, as well as optimising costs in agricultural production.

PIK Bečej cooperated with Dutch Dakom on the implementation of this project, with the support of the Embassy of the Kingdom of Denmark to the Republic of Serbia.

The implementation of software for recommendations and control of irrigation in MK Agriculture division represents a unique solution that confirms the pioneering status of our company in agriculture. This software significantly improves the irrigation process, enabling the optimisation of resources and the application of advanced technologies in production.





Software functioning is based on the collection of real data from the field, which are processed with the help of recognised scientific methods, and additionally corrected through practical knowledge and experience. Installation of devices for measuring soil moisture on selected lots, with the support of meteorological stations, enables precise monitoring of crop conditions. Due to sensors that measure soil moisture and weather data from weather stations, agronomists receive accurate information about the depth at which water is available to crops, its quantity and the need for irrigation. Based on this data, the software processes information and sends recommendations to agronomists directly to their mobile devices, enabling timely and efficient decision-making in the irrigation process.

The primary contribution is reflected in the reduction of the costs of irrigation business processes and the optimisation of the use of water resources. Plants consume as much water as they need, no less, no more.

By reducing water consumption, we also reduce irrigation costs, because we also reduce the consumption of electricity that is necessary to deliver water from the source to the roots of the plant, as well as the consumption of diesel that drives the machines that deliver that water.

On the other hand, this significantly contributes to the digitalisation of the decision-making process in irrigation, which means that the decision about when to start irrigation and how much water to use is based on the data provided by the software.

REGENERATIVE AGRICULTURE

PIK Bečej has been participating in the Nestle “Regenerative Agriculture” project for three years. The ultimate goal of the project is to reduce the negative impact of CO₂ in agricultural production through optimisation of fertilisation and irrigation, reduction of the use of plant protection products, care for biodiversity and sustainable development of agriculture.

1

Use of organic fertilisers

The use of organic fertiliser, cow manure, on 200 hectares aims to improve the soil structure. In addition, the same lots were regularly fertilised with mineral fertilisers, in accordance with soil analyses and specific needs for additional fertilisation.

2

Cover crop cultivation

Winter spinach, sown as a cover crop on 35 hectares of land intended for corn sowing, plays a significant role in conserving soil quality. During dry and hot periods, cover crops conserve soil moisture and mitigate the effects of wind erosion. On the other hand, during wet periods of the year, these crops reduce erosion caused by rain by slowing down the speed of raindrops and preventing water runoff. In both cases, the roots of cover crops not only bind the soil, but also make it looser, contributing to better development of microorganisms.

Covering land with crops throughout the year significantly reduces the amount of CO₂ in the atmosphere.

3

Use of manure pellets

Organic fertiliser pellets Nervosol Organic (4:3:4) with the addition of zeolite in the amount of 490 kg/ha were used in the soybean experiment on 86 hectares. This fertiliser improves soil structure, supports the development of microflora, and with the help of zeolite facilitates soil aeration, retaining water in the root zone and improving plant growth. Zeolite also reduces the level of toxic matters such as pesticides and heavy metals in the soil, thereby reducing their content in the final product. Due to the use of this fertiliser, it was not necessary to use MAP basic fertiliser on that area, which resulted in a saving of 8,600 kg of mineral fertiliser, i.e. a reduction of used fertiliser by 100 kg per hectare.

4

Sowing summer cover crops (mustard sowing)

Sowing mustard as a green fertiliser on 280 ha at PIK Bečej was carried out in order to improve the soil structure and increase the content of organic matter. This practice contributes to the improvement of the water and air capacity of the soil, because hollow mustard stems increase the water and air content in the soil after ploughing, but also reduce the compaction of the soil due to irrigation.

MUSTARD GROWING ADVANTAGES:

- Protection against erosion by deep rooting;
- Improved water infiltration through root canals;
- Protection of the soil surface from excessive temperature and reduction of water evaporation, which increases soil fertility and soil structure stability;
- Increasing soil water capacity, increasing humus by 0.5%, which means the soil can hold 70 m³ more water per hectare;
- It increases the activity of microorganisms in the soil, shading the soil reduces growth and development of weed species;
- The fight against turnip nematode.

In 2023, through the Nestle project, software for a sprayer was acquired, enabling the precise application of pesticides. This software optimises the use of plant protection products, reducing their consumption and preventing duplicate applications that can occur due to overlapping sprayer passages. This not only achieves a more rational use of pesticides, but also reduces the negative environmental impact.

In addition to technological innovations, during the fall of 2023, 53 tree seedlings were planted at the location of the Plant Production administration. These woody plants, in addition to arable land, have a multiple role – they protect arable land from strong winds, reduce aeolian erosion, improve microclimate conditions and encourage biodiversity. Planting trees contributes to reducing the amount of CO₂ in the atmosphere and increasing the amount of oxygen, which contributes to improving the air quality in the environment.



CIRCULAR ECONOMY IN BIODIVERSITY CONSERVATION

Our divisions, through cross-functional cooperation, actively contribute to the preservation of the environment, rational waste management and maximum utilisation of all by-products of operations.

MK Sugar Division uses the desugared molasses as an organic fertiliser on the fields of MK Agriculture Division. During 2022, this molasses was used for fertilisation on 3,080 hectares, thus reducing the need for chemical fertilisers and contributing to the sustainability of production.

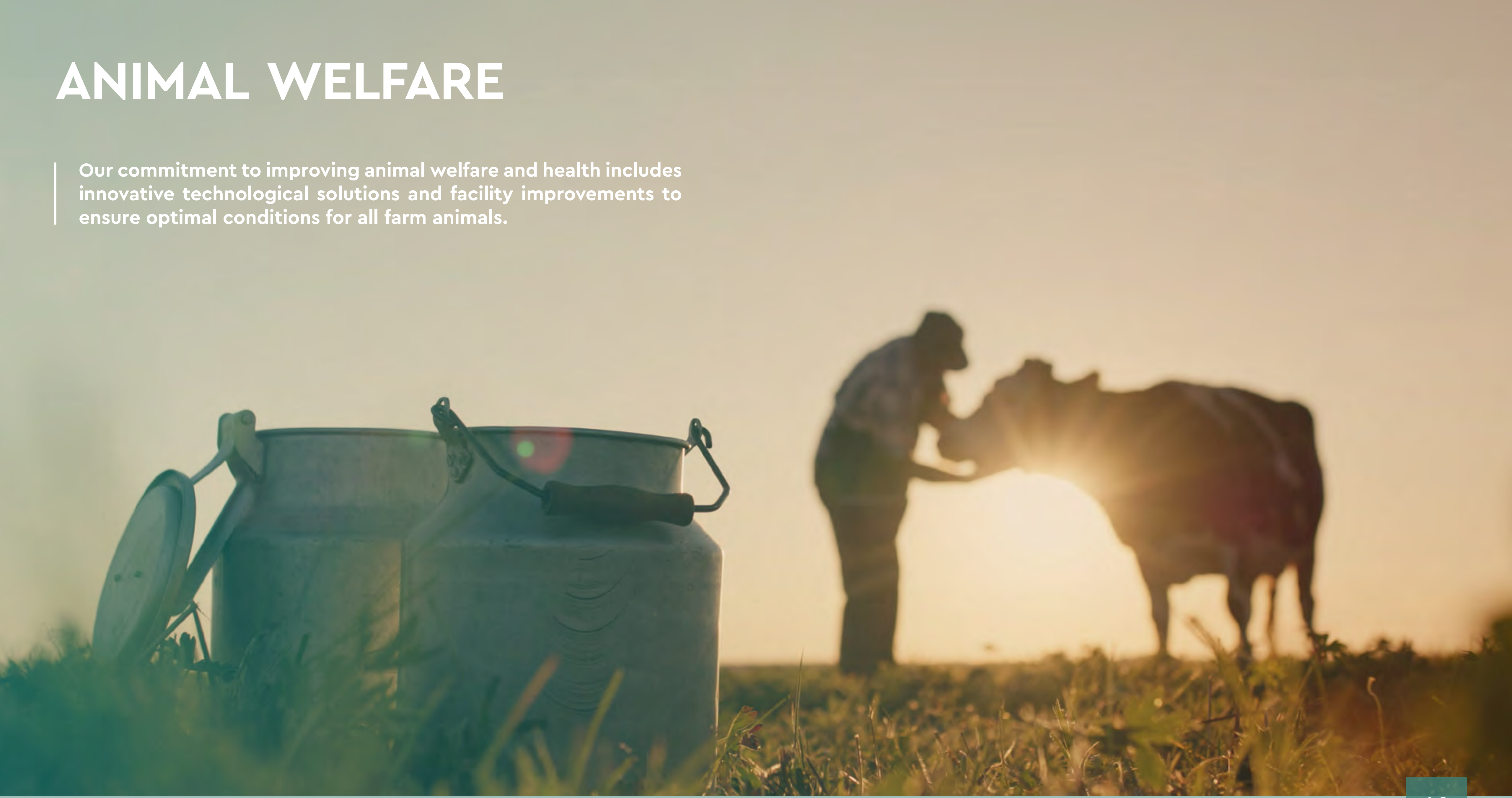
In addition, manure from cattle farms is also used as a substitute for synthetic fertilisers, but also as an input for green energy production. **During 2023, more than 9,000 tonnes of manure were thrown on 266 hectares of arable land, and more than 30,000 tonnes of cattle manure were handed over to external biogas plants, making an additional contribution to reducing CO₂ emissions.**

Converting biodegradable waste from one division into a valuable resource for another division is only a part of the comprehensive circular economy strategy that MK Group consistently applies.



ANIMAL WELFARE

Our commitment to improving animal welfare and health includes innovative technological solutions and facility improvements to ensure optimal conditions for all farm animals.



PIG CARE

Pig Sense system, the result of cooperation between BitGear and Carnex Stočarstvo, represents the most important step towards digitising pig farms and improving animal welfare.

This system includes several hundred sensors installed on three farms, which measure temperature, relative humidity, amount of ammonia, amount of feed in bin cyclones, control ventilation and in some cases also measure the amount of light.

The data are displayed on a digital platform, allowing users to access precise measurements from the farm. All relevant parameters in the objects being monitored can be reviewed and, based on this data, steps can be taken to optimise the ambient conditions. The platform also includes a daily system of alarm messages and warnings about exceeding certain values and issues with food distribution. These messages are automatically sent via SMS and e-mail to the responsible persons at each location, thus enabling a quick response.



PIG SENSE SYSTEM

EUR 150,000

TOTAL INVESTMENT VALUE



EUR 550,000

INVESTMENT IN INCREASING
ACCOMMODATION CAPACITIES

EUR 1.5 million

INVESTMENTS IN 10 COW MILKING ROBOTS

COW CARE

On cattle farms, the construction of five new facilities increased the accommodation capacity, which resulted in better hygienic conditions and a reduction in disease transmission. These facilities allow the animals to rest more, which directly affects their health and well-being. In addition, the barns are furnished with equipment such as rubber mats that reduce the risk of joint injuries and automatic feeding systems for calves, improving the monitoring of their nutrition and health. The total value of the new facilities is EUR 550,000.

Our farms have also adopted innovative approaches in cow healthcare, including the use of effective microorganisms and essential oils to reduce the use of antibiotics in milder forms of mastitis. These approaches significantly improve animal health, reproductive performance and prevent digestive diseases. Implementation of European guidelines enabled the establishment of the procedures for biosecurity measures, as well as the Antibiotic Management Policy. The use of “EasyLin” has shown positive results, especially in reducing methane emissions, where our results were in the green zone, and additional experimental projects with tannins have also shown good results in reducing methane emissions.

Our progress can also be seen in the implementation of robotic milking systems, which not only increase total milk production by 24% compared to conventional methods, but they improve the hygiene, quality and safety of raw milk. These robots enable better animal health control, as well as monitoring of oestrus in cows, directly contributing to improved reproduction. **We currently have ten robots, in which about EUR 1.5 million have been invested.**



ESG LEADERS

MK Group is the winner of the prestigious PwC award “ESG Leaders 2024” in the category Actions for environmental protection in the economic sector. This award recognises our continued commitment to environmental responsibility.

“We are committed to protecting the environment through responsible use of natural resources and increasing the share of renewable energy sources in our country, with ambitious plans to build additional capacities of 1 GW of green wind and solar energy.” Therefore, the award in this area is particularly significant for us, as a sign that we are on the right track to continue achieving the goals set by our ESG strategy. On behalf of MK Group, all our employees and ESG ambassadors, we would like to thank PwC for the award and commitment to promoting the significance of ESG topic.”

MK Group ESG Board

S

- 1 NO POVERTY**
- 2 ZERO HUNGER**
- 3 GOOD HEALTH & WELL-BEING**
- 4 QUALITY EDUCATION**
- 5 GENDER EQUALITY**
- 8 DECENT WORK AND ECONOMIC GROWTH**
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**
- 12 RESPONSIBLE CONSUMPTION & PRODUCTION**
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS**
- 17 PARTNERSHIPS FOR THE GOALS**

SOCIAL IMPACT

MK Group vision is reflected in the aspiration for a comprehensive positive impact on employees, consumers and the communities the company operates in.

Objectives in focus until 2026

50% women
in management

EUR 5 million
for CSR for the period of 5 years

Key results in 2023

50% women
in MK Group Board of Directors

EUR 2.1 million
for CSR

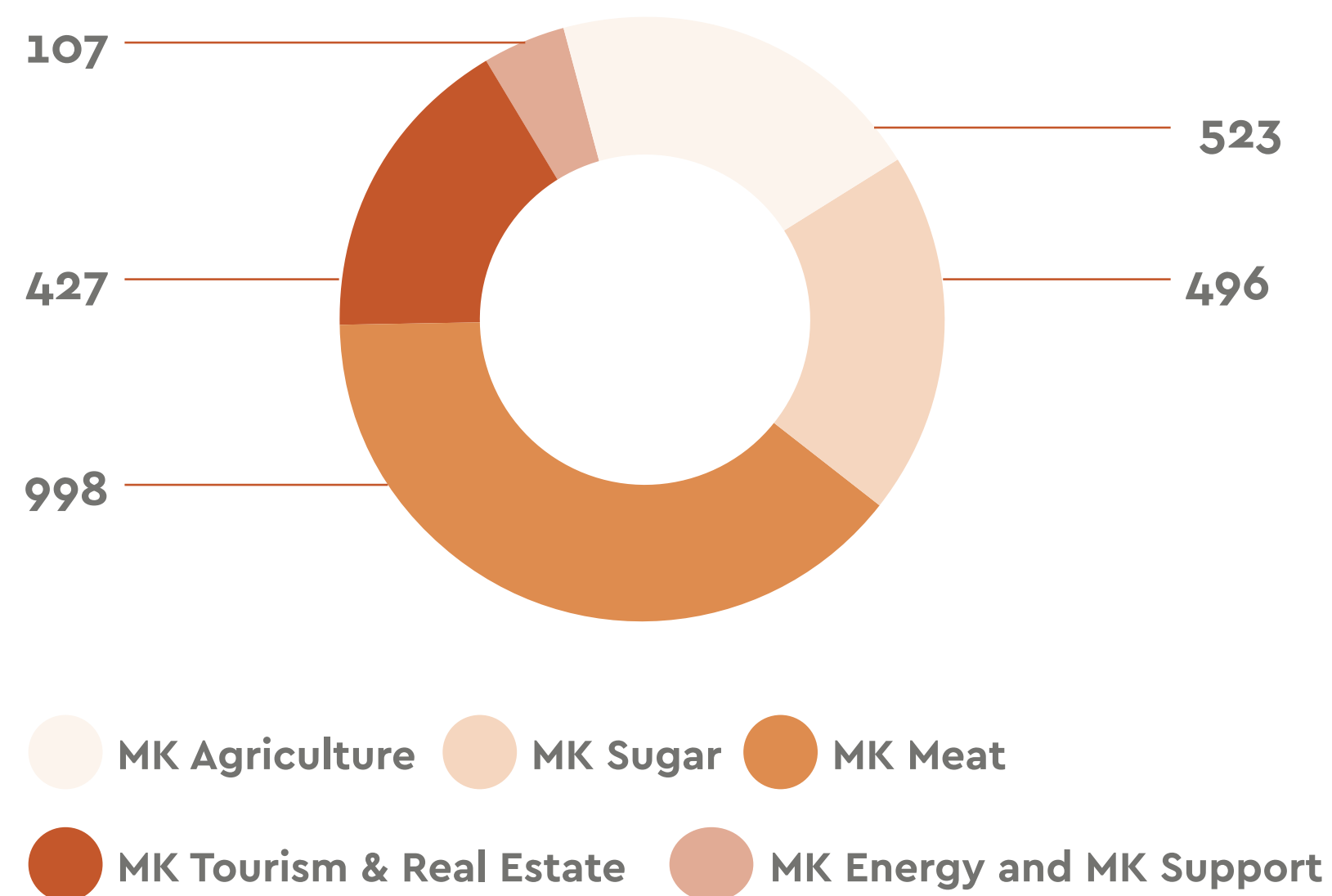




EMPLOYEE CARE

The overall success of a team rests on the empowerment of the individuals it consists of. MK Group employs about 4,000 people, with 2,500 full-time employees. The company takes care of all the conditions that affect the creation of a positive and stimulating work environment. The Engagement Index 86 for 2023 at the Group level indicates this as well.

STRUCTURE OF FULL-TIME EMPLOYEES PER MK GROUP DIVISION IN 2023



2,500
full-time employees

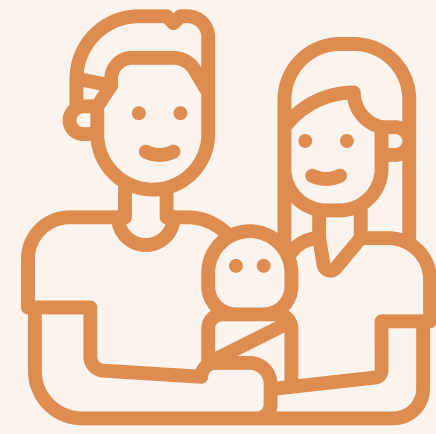
86
Engagement Index





FAMILY SUPPORT

In addition to a private health insurance policy that includes special care for pregnant women, the company also provides additional support to employees who become parents through one-time financial assistance. Within this support, we organise an event where employees, together with their families, have the opportunity to meet colleagues who have also become parents and thus share their experiences. This event not only strengthens the sense of community, but also builds a sense of belonging and ongoing support.



7
years



over
900
families



1,460
babies

RSD 58
million



FAMILY SUPPORT

In 2017, MK Group initiated the “Family Support” programme as an internal project, wishing to provide means for a carefree and safe start to employees who became parents in the current year.

In the course of 2023, 163 employees had babies, to whom a total of RSD 11 million was sent. During the seven years of the “Family Support” programme, the company provided funds for over 900 families and 1,460 babies of our employees in this way. Over time, the programme also expanded externally through donations to institutions and organisations that provide support for family policy measures, parenting and the youngest members of our society.



FAMILY
SUPPORT

| MKids DAY

MK Group recognises the importance of the family as the basic unit of society, and therefore organises various activities involving members of the employees' families. Every year, companies from the system organise an event called MKids, most often on the occasion of the children of employees starting school. This initiative is part of an ongoing commitment to creating a supportive and inclusive work environment. By recognising and celebrating important moments in the lives of our employees' families, MK Group demonstrates its commitment to their overall well-being. By organising events like MKids, we help employees to establish a better balance between work and private life.





| DISCOUNTS AT HOTELS

MK Group offers its employees exclusive discounts in hotels from its rich portfolio, giving them the opportunity for rest and relaxation at more favourable prices. This convenience not only enables a quality vacation, but also strengthens the employees' sense of connection with the company, encouraging their loyalty and commitment.


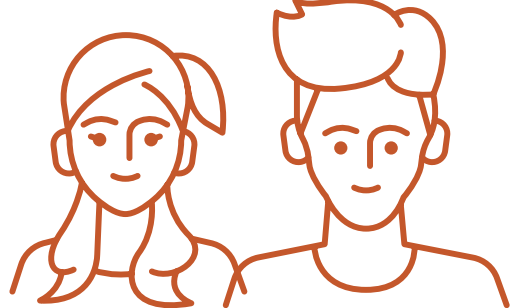
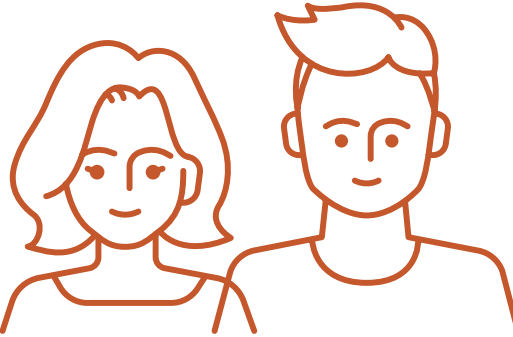
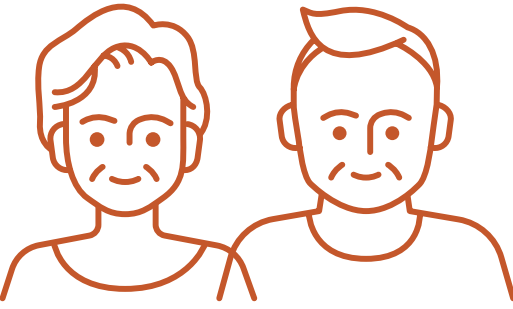
| TEAM BUILDING ACTIVITIES AND MK SPORTS DAY

In addition to team building organised at the level of divisions and individual members, we can also boast of MK Group team building in which the wider top management team of the entire system also participates. Our team building programmes are designed with the aim of strengthening mutual ties between employees, encouraging synergy and teamwork, and improving communication. They include sports activities, trips, excursions, educational seminars, as well as workshops. These programmes contribute to the creation of a positive working atmosphere and strengthen the connection with corporate values of MK Group.

MK Sports Day was organised within MK Group for the first time in 2023. Since the event left a very strong impression on the employees who expressed their desire to organise a similar gathering again, it was decided that this get-together will become a tradition. More than 1,300 employees participated the event last year. Sports Day is envisioned as an all-day sports event where employees are given the opportunity to participate in various workshops, competitions and other sports activities.



DIVERSIFICATION, EQUALITY AND INCLUSION

AGE STRUCTURE OF FULL-TIME EMPLOYEES AND THE NUMBER OF EMPLOYEES WITH DISABILITIES	2022	2023
Persons with disabilities 	9	25
Employees under 30 years of age 	254	306
Employees between 30 and 50 years of age 	1,180	1,276
Employees over 50 years of age 	910	969

EQUALITY AND EQUAL OPPORTUNITIES FOR ALL ARE AMONG THE BASIC PRINCIPLES WITHIN MK GROUP.

Zero tolerance to any form of discrimination is the basis of our human resources policy. We strive for diversification when recruiting, ensuring respect for the principles of equal pay for the same jobs and equal contribution. The recruitment process is based only on only evaluation of qualifications, competences and work experience relevant to a specific position.

The freedom of association is guaranteed, and we renew collective agreements with unions every three years to ensure that wages and working conditions are in line with changes in the labour market. As many as 61% of employees are included in collective agreements, which include provisions on working hours, breaks, annual leave and safety at work. Our employees have legal protection and the freedom to negotiate their working conditions. Collective agreements guarantee security and stability of employment, offer employees a common voice in negotiations with the employer, which allows them to more easily express their needs and interests.

GENDER EQUALITY

We are proud to point out that there has not been a single incident related to gender discrimination in our company's operations so far.

There were 40.8% women in managerial positions of MK Group in 2023. A significant change, compared to last year, is the fact that the percentage of women in the MK Group Board of Directors has increased to 50%. Managerial positions available to women not only promote gender equality, but also improve the working atmosphere through the diversity of ideas and solutions. The engagement of women at management levels inspires other women in their professional development and is a role model. Diversity in leadership encourages innovation, creativity and team spirit, directly contributing to productivity, while also reflecting company ethics.

50% WOMEN IN MK GROUP BOARD OF DIRECTORS

GENDER STRUCTURE OF FULL-TIME EMPLOYEES	2022	2023
Women	1,128	872
MK Agri-food, MK Energy, MK Support	942	661
MK Tourism & Real Estate	186	211
Men	1,216	1,679
MK Agri-food, MK Energy and MK Support	1,029	1,463
MK Tourism & Real Estate	187	216
TOTAL	2,344	2,551

REPRESENTATION OF MEN AND WOMEN IN MANAGEMENT POSITIONS OF MIDDLE TO TOP LEVEL IN MK GROUP	2022	2023
Women	41.30%	40.8%
Men	58.70%	59.2%



| GIFTS AND WORKSHOPS FOR INTERNATIONAL WOMEN'S DAY

Each year MK Group awards its female colleagues with a one-time payment of a monetary amount on the occasion of Women's Day – 8 March. In addition, all female colleagues are provided with vouchers for the purchase of various products, and workshops on current topics are also organised. In this way, a sense of value is encouraged and the position of women in the company is strengthened.

INVESTMENT IN KNOWLEDGE AND DEVELOPMENT OF EMPLOYEES

MK Group actively listens to the needs of its employees in order to improve their professional development through the organisation of internal and external training sessions. As a company that values empowered people, we continuously conduct research and analysis to identify key areas for development. Internal training programmes are designed to address the specific needs of our teams, providing them with the opportunity to improve skills that are critical to their roles and the long-term success of the company.

In addition, external training programmes provide our employees with the opportunity to familiarise themselves with the latest trends and practices in the industry, and to gain new knowledge and perspectives. Through these initiatives, MK Group not only invests in the development of its employees, but also builds a strong, motivated workforce that is ready to adapt and thrive in a dynamic business environment. Our commitment to continuous learning and development ensures that every employee has the opportunity to reach their full potential.

In the employee satisfaction survey, in the segment related to training, development, rewards and procedures, the percentage of satisfied employees increased from 72.2% in 2022 to 73.3% in 2023. This progress highlights the importance of smartly nominating employees for training and development programmes.

EMPLOYEE TRAINING HELD	2022	2023
TOTAL VALUE IN EUR	320,000	397,000
NUMBER OF HOURS INVESTED IN TRAINING IN 2023 – 8,600h		



WCM PROJECT AT MK AGRICULTURE DIVISION – FOR FLORA FACTORY EMPLOYEES

In cooperation with TECOR, at the Flora factory that is a part of MK Agriculture division, the WCM (World Class Manufacturing) project was initiated for the purpose of promoting the manufacturing processes and organisation of work. This project, implemented in 2023, included about 90 employees. The results are visible through the improvement of internal communication, increased transparency in solving problems, as well as assuming the responsibility of employees for reporting non-compliance. These benefits can apply to other processes within the company, laying the foundation for further growth and efficiency.

EDUCATION FOR KEMPINSKI ADRIATIC EMPLOYEES

During 2023, employees in the reception, food and beverage, and wellness sectors of the Kempinski Adriatic hotel attended the Stratos Academy education “Cross-sell and Up-sell.” The aim of the education was to improve sales skills, so that the staff could offer guests additional services and products, as well as more expensive options from the offer. This not only increases revenue, but also improves the guest experience and contributes to the professional development of employees. Education is also an important step towards creating a competitive advantage and strengthening guest loyalty. A total of 23 employees attended this training, which further strengthens the success of the business.

WORKSHOP ON ESG TOPICS AND CO₂ EMISSIONS

MK Group is increasingly recognising the importance of ESG topics in business, with a special focus on reducing CO₂ emissions as a key part of our ESG strategy. In cooperation with the HR sector, the M&A department in charge of strategy and business development organised a workshop on the calculation of greenhouse gas emissions (GHG) and the CBAM regulation. The workshop was attended by experts from all divisions, led by our “E” ambassadors, dedicated to promoting positive changes.

EY external associates presented the key aspects of GHG calculation and CBAM regulation, aimed at better understanding the impact of business on the environment throughout the entire value chain. The focus was on creating a unified calculator for calculating emissions within the system, especially for Scope 1 and 2 emissions. Through consideration of the best practices, the aim of the workshop was to improve our strategy for reducing our carbon footprint, in order to increase our competitiveness in the market and contribute to the preservation of the environment. Shared commitment and teamwork of colleagues are key to achieving sustainable business goals and strengthening our responsibility to the planet.



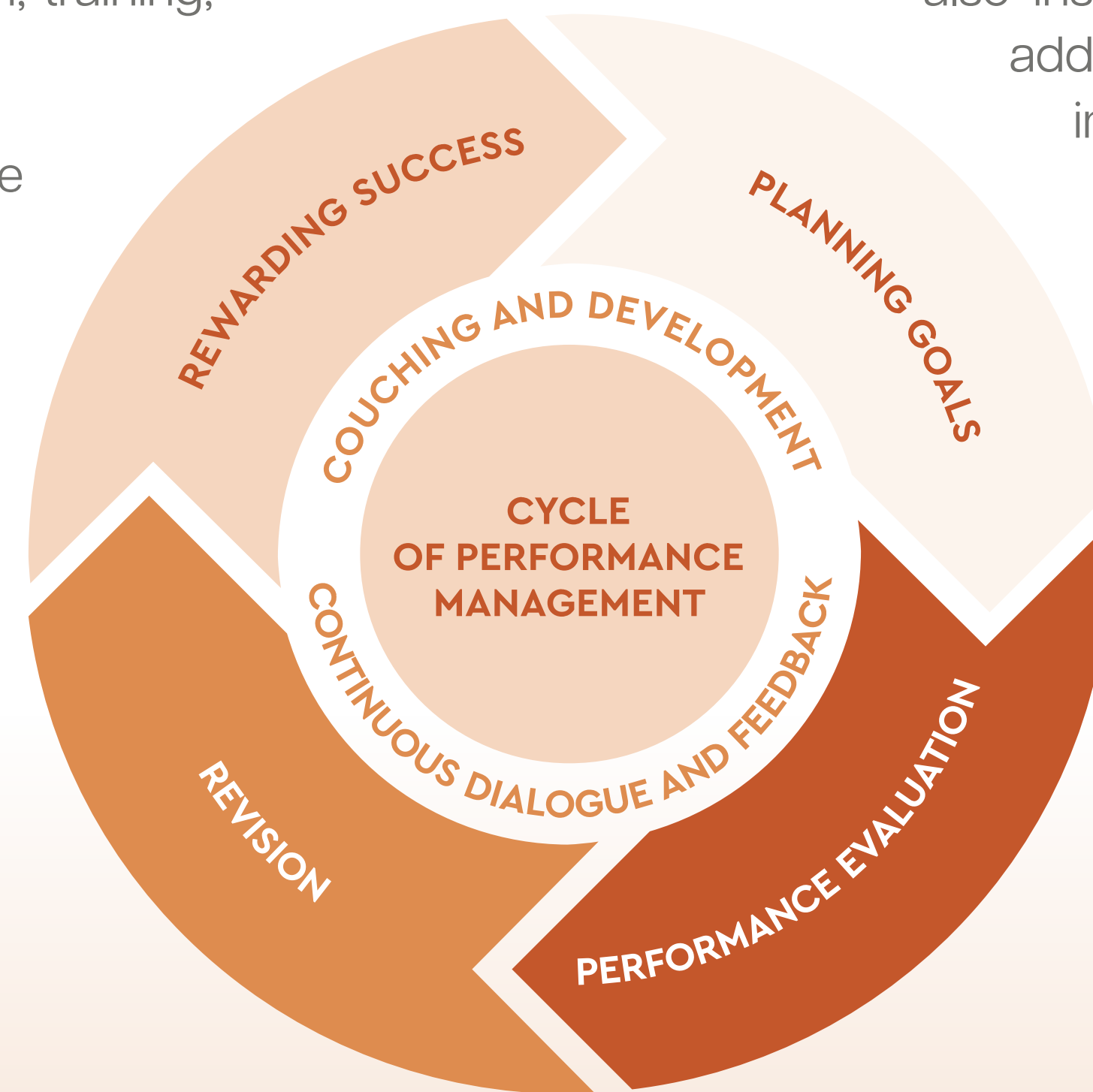
CONTINUOUS DEVELOPMENT: THE ESSENCE OF PERFORMANCE MANAGEMENT

Performance management is a continuous process that allows us to work more efficiently, better and smarter. This process serves not only to achieve the company's goals and ensure a better position in the market, but also to the continuous development of each employee, which is one of our company's key values.

When we talk about the performance management cycle, we mean several key stages:

- **Goal planning** is an important part of the performance management process and forms its basis, because the precise definition of the goals first of all ensures the effectiveness of the entire process. By planning, we ensure vertical integration and/or harmonisation at the company level, at the level of the team and expectations from each individual, as well as horizontal integration, i.e. harmonising the contributions of different functional teams and improving teamwork. When planning team and individual goals, it is crucial that they are strongly related to the company's goals, i.e. with the company's strategic imperatives, to ensure we are all moving in the same direction. This is precisely why one of the most common goal-setting methodologies is the "line of sight" methodology, which implies that the highest management level plans individual goals and cascades them to their teams.

- **Goal revision** enables us to react to changes in a timely manner. As part of it, we examine whether the set goals are still relevant or if, due to some changes, those goals need to be adjusted. During the revision phase, managers talk to employees about challenges and opportunities for achieving goals, helping them through conversation, training, or coaching.
- **Performance evaluation** is the phase in which the success of achieving individual goals is evaluated, allowing managers and employees to take a positive attitude towards the results achieved, but also provides an opportunity for improvement and solving of potential issues that may arise during the process. Employees should be encouraged to evaluate their own performance and become agents of improving their own performance. On the other hand, managers should fulfil their role in training, coaching, providing support and direction.



- **Rewarding success.** Excellent results deserve reward and recognition, connecting performance with rewards is a strong motivational factor for employees. Fair and objective remuneration based on results and way of working motivates employees to continue to give their best, but also inspires other team members to put in extra effort. In addition, the performance management process has very important outcomes – rewarding employees, moving individuals through the organisation (career path), personal development plan, succession planning and managing potentials in the company. In this regard, it is imperative to mention the essential importance of feedback, which should by no means be reserved only for the end of the year in the evaluation phase, but should be present throughout the entire process, because when the feedback is more frequent and precise, the individual performance is better.

BEST OF THE BEST – 2023 ANNUAL AWARD WINNERS

For the third year in a row, we have been awarding the Annual Awards of MK Group, distinguishing and rewarding our employees who demonstrate a winning spirit, dedication and team culture that leads us to joint success every day. These awards are not only a recognition of the achieved results, but also an opportunity to empower our community and promote the corporate values that are the foundation of our success – excellence, empowerment, continuous development and synergy.

In the competition for 2023, employees had the opportunity to nominate colleagues whom they believe are true ambassadors of these values. There were as many as 788 nominations from all parts of the system. MK Group Board of Directors, together with member CEOs, made a decision on winners based on the number and quality of applications, as well as the results achieved.

The winners in six categories were announced at the award ceremony attended by all the finalists.



**AMBASSADOR OF EXCELLENCE**

– Slavica Andrić,
Accounting Department Director, Sunoko

Slavica Andrić stands out as a leader and expert in the field of accounting. Her understanding of accounting systems and processes enables her to make rational decisions and effectively manage a team, ensuring the accuracy and integrity of financial information. The ability to recognise opportunities for process improvement and optimisation makes her a valuable resource. Through her leadership and participation, SAP 4 Hana model implementation was not only a project, but also an opportunity for learning, growth and improvement of the entire organisation. Slavica actively worked to ensure implementation success, as well as providing new opportunities and tools to improve the business processes and efficiency of the organisation. Her dedication, expertise and leadership are indispensable factors in achieving success and setting high standards in the accounting.

“ I have been in the sugar industry since the very beginning of my employment. Although it was many years ago, I still feel like I am at the beginning, as business challenges and tasks are such that I always start from scratch, but I have gained experience and I still feel satisfaction from it. First of all, I would like to thank my colleagues for my success in work, as the work system is such that an individual cannot do anything alone, without good colleagues. Once again, I would like to thank my colleagues and my managers who recognised all that.

EMPOWERED PEOPLE

AMBASSADOR OF EMPOWERMENT

– **Sveto Pavić,**
Senior Domestic Market Associate, Sunoko

Sveto Pavić possesses an exceptional ability to build relationships with colleagues, employees throughout the system and external clients, which is why he is a key factor in fostering collaboration and improving the capabilities of the entire team. A prominent empathy, patience and understanding for others make him an exceptional mentor, who encourages teamwork and mutual support, and creates an atmosphere where everyone can feel encouraged to show their maximum. His professionalism, engagement and authority contribute to increased sales and make him an extremely valuable colleague.

” *This award means a lot to me, since the nominations came from colleagues, and the final choice is made by the MK Group top management, which means that my work and contribution to the company are recognised beyond Sunoko. I owe the greatest gratitude for this recognition to my family and the Sunoko sales team led by our manager, as they are my second family. I am only sorry that we did not get the Best Team Award, but I am sure we'll do it next year. I will try to justify the trust in me shown through this award and to represent my company in the best manner, as it deserves.*





AMBASSADOR OF SYNERGY

– Sara Kresojević,
HR Business Partner, MK Group

Sara Kresojević is an outstanding example of someone who empowers people throughout our system. Her initiative to be available to help others, as well as her exceptional talent for communication, allows her to be a support to colleagues who are looking for advice, support or additional education. Her willingness to share knowledge and experience with others creates an atmosphere of mutual support and development within the organisation. Her constant commitment to strengthening the capacity and confidence of other colleagues, as well as her selfless approach to sharing resources and information, make her a valuable resource in the HR sector, but also a key factor in building a positive corporate culture.

” *I believe that I actively live the value of synergy every day through my work in human resources. I try to be supportive and helpful to my colleagues, to build bridges between different teams, but also learn from each person I work with. This award is a confirmation of my work and motivation to keep going forward. This is therefore an award for all of us who are trying to contribute to success together.*

THE BEST MANAGER

– Vesna Lečić,
Controlling Department Director, MK Group

Vesna Lečić is an exceptional leader who stands out for her commitment to the team and her ability to inspire and support her colleagues. Her calmness and cheerfulness make her a standfast for all employees, providing them with support and mentoring at all times. Vesna is always ready to help and contribute to the success of the organisation, and her open attitude and willingness to listen and support all employees make her an effective manager who builds a positive corporate culture.

” Thank you so much for the award, which I see as a confirmation of the success and work of both the controlling department and the entire finance department. I would also like to thank my managers, who are my mentors at the same time, as well as my colleagues I communicate with on a daily basis. No matter how knowledgeable people think they are, they always realise they can learn more and do better. In the previous period, we launched a lot of projects and did great things, but I expect that the best is yet to come and that we will celebrate successes of colleagues from the finance department together in the coming years.





THE BEST TEAM

- Controlling Team, Carnex

Carnex Controlling Team is a true example of a competent and dedicated team. They have a prominent team spirit and commitment to achieving goals. They successfully overcome the obstacles they face in their daily operations and are a true example of a team that achieves excellent cooperation with other teams in the company and the whole MK Group.

” We would like to thank everyone who voted for the controlling team, both colleagues and our Group management. It is a team made up of the youngest people and people who will retire soon. We are numerous, we are diverse, but we are also ready to learn, to adopt all new things and ideas. We are here for all our colleagues when they need us, and I truly believe that we are a real support for them.

OCCUPATIONAL HEALTH AND SAFETY OF EMPLOYEES

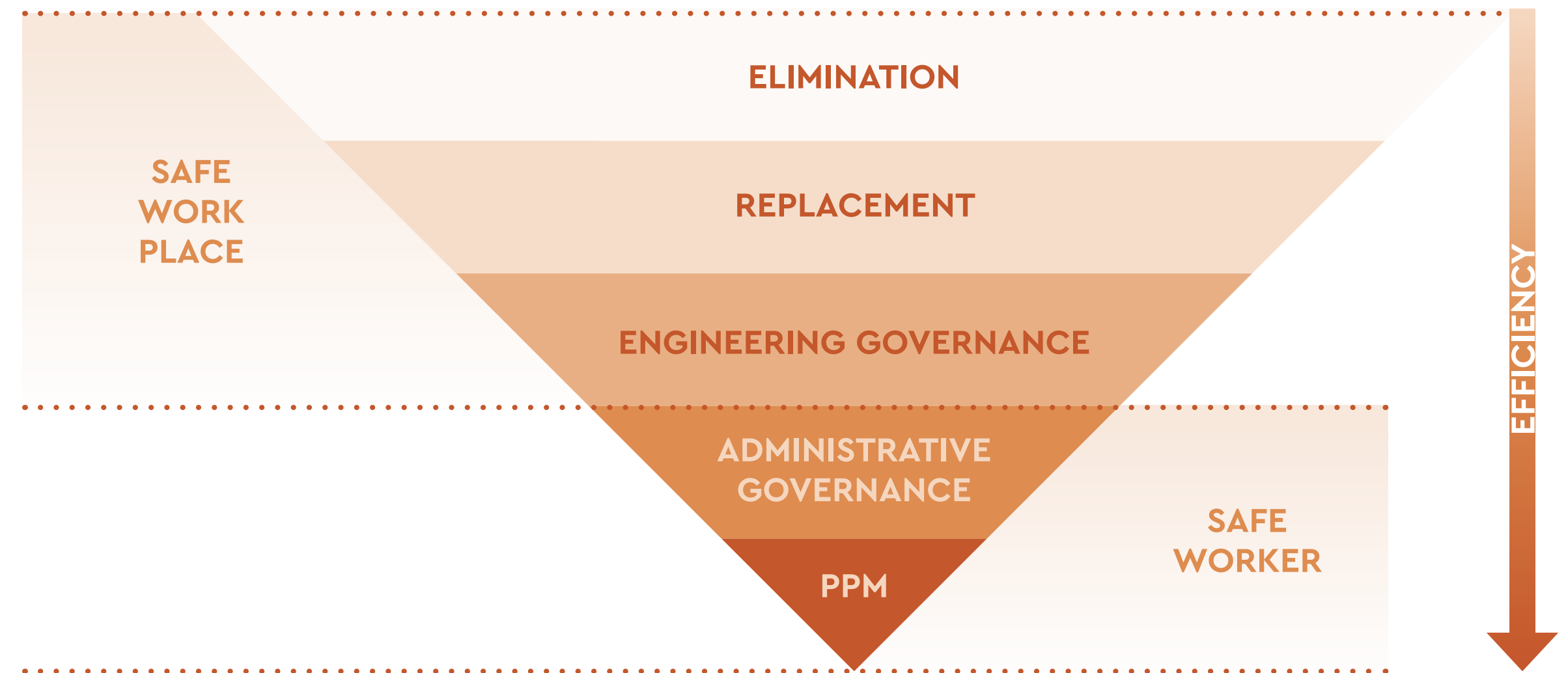
MK Group continuously invests in the training of employees for occupational health and safety, the introduction of new technologies and the implementation of international standards such as ISO 45001:2018. Prevention is of the utmost importance when it comes to worker safety. In 2023 alone, around 2,000 employees attended various training sessions related to occupational health and safety.

During 2023, more than 2,000 different training sessions were conducted in the field of occupational health and safety, as well as emergency response in all sectors of our operations, covering a wide range of employees. In addition to regular theoretical lectures, practical training and simulations were organised in cooperation with local firefighting units and occupational medicine personnel, ensuring adequate preparation of employees for all unforeseen situations. This approach significantly contributes to reducing the number of work-related injuries, because continuous education raises safety awareness and enables a faster, more efficient response in crisis situations. As a result of the aforementioned activities, we have recorded a constant improvement in occupational health and safety, which directly affected the reduction of injuries and the preservation of the health of our employees.

	2022	2023
68	MINOR INJURIES	68
12	MAJOR INJURIES	6

AS A RESULT OF THESE EFFORTS, SIGNIFICANT RESULTS HAVE BEEN ACHIEVED IN REDUCING THE NUMBER OF SERIOUS OCCUPATIONAL INJURIES.

HIERARCHY OF MEASURES FOR RISK ELIMINATION, PREVENTION AND/OR REDUCTION





CONSUMER AND QUALITY CARE

PRODUCTION ACCORDING TO THE HIGHEST STANDARDS

Striving for excellence, quality and the highest standards of domestic and international practice and production, have led MK Group to the position of regional leader in the key areas of its operations. On this path, we devoted special care to the quality and safety of the products that reach the end customers. Strict control and testing processes, as well as the identification and minimisation of potential risks for end consumers, have resulted in all Flora, PIK Bečej, Carnex and Sunoko products being recognised as reliable and synonymous with quality.



VALUE CHAIN

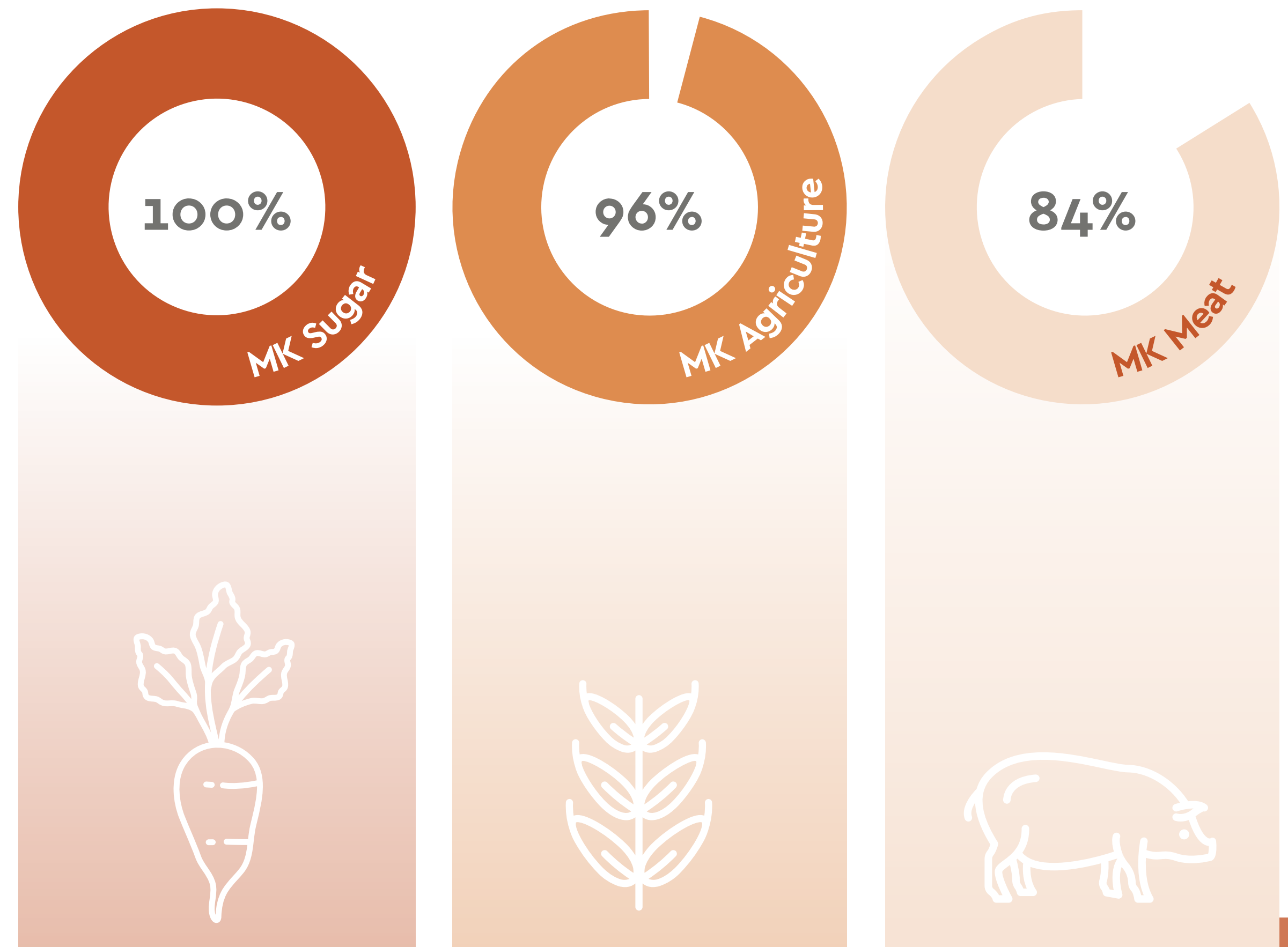
The highest standard of product quality and safety is the priority of all companies MK Group consists of. The principles of traceability of raw materials and packaging are applied within production.

In MK Agri-food division, most of the raw materials come from local suppliers, thus not only supporting the local economy, but also reducing our carbon footprint. We carefully manage procurement and supplier selection to ensure compliance with standards and regulations, with a special focus on traceability and best manufacturing practices.

We share our focus on quality and innovation with our business partners through the meetings and seminars we organise. Sunoko traditionally organises them twice a years – Days of Sugar Beet Fields in the summer, and a Seminar on Sugar Beet Production in winter. In 2023, both events brought together a large number of business partners and farmers who grow sugar beet. Along with the sharing of experience and knowledge about modern technologies and digitisation in agriculture, the latest technology in weed protection was also presented, as well as new protection concepts in accordance with the new regulations of the European Union. Such gatherings ensure the transfer of knowledge and a way for the latest findings in sugar beet production to find their way to practical application.

PERCENT OF PURCHASING PRODUCTS AND SERVICES FROM LOCAL SUPPLIERS IN 2023

(for significant regions and significant activities)



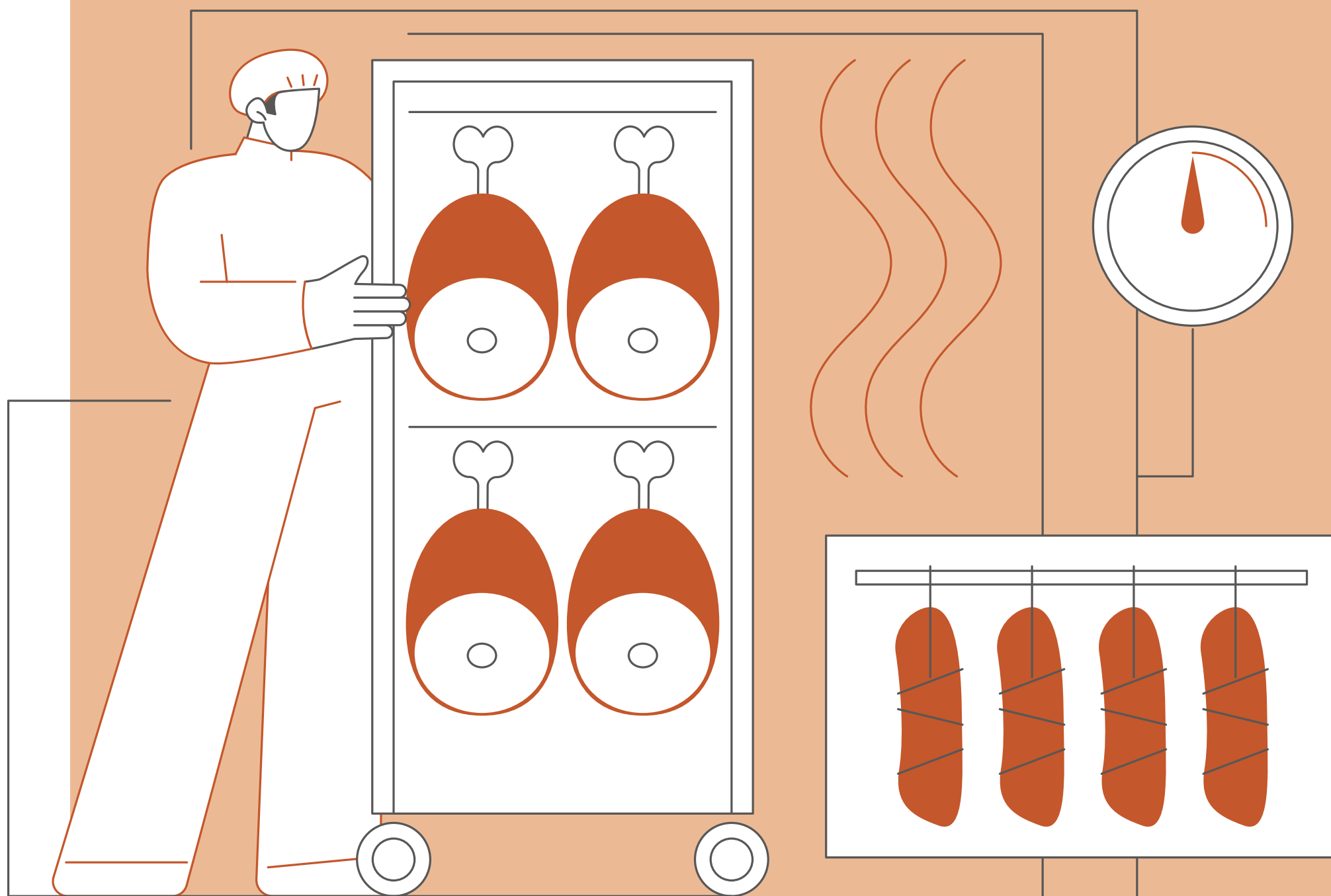


QUALITY LASTING FOR 65 YEARS

Our Carnex is at the forefront of the meat industry thanks to the vertical integration of all stages in meat production and the well-rounded production process management, starting from its own production of animal feed, through pig farms, all the way to the modern meat industry.

We get high-quality raw materials from our own farms and from reliable local suppliers, and the controlled breeding of pigs includes the production of raw materials for their nutrition. From soil preparation to storage and processing, our experts monitor every step of the process to guarantee the highest level of quality.





In our feed factory, through continuous investments in automation and innovation, such as the modernisation of the raw material sampling process, pellet-making equipment, and the replacement of transport lines, we are improving the quality of the feed and controlled production conditions.

On our farms, with the help Pig Sense sensor system and a network of over 300 devices, we monitor key parameters such as food consumption, temperature, humidity and ammonia concentration. All this contributes to the rational and sustainable pig breeding, with an annual production of 160,000 fattening pigs. Animal quality and welfare in the centre of our attention. Through the A WISH project, launched at the level of the European Union, we are leaders in the development of technologies for monitoring the welfare of animals on the farm, in the depot and in the slaughterhouse, ensuring control from the breeder to the final consumer.

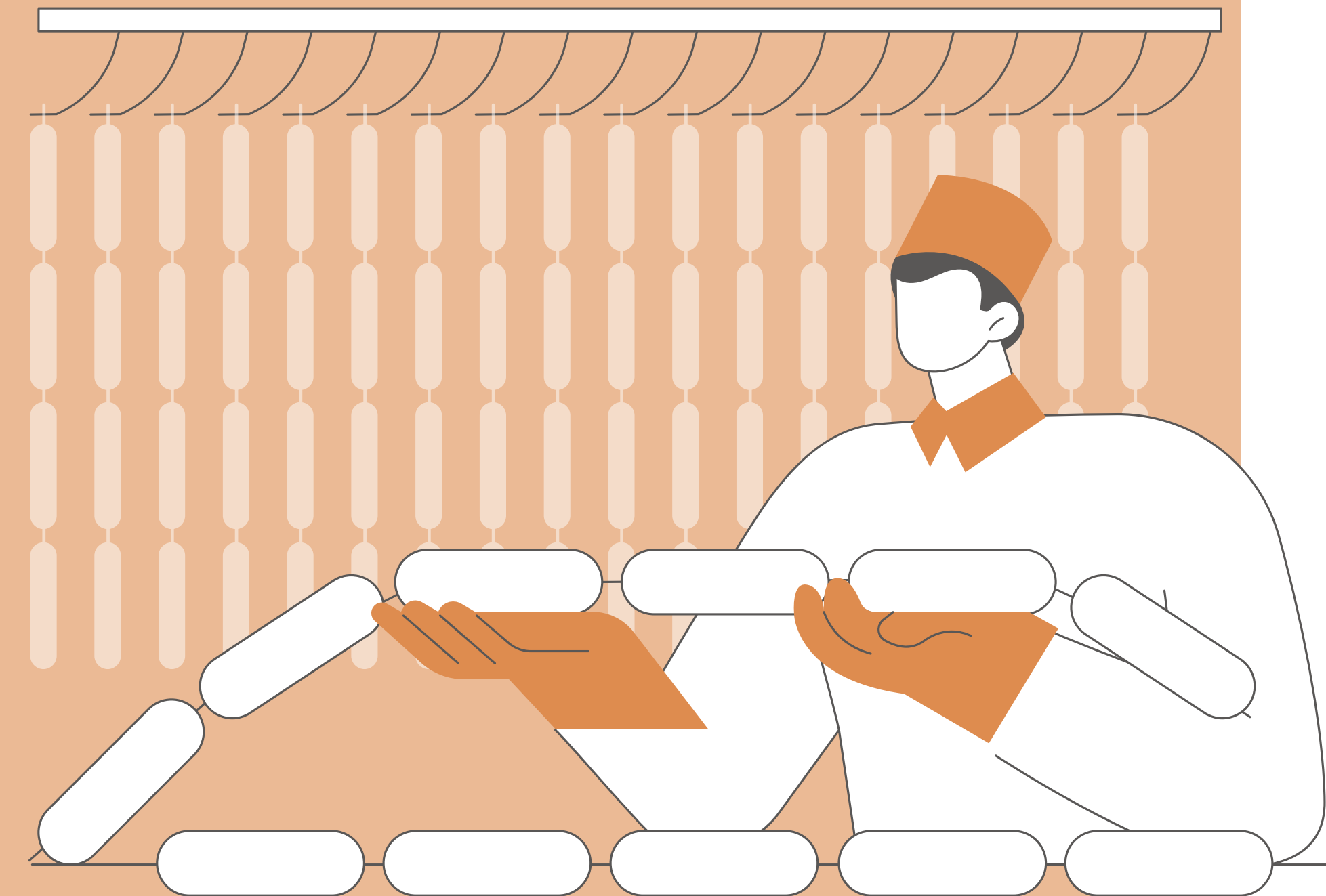
The fresh meat that we put on the market originates 100% from our farms, and the meat has the highest sensory properties: pink to light red muscle tissue, white fatty tissue, uniform consistency and the characteristic smell of pork meat.

This process of production of meat and meat products guarantees top quality that the consumers recognise. Each of our products, whether high in protein, low in fat or with other beneficial properties, clearly communicates its benefits on the label.

We are especially proud of the product line for our youngest ones, the Smazalice brand. Smazalice chicken pâté and Smazalice turkey pâté are pure meat products, without additives.

Our products rustic fermented dry sausage, homemade meat bacon and sterilised homemade sarma dish are labelled with the “Serbian Quality” national label because they are produced from 100% domestic raw materials and they are the products with special properties.

We also take care of the environment. Our packaging is recyclable, and the cardboard packaging is made of almost 99% recycled materials.





BRAND IMAGE

● Carnex ● Competitor 1 ● Competitor 2 ● Competitor 3 ● Competitor 4



Source: Deep Dive

We also achieve quality assurance through certified standards, but what means a lot to us is that consumers rate our brand image highly and confirm our commitment to constant improvement of the offer, understanding the needs and wishes of consumers, ensuring constant and reliable quality.

APPEAL PROCESS AND COMPLAINTS:

In order to ensure feedback and improve our practices, production, quality and foster relationships with our customers, we have established a clear complaints procedure, whereby we approach each complaint with dedication:

- There are defined procedures for handling complaints by the company, including the product purchase and sale.
- When a customer submits a complaint or appeal, the company immediately reacts and initiates the process of considering and resolving the complaint.
- Complaints are followed up through a process that includes problem analysis, identification of appropriate corrective measures, and customer communication.
- Customers are informed of the measures taken and, if justified, receive a refund or a product replacement.
- Our goal is to provide a safe and quality product and to respond quickly to consumer complaints in order to maintain the high quality of our products and the satisfaction of our customers.



MK GROUP COMPANIES THAT PERFORM THEIR PRODUCTION ACCORDING TO THE REQUIREMENTS OF INTERNATIONAL STANDARDS AND SYSTEMS

COMPANY	STANDARD/SYSTEM	SCOPE
Meat Industry Carnex	HACCP	Reception, slaughter of ungulates (cattle and pigs), production of meat, meat products and meat-free products, storage and delivery. Production of pelleted and non-pelleted animal feed.
	IFS Food	The slaughter of cattle and pigs. Cutting and deboning beef and pork meat. Production (cutting, salting, mixing, sterilization) of canned meat products (pate, luncheon meat, ready meals), canned combined products (fish pate with vegetables) and hummus. Production (cutting, mixing, salting, smoking and pasteurization) of semi-durable meat products (sausages, ham, bacon). Production (cutting, mixing, salting, smoking, fermentation) of durable meat products (sausages without mould, dry meat products). Packing (MAP, vacuum, regular) of meat products in different kind of packaging materials and forms (PE bags, foils, tins, alu-foils, boxes).
	HALAL	For products of chicken, beef and fish meat.
	ISO 9001:2015	Production of animal feed, farming of pigs, production of meat, meat products and meat-free products.
	ISO 14001:2015	Production of animal feed, farming of pigs, production of meat, meat products and meat-free products.
	ISO 45001:2018	Production of animal feed, farming of pigs, production of meat, meat products and meat-free products.
	ISO 50001:2018	Production of meat, meat products and meat-free products.

MK GROUP COMPANIES THAT PERFORM THEIR PRODUCTION ACCORDING TO THE REQUIREMENTS OF INTERNATIONAL STANDARDS AND SYSTEMS

COMPANY	STANDARD/SYSTEM	SCOPE
PIK Becej	HACCP Flora	Production of instantly and quickly frozen vegetables and fruits, production of sterilised vegetables. Excluded from the scope: pasteurised vegetables.
	ISO 9001:2015	Development, agriculture, production of vegetables and fruits, processing vegetables and fruits, cattle breeding, milk production, wholesale and retail trade
	Donau Soja Silo	Agricultural Soya Bean Collector
	ISO 14001:2015 Flora	Production of currently and quick frozen vegetable and fruits, production of sterilized vegetables.
	ISO 45001:2018 Flora	Production of currently and quick frozen vegetable and fruits, production of sterilized vegetables.
	IFS Food Flora	Production (washing, cutting, blanching, cooling, quick freezing, sorting) of quick frozen peas, green and yellow beans, sweat corn, edamame (Chinese soya), sorting, mixing and packaging of quick frozen vegetables (pods vegetables, flower vegetables, root vegetables, leaves vegetables, stalk vegetables, fruit bearing vegetables, bulb vegetables, fungi vegetables) and quick frozen fruits (berry fruits and cherries) and their mixes, packed into plastic packaging.
	BRC	Production (washing, cutting, blanching, cooling, quick freezing, sorting) of quick frozen peas, green and yellow beans, sweat corn, edamame (Chinese soya), sorting, mixing and packaging of quick frozen vegetables (pods vegetables, flower vegetables, root vegetables, leaves vegetables, stalk vegetables, fruit bearing vegetables, bulb vegetables, fungi vegetables) and quick frozen fruits (berry fruits and cherries) and their mixes, packed into plastic packaging.

MK GROUP COMPANIES THAT PERFORM THEIR PRODUCTION ACCORDING TO THE REQUIREMENTS OF INTERNATIONAL STANDARDS AND SYSTEMS

COMPANY	STANDARD/SYSTEM	SCOPE
Sunoko	IFS Food PC Kovacica	Milling and packaging of white and brown sugar into paper and plastic packaging. Exclusions: Seasonal sugar refining process.
	FSSC 22000 PC Kovacica	Production of sugar packed into paper and plastic packaging molasses packed in bulk, by-product sugar beet pulp pellets for use feed industry
	FSSC 22000 PC Pecinci	Production of sugar packed into paper and plastic packaging, sugar and molasses packed in bulk, by-product betaine and pellet for use feed industry.
	FSSC 22000 PC Vrbas	Production of sugar packed into paper and plastic packaging molasses packed in bulk, by-product sugar beet pulp pellets for use feed industry.
	HALAL PC Kovacica	Production of sugar for the following Halal products E Category „products with long shelf life at room temperature. „ 1. White kristal sugar 2. Powder at white sugar 3. Brown sugar
	HALAL PC Pecinci	Production of sugar for the following Halal products E Category „products with long shelf life at room temperature. „ 1. White kristal sugar
	HALAL PC Vrbas	Production of sugar for the following Halal products E Category „products with long shelf life at room temperature. „ 1. White kristal sugar 2. White kristal sugar – cube
	KOSHER PC Vrbas	Production and delivery of sugar and molasses from sugar beet produced.
	KOSHER PC Pecinci	Production and delivery of sugar and molasses from sugar beet produced.
	KOSHER PC Kovacica	Production and delivery of sugar and molasses from sugar beet produced.
	GMP+ B3 Centrala Novi Sad	Trade in sugar beet pulp pelleted

MK GROUP COMPANIES THAT PERFORM THEIR PRODUCTION ACCORDING TO THE REQUIREMENTS OF INTERNATIONAL STANDARDS AND SYSTEMS

COMPANY	STANDARD/SYSTEM	SCOPE
Sunoko	GMP+ B2 PC Kovacica	Production of sugar beet pulp pelleted
	GMP+ B2 PC Pecinci	Production of sugar beet pulp pelleted.
	GMP+ B2 PC Vrbas	Production of sugar beet pulp pelleted.
	ISO 14001:2015	Production of sugar, molasses, pellets and betaine produced from sugar beet.
	ISO 45001:2018 Centrala Novi Sad	Production of sugar, molasses, pellets and betaine produced from sugar beet.
	ISO 45001:2018 PC Kovacica	Production of sugar, molasses and pellets produced from sugar beet.
	ISO 45001:2018 PC Vrbas	Production of sugar, molasses and pellets produced from sugar beet.
	ISO 45001:2018 PC Pecinci	Production of sugar, molasses, pellets and betaine produced from sugar beet.
	FSA	Sugar beet production on farms of Carnex, PIK Becej, MK Agropanonija, Agrounija

MK GROUP COMPANIES THAT PERFORM THEIR PRODUCTION ACCORDING TO THE REQUIREMENTS OF INTERNATIONAL STANDARDS AND SYSTEMS

COMPANY	STANDARD/SYSTEM	SCOPE
Agrounija (Agrounija fruit)	Global G.A.P.	Agriculture phases with produce handling. Products: apples.
	HACCP	Washing, sorting and packing of apples in carton/wooden/PE boxes, plastic or carton trays and LDPE bags.
	IFS Food	Washing, Sorting and packing of Apples in Carton/Wooden/PE boxes, Plastic or Carton Trays and LDPE Bags.
	BRC	Washing, Sorting and packing of Apples in Carton/Wooden/PE boxes, Plastic or Carton Trays and LDPE Bags.
	ISO 14001:2015	Growing, storing and sorting of apples.
	ISO 45001:2018	Growing, storing and sorting of apples.
PP Erdevik	HACCP	Production and bottling of wine.
	ISO 9001:2015	Production and bottling of wine.



CARING ABOUT THE COMMUNITY



EUR 5 million

for CSR activities
2023 – 2027



EUR 1 million

for "Family Support"
CSR programme in 2023



EUR 680,000

for donations to
kindergartens in 2023



EUR 217,000

for SOS Children's Villages
in 2023



COMMUNITY FIRST

MK Group celebrated its 40th anniversary in 2023. In the anniversary year, it pledged to invest as much as EUR 5 million through all its CSR projects in the next 5 years, primarily in support of children, youth, education and family. The strategic commitment of MK Group is to take care of the environment it operates in and to contribute to development of society as a whole, and particularly to the development of new generations who represent the future of Adria region. MK Group strategically focuses its CSR projects on matters of national importance, wishing to include as many people as possible from the entire region who need help. The company directly influences positive changes in society through philanthropic activities.

DONATIONS IN 2023	VALUE (EUR)
MK Group	EUR 1,880,621
MK Agri-Food	EUR 78,966
MK Tourism & Real Estate	EUR 146,875
TOTAL	EUR 2,106,462

FOCUS OF CSR PROJECTS:



Family and parenthood support



Programmes for children and youth



Support to education



Assistance to healthcare institutions



Assistance to vulnerable social groups

DONATIONS TO KINDERGARTENS IN THE REGION

MK Group transferred its strategic commitment to family empowerment to the wider community by supporting kindergartens, maternity wards and other organisations of importance for the appropriate development and functioning of the youngest through the “Family Support” CSR programme.

“Family Support” includes various activities aimed at children, youth and family, and in 2023 alone, EUR 1 million was allocated for them. Out of that, a total of EUR 680,000 of donations was allocated for the renovation and equipping of 20 kindergartens in the Adria region, where children acquire their first knowledge and take their first steps. This is how MK Group celebrates new generations and future. The implementation of the project in Serbia, Montenegro, Croatia and Slovenia was supported by the ministries of education in all those countries. They provided advice for the selection of kindergartens that needed

help the most in the municipalities MK Group operates in. After that, in cooperation with the management of preschool institutions, they prioritised the needs and provided financial resources for those priorities.

The donations realised by MK Group together with AIK Banka and Gorenjska banka, enabled better conditions and a more beautiful and creative environment in preschool institutions for children aged 1 to 6.

- **EUR 350,000 WAS ALLOCATED FOR 8 KINDERGARTENS IN SERBIA**
- **EUR 100,000 WAS ALLOCATED FOR 3 KINDERGARTENS IN MONTENEGRO**
- **EUR 150,000 WAS ALLOCATED FOR 7 KINDERGARTENS IN SLOVENIA**
- **EUR 80,000 WAS ALLOCATED FOR 2 KINDERGARTENS IN CROATIA**



COUNTRY	CITY	PRESCHOOL INSTITUTION (PI)	DONATION PURPOSE	DONATION VALUE
Serbia	Vrbas	“Boško Buha” PI – “Bubica” kindergarten	Complete renovation of two floors, with replacement of floors and doors, purchase of new furniture for children’s rooms, furnishing of the bathroom, yard landscaping and kitchen arrangement.	EUR 170,000
	Bečej	“Labud Pejović” PI – “Kameleon” kindergarten	Entire interior painting, purchase of wardrobes, cribs, toys and furniture for two rooms where children stay.	EUR 25,000
	Novi Sad	“Radosno detinjstvo” PI – “Maslačak” kindergarten	Full renovation of three bathrooms.	EUR 25,000
	Golubac	“Lasta” PI – “Lasta” kindergarten	The entire kindergarten painting, replacement of worn interior woodwork and installation of new floors.	EUR 25,000
	Kovačica	“Kolibri” PI – “Kolibri” kindergarten	Renovation of the building facade, dilapidated terraces, yard fence and complete interior painting of the kindergarten.	EUR 25,000
	Pećinci	“Vlada Obradović Kameni” PI – “Kameni” kindergarten	Complete renovation of the bathroom and installations.	EUR 25,000
	Niš	“Pčelica” PI – “Maslačak” kindergarten	Complete reconstruction of the facade, concreting of the dilapidated yard, repair of ruined terraces and installation of new fences and greenery planting.	EUR 25,000
	Raška	“Veselo detinjstvo” PI – “Veselo detinjstvo” kindergarten	Replacement of carpets and bathroom doors, installation of jambs and purchase of furniture.	EUR 25,000
Montenegro	Podgorica	“Ljubica Popović” PI – “Suncokrili” kindergarten	Yard furniture, new didactic furniture, equipping a research centre for children with special needs.	EUR 34,000
	Podgorica	“Đina Vrbica” PI – “Leptirić” kindergarten	Purchase of tables, chairs and cots, yard furniture, painting and installation of blinds.	EUR 33,000
	Budva	“Ljubica V. Jovanović- Maše” PI – “Budva” kindergarten	Purchase of baby changing furniture, new chairs, tables, wall shelves and cabinets, replacement of floors and woodwork.	EUR 33,000

COUNTRY	CITY	PRESCHOOL INSTITUTION (PI)	DONATION PURPOSE	DONATION VALUE
Slovenia	Koper	“Koper” kindergarten – “Ribica” unit	New sensory room.	EUR 25,000
	Izola	“Izola” kindergarten – “Mavrica” unit	Renovated outdoor playground in the kindergarten yard.	EUR 25,000
	Portorož	“Mornarček Piran” kindergarten – “Barčica” unit	Renovated outdoor playground in the kindergarten yard.	EUR 25,000
	Kranj	“Kranjski vrtci” kindergarten – “Janina” unit	Renovated outdoor playground in the kindergarten yard.	EUR 25,000
	Ljubljana	“Mladi rod Ljubljana” kindergarten – “Čira Čara” unit	Renovated outdoor playground in the kindergarten yard.	EUR 25,000
	Maribor	“Sofiin izvir Maribor” Institute – “Studenček” separate Waldorf kindergarten	Renovated outdoor playground in the kindergarten yard.	EUR 15,000
	Maribor	“Jožice Flander Maribor” kindergarten	Renovated outdoor playground in the kindergarten yard.	EUR 10,000
Croatia	Šibenik	“Šibenska maslina” PI – “Kućica” kindergarten	Landscaping and furnishing of the playground and procurement of equipment.	EUR 40,000
	Brač	Kindergarten under construction	Financial resources for the kindergarten construction fund	EUR 40,000



CONTINUOUS CHILD CARE

STAY FOR PUPILS FROM KOSOVO AND METOHİJA ON KOPAONIK

For 12 years now, the company has traditionally organised **winter stays for the best pupils of primary schools from Kosovo and Metohija** at the Grand Hotel on Kopaonik. MK Group, in collaboration with the Office for Kosovo and Metohija, carried out this action in 2022 and 2023 with the intention of rewarding students from the southern Serbian province who showed dedication and achieved good results. Year after year, the best students have the opportunity to learn to ski, to enjoy all the activities that Kopaonik offers to visitors, as well as using all the facilities of the Grand Kopaonik Hotel.





| SUPPORT TO SOS CHILDREN'S VILLAGES

For more than a decade, MK Group has been **supporting the work of the SOS Children's Villages Serbia** through various forms of assistance, and Miodrag Kostić is the only donor from this part of Europe who received the highest recognition – the Badge of Honour, awarded by SOS Children's Villages international organisation with branches in 135 countries worldwide. In 2023, the company donated EUR 170,000 for the work of the newly established **"Support Programme for Mothers and Babies"**, and the funds were used for the adaptation, furnishing and operation of the house in Kraljevo, which can accommodate seven mothers with their children. Necessary health and financial support for mothers and babies, psychological support, as well as support for women in job search and their independence are provided. The house for mothers and babies used to be the "Youth House" that MK Group build in 2012.

Support has traditionally been provided to Family Strengthening Centres, thanks to which numerous activities aimed at improving living conditions have been implemented, in order to prevent the separation of children from biological families. In 2023, the SOS Children's Villages Foundation was supported by our member, MK Mountain Resort, and Grand Kopaonik Hotel. EUR 47,000 was donated for the operation of the Family Support Centre in Raška. In this way, only in 2023, the SOS Children's Villages of Serbia received support in the total amount of nearly EUR 220,000.

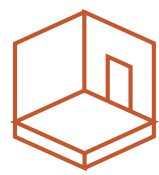
| SUPPORT TO NURDOR

For more than a decade, MK Group has been **supporting NURDOR and Parents' House in Novi Sad** in which the little ones fight their most important life battles. Miodrag Kostić, President and Founder of the MK Group, handed over his EUR 1.5 million worth family home for use to the Institute for Health Care of the Children and Youth of Vojvodina in Novi Sad, in cooperation with NURDOR. This is the first parents' house in the territory of Vojvodina, founded in 2013 in Novi Sad. It is intended for children who come from other places accompanied by their parents, during treatment for malignant diseases. This type of accommodation is one of the forms of psycho-social support and plays a significant role in the healing process. So far, 160 families have resided in this home, and during 2023, the House was used by 8 children with their parents.



THE MIODRAG KOSTIĆ ENDOWMENT – PALACE OF SCIENCE

In 2023, the reconstruction of a magnificent building in Belgrade downtown, at the crossroads of Kralja Milana and Kneza Miloša streets started. It will get a new life in the service of science and society, through the Palace of Science, the project of the Miodrag Kostić Endowment. MK Group allocated more than EUR 1 million for this in 2023.



5,500 m²
of science space



19
FEE research centres



30
educational exhibits





The endowment, its mission and activities, were officially presented to the public in October 2023, at the Faculty of Electrical Engineering in Belgrade, in the presence of representatives of the scientific, academic and professional communities. The Palace of Science, the opening of which is planned in December 2024, is the first centre for research and the popularisation of science in Serbia and one of the largest ones in the region. In 5,500 m² of space, in one part **scientific research activities in the field of electrical engineering, computing and software engineering will take place, in cooperation with the Faculty of Electrical Engineering of the University of Belgrade, whose professors and students will have 19 state-of-the-art research centres at their disposal in the Palace of Science.** The second part will house numerous educational and interactive exhibits and contents intended to popularise science to the wider public, particularly children and youth.

It was with this goal in mind that Miodrag Kostić founded the endowment which bears his name, and presented the society with the Palace of Science, a gift worth EUR 25 million. MK Group Founder and President wishes for the Palace of Science to provide an opportunity for a new generation of young scientists to build their careers in their country and to enable them to work in excellent conditions, as in the best global scientific centres. Support to science and education inspired Miodrag Kostić to leave lasting value to current and future generations through his endowment, believing that knowledge is the greatest value that drives society forward.

CORPORATE SOCIAL RESPONSIBILITY RECOGNITIONS FOR 2023

VIRTUS AWARD FOR CORPORATE PHILANTHROPY awarded by TRAG Foundation was presented to MK Group for charity activities implemented within the “Family Support” corporate social responsibility programme. VIRTUS Corporate Philanthropy Award is awarded to companies that stand out for a systematic and thoughtful approach to community support, but also show a commitment to participating in activities that have a broad social impact.

SPECIAL VIRTUS AWARD for the contribution to endowment, was presented to Miodrag Kostić, President and Founder of MK Group, whose endowment will open the Palace of Science. The award is presented by TRAG Foundation.

“ESG LEADERS” PWC AWARD in the category Actions for environmental protection in the economic sector was awarded to MK Group.

2023 SPECIAL “SAM” AWARD was awarded by the Serbian Association of Managers to Miodrag Kostić for an outstanding personal achievement of founding the Miodrag Kostić Endowment and the Palace of Science.

2023 THE! AWARD FOR CORPORATE SOCIAL RESPONSIBILITY of the Croatian Public Relations Association was awarded to MK Group for the “Family Support” regional project.

2023 “DIPLOMACY & COMMERCE AWARDS” BEST HUMANITARIAN EFFORTS AWARD awarded to MK Group in Croatia for the “Family Support” project.

2023 RECOGNITION FOR CORPORATE SOCIAL RESPONSIBILITY was handed over to MK Group by the Municipality of Pećinci because of donation to “Vlada Obradović Kameni” preschool institution.



Award for corporate philanthropy for 2023



Special Award for endowment development in 2023



CORPORATE GOVERNANCE

In its operations, MK Group relies on the knowledge and experience of its employees, which enable the company to successfully deal with the challenges of a diverse business portfolio and operations in different markets.

Objectives in focus until 2026

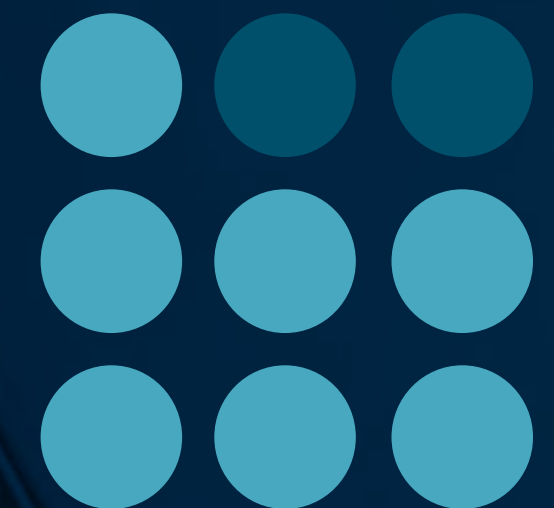
Improvement of corporate governance at the overall Group level

Sustainability promotion throughout the value chain

Key results in 2023

Equal number of men and women at MK Group Board of Directors

ESG team formed and all processes within ESG reporting defined



PRESIDENT AND VICE PRESIDENT OF MK GROUP



Miodrag Kostić
President of MK Group



Aleksandar Kostić
Vice President of MK Group

COMPANY MANAGEMENT

Board of Directors, led by the CEO, plays a key role in shaping the company's strategic direction. Their expertise and leadership skills are key qualities for maintaining a high standard of operations, with each Board member contributing their unique experience and expertise.

In cooperation with the Board of Directors, the CEO is responsible for operational management of the company and for the realisation of strategically set goals. Regular meetings with management teams ensure that all divisions are aligned with the Group's overall goals while respecting their specificities. In this way, for 40 years, MK Group has been building a unique organisational culture that has proven to be a solid foundation for sustainable growth and long-term value creation in all aspects of business.

MK GROUP BOARD OF DIRECTORS



Mihailo Janković
CEO



Verica Teofilović
Finance and Risk
Management



Jovan Purar
Legal and General
Affairs



**Aleksandra
Stojanović**
Corporate Affairs



Dejan Cupać
IT and Technology



**Danijela
Havrilčak**
Human Resources

DIVISION MANAGEMENT



Slobodan Košutić
MK Sugar



Ivan Zeković
MK Meat



Sanja Savić
MK Agriculture



Novak Bojanić
MK Tourism & Real
Estate, Petram
Resort & Residences



Marko Keserović
MK Tourism
& Real Estate,
Grand Kopaonik



Željko Stašević
MK Tourism & Real
Estate, Kempinski
Palace and
Kempinski Adriatic



Luka Bjeković
MK Energy



PERFORMANCE MEASUREMENT

In order to achieve the best possible results, MK Group pays great attention to **performance measurement**. Addressing this issue, we create an atmosphere in which each individual and each team take responsibility for improving business processes and achieving goals, which ensures sustainable development. That is why constant communication between managers and employees takes place during the year. Important parts of this process are: annual performance evaluation (which includes setting annual goals, semi-annual performance evaluation and evaluation of annual goals), regular discussion and feedback. Goal-setting and evaluation is done through the “SAP Success Factoras” application that allows every employee access and insight into the process at any time.

RISK MANAGEMENT

One of the key things for preserving the viability of business in MK Group is the **risk management**. The risk management policy defines the basic principles, roles and responsibilities in order to effectively manage risks, including risk identification, measurement, control, and reporting. The processes are supported by a clearly defined organisational structure and internal control system. The main risks MK Group is exposed or may be exposed in the future are classified as: financial, operational and personnel, regulatory, market and environmental. MK Group applies the “neutral risk”, meaning that risks are taken with a balanced approach, whereby risk and return objectives are equally considered, and the risk management process itself is based on the principles of independence of functions, transparency and application of best practices.





CORRUPTION AND CONFLICT OF INTEREST PREVENTION

MK Group operates in accordance with all relevant Serbian regulations, as well as with the legislation of other countries our members operate in. The company has established a comprehensive anti-corruption programme and internal measures aimed at detecting and **preventing corruption and conflict of interest**. Code of Ethics, which defines rules and guidelines for employees, includes topics such as political donations, sponsorships and other aspects that are not fully governed by law. All employees are obliged to comply with these rules in order to avoid violations of work obligations. Provisions on the prohibition of conflicts of interest are also included in employment contracts in accordance with the Company Law. Internal procedures, such as product procurement procedures, further support preventive measures, help minimise potential conflicts, and ensure compliance with values that the company represents.

CODE OF ETHICS AND COMPLIANCE

MK Group has a comprehensive Code of Ethics which contains clearly defined regulations, procedures, decisions and guidelines for employees. This Code governs details of the rules of conduct, rights and duties of employees, internal whistle-blowing procedure, protection of property and personal data, as well as other key aspects important for the protection of the rights of employees, the provision of a safe working environment and the preservation of the company’s reputation. In addition, the Code establishes mechanisms for reporting irregularities and requires all affiliates to fully adopt, comply with and implement these guidelines, thereby ensuring consistent application of ethical standards at all levels of the organisation.

MK Group carefully monitors tax regulations, analyses risks, organises knowledge sharing education sessions and supports transparent reporting on tax obligations, while continuously cooperating with regulatory institutions to ensure the highest level of compliance.



TOTAL TAXES PAID IN 2023	EUR MIL
Corporate income tax	18.1
Tax and contributions on wages and other personal income	14.0
Property taxes	1.3
VAT	6.2
Taxes, fees and customs and excise duties	2.3
Tax on the use of goods, and other tax duties	0.1
TOTAL	42



TRANSPARENT COMMUNICATION WITH STAKEHOLDERS

Transparent communication with the stakeholders enables open and timely transfer of information, crucial for building trust, improving cooperation and strengthening relations with all key actors.

For information and active engagement of all interested parties, MK Group uses a wide range of communication channels, including business meetings, media releases, company website, social networks, internal portals and publications.

MEMBERSHIPS IN BUSINESS ASSOCIATIONS

MK Group is an active member of many national and international associations and unions like NALED (National Alliance for Local Economic Development), AMCHAM (American Chamber of Commerce in Serbia), PKS (Serbian Chamber of Commerce), SAM (Serbian Association of Managers) and many others. With its participation and involvement MK Group contributes to the improvement of the regulatory and institutional framework for business, as well as economic policy strengthening in order to create better conditions for business and economic development of the Republic of Serbia.

DATA SAFETY

In a contemporary business environment, data security is becoming crucial for maintaining client trust, protecting business information and meeting legal regulations. In accordance with data protection regulations, MK Group treats personal data, and all documents and information about business transactions with the utmost care. In order to protect sensitive data, we use the most modern information technologies and apply standardised IT processes.

In this sense, the company aligns all its business processes with the requirements of the information security management system (ISMS). For this purpose, the Information Security Policy was adopted at the level of the entire Group, as the main guideline in which direction to go when it comes to this aspect of business. The guidelines, as well as Group-wide e-learning and onboarding training, help our employees behave in a way that complies with data protection.

In accordance with the General Data Protection Regulation (GDPR), MK Group undertakes to protect the personal data of its clients and employees. This includes clear policies on data collection, processing and storage, as well as enabling the right to access, correct and delete data.

Through continuous improvement and adaptation to new challenges, MK Group remains committed to preserving the integrity, confidentiality and availability of information.



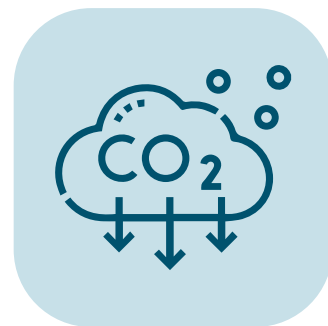
ESG MANAGEMENT

Aware of the impact of ESG (Environmental, Social, Governance) factors on sustainability, strategic development and relations with stakeholders, including the company's reputation, MK Group has integrated ESG principles into its development strategy and actively deals with the impact on the environment and the communities it operates in.

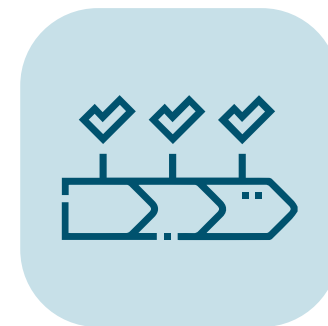
In order to reach a leadership position in the field of sustainable operations, we have developed a comprehensive strategic approach to the management of ESG topics, based on systematic management of risks and opportunities, as well as transparent communication.

ESG STRATEGY FOCUS

The key areas of the ESG strategy we have set for the five-year period remain the same:



Achieving carbon neutrality through a gradual reduction in the use of fossil fuels and an increase in energy efficiency



Improving sustainability within value chains



Environmental protection through appropriate management of water, waste and other resources



Improvement of living conditions in the communities in which we operate



Improvement of the working environment and working conditions for employees



Improvement of corporate governance at the Group level

In the past period, we defined material topics, set goals and priorities, as well as a road map with an action plan. We created procedures, processes and organisational structure, including leadership and ESG operational team roles, to effectively measure and transparently report on sustainability.

We are currently in the phase of actively monitoring the achievement of set goals and managing all ESG risks, with continuous improvement of processes and procedures, with a focus on raising awareness of the importance of ESG topics within the company, but also externally, through raising the level of sustainability in the value chain.

OUR SUSTAINABILITY TEAM

ESG BOARD

The body responsible for the strategic implementation and monitoring of progress in the implementation of ESG initiatives within the entire organisation. Creates, approves and monitors the implementation of the adopted ESG strategy.



Beata Fridrich

Board Chair
*Environmental Protection and
Standards Manager, Chemicals
Advisor*



Verica Teofilović

Board member
*Finance and Risk Management
Director*




















Milos Savic

Board member
*Internal Audit
Director*

ESG TEAM

It consists of delegated divisional coordinators and divisional management. It manages ESG risks and opportunities, prioritises initiatives in accordance with the division's strategic direction and ESG strategy. It directly communicates with ESG Board and revises annual ESG plans in joint cooperation. It also organises and coordinates professional ESG training for employees and provides support for sustainability reporting.

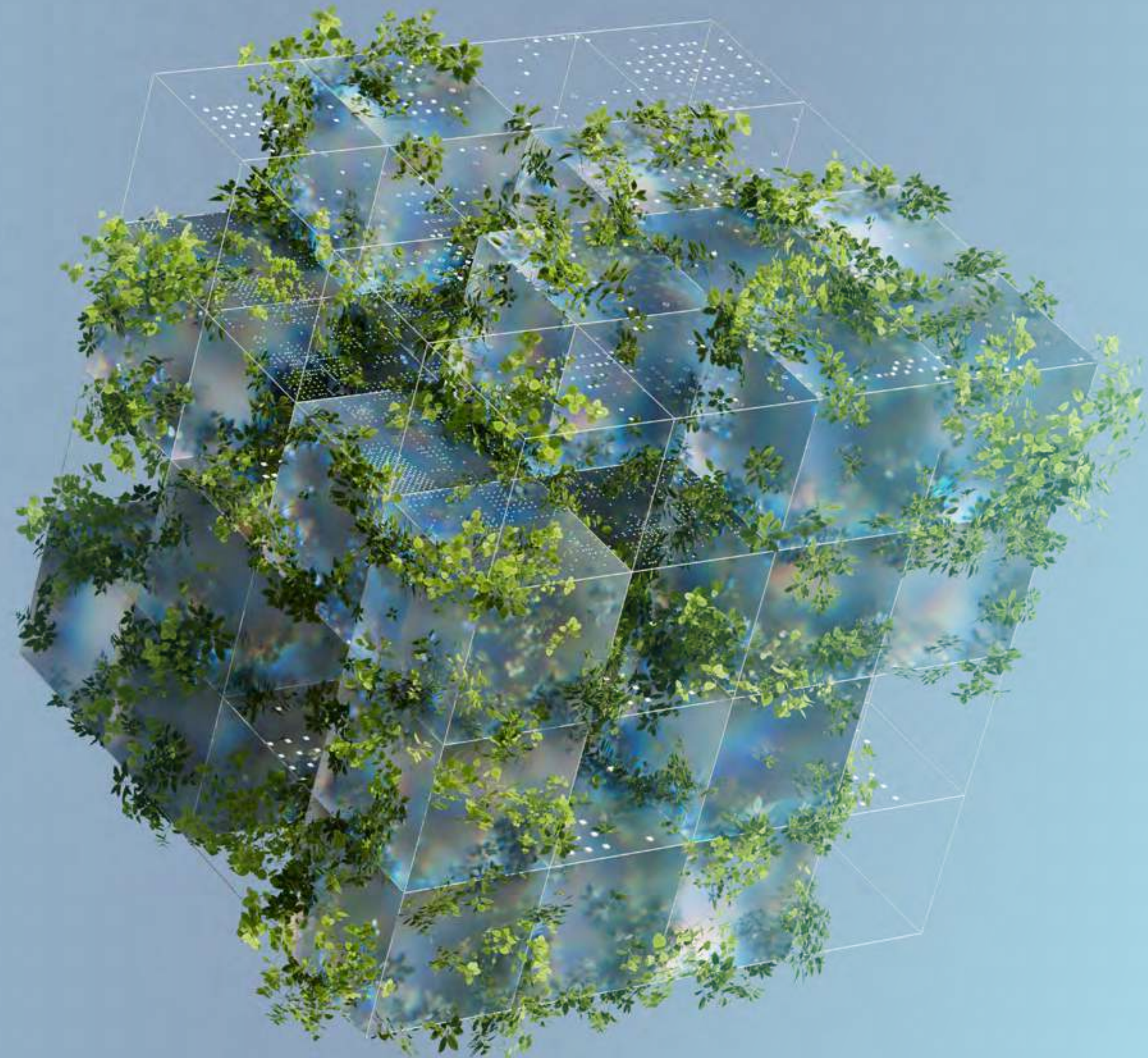
MK AGRICULTURE				MK SUGAR				MK MEAT			
	 The Team is led by: Sanja Savić, Division A/Director			 The Team is led by: Slobodan Košutić, Division Director			 The Team is led by: Ivan Zeković Division Director				
E	 Rada Đuričin Standards and Quality Coordinator			 Biljana Bogdanović Quality Control Coordinator			 Tatjana Miljanić EMS Assistant in Carnex d.o.o. IM and Carnex Stočarstvo d.o.o.				
S	 Jovana Mirković HR Manager			 Una Blažević HR Manager			 Nikolina Gajić HR Manager				
G	 Rada Marjan Legal and General Affairs Manager			 Milenko Pudar Legal Affairs and Administration Director			 Biljana Savić Legal and General Sector Director				
MK TOURISM & REAL ESTATE											
	Petram Resort & Residences			Grand Kopaonik			Kempinski Hotels				
ESG	 Novak Bojanić Director			 Marko Keserović Director			 Željko Stašević Director				
MK ENERGY											
ESG	 Luka Bjeković Director					 Jelena Majić Legal and General Affairs Manager					

We talked to MK Group ESG Board

ALL OF US HOLD THE KEY TO SUSTAINABLE FUTURE IN OUR HANDS

MK Group ended the year of a significant anniversary, 40 years of operating, by presenting its five-year ESG strategy. Why is it important and where is our company on the sustainability map in Serbia?

Responsible operating has been the basic postulate of our company since its foundation. For this reason, it was natural to use the end of the year in which we celebrated a significant anniversary, to summarise our contribution in this field and, in addition to financial indicators, through the presentation of a five-year ESG strategy, also present ambitious goals with which we contribute to progress in the field of environmental protection, corporate social responsibility and corporate governance.



The importance of ESG topics is getting more and more attention it deserves because sustainable operating is the key to the long-term success of any modern company. If do not understand how they affect their environment and how the environment affects them, they endanger their survival or leadership position maintenance. Business partners, customers, employees, regulatory authorities, but also the general public, recognise companies with a responsible approach to ESG topics and, in accordance with a wide range of the highest criteria, decide whom to cooperate with.

In the past 40 years, MK Group has shown commitment and perseverance in contributing to ESG topics, and as a serious company, its strategic commitment has always been focused on sustainability as the key to long-term success. That is why we can proudly say that we are in a leading position in Serbia in understanding, contributing and promoting all ESG topics. We do not stop there, but through the adopted strategy, we have recognised the space for further progress through setting the goals for the next 5 years.

What are the most important contributions that MK Group makes to the fight for the conservation of the planet?

Preservation of the environment is imperative in order to leave a beautiful place to live for generations to come. Summarising the efforts during the previous years, we can boast of significant achievements in the field of environmental protection. With continuous investments in more contemporary equipment that enables the

transition from the use of dirty energy sources in production processes to cleaner energy sources, as well as investments in solar panels, we significantly contribute to the reduction of CO₂ emissions. Through responsible operating practices, we recycle generated waste, and organic waste is converted into green energy within our biogas plant in Vrbas. Through our wind farms, we produced 223.2 GWh of clean electricity in 2023.

In which aspects of sustainable development and business is our company recognised as a leader?

In addition to contributing to environmental protection, our company is also recognised as a leader in corporate social responsibility and philanthropy. We also try to help local communities and the most vulnerable groups, so we donated over EUR 2 million in 2023 alone.

What does MK Group strategy involve and what are the plans and goals until 2026 in the field of sustainable operations?

MK Group ESG strategy defines where as a company we want to be in the domain of environmental protection, corporate social responsibility and corporate governance, in accordance with that prescribing precise indicators that we measure and a road map to meet them.

When we talk about environmental protection, we focus on reducing direct greenhouse gas emissions by 25% compared to the benchmark year, investing in green energy sources through the construction of an additional capacity of 1GW, and reducing the amount of waste by 5% by 2026. In the segment of corporate social responsibility, in the following 5 years, we undertake to help the development of the communities we operate in with EUR 5 million through socially beneficial actions, we encourage equality by reaching the goal of 50% of women in managerial positions in our company, but also to achieve the goal that 80% of system procurement should be from local suppliers. In the field of corporate governance, we strive to maintain a leadership position in terms of the most up-to-date practices of modern governance, the highest standards of ethical and professional conduct, while promoting the best business practices and their implementation in the countries we operate in.

How challenging was it to collect all the data for the ESG publication given a large system like MK Group covering different areas of business and industry? What obstacles did you face in that process?

All large companies face difficulties in gathering all relevant information so that reporting is reliable and a good basis for monitoring achievement. In a dynamic system like ours, with a large number of companies and different industries we operate in, the unification of data and the creation of a reliable database are further complicated by the very nature of ESG data, which in addition to the quantitative aspect also has a qualitative aspect. Important information is scattered throughout



the system, which is why over 50 colleagues worked in the data collection team, and the process of careful strategy development lasted a year. Considering the wide range of topics covered by ESG, a set of different types of expertise is necessary in the team, in order to properly measure our emissions, water consumption, understand initiatives in the advancement of technology and its impact on energy efficiency, best understand the company's efforts in ensuring equal rights to work, understanding fluctuation and inclusivity, but also gather in one place certificates, donations, paid taxes of the entire system, all with the aim of presenting our company as transparently as possible to all interested parties.

What guidelines and regulations does MK Group follow in the reporting process?

Our company's ESG reporting follows globally recognised standards in this area – GRI (Global Reporting Initiative) methodology. We follow global events and the tightening of world and EU regulations, so we align our reporting with principles of the CSRD (Corporate Sustainability Reporting Directive) regulation, which represents a big challenge even for the largest European companies with a long practice of sustainability reporting.

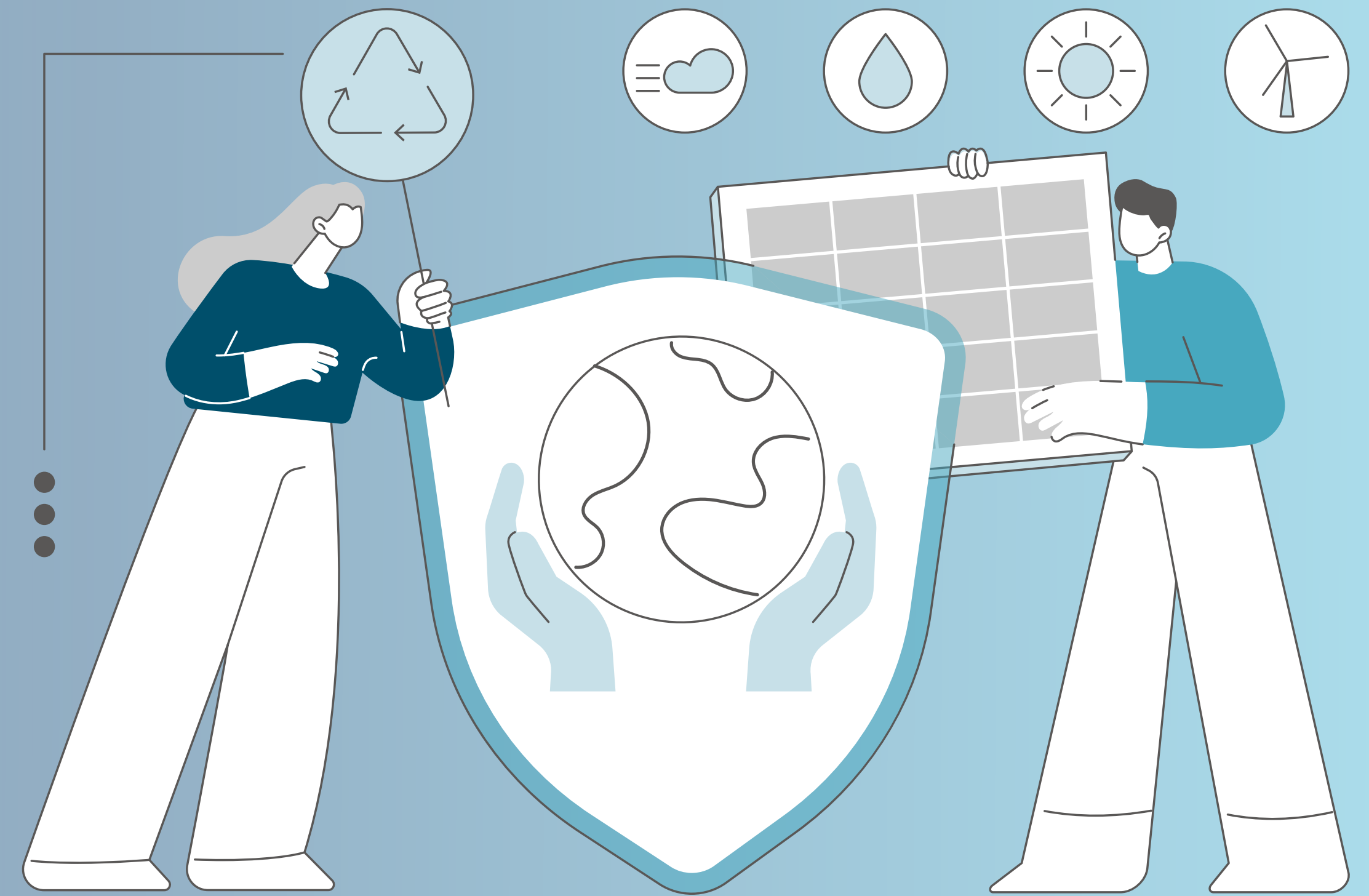
How and according to what criteria were the material topics presented in the MK Group ESG publication selected?

MK Group pays great importance to dialogue and cooperation with stakeholders, because we are aware that the success of our company is not only a matter of internal strategies, but also the result of interaction with numerous partners and associates. We base our dialogue on transparency, integrity and respect in order to understand through open discussion how we impact our environment and what it expects from us. Systematic and continuous communication with all stakeholders and evaluation of their perspectives on economic, social, environmental, and ethical matters, allows us to understand the needs and expectations of our employees, buyers, suppliers, financial and state institutions, media and the communities we operate in. By listening to their expectations and considering their priorities, we set the key points of our ESG strategy in a holistic way because only with joint efforts and daily interaction can we achieve sustainable development and general well-being.

What does a successful ESG strategy take?

A fundamental understanding of the specifics of each division of our system is necessary, but also how individual divisions fit into the puzzle of the entire system. We have to be aware of which topics are material and identify our opportunities for advancement. Also, a holistic and systemic approach to the topics is needed through constant efforts in raising awareness, education and the importance of ESG topics in everyday life. The most important thing is the recognition of the contribution of each individual in the implementation of the strategy, where we must be aware of the fact that only together we can make a difference, and that even the smallest initiatives of each employee at their workplace are extremely important in achieving the goals of a large system such as MK Group.

An important aspect is the role of ESG data external auditing, which contributes to increasing confidence in published data, as well as comparability of indicators from different systems. When companies become aware that there is an external, independent body that will check the correctness and reporting methodology, the practices of incomplete and selective presentation of companies only in a positive light (greenwashing) will be significantly reduced, which will ultimately contribute to the companies that really respect the highest standards being the only ones to continue doing business.

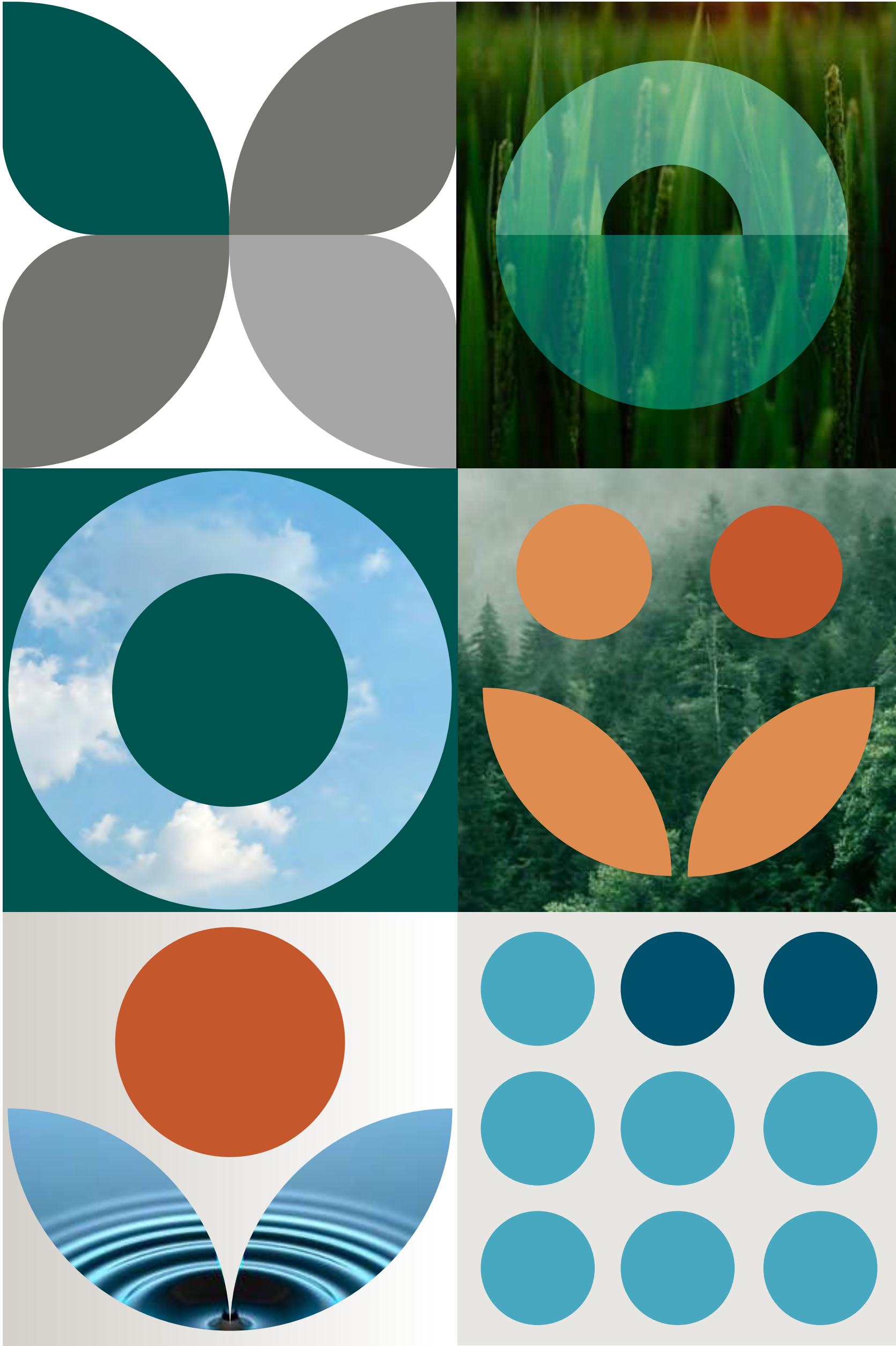




What is the role of employees in that process and how can they contribute to sustainable operations on a daily basis and through their daily work tasks?

The contribution of each employee is of immense importance for achieving the goals set by the ESG strategy, because people are the most important part of any organisation. When multiplied and repeated daily, individual activities, no matter how small they seem, as part of a large system, shape the corporate culture and become an integral part of our values. Leading by example has always been the biggest driver of positive changes. In this way, recycling, waste sorting, careful water consumption, optimisation of business processes in order to save energy at your workplace or contribution to charities in your local community are activities that each of us can undertake and thus contribute to sustainable business through our daily tasks.

GRI LIST OF INDICATORS AND MAPPING OF MATERIAL TOPIC



Reference standard	Disclosures	Description of disclosures	Page number
GRI 302: ENERGY 2016	302-1	Energy consumption within the organisation	24
	302-2	Energy consumption outside of the organisation	24
	302-3	Energy intensity	24-32
	302-4	Reduction of energy consumption	25-28
	302-5	Reductions in energy requirements of products and services	25-28
GRI 303: WATER AND EFFLUENTS 2018	303-1	Interactions with water as a shared resource (what is the water source, where and how is water used, where and how is wastewater discharged)	33-37
	303-2	Management of water discharge-related impacts	36
	303-3	Water withdrawal	35
	303-4	Water discharge	36-37
	303-5	Water consumption	33-35
GRI 304: BIODIVERSITY	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	n/a
	304-2	Significant impacts of activities, products, and services on biodiversity	43-48
	304-3	Habitats protected or restored	n/a
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	n/a
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) emissions	20-21
	305-2	Energy indirect (Scope 2) emissions	20-21
	305-3	Other indirect (Scope 3) emissions	20-21
	305-4	GHG emissions intensity	21-23
	305-5	Reduction of GHG emissions	22-23
GRI 306: WASTE 2020	306-1	Waste generation and significant waste-related impacts	38
	306-2	Management of significant waste-related impacts	38-41
	306-3	Waste generated	38
	306-4	Waste diverted from disposal (landfill and any other form of disposal other than recycling)	38-41
	306-5	Waste directed to disposal (landfill and any other form of disposal other than recycling)	38-41
GRI 201: ECONOMIC PERFORMANCE 2016	201-2	Financial implications and other risks and opportunities due to climate change	44-45
GRI 13: AGRICULTURE 2022	13-4	Conversion of natural ecosystems	n/a
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GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-2	Negative environmental impacts in the supply chain and actions taken	78-80

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	403-4	Worker participation, consultation, and communication on occupational health and safety	75
	403-5	Worker training on occupational health and safety	75
	403-6	Promotion of worker health	75
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	75
	403-8	Workers covered by an occupational health and safety management system	75
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GRI 404: TRAINING AND EDUCATION 2016	404-1	Average hours of training per year per employee	65
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GRI 413: LOCAL COMMUNITIES 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	89-101
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GRI 13: AGRICULTURE 2022	13-9	Food safety	84-88
GRI 13: AGRICULTURE 2022	13-20	Employment practices	62
GRI 13: AGRICULTURE/GRI 415: PUBLIC POLICY 2016	13-24 /415-1	Public policy/Political contributions	n/a
GRI 13: AGRICULTURE 2022/GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	n/a
GRI 13: AGRICULTURE 2022/GRI 408: CHILD LABOR 2016/GRI 409: FORCED OR COMPULSORY LABOR 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	n/a
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	n/a
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1	Assessment of the health and safety impacts of product and service categories	84-88; 111
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	n/a

Reference standard	Disclosures	Description of disclosures	Page number	
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	205-2	Communication and training about anti-corruption policies and procedures	108	
	205-3	Confirmed incidents of corruption and actions taken	n/a	
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LIST OF LEGAL ENTITIES WHOSE ESG DATA WERE USED IN THE PUBLICATION



The ESG Report 2023 included the legal entities within MK AgriFood (MK Agriculture, MK Meat and MK Sugar), and MK Tourism & Real Estate divisions, which make up 80% of total revenues of MK Group.

The Report discloses data for 2023. In case of need for additional information regarding the Report, please contact us via e-mail info@mkgroup.rs.

Agrounija d.o.o.
Carnex d.o.o.
Carnex stočarstvo d.o.o.
Carnex veterina d.o.o.
Energobalkan d.o.o.
Hotel Palace Portorož d.o.o.

IVICOM Energy d.o.o.
MK Fintel Wind a.d.
MK Group d.o.o.
MK IT Business Solutions d.o.o.
MK Mountain Resort d.o.o.
PIK Bečej d.o.o.

Rezidencija Skiper d.o.o.
Skiper Hoteli d.o.o.
Sunoko d.o.o.
Vetropark Kula d.o.o.



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