



Drenik



**SUSTAINABILITY
REPORT
2025**

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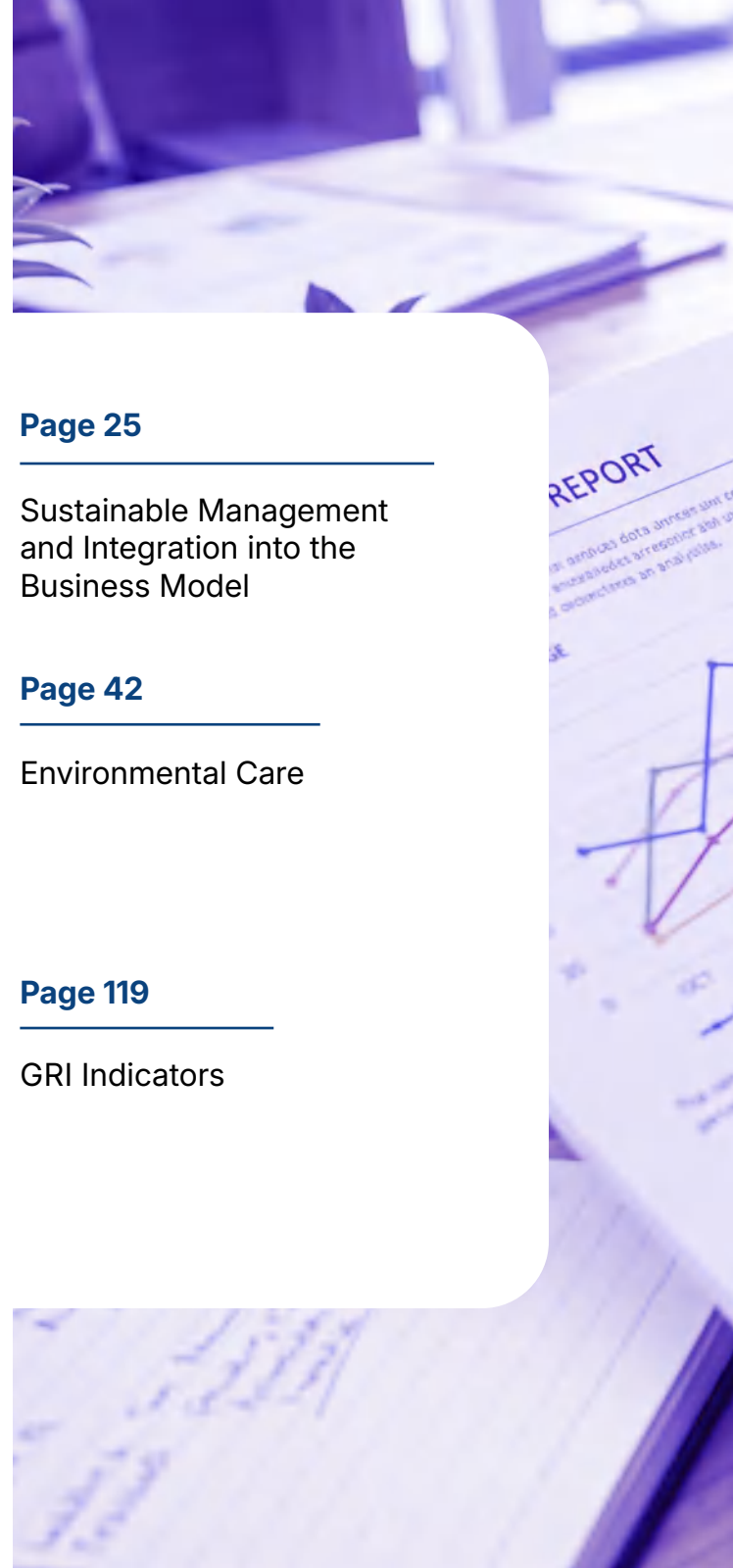
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SALES REVENUE & GROWTH

TARGET ACCOMPLISHED

18,000
7,500
10,000
5,000
4,000
2,500
0

OCT NOV DEC

REVENUE



VALUE

The company's revenue is broken down into several categories, including product sales, services, and licensing. The total revenue for the year is \$100,000, with product sales accounting for 30%, services for 20%, and licensing for 15%.

Turnover is the ratio of sales to total assets. It is a measure of how efficiently a company uses its assets to generate sales. A higher turnover ratio indicates that the company is using its assets more effectively to generate sales.

PERCENTAGE



MARKETING

The company's marketing strategy is focused on increasing sales and expanding its market share. This is achieved through a combination of product sales, services, and licensing. The total marketing budget for the year is \$10,000, with product sales accounting for 30%, services for 20%, and licensing for 15%.

Message from the CEO

It is my pleasure to present DRENİK ND's second Sustainability Report, reaffirming our commitment to advancing sustainability through tangible actions, measurable objectives, and the continuous evolution of our business in line with international standards and the expectations of our stakeholders. This report reflects another important milestone in our sustainability journey. It demonstrates our continued commitment to conducting business with transparency, accountability, and integrity while continuously strengthening our approach to environmental stewardship, social responsibility, and sound corporate governance.

Despite a challenging global environment marked by geopolitical uncertainty and market volatility, I am proud that DRENİK ND has remained firmly committed to its long-term strategic direction. Throughout the reporting period, we successfully preserved the stability of our operations, continued investing in the expansion of our manufacturing capabilities and the development of our brands, and remained true to the values that define our Company. These challenges have further reinforced our conviction that responsible governance, resilience, and long-term thinking are essential to sustainable business success.

Our ambition is clear—to strengthen our position as a regional leader in the sustainable manufacturing of tissue products, built on innovation, responsibility, operational excellence, and transparency. Looking ahead, we remain focused on expanding our production capabilities, accelerating the transition to renewable energy, strengthening sustainable business practices, and embedding the principles of the circular economy across every aspect of our operations to create lasting positive value for society and the environment. One of our most important strategic priorities is the transition towards renewable energy and the reduction of our greenhouse gas emissions. During the reporting period, we made significant progress in advancing this objective through a series of initiatives aimed at reducing our carbon footprint. A major milestone was the completion of our new manufacturing facility, incorporating state-of-the-art production technologies and equipped entirely with rooftop solar

photovoltaic panels. The facility has been designed and constructed in accordance with the principles of the LEED (Leadership in Energy and Environmental Design) green building standard, and the certification process is currently underway. To further strengthen the transparency and credibility of our climate reporting, our 2025 Scope 1 greenhouse gas emissions were independently verified by an external assurance provider. At the same time, we initiated the calculation of our Scope 3 emissions, representing another important step towards comprehensive climate reporting. In the coming reporting periods, DRENİK ND intends to obtain independent verification of its total greenhouse gas emissions, further demonstrating our commitment to internationally recognized sustainability frameworks and robust climate governance.

Embedding the principles of the circular economy throughout our business remains another strategic priority. We continue to improve resource efficiency, enhance recycling processes, optimize water use, increase the share of renewable energy, and strengthen transparency across our value chain. Reducing plastic consumption in product packaging is one of our key initiatives. During 2025, the Company predominantly used packaging films containing up to 30% post-consumer recycled (PCR) content while simultaneously introducing a new generation of packaging with 50% PCR content. Our objective is for at least 50% of our product portfolio to use packaging containing a minimum of 50% recycled content by 2027, with the long-term ambition of extending this standard to all technically feasible products by 2030. We have also continued optimizing our secondary packaging by increasing recycled content while maintaining the mechanical strength, durability, and performance required throughout transportation and distribution. In addition, we introduced a new generation of production additives in our napkin manufacturing process, enabling reduced chlorine consumption and lower pollutant loads in wastewater, further improving the environmental performance of our operations. During the reporting period, DRENİK ND successfully completed a new SMETA audit, confirming our continued compliance with internationally recognized requirements relating to



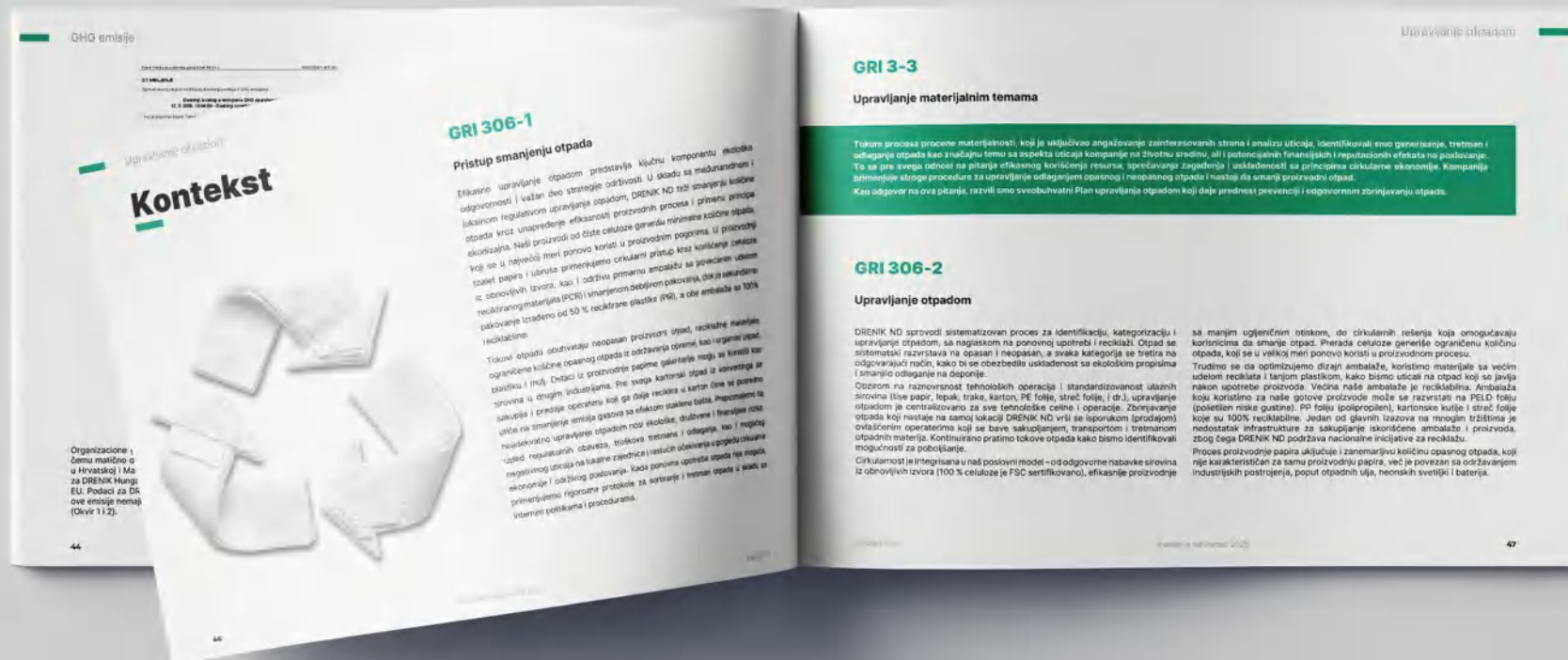
labour standards, occupational health and safety, and ethical business conduct. At the same time, the Company is progressing through the certification process for the EU Ecolabel, which will further demonstrate that our products meet demanding environmental performance criteria throughout their life cycle.

Responsible sourcing remains a fundamental pillar of our sustainability strategy. We exclusively procure renewable fibre-based raw materials certified in accordance with FSC requirements, ensuring responsible forest management while supporting the preservation of natural resources and strengthening the long-term sustainability of our value chain. Today, sustainability is no longer viewed as an additional value—it is a fundamental prerequisite for long-term resilience, competitiveness, and business success. For this reason, we continue to invest in innovation, our people, and responsible governance, ensuring that DRENİK ND remains a trusted partner to our customers, employees, suppliers, and local communities while creating sustainable value for future generations. This report represents another important step in strengthening the transparency, accountability, and resilience of our business. We firmly believe that sustainable development is not a choice but the foundation of long-term growth. Guided by this conviction, we will continue to improve our practices, invest in innovation and operational excellence, and build lasting relationships founded on trust and shared values. None of this would be possible without the dedication, expertise, and professionalism of our employees, whose commitment drives our success every day. I would also like to express my sincere gratitude to our customers, suppliers, business partners, and all other stakeholders whose trust and collaboration continue to inspire us to improve, innovate, and create long-term value together.

As we look to the future, we remain committed to responsible growth, continuous improvement, and building a more sustainable future for generations to come.

Yours sincerely,
Marija Strugarević
Chief Executive Officer
DRENİK ND

About the Report



This is DRENİK ND's second Sustainability Report, providing an overview of the Company's key environmental, social, and governance (ESG) activities and performance during the 2025 reporting period. The Report has been prepared with reference to the GRI Standards (2021), ensuring a structured, transparent, comparable, and credible approach to sustainability reporting. It provides stakeholders with a comprehensive overview of the Company's environmental, social, and governance performance and reflects DRENİK ND's commitment to responsible and sustainable business practices. The materiality analysis was conducted by evaluating the Company's actual and potential impacts on the environment and society while taking into account the significance of the identified material topics to key stakeholder

groups. The purpose of this Report is to provide stakeholders with a clear, structured, and transparent account of DRENİK ND's sustainability performance, priorities, and progress. Through transparent reporting, the Company demonstrates its commitment to the responsible management of ESG-related impacts, risks, and opportunities while ensuring the reliability, accessibility, and quality of disclosed information.

The Report covers the Company's business model across the value chain, including procuring, manufacturing, sales, and distribution activities. It is published annually, covers the previous calendar year, and is supported by the systematic monitoring of key sustainability performance indicators.

GRI 2-2

The Sustainability Report of the company DRENIK ND provides an overview of key activities and results in the areas of environmental protection, social responsibility, and corporate governance during 2025, alongside comparative data from 2024. The data in the report are presented accurately, completely, and transparently, ensuring that all quantitative and qualitative information is clearly stated with appropriate sources and methodologies. Financial and economic indicators are taken from the official financial statements. The Sustainability Report has been prepared with reference to the GRI Standards (2021) and covers exclusively the operations of the parent company in Serbia. Related subsidiaries registered in Hungary and Croatia are currently not included in the scope of most topics and indicators of the sustainability report, in accordance with a phased approach to expanding the reporting boundary. In line with the GHG Protocol and the principles of defining organizational boundaries, greenhouse gas (GHG) emissions of the subsidiary in Hungary have been included in the report to provide a more comprehensive view of the organization's environmental impact. We will strive to include additional data each year to continuously improve disclosures and sustainability reporting. This report was subject to an independent review by an authorized auditor. The report has been drawn up in Serbian and English.

Internal Audit

The internal audit function was established as part of a broader framework for strengthening the internal control system, including areas related to sustainability reporting. The internal audit results indicate that the established control mechanisms are largely effective, with identified opportunities for improvement.

Based on the assessments conducted, recommendations were formulated aimed at enhancing internal controls and processes for monitoring ESG indicators, as well as standardizing data collection and validation. The company continuously monitors the implementation of internal audit recommendations with the goal of improving the overall governance system and ensuring reliable, transparent, and compliant reporting.

GRI 2-5

Sustainability Report Audit

An independent limited assurance engagement on the data in this report was performed by the audit firm PKF Ltd., Belgrade. The engagement was conducted in

accordance with the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)). Assurance regarding the reliability of the information disclosed in the 2025 Sustainability Report is limited in nature. Consequently, the level of assurance obtained is lower than that which would have been obtained had a reasonable assurance engagement been performed.

The independent auditor's procedures included evaluating the presentation of disclosures and the GRI indicators subjected to examination against the requirements of the GRI Standards and selected reporting criteria. The responsibility of the independent auditor is to provide an impartial conclusion on the Sustainability Report. Through this approach, we build trust and strengthen integrity, reaffirming our commitment to transparent reporting and ethical business practices. The Independent Auditor's Report is disclosed at the end of this report.

Our Future Plans

Our strategic direction remains focused on energy efficiency, carbon footprint reduction, and the further application of circular solutions in packaging. By investing in the construction of a biomass plant, we are taking a significant step towards reducing our carbon footprint and boosting energy efficiency.

The company will continue to increase the use of recycled raw materials, optimize resource consumption, and develop innovative, environmentally friendly products. The company already applies sustainable packaging solutions. A recent novelty is the use of secondary packaging—foil manufactured from 100% recycled content (PIR), intended for product transport packaging.

In 2026, an expansion of converting capacity is planned, alongside an increase in daily warehouse capacity. Concurrently, the storage process will be modernized through the enhancement of the logistics flow (extended warehouse), which will further increase production volume and operational efficiency.

Despite fluctuations in pulp prices, market competition, and supply chain challenges, we are actively exploring alternative raw material sources and developing strategic partnerships to ensure long-term business stability.

Further development encompasses enhancing our premium range and strengthening innovation, while continuously adapting to market conditions and regulatory requirements to ensure long-term stability, sustainable growth, and the preservation of consumer trust.

Climate Change and Environmental Protection

Policies, Initiatives, and Measures

DRENIK ND is actively working on reducing greenhouse gas emissions. The construction of a biomass-based combined heat and power (CHP) plant for steam and electricity generation is planned. The new facility in Serbia will enable the production of in-house “green” energy, contributing to higher environmental standards, enhanced energy efficiency, and reduced harmful emissions. Above all, the transition to biomass energy aligns with climate change mitigation strategies. Furthermore, this investment supports Serbia’s transition towards a low-carbon, climate-resilient economy.

Our Goals

We have set ambitious goals to reduce GHG emissions by up to 90% by 2030. Our plan includes other measurable targets in the energy transition, such as reducing packaging placed on the market per product unit and integrating circular economy principles into our operations. By embedding these practices into our core business model, DRENIK ND remains committed to long-term sustainability and fostering the development of a climate-neutral, low-carbon economy. This entails developing climate-resilient infrastructure, sustainable resource management, and collaborating with all stakeholders to drive innovations that mitigate climate change.

Data Protection and Security

The company has developed a data protection governance model compliant with the Law on Personal Data Protection (LPDP), relevant regulations, and the Code of Business Ethics. The internal rulebook defines the types and purposes of data processing, retention periods, security measures, and data subject rights. Data is collected solely to the extent necessary for service provision, subject to employee consent.

The system also includes information security policies and access controls, while agreements with partners contain confidentiality clauses to preserve data integrity across the value chain.

The company continuously improves its data protection management through the implementation of key internal policies, including:

- Information Classification Policy
- Access Control Policy
- Remote Access Policy

- Portable Device Security Policy
- Data Backup Procedure
- Artificial Intelligence Usage Policy

This framework establishes clear rules for secure data handling, access management, digital tool usage, and information system protection, with defined employee responsibilities and oversight of implementation.

Occupational Health and Safety

Our company is dedicated to providing a safe and healthy working environment in accordance with international standards and applicable regulatory requirements. DRENIK ND holds the ISO 45001 certification (Occupational Health and Safety Management System), which ensures a systematic approach to risk management and the continuous improvement of safety culture. To raise safety awareness at work, we organize regular HSE (Health, Safety, and Environment) training sessions for employees, while incident reporting mechanisms enable the monitoring of safety performance and the enhancement of existing measures. Emergency response procedures, workplace and equipment inspections, and employee well-being initiatives further demonstrate our commitment to risk reduction and promoting a healthy work environment. The company has a designated Health, Safety, and Environment (HSE) Manager who oversees safety protocols, conducts risk assessments, and ensures regulatory compliance. Additionally, the company collaborates with the “VIZIM” Health Center and features an in-house medical clinic, available to all employees every business day from 08:00 to 16:00.

Product Quality and Safety

Our products comply with EU legislation regarding product safety, consumer health protection, and environmental preservation. We hold certifications from recognized regulatory bodies, guaranteeing that our products meet high safety and performance standards. Our corporate processes conform to the ISO 9001:2015 Quality Management System standard, while product safety is ensured through the IFS HPC (International Featured Standard - Household and Personal Care Products) standard, reaffirming our commitment to quality and reliability. We are currently in the process of acquiring the EU Ecolabel certification, which promotes products and services with a proven reduced environmental impact throughout their entire lifecycle.

We implement a rigorous quality control system across the entire production chain by closely monitoring manufacturing, processing, and storage operations. Every

production stage follows standardized protocols designed to identify and eliminate potential defects before products reach consumers. We partner with independent laboratories to verify compliance with international safety standards. Health and safety control of finished products includes sampling and sending selected products—such as toilet paper, kitchen towels, and napkins—to an accredited laboratory for heavy metal content testing and microbiological examination. Furthermore, we invest in advanced technologies, employee training programs, and customer feedback mechanisms to refine our quality assurance practices. Thanks to these initiatives, we have had zero instances of fines, warnings, or non-compliances issued by competent regulatory authorities, confirming our dedication to delivering safe and high-quality products and services to our customers.

Human Resource Management

Our company consistently adheres to the Labor Law and international standards, ensuring fair and transparent working conditions for all employees. Recruitment policies are non-discriminatory, inclusive, and aligned with the principles of equality, ensuring equal opportunities for everyone, regardless of gender, age, ethnicity, or other personal characteristics.

DRENIK ND provides working conditions that meet health, safety, and social standards, including legally compliant working hours, occupational safety measures, professional development, training programs, and mechanisms for preventing workplace harassment (mobbing). We actively encourage open communication and dialogue through formal channels—such as employee council meetings and the submission of employee initiatives—as well as through informal channels. We foster freedom of association and collective bargaining, offering employees the opportunity to participate in the Employee Council through their elected representatives and submit proposals for improving working conditions. Grievance mechanisms allow employees to safely and anonymously report rights violations, supported by procedures that ensure whistleblower protection. Our company strictly complies with international conventions and business practices of the International Labour Organization (ILO), including the prohibition of forced labor, child labor, and discrimination.

During 2025, we successfully underwent a SMETA audit (Sedex Members Ethical Trade Audit), which covers labor standards, health and safety, business ethics, and the promotion of sustainable operations. The objective of the SMETA standard is to ensure fair treatment of workers, prevent forced or child labor, and promote occupational health and safety along with ethical business behavior. Companies undergoing a SMETA audit confirm their commitment to responsible workforce management and compliance with international labor conventions.

DRENIK ND Key Events Since Founding

Since its inception in 1995, DRENIK ND has continuously expanded its production capacities, technological capabilities, and market presence, with a clear commitment to long-term and sustainable growth.

The company began its operations with the production of sanitary pads and diapers, soon strategically shifting its focus toward tissue paper converting. Through further investments in manufacturing the raw material for its own requirements, DRENIK ND gradually rounded off a fully integrated production process—from pulp processing to finished goods. The first converting line was commissioned in 2002, after which production capacity expanded continuously. In the following years, five additional converting lines and one napkin production line were installed, significantly increasing output volume and manufacturing flexibility.

A major milestone was reached with the commissioning of the first paper machine in 2004, followed by a second in 2009, enabling the company to achieve vertical production integration and further enhance quality control and operational efficiency.

Regional expansion commenced in 2008 with the establishment of a subsidiary in Croatia, initially headquartered in Rijeka and re-registered in Zagreb in 2013. Further growth continued in 2015 through the acquisition of a company in Hungary, which at the time operated one paper machine. Two additional converting lines were subsequently installed at this location, substantially boosting production capacity and enhancing supply flexibility for regional markets.

The company has continuously invested in modernizing its manufacturing processes. A fully automated pallet transport system was introduced, spanning from the production lines to the warehouse, as well as from the warehouse to distribution. Construction of new production facilities and the procurement of a new tissue paper machine began in 2017 and were completed in 2018. In 2020, an investment was realized in a manufacturing facility for industrial towels.

During 2023, preparatory activities in research and development were conducted in collaboration with renowned expert partners, alongside the continued expansion into new markets. Today, approximately 45% of finished products are placed on the Serbian market, while around 30% are exported to European Union markets, confirming the company's growing international competitiveness.

In 2025, DRENIK ND further expanded its converting capacity and realized an investment in a new production facility in Belgrade, enhancing overall capacity and operational flexibility. Concurrently, the storage process was modernized by expanding the capacity of the daily warehouse dedicated to the temporary storage of goods immediately following production, contributing to more efficient inventory management and faster distribution.

Stable financial results and continuous investments form the foundation of the company's further development. Our strategic focus remains on the implementation of advanced technologies that enhance product quality, increase production efficiency, and contribute to sustainable operations, while simultaneously strengthening collaboration with leading retail chains and further expanding our presence in domestic and international markets.

1995

ESTABLISHING
YEAR



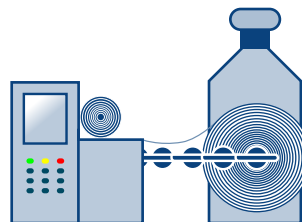
2002

FIRST
CONVERTING
LINE



2004

FIRST PAPER
MACHINE



2008

ESTABLISHED
COMPANY IN
CROATIA



2015

ACQUIRED
COMPANY IN
HUNGARY



2017

CONSTRUCTION
OF FACILITY AND
PURCHASE OF
TISSUE PAPER
MACHINE



2018

↑
CAPACITY
INCREASE AT
CONVERTING
MACHINES



2020

PLANT FOR THE
PRODUCTION OF
INDUSTRIAL TOWELS



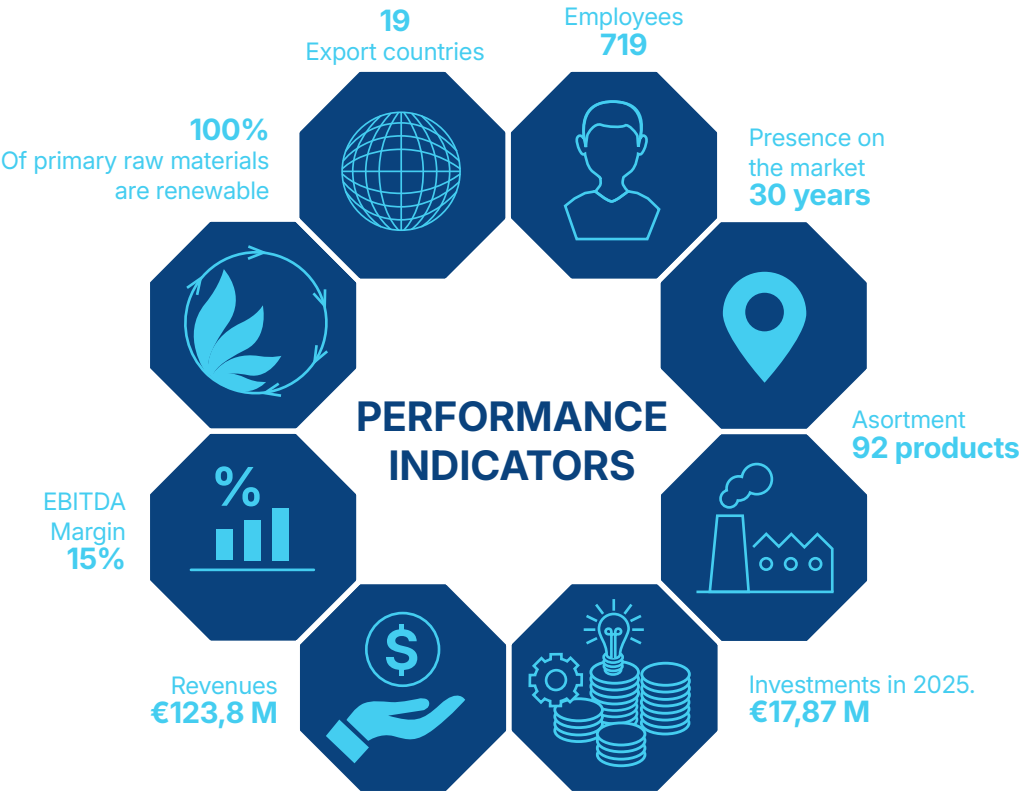
2023

RESEARCH &
DEVELOPMENT



About the Company

DRENIK ND was founded in late 1995 by Igor Perić and Nebojša Đorđević. The headquarters of DRENIK ND is in Belgrade, Serbia, and it serves as the base for conducting business activities and making strategic decisions. The company DRENIK ND has been engaged in the production of paper goods and paper products for personal use since its founding, and it is also registered for other activities. The company has an annual production capacity exceeding 70,000 tons of tissue paper, which is further processed into toilet paper, kitchen towels, napkins, tissues, universal towels, and industrial towels, positioning it among the leading tissue paper manufacturers in Southeastern Europe. Its products are sold in over 19 countries under the PERFEX brand. The company is privately owned and organized as a limited liability company. It is currently co-owned by two Belgrade-based legal entities—Drenik Ltd. and D Plus production and distribution Ltd.—each holding a 50% equity share.

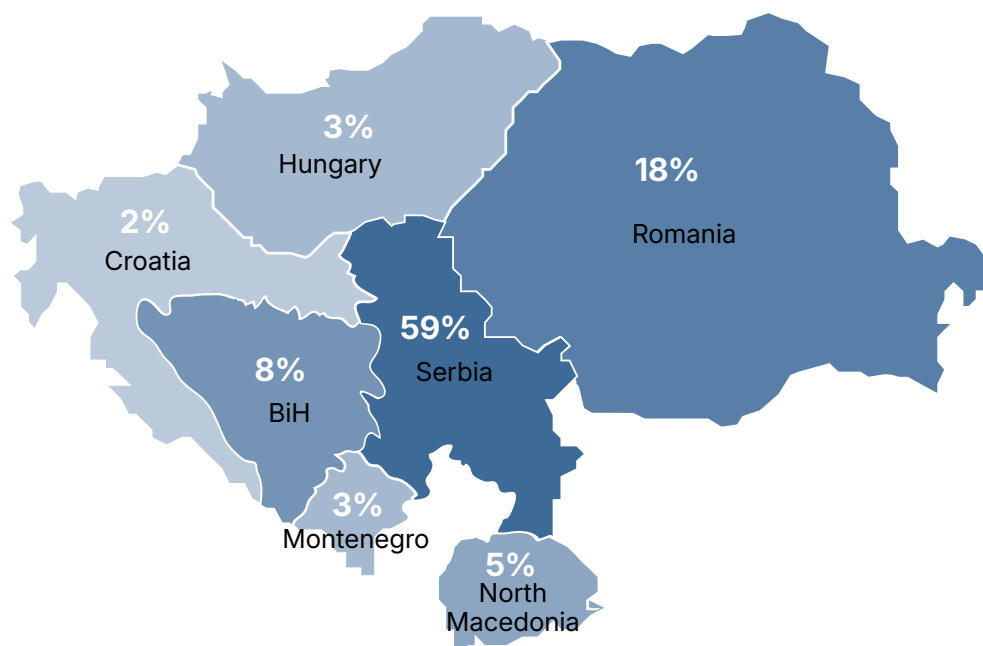


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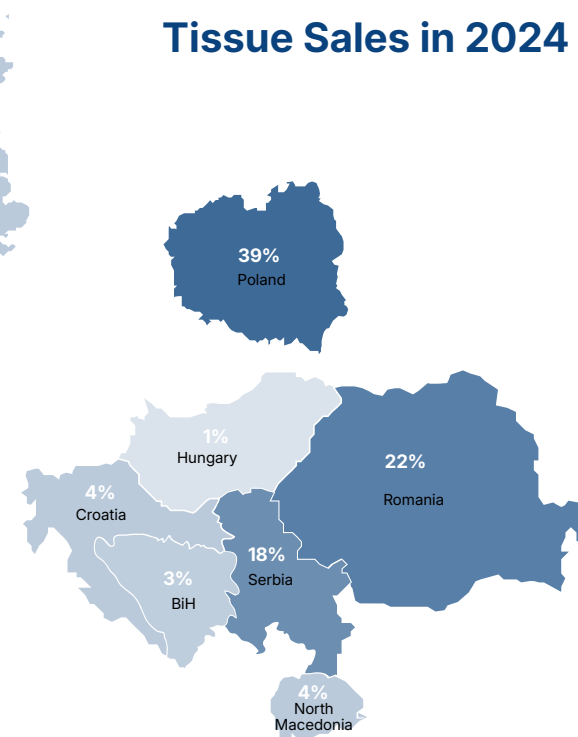
Business Activities in the Region and the European Union

DRENIK ND operates manufacturing facilities in Hungary and Serbia, strategically positioned to ensure production efficiency and optimized regional distribution, while conducting its business operations in Croatia through a subsidiary. Products are exported to European Union member states—Romania, Bulgaria, Poland, Hungary, Croatia, Slovenia, and the Czech Republic—as well as to regional markets: Bosnia and Herzegovina, North Macedonia, and Montenegro, confirming the company's strong market presence in Central and Southeastern Europe. This geographic footprint provides insight into the company's market reach, developed logistics network, and exposure to diverse regulatory environments. Domestic distribution and logistics are managed through the related company D Plus proizvodnja i distribucija Ltd., Belgrade, whereas exports to EU and regional markets are executed directly by the company. DRENIK ND directly supplies major retail chains. Operating across multiple jurisdictions requires alignment with varying economic conditions, trade policies, and local regulations, thereby fostering greater flexibility and compliance. Furthermore, presence in diverse markets impacts the environmental and social aspects of operations, prompting the company to tailor its activities and sustainability initiatives to local regulatory requirements and community needs.

Tissue Sales in 2025



Tissue Sales in 2024





VISION

Our company's vision is a future where sustainability and hygiene go hand in hand, making high-quality paper products accessible to everyone while preserving natural resources. Our goal is to become the leading paper manufacturer in the region, with a strong emphasis on environmental responsibility and sustainability through innovative technologies and eco-friendly manufacturing practices.

MISSION

Our mission is to produce paper products utilizing environmentally friendly materials, minimizing negative environmental impacts, and offering high-quality products that meet market needs and customer expectations. Our values represent the core pillars of our organization—defined by our Code of Business Ethics—and primarily pertain to:

1. Occupational Health, Protection, and Safety of Employees
2. Respect for Human Rights
3. Environmental Protection
4. Integrity
5. Fair Competition
6. Anti-Corruption Policy
7. Communication

GRI 2-6

Value Chain

Value Chain Processes



Key activities are supported by the following functions

Finance Sector (finance, accounting, controlling)

Production Development, and Quality Control Sector

Risk Management Team

ESG Team

Procurement, and Import Sector (procurement, import/export customs service)

General Legal, and Shared Affairs Sector (Legal and Shared Affairs, and Occupational Health and Safety, and Fire Protection)

Sales Marketing, and Transport Sector

IT Sector (development and maintenance of internal IT network)

Internal Audit

Environmental Protection Team

Procurement

The sustainable procurement process is based on the principles of social responsibility, enabling financial, social, and environmental decision-making aimed at creating a positive impact on the communities in which the company operates. DRENİK ND procures pulp from suppliers certified under FSC Mix, PEFC, and FSC Controlled Wood standards. Monitoring the procurement of products and services is the responsibility of the Procurement Department. To mitigate risks that could affect the manufacturing process and final products, we select suppliers capable of guaranteeing reliable delivery timelines, required volumes of pulp, superior quality, and ecologically sustainable forest management validated by the necessary certifications. Through an annual online verification process, the Procurement Department confirms whether existing suppliers maintain valid FSC Mix and PEFC certifications.

Suppliers are assessed from a social and environmental responsibility perspective based on data gathered through questionnaires. This data is processed annually and entered into the internal supplier evaluation system. No instances of non-compliance were recorded in the preceding period. DRENİK ND places particular emphasis on environmental protection, respect for human rights and equality, anti-corruption, and occupational health and safety. These principles are fully integrated into the supply chain, from supplier selection to continuous monitoring. In line with this commitment, a target has been established for at least 50% of our products to use packaging material containing a minimum of 50% post-consumer recycled (PCR) content by 2027. Recent innovations in packaging have led to a reduction in plastic film thickness and the introduction of packaging with a higher proportion of recycled plastic, where technically feasible, while fully maintaining product functionality, safety, and quality.



Bureau Veritas Certification



DRENİK ND D.O.O

Deligradska 19, 11000 Belgrade, Serbia

Bureau Veritas Certification Holding (BVCH) potvrđuje da je kompanija primenila FSC™ kontrolni sistem proizvodnih grupa u skladu sa sertifikacionim sistemom Forest Stewardship Council™ na navedenoj lokaciji i u skladu sa zahtevima:

FSC Chain of Custody Certification standard, Ref.: FSC-STD-40-004 V3-1

Za sledeće aktivnosti:

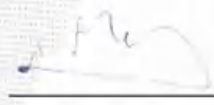
Production and trading of tissue paper and production of hygienic and domestic paper products, FSC Mix certified. *

Proizvodnja i prodaja tisea i proizvodnja ostalih proizvoda od papira za kućnu i higijensku upotrebu, FSC Mix sertifikirano.*

*Ažurirana lista proizvoda i vrsta drveta nalazi se u FSC bazi (info.fsc.org)

Tip sertifikata: Single COC with multiple sites

Datum prve sertifikacije:	09-09-2019
Datum početka sertifikacionog	18-09-2024
Rok važenja sertifikata:	08-09-2029
Broj sertifikata FSC:	BV-COC-151075
Broj sertifikata / verzija:	RS001381/1
Broj ugovora:	23326466
Datum izdavanja:	19-09-2024


Nicolas MEY
Signed on behalf of BVCH

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Kancelarija koja upravlja ugovorom: Bureau Veritas Certification Serbia

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FSC CoC Certificate rev 8.2


The mark of responsible forestry

August 17, 2023

1/2

Manufacturing

DRENIK ND Belgrade produces tissue parent reels (jumbo rolls), which are partially sold and partially converted in-house into finished products—such as toilet paper, kitchen towels, and napkins—either under the company's own brand or as private label products. The company sells its products in Serbia, Romania, Hungary, Bosnia and Herzegovina, Croatia, North Macedonia, and Bulgaria.

DRENIK ND operates manufacturing facilities in Serbia and the EU (Hungary). Our production facilities are strategically located near end markets, an intentional choice that enables us to deliver a higher level of customer service through sustainable logistics while reducing our environmental impact.

The manufacturing process is divided into tissue paper production and finished goods converting. Tissue paper manufacturing comprises a series of technological operations and processes grouped into the following technical units:

- Stock preparation
- Constant part of the paper machine
- Paper machine
- Paper finishing and converting



Our goal is to develop innovative, high-quality products that provide superior comfort and hygiene while preserving natural resources. To this end, we continuously enhance our processes to minimize waste, greenhouse gas emissions, water consumption, and the use of virgin plastic in packaging. The company manages the entire production cycle—from pulp procurement and paper manufacturing to embossing, printing, and fragancing—guiding the paper through all processing stages to become a market-ready finished product. Having invested in advanced technological solutions during the preceding period, we are currently upgrading our product portfolio. This new technology will contribute to the sustainable manufacturing of softer, higher-quality paper. The Belgrade production complex, covering approximately 180,000 m², comprises modern manufacturing halls and warehouse facilities, ensuring efficient industrial operations and safe product storage. At the core of the Belgrade plant is a state-of-the-art, technologically advanced manufacturing system, where over 650 employees operate more than 10 converting lines across three specialized tissue paper mills.

During the previous period, a new production facility featuring modern technological solutions was constructed and fully equipped with solar panels. The facility was designed and built in accordance with the principles of the LEED (Leadership in Energy and Environmental Design) sustainable building standard, with the certification process currently underway. LEED is an internationally recognized framework for rating the environmental sustainability of buildings and facilities.

Our products are marketed under the PERFEX brand.

The most widely recognized product lines include Perfex Cotton Like, Perfex Cotton Like Comfort, Comfort Natural, Cotton Like Natural Paper, Lenny, Cloudy, and Bella. The primary characteristics of the Comfort line center on high quality, establishing our position as a regional leader in this segment. The second PERFEX product line is known as BONI, comprising the following categories: Boni Classic, Boni Perfex, Boni Perfex Plus, and Boni Perfex Deluxe. This line is positioned at a lower price and quality point relative to the Cotton Like product line.

Additionally, we have launched new product lines—Perfex SOFT&LIGHT and Perfex Tropical Paradise—which feature higher-grade paper produced on state-of-the-art machinery representing the latest technological advancements in the industry. The Boni kitchen towel range includes: Boni Perfex, Boni Classic, Boni

Perfex Jumbo and Deluxe, Perfex and Classic Multipurpose and Professional, Perfex Mega, Lenny, and Bella. The napkin range comprises Boni Perfex, Boni Classic, and Bella.

As we are currently implementing advanced technological solutions, we expect to further enhance our product portfolio in the coming years. This new technology will contribute to the production of softer and higher-quality toilet paper.



Logistics

Logistics represents a significant economic consideration for DRENİK ND, as it constitutes one of the key operational costs within our business. The automation of specific internal logistics processes serves as an important step toward enhancing operational efficiency and workplace safety. Product and semi-finished goods handling processes are automated up to the loading docks, enabling precise and reliable management of material flows. DRENİK ND operates multiple storage facilities dedicated to finished goods, semi-finished products, and raw materials. Inventory management is executed through a modern Warehouse Management System (WMS) software solution, allowing for full control and optimization of warehouse processes. Our material handling equipment is state-of-the-art and fully electric, thereby contributing to environmental preservation and the elimination of emissions from fossil fuels.

Transport Logistics

The distribution of DRENİK ND finished products is primarily carried out via road transport using trucks. Logistics operations are entrusted to reputable and reliable transport partners, ensuring the timely and efficient delivery of goods to end customers and retail locations. To optimize logistics processes and minimize environmental impact, the company also utilizes rail and water transport for

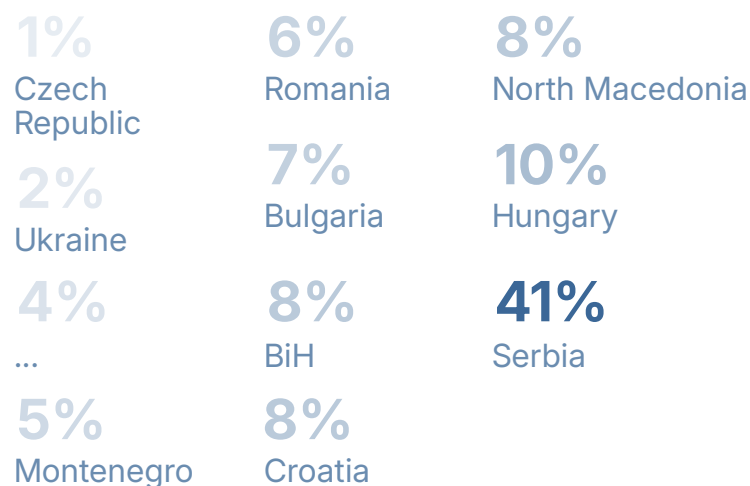
raw material transportation, subject to infrastructure capabilities and logistical requirements.

Given the significant environmental impacts associated with freight transport, DRENİK ND plans to implement future transport strategies based on environmental preservation criteria. Consideration will be given to transport fleets operating on biofuels or next-generation, low-emission fuels. In the meantime, the company remains steadfast in its strategy of manufacturing close to target markets, aiming to optimize service levels and contribute to sustainability by reducing transport distances and the overall environmental footprint.

Sales and Marketing

A portion of local market distribution is conducted through the related entity D plus proizvodnja i distribucija Ltd., Belgrade, primarily supplying small and medium-sized retail outlets through this channel. Our key customers are major retail chains. In addition to supplying them with our proprietary brands, we also provide contract manufacturing for private labels. As previously noted, the majority of products are exported to international markets, particularly within the region and the European Union. All direct sales are executed through DRENİK ND. Our brand is highly recognized and strongly valued by consumers.

Sales of Finished Products in 2025



Revenue Breakdown by Product Type



*Attached is a chart illustrating the share of product types in total revenue, along with a breakdown of sales revenue and export volume.

GRI 2 -28

Membership Associations and Chambers

DRENİK ND is an active member of the Chamber of Commerce and Industry of Serbia and SEDEX (Supplier Ethical Data Exchange). Membership in the Chamber of Commerce and Industry of Serbia enables us to be part of the broader business community, contribute to economic development initiatives, and monitor regulatory, economic, and environmental trends relevant to our industry. At the

same time, DRENİK ND is a registered member of SEDEX (Supplier Ethical Data Exchange), a global platform for sharing data on sustainability and ethical practices across the supply chain. Through our SEDEX membership, we exchange information with customers and partners regarding labor standards, health and safety, business ethics, and environmental protection.

Certifications and Achievements

DRENİK ND holds internationally recognized certifications and adheres to standards that demonstrate our commitment to quality, safety, environmental protection, and sustainable supply chain management.

In the area of responsible forest resource management, the company holds FSC certification, ensuring that raw materials originate from sustainable and con-

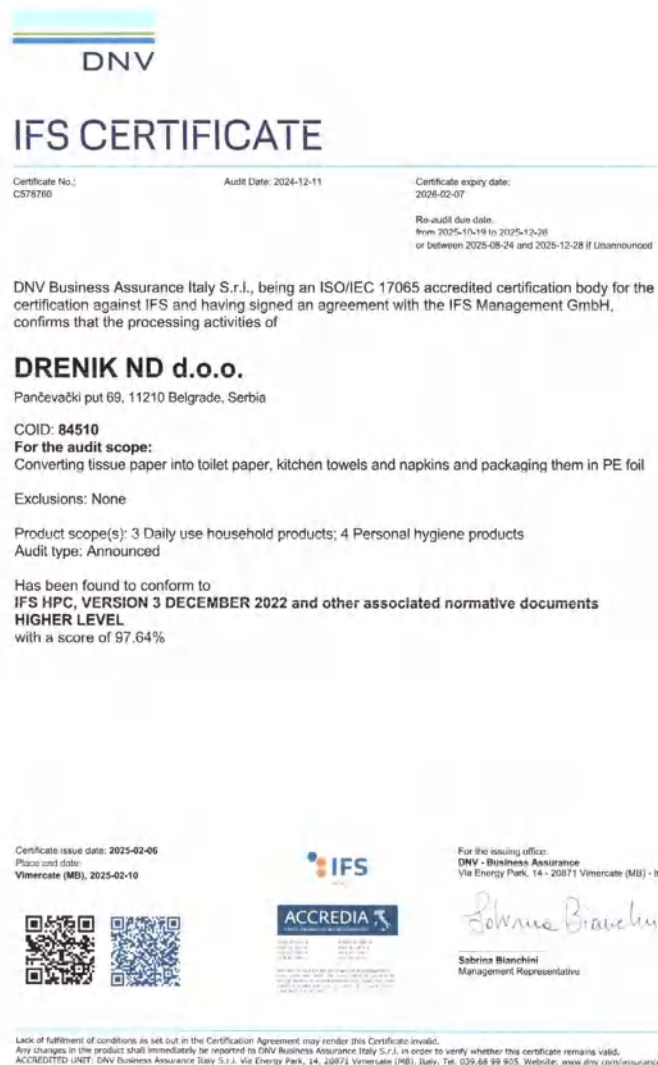
trolled sources.

Management systems for quality, environment, and occupational health and safety are established in accordance with ISO 9001, ISO 14001, and ISO 45001 standards, thereby ensuring product quality control, reduction of environmental impact, and continuous improvement of employee safety.



Product quality and safety are further ensured through the implementation of the IFS HPC standard, which guarantees the safety, quality, and legal compliance of household and personal care products, focusing on process control and end-user safety. Additionally, in 2025, we verified our Scope 1 greenhouse gas (GHG)

emissions, thereby ensuring the accuracy and credibility of our accounting. As confirmation of our overall sustainability efforts, the company achieved a Bronze medal in the EcoVadis assessment during the reporting period, placing it among companies with solid sustainability performance and validating the existence of well-developed ESG practices, along with further potential for enhancement.



Overall score
66/100
Percentile
74th



During the reporting period, the company received an anniversary award from the Chamber of Commerce and Industry of Serbia for 30 years of successful business operations, further confirming the continuity and sustainability of its business results.



We are currently in the process of obtaining EU Ecolabel certification.

Management Team

Our management team forms a solid foundation for corporate stability and long-term sustainability. Its greatest value lies in the fact that all members began and developed their careers within the company, ensuring continuity, a deep understanding of the business model, and a strong internal culture. The continuous development of leadership potential through internal talent demonstrates our strategic commitment to building a robust corporate culture, investing in our employees, and applying a systematic approach to talent management. The extensive experience and deep organizational insight of our management team provide the cornerstone of our operational stability and strategic resilience.

The CEO serves as an example of a strategically nurtured leader who has been shaped through all key operational phases—from production to sales. Having graduated from the Faculty of Economics in record time, she built her career systematically by gaining hands-on experience across every operational segment. Her comprehensive knowledge allows her to steer the organization toward sustainable growth and institutional stability.

The Production Director built his entire career within the company. He played an active role in the implementation and integration of new production lines, bringing capacities to high levels of efficiency and reliability under his supervision. His process expertise and ability to make responsible, real-time decisions ensure maximum capacity utilization and operational reliability, establishing him as a highly trusted leader within the manufacturing division.

The tissue paper manufacturing plant is headed by the Chief Technologist, a specialist whose professional growth was fostered within the company. Through continuous professional development, active engagement, and solving complex technical challenges, he has acquired specialized expertise. His technical knowledge is particularly evident in managing demanding production technologies

and standards, as well as implementing technical solutions that directly enhance overall plant stability and efficiency.

The Heads of Finance, Procurement, and Legal&Shared Affairs have likewise built their professional careers within the company. Over the years, they have developed expert knowledge of functional processes, a system-oriented approach, and managerial maturity. Their work ensures financial stability, reliable supply chain management, and regulatory compliance, making these functions essential pillars of operational efficiency and organizational resilience.

Technical and operational security is safeguarded by the IT sector, led by an experienced manager responsible for maintaining digital process continuity, enterprise system integration, and cybersecurity. The Sales Department is led by an experienced manager with deep insight into commercial operations, market dynamics, and strategic product positioning. His experience plays a decisive role in identifying optimal market avenues, building and maintaining long-term partnerships, and achieving sales targets that directly contribute to steady financial growth.

Specialized ESG and Risk Management teams play a pivotal role, underscoring the company's capacity to systematically address modern challenges and operate in alignment with the principles of responsible and sustainable development. The common thread uniting all our leaders is that they were professionally shaped within the company—rising from entry-level positions to executive roles. This management profile is the result of a long-term strategic commitment to developing internal talent, investing in knowledge, and systematically building organizational resilience.

Operational Management

The management structure is designed to support the execution of strategic and operational goals across all divisions—from development and design, through procurement and production, to distribution, marketing, and sales. Executive managers coordinate day-to-day operations, optimize resource utilization, and ensure the consistent attainment of production targets and quality standards, while each department contributes to operational efficiency, product quality, and market competitiveness.

Finance

The Finance Sector encompasses accounting, controlling, and financial planning, with a focus on budgeting, tax compliance, and performance analysis, thereby ensuring the financial health of the company.

Procurement

Procurement is responsible for sourcing raw materials and managing international trade, including supplier negotiations and the procurement of pulp, packaging, and chemicals, with the aim of ensuring timely and cost-effective supply.

Sales, Marketing and Transport

Sales, Marketing, and Transport are responsible for market presence, customer relations, brand building, and distribution management, thereby directly contributing to growth and competitiveness.

Production

Production, Development and Quality Control form the operational backbone of the company. Managing manufacturing processes, product innovations—such as eco-friendly multi-ply toilet paper—and strict quality control implementation ensure product consistency and compliance with safety and environmental standards.

General Legal & Shared Affairs

Legal and Shared Affairs, including Occupational Health and Safety, ensure legal compliance, contract drafting, employee health and safety, as well as general administrative support.

IT Sector

The IT Sector manages the digital infrastructure, develops and implements internal IT systems, ensures data protection, and supports ERP systems, thereby enabling efficient communication and digital transformation.

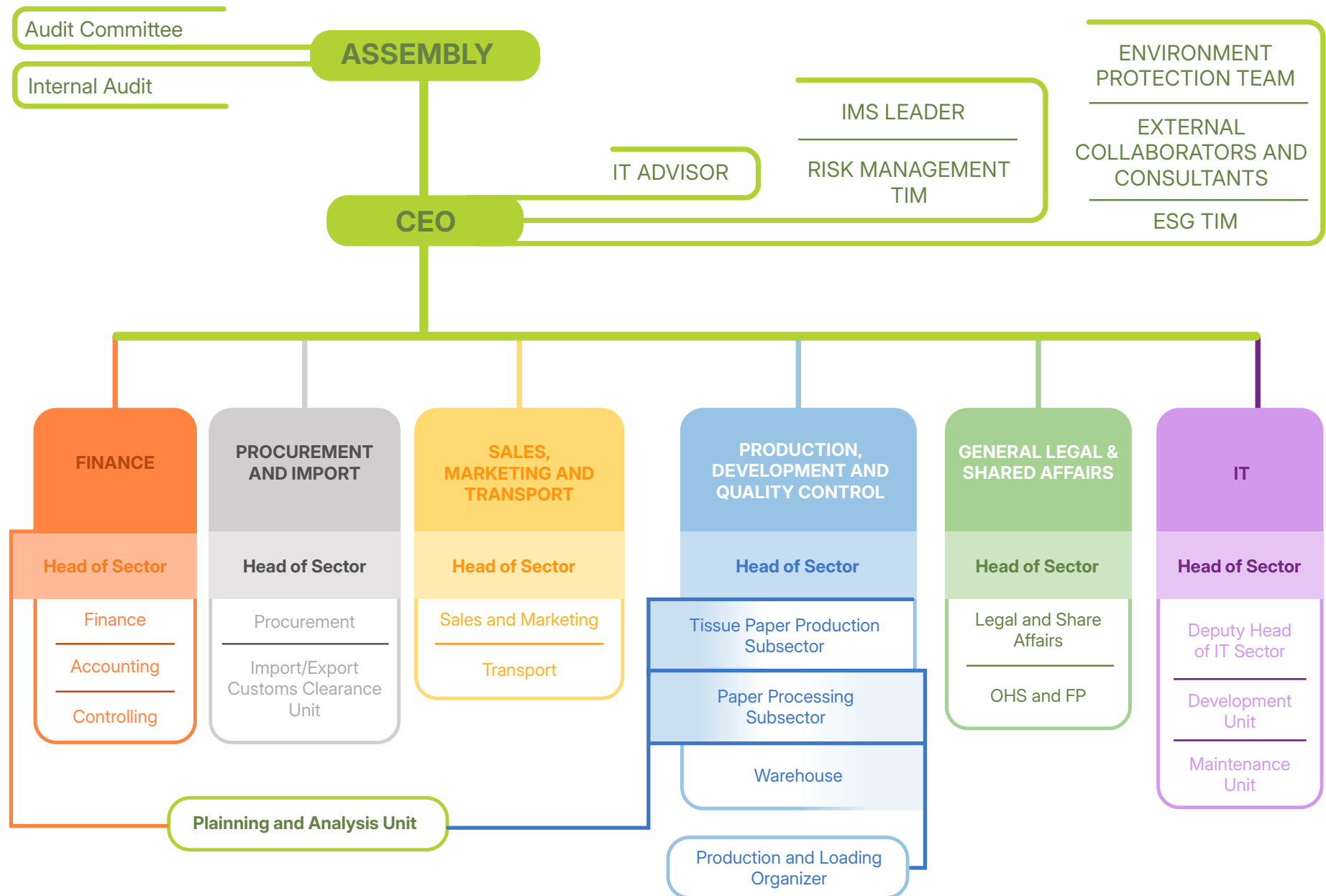
Internal Audit

The Internal Audit Department conducts independent assessments of financial and control processes and reports directly to top management.

Risk Management Team

The Risk Management Team identifies and assesses strategic, operational, and regulatory risks, develops contingency plans, and supports decision-making under conditions of uncertainty.

Efficient cross-departmental coordination through responsible management ensures market competitiveness, operational stability, and long-term business resilience.





Context

Our strategy and business model are rooted in creating long-term value for all stakeholders. As a manufacturer of tissue paper products—including toilet paper, napkins, paper towels, and jumbo rolls—the company operates successfully across European Union and regional markets. The production facility in Szolnok, Hungary, further reinforces our commitment to operating in full compliance with European regulatory requirements and sustainability standards, while continuously enhancing responsible manufacturing practices and strengthening our regional market position.

Sustainability principles are integrated into core business processes, including strategic decision-making, risk management, and daily operations. Key initiatives include a planned investment in a biomass power plant aimed at reducing emissions and increasing the share of renewable energy, sourcing raw materials from sustainably managed, FSC-certified forest resources, and continuously improving packaging solutions by increasing the proportion of recycled content.

Through responsible resource management, process optimization, and a clear focus on sustainable products, the company actively addresses stakeholder expectations. Concurrently, DRENIK ND remains fully committed to delivering high-quality hygiene products and fostering a transparent, innovative, and sustainable business environment.

GRI 3-1 GRI 3-2

Identified Material Topics

Material topics directly influence how DRENIK ND defines its priorities, allocates resources, and approaches innovation. Consequently, the material topics identified through this process are no longer viewed in isolation, but serve as an integral part of our long-term strategy.

Material ESG topics, identified through an analytical and iterative assessment of impacts, risks, and opportunities relevant to the company's business and its stakeholders, are fully integrated into our strategic framework to ensure long-term business sustainability. A special focus is placed on key areas such as energy efficiency, greenhouse gas (GHG) emissions, product quality, supply chain management, occupational health and safety, and corporate governance transparency.

These areas are recognized as crucial to the company's long-term success, competitiveness, and reputation. The results of the materiality assessment serve as the basis for defining ESG targets, planning action plans, and monitoring performance. The company will systematically review its approach to respond in a timely manner to regulatory shifts, market trends, and stakeholder expectations, while proactively identifying emerging risks and growth opportunities. This framework enables the company to contribute meaningfully to the sustainable development of its sector.

The materiality matrix forms the foundation not only for reporting, but also for driving operational enhancements across business processes. As part of the assessment process, value chain mapping was conducted, and topics of critical importance to the company's business were identified. Below is an overview of the identified actual and potential impacts on the environment, economy, and society (the "inside-out" perspective) established during the impact identification phase.

NO.	ESG area	Material topics	Impact (current or potential)
1		Economic Indicators	Operating in an emerging market, investing in renewable energy, and expanding into international markets make financial stability a material topic, as it directly affects the company's competitiveness, reputation, and strategic response to global sustainability challenges.
2	E	Energy Management and Efficiency	Drenik ND plans to gradually transition and invest in renewable energy sources in the coming period, reducing reliance on fossil fuels, thereby making energy efficiency a key priority.
3	E	GHG Emissions	Drenik ND plans to invest in renewable energy sources in the upcoming period to significantly reduce GHG emissions. The company has been systematically monitoring greenhouse gas (GHG) and nitrogen oxide (NOx) emissions generated within its manufacturing processes for some time. Through this approach, the company aims to enhance its resilience and reduce its overall negative environmental impact.
4	E	Resource Use and Circularity	The company enforces strict procurement policies and operates exclusively with suppliers that comply with recognized standards for sustainable forest resource management.
5	E	Water Usage	Tissue and paper product manufacturing requires large volumes of water; efficient water consumption and wastewater treatment are key factors. The company implements concrete measures for the efficient management of water use and treatment to prevent any potential risk of soil and groundwater contamination.
6	E	Waste Management	Production waste, including pulp and packaging waste, represents a significant item due to the nature of the manufacturing process. The company applies strict procedures for managing impacts related to the disposal of hazardous and non-hazardous waste and strives to reduce operational waste.
7	S	Product Quality and Safety	Ensuring product safety and hygiene standards is of paramount importance for the production of tissue paper products and consumer goods. The company's long-standing market presence indicates compliance with industry standards. DRENIK ND is committed to ensuring high quality and safety of its products to prevent any negative impact on the end consumer.
8	S	Occupational Health and Safety	The manufacturing environment itself poses a safety risk, requiring robust health and safety policies. To mitigate risks to worker health and safety, DRENIK ND applies appropriate measures in the work environment—both regarding employees and infrastructure/equipment maintenance. Implementation of protective measures is continuously monitored to prevent workplace injuries and occupational illnesses.
9	S	Raw Material Sourcing and Supply Chain Management	Relying on raw material procurement for paper product manufacturing raises supply chain sustainability considerations. The company monitors environmental impacts (with a specific focus on forest resource management) and social impacts throughout the supply chain.
10	S	Employee Relations (Recruitment and Employment Practices)	DRENIK ND is a major employer, making job creation, working conditions, and employee benefits of vital importance. As one of the significant employers in Serbia, local workforce recruitment and wage structure analysis represent key aspects, particularly in the context of national labor market challenges.
11	S	Employee Training	Investing in employee training represents a significant operational aspect. The company supports employee professional development, contributing to their growth. Furthermore, an effective corporate employee care system positively impacts employee satisfaction.
12	S	Human Rights and Equal Opportunities	The company is committed to providing equal working conditions and combating all forms of discrimination. Thanks to continuous monitoring of potential negative impacts of inappropriate behavior, the company encourages the reporting of such incidents through dedicated procedures actively promoted among employees.
13	S	Local Community Investment	Drenik ND contributes to employment and economic development in the local community. Directly and indirectly—especially through local suppliers—it contributes significantly to job creation. The company also advocates for entrepreneurial and sectoral skills development through training and school-industry partnership programs.
14	G	Transparency and Anti-Corruption	Business practice transparency is of essential importance. The company has established a stable, transparent, and clearly defined governance system that enables open dialogue on all business aspects. The goal of this approach is long-term preservation of business continuity and prevention of negative consequences that may arise from unfair competition, corruption, or conflict of interest.

GRI 3-1

Materiality Analysis and Key Stakeholders

The materiality analysis from the perspective of the company's impacts was conducted in accordance with the GRI 3 standard, whereby DRENIK ND identified material topics by prioritizing the significance of actual or potential impacts on the environment and society.

Understanding the Context

To identify material topics, a comprehensive analysis of the business and sustainability context was conducted. This analysis comprised an overview of business operations, the value chain, stakeholder relations, the regulatory environment, and broader sustainability trends. Account was also taken of the expectations of key stakeholder groups, as well as the specific features of the operating environment in which the company functions.

Impact Identification

Actual and potential positive and negative impacts (the “inside-out” perspective) were identified based on the analysis conducted in the previous step, alongside potential sustainability risks and opportunities that could affect corporate value creation and financial performance (the “outside-in” perspective). The identified risks, impacts, and opportunities were formally approved by management.

Significance Assessment

The assessment of the significance of impacts was conducted based on the likelihood and severity of actual or potential risks and opportunities to which the organization is exposed, which could affect value creation. When assessing the scale (extent) of risks and opportunities, the key factors considered were strategic, reputational, regulatory, and financial, whereas time horizon was the decisive factor for evaluating likelihood. Additional validation was performed through dialogue with management and relevant stakeholders.

Prioritization

Following the analysis, the identified topics were ranked according to their significance. The topics presented in the table were prioritized—first based on the impact materiality score, and subsequently on the financial materiality score.

Inclusion of Stakeholder in the Assessment Process

DRENIK ND recognizes the importance of active dialogue with stakeholders and their inclusion in decision-making processes. Through continuous communication with employees, customers, suppliers, business partners, investors, and local community representatives, valuable insights are gathered regarding their expectations, needs, and priorities. This approach enhances our understanding of material topics and enables the alignment of strategic objectives with real-world societal challenges. Communication channels and engagement levels are tailored to the specific characteristics of each stakeholder group, the significance of the topics, and the frequency of interaction.

Owners / Shareholders	Information Provision	Consultations	Joint Approach
OWNERS	Consolidated financial and annual reports Sustainability report Corporate website	Annual meetings Quarterly / semi-annual dedicated meetings	
EMPLOYEES	Communications from top management Sustainability report Internal company communications Human resources policies, procedures, and guidelines	Dedicated meetings Workshops Corporate events Meetings with trade union representatives Meetings with occupational health and safety representatives	Joint CSR projects Employee Assistance Program (EAP) and other benefits
CUSTOMERS	Corporate website Social media Business documentation Communication campaigns Sustainability report	Information exchange - customer meetings International meetings Customer satisfaction surveys Complaint management	Customer meetings Periodic interviews
SUPPLIERS AND OTHER SUPPLY CHAIN PARTNERS	Corporate website Sustainability report Supplier selection guidelines and recommendations	Periodic and dedicated meetings Supplier and supply chain assessment questionnaires	Periodic and dedicated meetings Conferences
REGULATORS, INSTITUTIONS AND FINANCIERS	Corporate website Reports Sustainability report Social media and public relations	Public conferences Dedicated meetings Regulatory affairs / relations with regulatory bodies Expert meetings with institutions	Conferences Dedicated meetings
ENVIRONMENT: LOCAL COMMUNITY, ENVIRONMENTAL ORGANIZATIONS, CERTIFICATION BODIES	Voluntary disclosure of relevant information Information on product environmental impact Website and social media Certification bodies	Events/initiatives organized by non-governmental organizations (NGOs) and local business associations Information exchange - meetings with environmental protection authorities Certification bodies	Events/initiatives organized by non-governmental organizations (NGOs) and local business associations Meetings with environmental protection authorities Certification bodies Partnerships with schools and universities

Strategy and Business Model

The company's business model is based on the sustainable production of high-quality paper products, focusing on raw material optimization, enhancing energy efficiency, and applying circular economy principles, including recycling and material reuse wherever possible.

DRENIK ND's strategy is built on continuous investment in technological innovation, sustainable resource management, and strengthening partnerships across the entire value chain. Key aspects of the sustainability strategy include:

Environmental impact reduction: Transitioning to renewable energy sources and enhancing energy efficiency. Our target is to reduce Scope 1 and Scope 2 greenhouse gas emissions by up to 90% by 2030. This target primarily applies to the parent company's operations. Through the planned construction of a power plant and the installation of solar panels, our production will in the long run be fully powered by renewable energy sources.

Eco-friendly packaging: We have established ambitious goals. By 2027, at least 50% of our products will utilize packaging materials containing a minimum of 50% post-consumer recycled (PCR) content. From 2030 onwards, all our products will use packaging materials with a minimum of 50% PCR content, where technically feasible. Furthermore, we aim to reduce primary packaging thickness by up to 40% (bringing it down to a range of 35–40 microns) by 2030, indirectly contributing to waste reduction.

We continue to build and expand strategic partnerships with suppliers who adhere to environmental standards and employ sustainable practices in raw material production. We actively promote the procurement of raw materials from responsibly managed, FSC-certified forests.

Our objective is to achieve a 20% reduction in the injury rate by 2027, as well as a 20% reduction in the severe injury rate over the same period, through the implementation of preventive measures, continuous employee training, and ongoing enhancements to workplace safety.

Strengthening ethical business practices, transparency, and anti-corruption measures through regular reporting. Compliance with ethical standards is further reinforced through mandatory annual training programs.

Sustainability is an integral part of strategic decision-making—from raw material procurement to end-product distribution. ESG factors are embedded in daily operations, with particular focus on emissions reduction, sustainable raw material



sourcing, workplace safety, respect for human rights, and business ethics. DRENIK ND remains steadfastly committed to evolving a business model that delivers long-term value for all stakeholders, including employees, consumers, partners, and the community. Aligning commercial success with sustainable development goals creates enduring value for the company, its partners, society, and the environment.



Climate Change
and Decarbonization



Regulatory Requirements
and ESG Standards



Shareholders
Expectation



Resource Efficiency
and Circular Economy



Sustainable
Supply Chain



Technological Innovation
and Energy Transition

The Pillars of Sustainable Development

Environment

- Transition to Renewable Energy Sources
- GHG Emissions Reduction (Scope 1 and 2)
- Energy Efficiency
- Packaging with Recycled Content (PCR)
- Waste Reduction
- Sustainable Sourcing and FSC-Certified Raw Materials

Social

- Occupational Health and Safety
- Reduction of Employee Injuries
- Continuous Employee Training
- Respect for Human Rights
- Employee Development and Safe Working Environment

Governance

- Ethical Business Conduct
- Transparency and Responsible Reporting
- Anti-Corruption Measures
- ESG Integration into Decision-Making Processes
- Regulatory Compliance

Value We Create



Long-Term Economic Value
and Business Growth



Reduced Carbon Footprint and
Natural Resource Conservation



More Sustainable Products and Packaging
Solutions



Safer and More Supportive
Working Environment



Stronger Relationships
with Suppliers,
Customers, and Partners



Positive Contribution
to the Community
and Society



Long-Term Resilience
and Company Competitiveness

Sustainability is an integral part of our strategic decision-making and daily operations, creating enduring value for our company, partners, society, and the planet.



Responsible

Transpare^{nt}



Sustainable

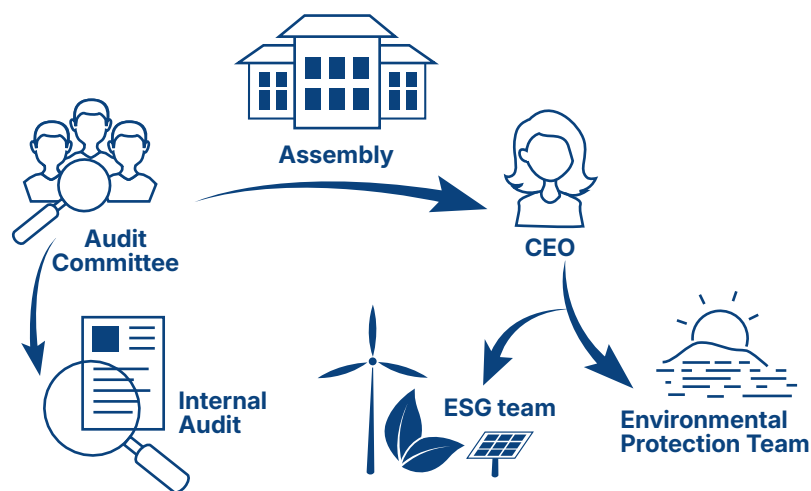
Corporate Governance and Sustainability Strategy Implementation

Governance and oversight of the implementation of the sustainability strategy at DRENIK ND are based on a clearly defined organizational structure, clear responsibilities, and the integration of ESG principles into the decision-making process.

The Assembly of Shareholders makes strategic decisions and monitors the achievement of ESG goals, while the Audit Committee oversees the internal control system and risk management, including ESG risks. Internal Audit independently evaluates the effectiveness of the risk management system and identifies opportunities for improvement.

CEO coordinates the implementation of the sustainability strategy with the support of the ESG Team, the Environmental Protection Team, and the Risk Management Team. ESG risks are integrated into the comprehensive enterprise risk management process, ensuring the timely identification and mitigation of potential impacts on business operations and the environment.

Other company departments also contribute to the implementation of the ESG strategy. The Procurement Department promotes sustainable supply chains and inventory management in line with sustainability principles; Production enhances resource efficiency and product quality while proposing solutions for waste reduction. The General, Legal, and HR Department ensures compliance with regulations and international standards and manages certification systems, while the IT Department supports process digitalization, data security, and efficient information management.



Risk Management

The internal control and risk management system is an integral part of the company's business processes, encompassing the continuous identification, assessment, and monitoring of risks to support sustainable growth and long-term value creation. Responsibility for identifying and managing risks is assigned to department heads, who implement appropriate mitigation measures within their respective scopes of authority.

An independent evaluation of the internal control system's effectiveness is conducted by Internal Audit, which identifies opportunities for process improvement and management system enhancement through regular reviews.

Adopting this approach enables the company to respond in a timely manner to business environment challenges, effectively manage existing risks, identify new opportunities related to sustainable development, and ensure long-term growth while conserving resources and creating value for all stakeholders.

Integrated Management System

Operating in accordance with sustainable development principles implies compliance with various standards. DRENIK ND applies the requirements of the following standards:

ISO 9001:2015 – Quality Management System

ISO 14001:2015 – Environmental Management System

ISO 45001:2018 – Occupational Health and Safety Management System

In addition to the above, the company holds the following certifications:

FSC (Forest Stewardship Council) – Certification for responsible forest management

PEFC (Programme for the Endorsement of Forest Certification) – Certificate of conformity with PEFC standard requirements

The Integrated Management System (IMS) interconnects all implemented management systems. The continuous development of the established IMS is carried out in line with the certification strategy. Compliance audits with these standards are conducted by accredited certification bodies, which issue the corresponding certificates based on audit findings.

DRENIK ND has identified key strategic and operational risks that could impact the achievement of its business goals, analyzed their causes and consequences, and defined priorities for further action. The results of the assessment are documented in the Risk Matrix and serve as the basis for action planning and informed decision-making. Below is the Risk Matrix:

Process_Activity	Risk	Consequence	Mitigation Measures
GOVERNANCE			
Financial Management	Financial results below target	In an increasingly volatile market environment, the organization is exposed to the risk of final financial results falling below expected levels due to a combination of internal and external factors: rising operational costs (energy, raw materials, logistics), demand fluctuations, as well as unforeseen expenses stemming from production downtime, sanctions, or market share losses. This risk is amplified by low production capacity flexibility, inadequate cost planning, or insufficient adaptation of the commercial strategy. Exposure to rising interest rates and refinancing risk may increase financing costs or restrict access to credit facilities. Relying on a limited number of banking partners further increases the Company's vulnerability to changes in lending conditions or financial covenants defined in loan agreements.	To mitigate potential negative impacts, the organization continuously monitors key financial indicators and actively works on optimizing unit production costs. Furthermore, internal controls and budgeting procedures have been enhanced. As part of the annual risk assessment process, this category has been identified as a priority, carrying a high impact across all three dimensions of the ESG framework.
Corruption	Risk of corrupt actions	The organization is exposed to corruption risks in cases where adequate control mechanisms are lacking in decision-making, procurement, expense approval, recruitment, and management of relationships with external partners. Corrupt practices may arise as a result of abuse of position, lack of process transparency, conflicts of interest, and an insufficiently developed culture of ethics and accountability in business operations.	The organization has established strict internal controls, including a zero-tolerance policy towards corruption, formalized procedures for reporting suspicious activities, and regular employee training programs. An internal whistleblowing channel is in place, and proactive measures have been implemented as part of the annual ESG risk review, where this risk has been classified as high priority, with a direct impact on the Governance pillar of the ESG framework.
Management of the IMS system	Certificate suspension A large number of non-conformities	The organization relies on existing management systems for quality, environment, and occupational health and safety (ISO 9001, ISO 14001, ISO 45001, IFS, etc.) as a prerequisite for maintaining its business reputation and access to key customers. The suspension or loss of any of these certifications due to identified non-conformities in processes, documentation, or records represents a serious risk with potentially high negative impacts. Consequences of certificate suspension may include the loss of contracts with major customers, supply chain disruptions, and the erosion of end-consumer trust.	Implemented mitigation measures include conducting regular internal audits, continuous procedure enhancements, digitalization of the document control system, and intensified employee training on critical compliance aspects. Furthermore, quarterly tracking of key risk indicators has been introduced (e.g., number of internal non-conformities, audit findings, customer complaints).
HR Management	Employee leave, lack of qualified workers	The availability and retention of qualified and motivated personnel represent a systemic challenge for the manufacturing industry, particularly in segments requiring technical expertise, operational accountability, and a deep understanding of complex production processes. The risk of skilled labor shortages is further pronounced by the misalignment between the formal education system and actual labor market needs. This risk can lead to shift scheduling disruptions, reduced production capacity, higher error rates in processes, as well as delays in implementing new technologies or expanding production lines.	As preventive measures, the organization has developed internal onboarding and performance tracking programs, as well as an internal promotion system. We are increasingly placing a strong emphasis on collaborating with educational institutions through internship and dual education programs.
PROCUREMENT			
Procurement of raw materials	Delay in production due to lack of raw materials Risk of restriction or loss of PEFC and FSC certification due to non-compliance with the standard	The stability of the production process depends heavily on the reliable and timely supply of raw materials and inputs. The risk of raw material shortages or delivery delays includes bottlenecks and delays in customs procedures. Such delays directly affect production dynamics, causing disruptions to final product delivery schedules. The paper products manufacturing industry relies on forest-based raw materials; therefore, sustainable management of these resources is crucial. The loss of certification directly threatens the company's environmental business standards, long-term operational sustainability, and market competitiveness. Such a loss can damage brand reputation, restrict market access, and result in potential fines or bans due to non-compliance.	To mitigate risks, the company conducts supplier evaluations, maintains safety stocks for critical materials, and enhances procurement planning and demand forecasting processes. Real-time automated inventory tracking controls have also been introduced. To minimize the risk of restrictions on or the loss of PEFC and FSC certifications, we carefully select our suppliers and establish long-term partnerships, choosing only suppliers who can guarantee full compliance with certification standards.
STORAGE			
Inventory management (raw materials, finished products)	Deficits / surpluses (over planned)	Efficient inventory management and warehouse security are critical factors for ensuring supply continuity, accurate accounting records, and the financial stability of the organization. Risks in this area may include unintentional misplacement and inadequate record-keeping of goods, as well as intentional theft or fraud—by both external parties and internal actors. Inventory losses, record discrepancies, and physical damage to goods can cause unplanned costs, hinder accurate production and sales planning, damage customer relationships, and expose the company to audit and regulatory findings.	The company has implemented a digital Warehouse Management System (WMS), featuring barcode tracking and real-time serial tracking of goods movement. Warehouses are equipped with video surveillance (CCTV), restricted access protocols, and inventory check-in/check-out controls. Regular and ad-hoc physical counts are conducted, accompanied by discrepancy reports and corrective action plans. Additional security layers have been introduced, including physical security personnel, alarm systems, and related measures.

Process_Activity	Risk	Consequence	Mitigation Measures
SALE			
Contracting and sales	Fall of sales below the plan	Changes in the market environment, increasing competition, and shifting consumer habits lead to an increasingly pronounced risk of declining sales, in both domestic and foreign markets. A drop in sales directly impacts the company's liquidity, operational efficiency, and capability to service its obligations and execute planned investments.	The company has introduced a proactive commercial strategy management approach, focusing on enhancing key account relationships and expanding into new markets. Additionally, internal analyses of market trends and consumer expectations have been developed.
LOGISTIC			
Transport Organisation	Delivery delays	Delays in the delivery of finished goods to end customers represent a significant operational and reputational risk. The causes can be manifold—transportation capacity congestion, disruptions in international transport, administrative customs barriers, as well as documentation misalignments or changes in trade regulations. Such delays can lead to breaches of contractual deadlines and the loss of customer trust. Additional challenges relate to shifts in customs policies, inspection procedures, and regulatory requirements of importing countries.	The company conducts regular identification of critical logistics bottlenecks, establishes alternative routes and backup transport partners, and enhances cooperation with customs authorities. Local customs clearance (authorized economic operator / in-house customs clearance) has been introduced as a preventive and strategic measure to expedite customs procedures, reduce shipment dwell time, and increase control over the export process. This practice contributes to greater flexibility and reliability in distribution planning.
MANUFACTURING			
Equipment and infrastructure maintenance	Unplanned downtime	Risks of technical downtime, equipment breakdowns, and operational disruptions due to machinery failures, system outages, or handling errors represent one of the most critical aspects of operational continuity. The consequences of such events include direct financial losses, delays in order fulfillment, increased maintenance costs, and potential impacts on employee safety. These risks are particularly pronounced in the case of aging machinery, inadequately maintained equipment, insufficient employee training, or a lack of spare parts. Furthermore, extreme weather conditions and energy instability (power supply interruptions) can exacerbate the situation.	The company implements a policy of preventive and planned maintenance, with clearly defined service and inspection intervals, while employees undergo continuous training in the safe and efficient operation of capital equipment. In addition, emergency technical teams have been established, and contractual agreements with external service partners have been secured for urgent interventions, thereby significantly reducing response times in the event of an equipment failure.
QUALITY CONTROL			
Product Health and Safety	Product recall due to compromised health safety. Risks to consumer health	A negative finding from microbiological testing may indicate raw material contamination, inadequate equipment hygiene, or lapses in product handling. Such a finding has direct consequences for end-user health and the manufacturer's reputation. This risk can result in product recalls from the market, regulatory sanctions, damage to customer relationships, and long-term brand harm. Additionally, it often necessitates an internal audit of the manufacturing process, temporary production suspension, and additional laboratory analyses, generating significant operational and financial costs.	The company enforces systematic quality control at multiple points throughout the manufacturing process, including microbiological testing of raw materials, intermediate products, and finished goods. Furthermore, employees undergo regular training in hygiene practices, while laboratory testing is conducted in internal and external accredited laboratories. In addition, our manufacturing processes are certified in accordance with standard principles applicable to hygiene, household, and personal care products—specifically IFS HPC (International Featured Standards - Household and Personal Care Products).
OSH			
Occupational safety and health (OSH)	A large number of workplace injuries	Risks in this segment include work-related injuries, occupational illnesses, exposure to harmful environmental factors, and psychosocial factors that can affect the mental health of employees. Failure to implement adequate protective measures can lead to reduced work capacity, increased illness, legal sanctions, and damage to the company's reputation. Risks associated with performing high-risk tasks, working with chemicals, working at heights, and conditions involving increased levels of noise, dust, or vibration are particularly significant.	The company has established an integrated occupational safety system in accordance with the applicable legal framework and international standards. Regular risk assessments, employee education and training, and preventive medical examinations are carried out. Procedures have been implemented for the identification, reporting, and analysis of incidents and accidents at work, with continuous monitoring and improvement of protective measures. In addition, a culture of responsibility and safety awareness has been developed through the active involvement of employees in occupational health and safety processes via selected representatives participating in the Employee Council.
IT			
IT Maintenance (Hardware and Software)	Data loss for any duration	Data loss—whether caused by technical failures, malicious cyberattacks, human error, or inadequate backup systems—can have severe consequences for business continuity, information security, and compliance with data protection regulations. Consequences include information system downtime, the inability to access critical business information, confidential data leaks, and similar operational disruptions.	The company has implemented a two-way data backup system, automated protocols for regular database saving and recovery, and multi-layered protection against unauthorized access. Special focus is placed on employee training regarding cybersecurity practices, as well as disaster recovery simulations for rapid system restoration in the event of an incident. Furthermore, system security audits and software infrastructure updates are conducted on a regular basis.

Innovation and Continuous Improvement

In line with its strategic commitments, the company continuously enhances and adapts its business model to respond to regulatory changes, environmental challenges, and the growing expectations of stakeholders.

As the domestic market leader in the paper products sector, DRENIK ND is dedicated to the continuous enhancement of product quality and to raising awareness about the importance of responsible consumption and environmental protection.

Regarding environmental protection, the company plans to further reduce packaging thickness and increase the proportion of post-consumer recycled (PCR) content, thereby reducing raw material consumption, CO₂ emissions, and waste generation. These activities align with the Waste Management Plan and waste reduction measures, supporting the circular economy and minimizing environmental impact.

Energy efficiency and water management, as part of the Energy and Water Man-

agement Policy, are being further enhanced through the introduction of sustainable technologies and process monitoring via advanced software solutions, enabling better control and consumption optimization.

DRENIK ND continuously improves its products and processes through research and the application of new materials and techniques, aimed at enhancing tissue paper quality and reducing ecological impact. Innovations increase product comfort and functionality, contribute to climate change resilience, and strengthen supply chain sustainability, in accordance with the Climate Adaptation Policy.

At the governance level, integrating ESG principles into daily operations and engaging operational management in these initiatives demonstrate a high level of corporate responsibility and transparency, while senior management and governing bodies remain fully involved in risk evaluation, strategic planning, and the implementation of innovations.

GRI 2 – 23

Policies and Procedures

DRENIK ND has transparently defined goals regarding key sustainability topics of strategic importance to the company's business within its policies and procedures, the most significant of which are:

- 1. Sustainability Strategy**
- 2. Climate Change Adaptation Policy**
- 3. Energy and Water Management Policy**
- 4. GHG Emissions Management Policy**
- 5. Code of Business Ethics**
- 6. BSCI Code of Conduct**
- 7. Employee Occupational Health & Safety Regulations**
- 8. Anti-Corruption and Anti-Bribery Policy**
- 9. Internal Whistleblowing Procedure Regulations**
- 10. Equality, Equal Opportunities, and Child Labor Prohibition Policy**

Context

DRENİK ND evaluates its performance through the achievement of its business, social, and environmental goals. Progress against strategic priorities, regulatory requirements, and stakeholder expectations is evaluated through the tracking of key performance indicators (KPIs). DRENİK ND measures success not merely by business results, but by its contribution to creating long-term value for society, the environment, and all relevant stakeholders. This approach enables continuous operational improvement, more efficient resource management, and the creation of sustainable value for employees, customers, partners, the community, and the environment.

Performance Management

DRENİK ND applies a structured performance management approach that links strategic objectives with Key Performance Indicators (KPIs), while simultaneously monitoring financial results, operational efficiency, and sustainability targets. The company has set targets aimed at more efficient use of resources and materials, reducing greenhouse gas emissions, enhancing energy efficiency, and strengthening occupational health and safety. Progress toward these goals is continuously monitored, and defined indicators and priorities are periodically reviewed to remain aligned with the company's business needs and development plans. Performance management is based on regular internal assessments and reporting, both at the team level and across the organization as a whole. Special emphasis is placed on employee engagement through training and active participation in initiatives focused on process improvement and environmental impact reduction. Based on monitoring and evaluation results, the company will revise key performance indicators as necessary to ensure their ongoing relevance and contribution to achieving strategic objectives.

During the previous reporting period, DRENİK ND established a framework for tracking Key Performance Indicators (KPIs). Tracking these indicators enables an objective evaluation of results and the identification of areas for improvement. The most significant sustainable business targets are outlined:

Climate Change Management & GHG Emissions

Medium-term target:

Drenik ND commits to reducing Scope 1 and Scope 2 GHG emissions by up to 90% by 2030 compared to the 2024 baseline year. The 90% GHG reduction target applies exclusively to parent company operations.

Energy

Medium-term target:

By 2030, our production will be fully based on renewable energy sources, eliminating the use of natural gas and grid electricity. Through the construction of a biomass cogeneration plant and the installation of solar panels, our production will rely entirely on renewable energy sources, significantly reducing our environmental footprint.

Cirkularna ekonomija i smanjenje plastične ambalaže

Medium-term target:

- By 2027, a minimum of 50% of our products will utilize packaging material containing at least 50% Post-Consumer Recycled (PCR) content, and from 2030 onwards, all of our products will use packaging material containing at least 50% PCR content.
- By 2030, the plan is to reduce primary packaging thickness by up to 40%, bringing it into the 35–40 micron range.

Resource Use (Raw Material Procurement)

Medium-term target:

- Developing partnerships with suppliers who adhere to environmental standards and apply sustainable practices in raw material production. Encouraging the procurement of raw materials from responsibly managed forests certified under FSC standards.
- Drenik ND commits to ensuring its forest-based raw material supply chain does not contribute to deforestation at any stage (zero deforestation). All raw materials procured within a calendar year must originate from responsibly managed forests and be certified under at least one recognized sustainable forest management standard (FSC®, PEFC™, or Controlled Wood).

Occupational Health & Safety (OHS)

Medium-term target:

Reducing the lost-time injury rate by 20% by 2027, as well as reducing the severe injury rate by 20% by 2027, through preventive measures, continuous employee training, and the ongoing enhancement of workplace health and safety.

Governance & Certification

Medium-term target:

Securing EU Ecolabel certification for key product categories by 2027.

GRI 1

Reporting Principles

As the basis for the preparation and development of this Report, the methodological rules and principles established by the GRI Standards have been applied, thereby ensuring the transparency, accuracy, and reliability of the presented data. In accordance with the GRI Standards, the report includes an overview of material topics, clearly defined metrics, and an explanation of the methodology used to identify key ESG aspects. In this manner, stakeholders are provided with a clear insight into the company's impacts, performance, and activities in the field of sustainability. By adhering to these methodological principles, DRENİK ND ensures compliance with internationally recognized reporting practices, enhances the quality and comparability of the disclosed data, and further strengthens the trust of investors, business partners, employees, and other stakeholders.

Accuracy

Quantitative and qualitative ESG data are presented in a precise, reliable, and transparent manner, enabling all stakeholders to clearly assess our impacts. Directly measured data are explicitly designated, along with a description of the methodologies applied, while potential limitations, estimates, and underlying assumptions are explained through the methodologies used to derive them. Financial and economic data are available in the Annual Report of DRENİK ND for 2025, providing additional context and analysis of our business performance.

Balance

The information contained in this report is presented in an unbiased and transparent manner, ensuring a faithful representation of both positive and negative impacts, thereby providing users with a complete and objective insight into the company's impacts. Information is presented responsibly, without attempting to improperly influence the conclusions and assessments of stakeholders.

Clarity

The report is written in a clear and structured manner. Tables and charts enhance the overall readability of the report. The table of contents and hyper-linked navigation facilitate easy movement through the document. Complex terms, concepts, and acronyms are explained in the Glossary.

Comparability

The applied methodological approach enables comparability and trend tracking. Planned results and targets are presented to facilitate progress tracking in future reports. The company strives to ensure the comparability of disclosed data through the consistent application of methodologies and indicators. Wherever possible, data are presented for at least two reporting periods to enable trend tracking, performance progress assessment, and historical comparisons. Internationally recognized methodologies, definitions, and units of measurement are applied for calculating and presenting indicators. In the event of changes in methodology, scope, or calculation methods, the company provides appropriate explanations to ensure proper interpretation of the results.

Completeness

The data presented in this Report relate to the year 2025, with comparative data provided for 2024. Financial and economic indicators are derived from the DRENİK ND financial statements for 2025.

In accordance with a phased approach to expanding ESG reporting, subsidiaries in Hungary and Croatia are currently not fully included within the reporting scope, with the exception of GHG emissions data for the entity in Hungary. Scope limitations and potential data gaps are specified in the relevant sections of the report.

Sustainability

Our estimates are based on relevant methodologies, internationally recognized standards, and reliable data, enabling us to clearly present the environmental, social, and economic aspects of our business. Our goals are aligned with the United Nations Sustainable Development Goals (SDGs) and Guidelines for Responsible Business Conduct, reaffirming our commitment to sustainability.

Timeliness

The Sustainability Report is published annually for the preceding calendar year, ensuring regular data updates so that all stakeholders have access to timely information.

Verification and reliability

Our reporting process is supported by a software solution that enables data tracking, ensuring that all disclosed information can be reviewed, assessed, and validated. This system allows us to document the tracking of data sources and provide reliable evidence for underlying assumptions and calculations. Furthermore, our sustainability report underwent an independent assurance engagement in accordance with the ISAE 3000 international standard on assurance engagements. The independent data verification and assessment of compliance with the GRI Standards during report preparation were conducted by the independent audit firm PKF Ltd., Belgrade. There were no restatements of misstatements from prior reporting periods.

Sustainable Development Goals

The “2030 Agenda” represents a universal strategic framework that defines 17 Sustainable Development Goals (SDGs) aimed at addressing global challenges, including the eradication of poverty and hunger, the improvement of healthcare and education, environmental protection, and climate change mitigation. These goals

are interconnected, so achieving one often requires addressing issues that overlap with other targets. Recognizing the importance of each individual goal, we have identified eleven goals that are of particular relevance to our business and sphere of influence, in line with the results of our materiality analysis.

	3 HEALTH AND PROSPERITY	4 QUALITY EDUCATION	6 CLEAN WATER AND SANITARY CONDITIONS	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 RESPONSE TO CLIMATE CHANGE	15 PRESERVATION OF LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
1 Economic Indicators					✓					✓
2 Energy Management and Efficiency				✓		✓	✓			
3 GHG Emissions							✓	✓		
4 Resource Use and Circularity							✓			
5 Water Use			✓				✓			
6 Waste Management			✓				✓		✓	
7 Product Quality and Safety	✓						✓			
8 Occupational Health and Safety	✓				✓					
9 Raw Material Sourcing and Supply Chain Management						✓	✓		✓	
10 Employee Relations (Recruitment and Employment Practices)	✓				✓					
11 Employee Training		✓			✓					
12 Human Rights and Equal Opportunities					✓					✓
13 Local Community Investment										
14 Transparency and Anti-Corruption										✓



For DRENİK ND, occupational health and safety within the production environment are at the core of employee care, along with preserving both physical and mental well-being. Throughout the year, we organized various preventive activities, including regular medical check-ups, health education sessions, and initiatives aimed at fostering a healthier and more productive work environment. We exchange best practices, promote healthy lifestyle habits, and continuously work to enhance the workplace atmosphere, work organization, and overall employee well-being. Special emphasis is placed on active employee participation and supporting personal development. Additional information regarding this topic is disclosed under specific GRI disclosures 403-3 and 403-6. Furthermore, our products are safe for human health, as confirmed by IFS HPC certification, which ensures strict safety standards.



The company actively invests in education through systematic employee training and support for youth internship programs. Regular internal and external training sessions are conducted to enhance the knowledge and skills of our workforce, driving their professional and personal growth. In parallel, collaboration with secondary schools and universities is maintained through professional internship programs, offering young people hands-on experience in a real working environment. These activities contribute to strengthening competencies, boosting employability, and building local community capacity, in alignment with the principles of inclusive and relevant education accessible to all generations.



DRENİK ND recognizes the importance of responsible water resource management in tissue paper manufacturing and actively contributes to the preservation of aquatic ecosystems through precisely controlled technical and environmental measures. All industrial and process wastewater undergoes physical-chemical treatment (flotation) prior to discharge, ensuring full compliance with applicable regulations and standards. Purified water quality is tested on a quarterly basis by accredited laboratories, with results submitted to competent authorities. Additionally, monitoring of all potential pollutants—including groundwater—is conducted to ensure soil and environmental protection. Water is sourced from underground wells, with maximum focus directed toward its efficient use and processing. Additional detailed information on the company's water management process is disclosed under GRI disclosures: 303-1, 303-2, 303-3, 303-4, and 303-5.



Our strategic commitment to gradual decarbonization and energy transition will be executed through investment plans in renewable energy, primarily via the construction of a biomass cogeneration plant and the installation of solar panels. Energy consumption per production unit is systematically monitored, enabling precise control and the identification of further efficiency opportunities. Within operational processes, the deployment of electric forklifts will further contribute to reducing fossil fuel emissions. Detailed information on the company's energy management process is presented under individual GRI disclosures 302-1 and 302-3.



DRENİK ND employs over 700 workers (excluding subsidiaries) and systematically encourages local recruitment, including youth and vulnerable groups, thereby actively contributing to the balanced development of the local community and strengthening its economic potential. Working conditions fully comply with applicable legislation and international standards, upholding employee rights, occupational health and safety measures, and equal opportunity policies. The company provides fair compensation and additional benefits, while promoting work-life balance, underscoring its commitment to decent work. Business operations generate positive economic performance, alongside investments in the local economy and employee skills development, contributing to sustainable growth and long-term community development. Human resource management disclosures are provided under GRI disclosures 401-1, 401-2, 401-3, 402-1, 404-1, 404-2, and 404-3.



Operating in the manufacturing sector with a focus on tissue paper production, we continuously enhance our operational capabilities through strategic infrastructure investments and process innovations. Over recent years, the company has executed a series of infrastructure projects, including the construction of manufacturing facilities and the acquisition of specialized tissue paper machines. As part of digital transformation and operational efficiency enhancements, full automation of pallet transport between production lines, warehouses, and distribution units was implemented, significantly increasing productivity and reducing logistics costs. The company places a strong focus on Research & Development (R&D) for technical upgrades in production facilities. In packaging solutions innovation, projects were undertaken to reduce film thickness and increase Post-Consumer Recycled (PCR) content. Further information is available under GRI 301-2.



As a responsible company, DRENIK ND contributes to enhancing the quality of life in urban areas through corporate social responsibility initiatives, support for local communities, and investments in social infrastructure. The company continuously works on waste reduction through process optimization and the implementation of efficient waste management practices. By applying a circular approach to material management and improving recycling methods, DRENIK ND contributes to enhancing urban environmental quality and protecting natural resources within the local community. The company actively supports sports clubs, such as judo and volleyball clubs, thereby promoting healthy lifestyles and community inclusion. By investing in activities that foster the active involvement of all community members, access to cultural and sports content, and support for vulnerable groups, DRENIK ND contributes to building sustainable local communities. Further details are provided under GRI disclosures 306 and 413.



DRENIK ND actively implements sustainable practices in line with the principles of responsible consumption and production. Our primary raw material, virgin wood pulp, originates from renewable sources and is FSC-certified, confirming a responsible approach to forest resource management. The company continuously improves its packaging by introducing recycled materials. Currently, packaging contains 30% Post-Consumer Recycled (PCR) content, with the target that by 2027, at least half of our products will utilize packaging material containing a minimum of 50% PCR content. In 2026, we will begin using secondary packaging made of 100% recycled material. This strategy actively contributes to sustainable resource management, packaging waste reduction, and enhanced circularity. Through a comprehensive approach to sustainable resources, packaging, and environmentally responsible manufacturing, DRENIK ND reaffirms its commitment to the UN 2030 Agenda targets, aligned with GRI disclosures 301, 302, 303, 305, and 306.



Our approach to climate transition relies on our ESG strategy and is defined by our Climate Change Adaptation Policy. In this way, an ambitious plan to reduce Scope 1 and Scope 2 GHG emissions by up to 90% by 2030 is strategically incorporated into our business operations.¹ This plan rests on the construction of a biomass plant and the installation of solar panels, driving the transition toward sustainable and low-carbon manufacturing. In 2021, the Law on Climate Change ("Official Gazette of RS", No. 26/2021) came into force, followed in early 2024 by the Rulebook on Monitoring and Reporting of Greenhouse Gas Emissions in the Republic of Serbia ("Official Gazette of RS", No. 118/2023), which defines the reporting methodology, operator obligations, and monitoring mechanisms. Scope 1 emissions have been verified by an independent verifier in accordance with international standards and legal and regulatory requirements in the Republic of Serbia. Through our emission reduction strategy and regulatory compliance,

DRENIK ND actively contributes to the fight against climate change and its impacts. Further information is disclosed under GRI 305.

[1] excluded subsidiaries



DRENIK ND (including subsidiaries) is committed to preserving biodiversity, sustainably using natural resources, and reducing negative environmental impacts. The primary raw material used in manufacturing, virgin wood pulp, originates from sustainable sources holding FSC, PEFC, or at minimum FSC Controlled Wood certification, ensuring that the production process does not compromise forest ecosystems or biodiversity. Through the responsible use of natural resources, environmental impact mitigation, and greening initiatives, we strive to contribute to the long-term sustainability of natural resources, biodiversity protection, and land revitalization. Furthermore, activities aimed at greenhouse gas reduction, energy efficiency enhancement, and responsible waste management help preserve the natural environment and alleviate pressure on biodiversity.



In our business operations, we implement a series of policies and measures promoting ethics and transparency, including the Code of Business Ethics, Anti-Corruption Policy, and Policy on Equal Opportunity and Equality, clearly defining standards for integrity, fairness, and accountability. Special emphasis is placed on protecting employee rights, reflected in labor rights compliance and the creation of a safe and inclusive working environment. DRENIK ND measures and discloses its contribution through its Sustainability Report, confirming its commitment to transparent communication and continuous improvement of business practices. Through membership in business associations and active participation in professional initiatives, the company contributes to the exchange of knowledge, experience, and best business practices. Concurrently, through constructive dialogue with relevant institutions and other stakeholders, DRENIK ND seeks to contribute to improving the business and regulatory environment in the Republic of Serbia.

Context

Financial performance and responsible governance form the foundation of our long-term sustainability. Through prudent financial management, DRENİK ND strives to ensure the continuous creation of economic value, the timely fulfillment of its obligations to employees, business partners, and other stakeholders, while also creating opportunities for strategic investments in initiatives that support sustainable development. In a dynamic market environment and amid increasing stakeholder expectations, we are committed to maintaining financial resilience and flexibility as key drivers of our long-term competitiveness. Furthermore, through transparent financial reporting, we seek to maintain a high level of trust among all relevant stakeholders by providing a clear view of the Company's financial performance as well as our commitment to sustainable business practices.

GRI 3-3

Management of Material Topics

Financial aspects directly shape the Company's ability to operate sustainably and profitably. This includes the responsible management of the economic value generated, distributed, and retained, as well as the proactive identification of financial risks and opportunities arising from climate change. Our presence in emerging markets, investments in renewable energy, and international expansion make financial stability a material topic that directly influences the Company's competitiveness, reputation, and strategic response to global sustainability challenges. DRENİK ND monitors economic performance indicators to assess value creation above the cost of capital, optimize operating costs, and support investments in energy-efficient technologies and renewable energy sources. The Company conducts an annual evaluation of its economic performance, analyzing the relationship between its business strategy, environmental responsibility, and social value creation. The results are used to refine strategic plans and improve resource allocation.



Financial Management

The Company's financial focus is directed toward maintaining solvency and liquidity as key prerequisites for uninterrupted operations, the timely settlement of obligations, and the ability to respond swiftly to changing market conditions.

Financial planning incorporates a long-term perspective, providing a stable foundation for day-to-day operations while supporting continuous investments in development, sustainable technologies, and process modernization.

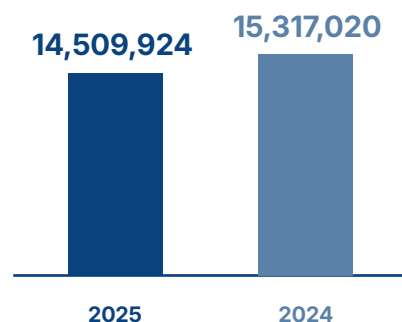
When making key financial decisions, the Company takes into account ESG considerations, including climate-related risks, regulatory developments, and stakeholder expectations regarding social responsibility and corporate governance.

This approach contributes to the development of a resilient and adaptable business model, enabling sustainable growth while maintaining alignment with the Company's strategic objectives and short-term financial commitments.

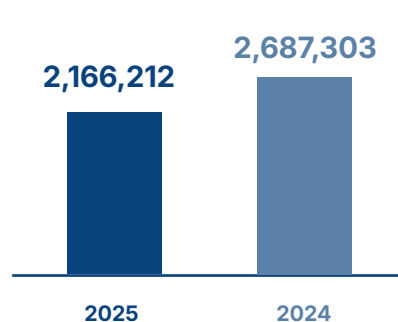
To ensure transparent reporting of its economic performance, DRENIK ND also reports the Economic Value Added (EVA) indicator, which measures the value created above the cost of capital and provides an additional perspective on the Company's long-term value creation and financial sustainability.

The Company's Sustainability Report covers the calendar year from 1 January to 31 December and is published annually. The sustainability reporting period is fully aligned with the Company's financial reporting period, ensuring consistency and transparency in the presentation of its business performance.

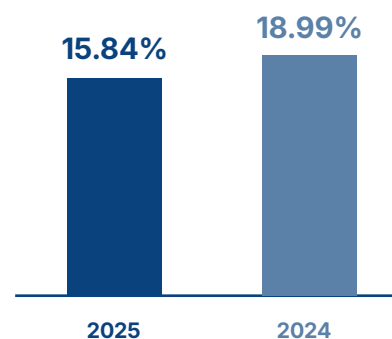
Operating Income (RSD '000)



EBITDA (RSD '000)

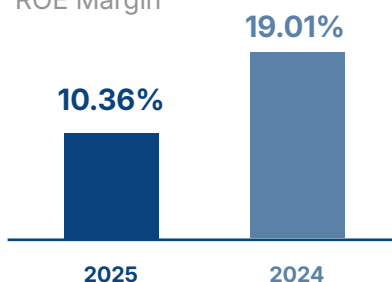


EBITDA Margin



Note: EBITDA margin is calculated as the ratio of EBITDA to sales revenue

ROE Margin



Note: ROE is calculated as the ratio of net profit to shareholders' equity.

The decrease in ROE in 2025 was primarily driven by lower net profit compared to the previous year, resulting from a decline in sales revenue and higher financing costs. Despite these short-term financial pressures, the Company continued to invest in the development of its production capacities and sustainable technologies, remaining committed to strategic investments aimed at enhancing competitiveness and creating long-term value for all stakeholders.

GRI 201-1

Direct Economic Value Generated and Distributed (EVG&D)

	2025	2024
Economic Value Generated	14,509,924	15,317,020
Economic Value Distributed	13,072,724	13,205,729
Operating Costs (Suppliers and Business Partners)	10,598,891	11,235,036
Employee Wages and Benefits	1,645,644	1,382,620
Payments to Providers of Capital	712,847	493,541
Payments to the Government of the Republic of Serbia and Local Communities	115,342	94,532
ECONOMIC VALUE RETAINED	1,437,200	2,111,291



Introduction

GRI 201-2

Materials

GRI 3-3 GRI 301-3
GRI 301-2 GRI 301-1

Energy

GRI 3-3 GRI 302-1
GRI 302-3

Water

GRI 3-3 GRI 303-1
GRI 303-3
GRI 303-4 GRI 303-2
GRI 303-5

GHG emission

GRI 3-3 GRI 305-1
GRI 305-2 GRI 305-4

Waste

GRI 306-1 GRI 3-3
GRI 306-2 GRI 306-3
GRI 306-4 GRI 306-5

Pollution

GRI 305-7

Introduction

DRENIK ND operates in the tissue paper and paper hygiene products manufacturing sector, with its headquarters in Serbia and subsidiaries across the European Union. The regulatory framework in the Republic of Serbia includes the Law on Climate Change, the Low-Carbon Development Strategy, the Law on Waste Management, and the Rulebook on the Monitoring and Reporting of Greenhouse Gas Emissions. These regulations define the Company's obligations and guide its alignment with both national and European sustainability requirements.

The sector is characterized by high water and energy consumption, challenges related to greenhouse gas (GHG) emissions, and the responsible sourcing of virgin pulp. In addition, increasing attention is being given to climate-related risks, changes in the availability of natural resources, and biodiversity conservation requirements. The Company uses renewable raw materials, with 100% FSC-certified virgin pulp as its primary fiber source, and is working to increase the share of post-consumer recycled (PCR) content in its packaging materials. Emissions from stationary sources remain the sector's principal environmental challenge. To reduce its carbon footprint, the Company plans to construct a biomass-fired cogeneration plant, which will improve energy efficiency while lowering greenhouse gas emissions.

Climate-related risks, resource availability, and biodiversity conservation continue to shape the Company's operating environment, while the use of renewable raw materials contributes to the preservation of forests and natural habitats. Together, these factors define the Company's overall environmental impact and provide the basis for identifying key sustainability risks and opportunities, as well as for establishing its strategic direction in sustainable business development.

Context



According to the latest forecast by the International Energy Agency (IEA), renewable energy sources and nuclear power are expected to account for 50% of global electricity generation by 2030 (<https://www.iea.org/reports/electricity-2026/supply>), with solar and wind energy representing the majority of newly installed renewable capacity. Despite this positive transition, manufacturing industries—particularly energy-intensive sectors such as tissue paper and paper hygiene products manufacturing—continue to face significant climate- and energy-related risks.

DRENIK ND operates in a sector that is highly dependent on natural resources, the availability of water and energy, and the resilience of its supply chain. These factors are increasingly affected by climate change, highlighting the need for careful and responsible management of climate-related risks and opportunities.

Our climate change adaptation policy is focused on minimizing adverse impacts on production, safeguarding business continuity, and strengthening our competitive position in an evolving climate environment. We therefore strive to build a climate-resilient business model by adapting our operational processes, integrating sustainable practices into our day-to-day activities, and implementing a greenhouse gas (GHG) emissions reduction strategy. The Company systematically assesses physical climate risks, such as extreme weather events and raw material shortages, as well as transition risks arising from evolving regulatory requirements and market expectations related to decarbonization. In response, DRENIK ND is implementing targeted measures, including improvements in energy efficiency, the increased use of renewable raw materials, and the modernization of production infrastructure. At the same time, climate change presents new business opportunities. These include the development of products with a lower carbon footprint, the adoption of circular economy principles, and investments in renewable energy sources, all of which contribute to reducing long-term operating costs while strengthening the Company's long-term resilience and sustainability.

GRI 201-2

Climate Change Management

DRENİK ND applies a systematic and proactive approach to the management of climate-related risks and opportunities. The Company's Climate Change Adaptation Policy is designed to mitigate the adverse impacts of climate change through technical, operational, and strategic measures while strengthening the resilience of its business in an evolving climate environment. As part of this commitment, DRENİK ND transparently reports on capital and operational investments that support its decarbonization strategy, including the deployment of energy-efficient technologies and the transition to renewable energy sources. The Company's climate strategy focuses on reducing greenhouse gas (GHG) emissions, developing a more sustainable value chain, enhancing the climate resilience of its operations, integrating sustainability considerations into business processes, and strengthening employees' climate-related competencies through continuous training and awareness initiatives.

The implementation of the Climate Change Adaptation Policy is regularly monitored and periodically reviewed to ensure its continued effectiveness and alignment with evolving regulatory requirements, emerging climate risks, and scientific developments. Through this approach, the Company not only strengthens its ability to manage climate-related risks but also leverages opportunities for innovation, operational resilience, and sustainable growth while supporting the objectives of the Paris Agreement and other internationally recognized climate commitments.



Photo by Frederick Yang on Unsplash

Context



DRENIK ND uses wood pulp as the primary raw material in its manufacturing process, with all procurement sourced from suppliers certified under the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) schemes, helping to prevent uncontrolled deforestation. All raw materials originate exclusively from sustainably managed forests that are independently verified in accordance with internationally recognized certification standards. Forests certified under the FSC scheme are subject to annual audits conducted by accredited certification bodies.

Wood pulp is a highly recyclable material, and the Company is committed to promoting business practices that support the long-term conservation of biodiversity. The key pillars of this approach include the responsible management of forest resources and fibre sourcing, the reduction of material consumption, the sustainable use of raw materials, and the implementation of circular economy solutions.

Plastic waste and plastic pollution have significant adverse impacts on human health, wildlife, and biodiversity. To address these challenges, many European Union countries have introduced restrictions on single-use plastics and are accelerating the transition towards a circular economy. DRENIK ND is actively aligning its products and manufacturing processes with the requirements of the Ecodesign for Sustainable Products Regulation (ESPR), which entered into force in 2024. Our objective is to enhance the environmental performance of our products through sustainable design, resource optimization, and the reduction of environmental impacts throughout the product lifecycle. During 2025, the Company began introducing primary packaging containing a minimum of 50% post-consumer recycled (PCR) content. In 2026, we plan to use secondary packaging made from 100% post-industrial recycled (PIR) plastic across our entire product portfolio. These initiatives strengthen the Company's long-term competitiveness while supporting the achievement of local and regional climate and energy objectives.

GRI 3-3

Management of Material Topics

The responsible management of raw materials is a fundamental element of DRENIK ND's sustainability strategy, reflecting the Company's commitment to responsible sourcing, environmental stewardship, and the long-term resilience of its value chain. To support these objectives, DRENIK ND applies rigorous procurement policies and sources fibre-based raw materials exclusively from suppliers operating in accordance with internationally recognized standards for sustainable forest management, including FSC and PEFC certification schemes. Our objective is to enhance sustainable supply chains and minimize environmental impacts. Through this approach, we ensure that used materials originate from renewable sources, with minimal impact on ecosystems. The company continuously evaluates suppliers against sustainability criteria and further improves packaging materials through ongoing collaboration. Priority is given to solutions with a higher content of post-consumer recycled (PCR) materials or downgauged (thinner) films that reduce overall material consumption. The company demonstrates a responsible approach to environmental management through the use of renewable raw materials and packaging innovations.

Responsible Management of Raw Materials and Packaging Materials

DRENIK ND has set ambitious targets to reduce the overall use of virgin plastic in its product packaging while increasing the share of renewable and recycled materials.

The Company continuously improves its packaging solutions in line with the European regulatory framework and the principles of the circular economy. Packaging development is guided by the requirements of the Packaging and Packaging Waste Regulation (EU) 2025/40 (PPWR), the REACH Regulation (EC No. 1907/2006), the CLP Regulation (EC No. 1272/2008), and Design for Recycling (DfR) guidelines. These efforts aim to enhance recyclability, reduce the use of virgin plastic, and ensure the safe use of materials throughout the product life cycle.

During 2025, DRENIK ND predominantly used packaging films containing up to 30% post-consumer recycled (PCR) content, while simultaneously initiating the introduction of a new generation of packaging containing 50% PCR. The Company's objective is for at least 50% of its products to be packaged using materials containing a minimum of 50% PCR content by 2027. Its long-term ambition is that, by 2030, all products will use packaging solutions containing at least 50% recycled content, wherever technically feasible without compromising product functionality, safety, or quality.

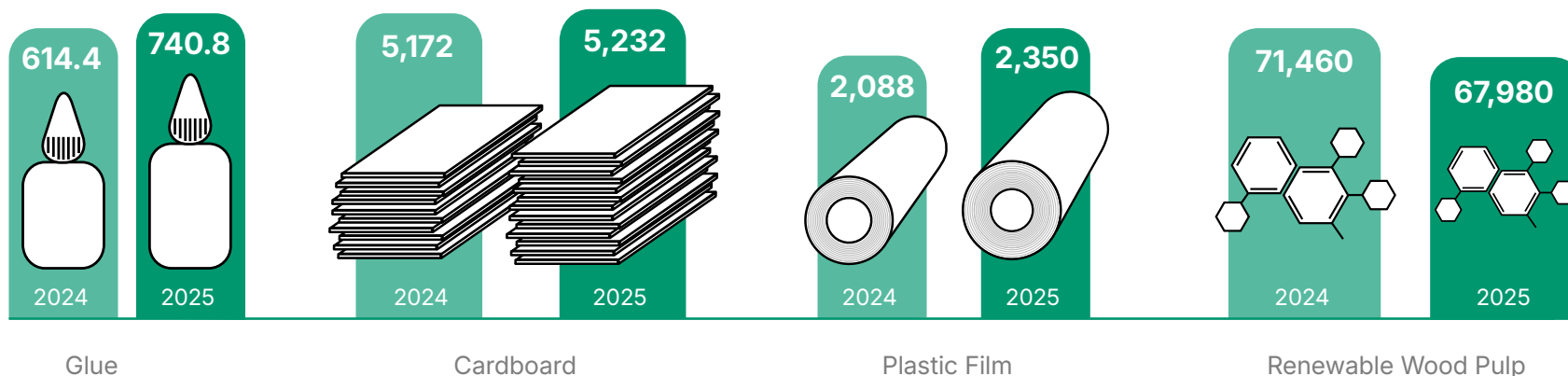
Particular attention is also given to optimizing secondary packaging. DRENIK ND

plans to gradually increase the recycled content of bundle films to at least 50–60%, while maintaining the mechanical strength, durability, and performance required during transportation, storage, and product handling. This approach ensures an appropriate balance between packaging sustainability and functionality.



GRI 301-1

Consumption of Materials and Raw Materials in (t)



GRI 301-3

Packaging Placed on the Market and Packaging Waste

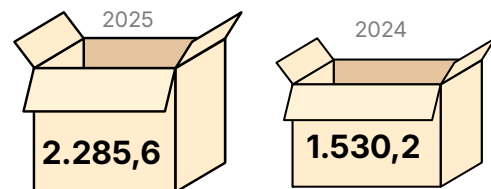
DRENİK ND recognizes the importance of the circular economy and is exploring opportunities to establish a packaging recycling system in the coming years.

Alongside increasing the share of recycled content in its packaging, the Company is implementing measures to reduce the overall amount of packaging materials through the optimization of film thickness, packaging dimensions, and graphic design. New packaging solutions are developed in accordance with Design for Recycling (DfR) principles, including reduced print coverage and the use of

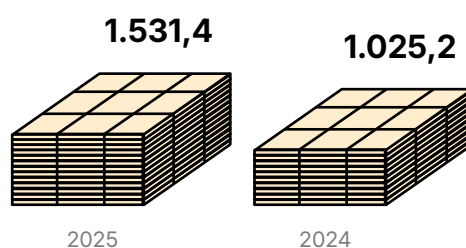
materials and designs that facilitate more efficient sorting and recycling after use.

During the reporting period, the Company carried out packaging recovery activities involving plastic film used for toilet tissue packaging and cardboard packaging materials. The product itself—toilet tissue—is not subject to recovery due to its single-use and biodegradable nature. All products are manufactured from 100% biodegradable paper, further reducing their environmental impact.

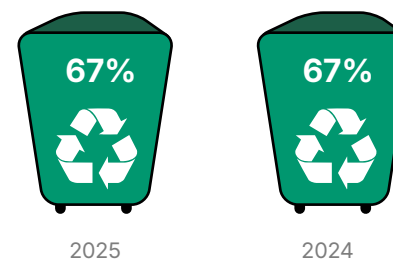
Packaging Waste Placed on the Market (t)



Total Packaging Placed on the Market (t)



Total Packaging Waste Recycled (t)



National Recycling Targets (%)

*The volume of packaging placed on the market increased due to a higher volume of converting.

GRI 301-2

Our Targets

Our objective is to ensure that all virgin raw materials are sourced exclusively from responsibly managed forests. We will continue to procure raw materials derived from forest resources with 100% Chain of Custody (CoC) certification, as in the previous reporting year, while ensuring that every raw material is covered by at least one internationally recognized sustainable forest management certification scheme, such as FSC, PEFC, or FSC Controlled Wood.

Reducing the use of plastic in both primary and secondary packaging through the adoption of more sustainable materials remains one of the Company's strategic priorities. By 2027, we aim for at least 50% of our products to be packaged using materials containing a minimum of 50% post-consumer recycled (PCR) content. By 2030, all of our products are expected to use packaging containing at least 50% recycled content, where technically feasible. In addition, by 2030 we aim to reduce the thickness of our primary packaging by up to 40%, achieving a target range of 35–40 microns.

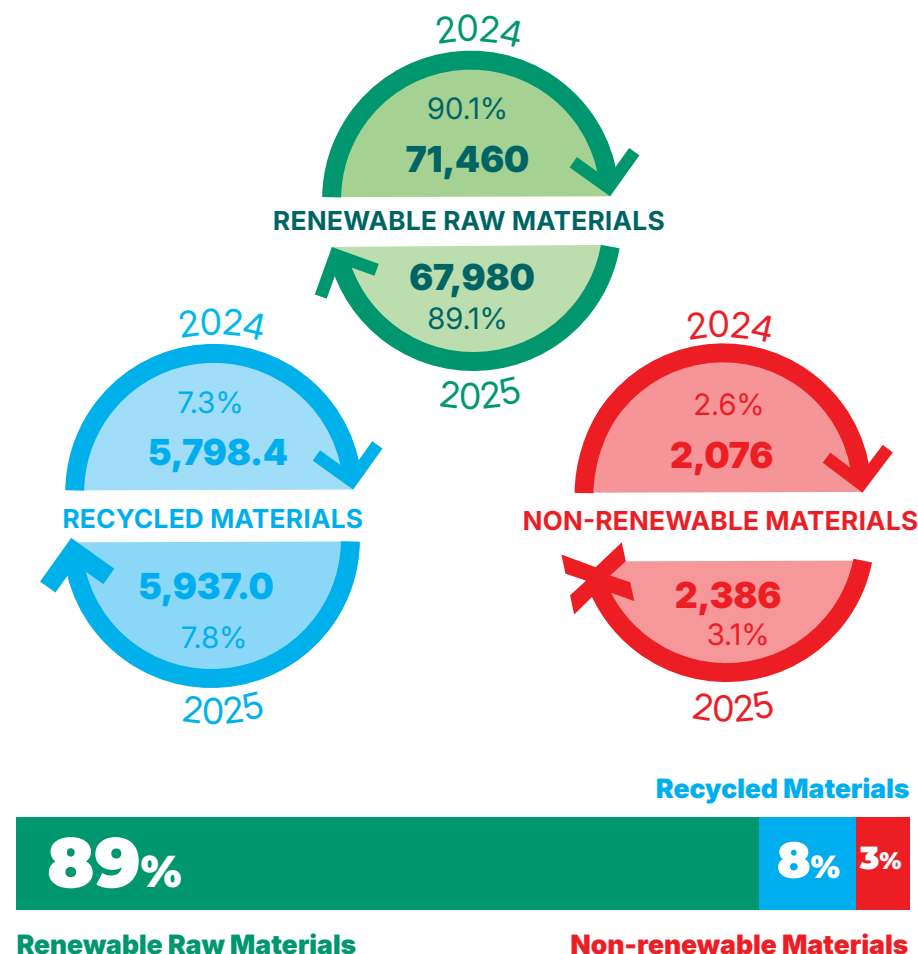
These initiatives will reduce the consumption of non-renewable raw materials and the total volume of packaging placed on the market, thereby contributing to waste prevention and supporting the transition to a circular economy.



GRI 301-1 GRI 301-2

Renewable and Recycled Materials Used

During 2025, all virgin fibre used by the Company was covered by at least one recognized sustainable forest management certification. In addition, the share of recycled materials procured—including cardboard and plastic film—increased compared with the previous year, further reducing the Company's environmental footprint and supporting its commitment to responsible resource management.



Context



DRENİK ND recognizes responsible energy management as a key pillar of its ESG strategy, acknowledging its critical role not only in reducing operating costs but also in minimizing the Company's environmental impact. Accordingly, we continuously monitor energy consumption across all areas of our operations, analyze the energy sources we use, and align our energy management practices with global sustainability objectives. The tissue paper manufacturing industry is inherently energy-intensive, requiring significant amounts of both fuels and electricity. Our approach focuses on the gradual integration of renewable energy sources and the continuous improvement of energy efficiency through carefully planned initiatives and investments. As part of its long-term strategy to reduce dependence on fossil fuels, the Company has initiated the construction of a biomass-fired cogeneration plant, which will significantly increase the share of renewable energy in its energy mix. Cogeneration technology offers substantial efficiency benefits by simultaneously generating electricity and thermal energy, thereby maximizing overall energy efficiency. For DRENİK ND, energy efficiency is not viewed merely as a compliance requirement, but as a strategic opportunity to create tangible business value. By increasing our reliance on renewable energy, we strengthen the resilience and sustainability of our operations through lower energy dependence, improved cost efficiency, and the adoption of innovative technologies. At the same time, we contribute to the broader energy transition and support the achievement of global sustainable development goals.

GRI 3-3

Material Topics Management

Energy consumption has a significant impact on both operational costs and environmental performance, driven by the nature of our industry and manufacturing processes. Recognizing the adverse effects of greenhouse gas (GHG) emissions and the risks associated with over-reliance on non-renewable energy sources, the company initiated the construction of a biomass power plant as a critical milestone in its decarbonization strategy and reduction of fossil fuel dependency.

This investment is part of a broader transition framework towards renewable energy, establishing energy efficiency as a core strategic pillar. Furthermore, the newly constructed converting facility—fully equipped with solar panels—is expected to become operational during 2026. Our target is to reduce Scope 1 and Scope 2 greenhouse gas emissions by 90% by 2030, compared to the 2024 baseline. This goal primarily encompasses the operations of the parent company.

Active engagement with key stakeholders, including customers, investors, and the local community, actively shapes our energy policies, ensuring they reflect both our internal values and external expectations regarding sustainable development.

Energy Efficiency Management

DRENIK ND is committed to the responsible use of natural resources.

Our short-term objectives are implemented through targeted energy efficiency initiatives. Our medium-term priorities include the completion of a biomass-fired energy plant and a 90% reduction in greenhouse gas (GHG) emissions by 2030, compared with the 2024 baseline year.

The new facility will enable the Company's manufacturing plant in Serbia to replace grid electricity with energy generated from biomass. In addition, the commissioning of photovoltaic (PV) panels installed at the newly constructed converting facility is planned for 2026. The electricity generated by these panels will primarily be used to power the converting operations, further reducing the Company's dependence on grid electricity while increasing the share of renewable energy in its energy mix. This represents a significant step towards diversifying energy sources and strengthening long-term energy resilience.

Our long-term objective is to achieve sustainable resource management through the continuous improvement of our operational practices. As part of our commitment to environmental protection and operational excellence, DRENIK ND applies a structured approach to energy management.

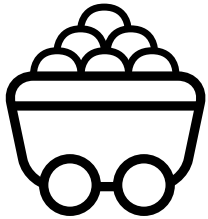
We monitor and report total energy consumption by energy source and analyze energy use across all operational units to identify opportunities for efficiency improvements. Energy intensity is regularly assessed in relation to production output, and the results are used to establish measurable targets for reducing energy consumption.

Commitment to Climate Neutrality

The most significant initiative undertaken during the reporting period as part of the Company's climate neutrality roadmap is the construction of a biomass-fired combined heat and power (CHP) plant. With an installed capacity of 8 MW of electricity and 16 tonnes of steam per hour, the CHP facility will enable DRENIK ND to transition from grid electricity and natural gas to energy generated from sustainably sourced biomass, resulting in a substantial reduction in greenhouse gas (GHG) emissions. This project represents a major milestone in strengthening the Company's energy efficiency and operational resilience. At the same time, the investment supports the Republic of Serbia's energy transition towards a low-carbon, climate-resilient economy and contributes to the achievement of national and international climate objectives.

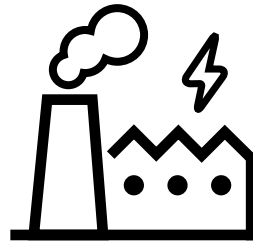
GRI 302-1 GRI 302-3

Total Energy Consumption



Total Energy Consumption from Non-Renewable Sources (GJ)

2025	2024
895,730	891,151



Total Energy Consumption from the Grid (GJ)

2025	2024
261,957	262,620



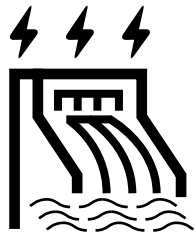
Total Natural Gas (Stationary Consumption)

2025	2024
633,773	628,531



Energy Intensity

2025	2024
12.98	12.69

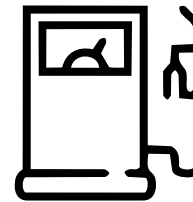


Electricity Consumption

Electricity (from the power grid) (Kwh)

Total electricity consumption (GJ)

2025	2024
72,765,751	72,950,855
261,957	262,620



Natural Gas and Fuel Used

Natural gas (m³)

LPG (T)

Diesel (L)

Gasoline (L)

2025	2024
15,244,065	15,161,033
0.41	1.62
94,448	102,101
2,298	1,512

* Methodology and Assumptions

The report is based on the consistent application of conversion factors for energy consumption data. In cases where local factors are not available, relevant general conversion factors are applied. To ensure transparency and comparability, data are presented by business units, type of energy source, and activity categories.

Context



GRI 3-3 GRI 303-1 GRI 303-2

The responsible and sustainable use of water is becoming increasingly important in the context of environmental stewardship. Water is one of the most critical resources in the tissue paper manufacturing industry, where it is primarily used for fibre processing during production before being treated and safely discharged back into the environment. In accordance with applicable legislation, the Company is required to publish an annual report on wastewater monitoring and analysis through the National Pollution Sources Register (NPSR), ensuring transparency and compliance with environmental regulations. The quality of discharged wastewater is subject to strict regulatory requirements. DRENIK ND applies comprehensive internal procedures to ensure compliance with all applicable legal requirements and operational parameters necessary for the safe and efficient operation of its facilities. Wastewater quality analyses are performed on a quarterly basis, while the Company remains committed to minimizing water consumption through the continuous improvement of its production processes. During 2025, DRENIK ND carried out comprehensive water-related risk assessments to identify priority areas for improving water resource management and strengthening the long-term sustainability of its operations.

GRI 3-3

Material Topics Management

The production of tissue and paper requires significant volumes of water, which is utilized in critical process stages—from fiber conveyance and sheet formation to equipment cleaning. Consequently, our operations can exert both direct and indirect impacts on water resources. Stakeholders increasingly demand responsible water stewardship; hence, our primary focus is centered on optimizing consumption, ensuring adequate wastewater management, and preserving water resources for the local community. Efficient water use and wastewater treatment represent key considerations in our operational decision-making. DRENIK ND implements a comprehensive set of measures to ensure sustainable water management: continuous monitoring & efficiency, wastewater treatment in full compliance with environmental standards, investing in modern water purification technologies, proactive identification and mitigation of water-related risks, transparent performance reporting and active collaboration with stakeholders to preserve shared water resources. Through these actions, water management is recognized as a material topic that directly contributes to business sustainability, impact mitigation, and environmental preservation.

GRI 303-1

Water Management

For many years, DRENIK ND has implemented policies and initiatives aimed at optimizing water consumption in order to protect the environment and ensure the continuity of its manufacturing operations. Our objectives are defined in the Company's Natural Resources Management Policy, with particular emphasis on the responsible management of water and energy. Our short-term objectives focus on optimizing water consumption, while our medium-term priorities include increasing the use of recycled water in production processes through dedicated investments in water efficiency measures and the reuse of industrial wastewater. DRENIK ND has invested in advanced wastewater treatment technologies to meet stringent wastewater quality requirements. This is particularly important in locations where water resources are shared among multiple users, such as river basin areas. For several years, we have actively worked to reduce overall water consumption, suspended solids, and organic pollutant loads, with a strong focus on improving water resource management. During the production process, water is recirculated multiple times to reduce both energy consumption for water heating and the demand for water treatment. Key parameters monitored on a

quarterly basis include Chemical Oxygen Demand (COD), Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), Total Inorganic Nitrogen (TIN), and Total Phosphorus (TP).

During 2025, the Company began using sustainably manufactured polymers as a process additive in the production of paper towels. This additive supports the more efficient use of raw materials and improves production efficiency. Its application reduces the consumption of processing chemicals and operating costs while lowering the concentration of adsorbable organic halogens and organochlorine compounds in process water and wastewater, thereby improving the quality of discharged water. By stabilizing the chemical charge balance and reducing deposit formation, the additive also enables more efficient process water management, lowers freshwater consumption, and contributes to improved resource efficiency.

In addition, the Company maintained full compliance with all applicable legal requirements throughout the reporting period, with no instances of non-compliance recorded. DRENIK ND sources approximately 99% of the water used in its operations from groundwater, while the remaining 1% is supplied through the public water supply system. Water abstraction for production purposes does not compromise the availability or sustainability of groundwater resources. Furthermore, the water sources used in the Company's manufacturing and supporting operations are not located in areas experiencing water stress or water scarcity.

GRI 303-5

Water Consumption

To protect water quality and prevent pollution, DRENIK ND has established a comprehensive set of internal policies and procedures that define all activities related to the monitoring and management of water resources, as well as the responsibilities associated with these processes.

Pulp preparation is carried out through the mechanical separation and dispersion of fibres in water to produce a homogeneous fibre suspension. This stage of the manufacturing process accounts for the highest water demand, as the process mixture consists of approximately 95% water and 5% fibre. The majority of the water used by DRENIK ND serves to transport fibres throughout the production process, while the remaining portion is primarily used for cooling purposes.

Water recirculation plays a key role in reducing freshwater consumption and lowering the hydraulic load on the central wastewater treatment plant. It is also essential for the recovery of cellulose fibres suspended or dissolved in process water. Without water recirculation, valuable fibres and other usable materials would be discharged together with wastewater and permanently lost.

By continuously recirculating process water, the Company improves the utilization of raw materials and process chemicals while reducing freshwater abstraction. DRENIK ND has established an efficient closed-loop process water recirculation system, through which approximately 85% of process water is recirculated.

GRI 303-3

Total Water Withdrawal

	2025	2024
GROUNDWATER (ML)	403.2	405.5
WATER FROM ANOTHER ORGANIZATION (ML) (Public water supply)	3.96	4.25

* The company draws water from wells, i.e. groundwater

2025

PUBLIC WATER SUPPLY (m ³)	1%	99%	Groundwater
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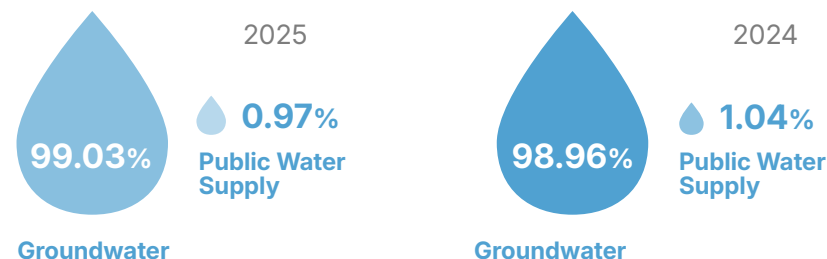
2024

PUBLIC WATER SUPPLY (m ³)	1.2%	98.8%	Groundwater
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Water Consumption and Intensity

	2025	2024
WATER CONSUMPTION - TOTAL (ML)	9.84	11.06
GROUNDWATER (WELL) (M ³)	9,744	10,939
PUBLIC WATER SUPPLY (M ³)	96	116

* Water consumption represents the amount of captured water minus the amount of discharged water. In the case of DRENIK ND, the water consumed evaporated during the production process.



GRI 303-4

Wastewater Discharge Management

The tissue paper manufacturing process is subject to stringent regulatory requirements. Paper mills are required to monitor a range of environmental parameters in accordance with national legislation to ensure the proper operation of their facilities, while also implementing internal procedures that ensure ongoing regulatory compliance.

Before discharge, process water is treated through a dissolved air flotation (DAF) process. During 2025, the Company introduced a new generation of polymers in the production of paper towels, reducing the presence of organically bound halogens and organochlorine compounds in both process water and wastewater, thereby further improving effluent quality. Throughout the reporting period, no incidents involving exceedances of permitted discharge limits were recorded, and no events occurred that could have jeopardized the Company's wastewater discharge permit. Wastewater is not discharged into areas experiencing water stress or water scarcity. During 2025, the Company discharged a total of 397,320 m³ of treated wastewater, compared with 398,740 m³ in 2024. The average wastewater discharge rate was 47 m³/h.

Water Discharged

	2025	2024	Type of wastewater treatment
FRESH WATER DISCHARGED* (ML)	397.32	398.74	Physical-chemical water purification
DISCHARGED FRESH WATER (ML) - SURFACE WATER	397.32	398.74	

*Freshwater ≤ 1,000 mg/l Total Dissolved Solids GRI 303

GRI 303-2 303-4d

Wastewater

The type and method of wastewater treatment are determined by the effluent quality standards that must be achieved prior to discharge into the receiving water body, in accordance with applicable legislation and the requirements set out in the relevant environmental permits and inspection decisions. Wastewater quality is monitored quarterly by accredited laboratories, and the results are submitted to the competent national and local authorities. All process water and wastewater generated by the Company's operations undergo on-site physico-chemical treatment using a dissolved air flotation (DAF) system before discharge, ensuring full compliance with applicable wastewater discharge standards. DRENIK ND carries out regular monitoring of all potential pollutants, including groundwater quality, in order to assess and control potential impacts on soil and the surrounding environment.

The wastewater treatment plant is subject to routine inspections and preventive maintenance, including integrity and leak-tightness testing, to ensure its safe and reliable operation.

The emission limit values for wastewater quality parameters, as well as the parameters subject to monitoring, are defined in accordance with the applicable legislation of the Republic of Serbia, including the Regulation on Emission Limit Values for Pollutants in Water and Deadlines for Their Achievement (Official Gazette of the Republic of Serbia, Nos. 67/2011, 48/2012 and 1/2016). During the reporting period, no exceedances of the prescribed wastewater emission limit values were recorded, nor were any conditions identified that could adversely affect the quality of the receiving water body.

GRI 303-3

Methodological Notes

In accordance with the requirements of GRI 303-3, an assessment was conducted to determine whether the water sources from which the Company withdraws water are located in areas subject to water stress.

The assessment was carried out using the Aqueduct Water Risk Atlas, developed by the World Resources Institute (WRI). This tool enables the identification of geographic areas exposed to elevated physical water risks by evaluating factors such as water availability, water demand, and the intensity of water use.

Based on the available data, the assessment confirmed that the water source from which the Company withdraws water is not located in an area experiencing water stress. The assessment covers only the physical dimensions of water-related risk and does not include regulatory or reputational risk factors. The methodology applied is consistent with the disclosure requirements of GRI 303-3 and supports transparent reporting on the Company's water withdrawal practices.

GRI 303-5

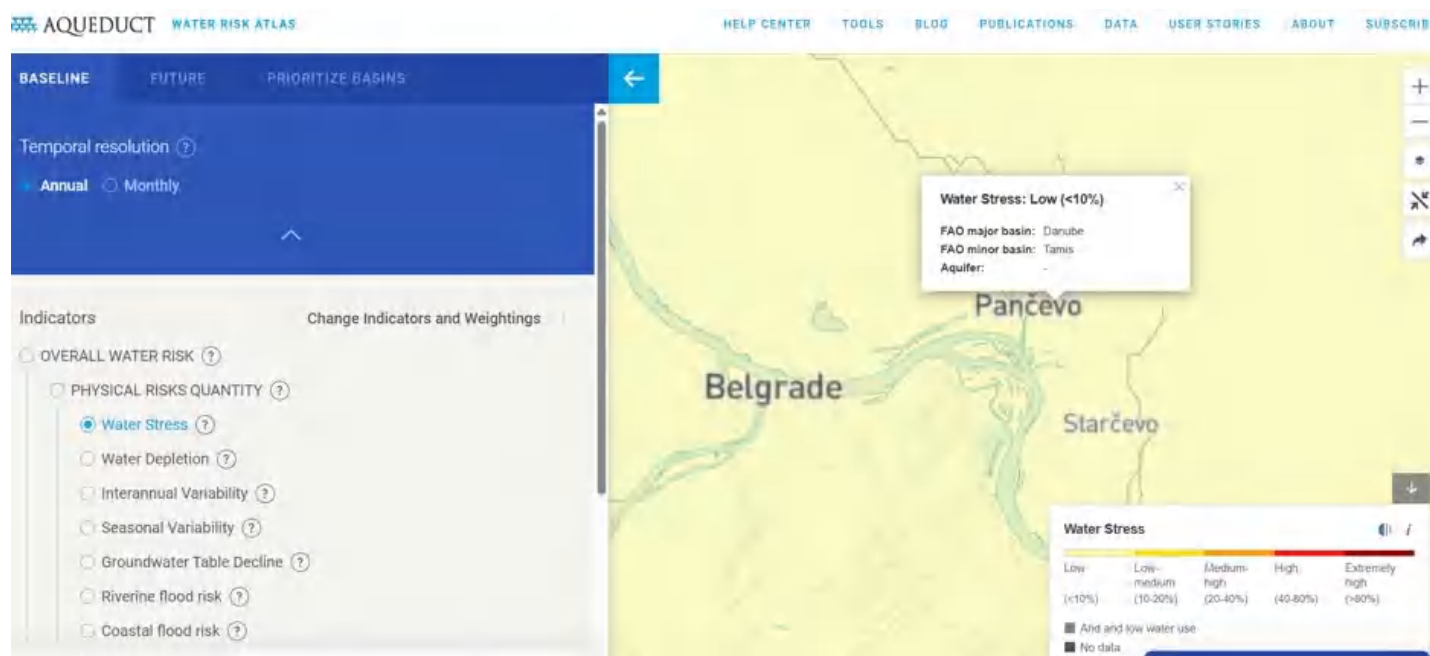
Methodology for Water Consumption Calculation

Water consumption has been calculated in accordance with the requirements of GRI 303-5.

Water Consumption = Water Withdrawal – Water Discharge

Where:

- Water Withdrawal includes all water withdrawn from surface water, groundwater, or third-party sources (e.g., the municipal water supply);
- Water Discharge refers to water returned to the environment or transferred to third parties after use, whether treated or untreated; and
- Water Consumption represents the portion of withdrawn water that is not returned to the environment, typically because it has evaporated, been incorporated into products, or has otherwise been retained. For DRENIK ND, water consumption consists entirely of water lost through evaporation during the manufacturing process.



Context

With the adoption of the Low-Carbon Development Strategy of the Republic of Serbia for the Period 2023–2030, with Projections to 2050, Serbia has clearly committed to the transition towards a sustainable and competitive economy. The Strategy targets a 33.3% reduction in greenhouse gas (GHG) emissions by 2030, primarily through the decarbonization of the electricity and heat generation sectors, improvements in energy efficiency, and the wider deployment of renewable energy sources.

By adopting this strategic framework, the Republic of Serbia has demonstrated its commitment to aligning its regulatory environment with European standards. As a result, companies are facing increasing expectations to adopt sustainable business practices, reduce greenhouse gas emissions, and strengthen their sustainability reporting in line with evolving regulatory requirements.

GRI 3-3

Material Topics Management

DRENIK ND has been systematically monitoring emissions of greenhouse gases (GHG), nitrogen oxides (NOx), and sulfur oxides (SOx) generated within its production processes. In 2025, preparations commenced for calculating Scope 3 emissions, thereby expanding the monitoring scope across the broader value chain. Simultaneously, Scope 1 emissions were verified by an independent third-party verifier, in compliance with international standards and applicable regulatory requirements in the Republic of Serbia.

The company has significant plans to invest in renewable energy sources in the upcoming period, aiming to substantially reduce Scope 1 and Scope 2 greenhouse gas emissions. This strategic approach enhances organizational resilience against climate-related risks while mitigating overall environmental impacts.

Following a formal identification and impact assessment process, GHG emissions were recognized as a material topic within our reporting framework. Consequently, DRENIK ND established appropriate policies, targets, and monitoring measures aligned with the GHG Protocol and national regulatory mandates.

Furthermore, DRENIK ND set an ambitious goal to reduce Scope 1 and Scope 2 GHG emissions by up to 90% by 2030, compared to the 2024 baseline, primarily driven by the planned completion of a biomass cogeneration plant. This objective applies to the primary operations of the parent company.

GRI 305-1 d,g GRI 305-2 d,g

Methodology

The DRENIK ND manufacturing facility in Belgrade is subject to the monitoring and reporting requirements of the Rulebook on the Monitoring and Reporting of Greenhouse Gas Emissions (Official Gazette of the Republic of Serbia, No. 118/2023). Accordingly, the Company monitors its Scope 1 greenhouse gas (GHG) emissions in accordance with applicable legal requirements and methodologies based on the IPCC Guidelines. These emissions were independently verified during the reporting period, and the verification resulted in a positive assurance opinion in accordance with international standards and the applicable legislation of the Republic of Serbia.

During 2025, the Company assessed its Scope 1 and Scope 2 GHG emissions. Scope 1 emissions are higher than those reported for the previous year because the calculation methodology was aligned with the requirements of the national regulatory framework.

The Company has selected 2024 as its baseline year, as complete and reliable emissions data are available for all relevant emission sources. This year also serves as the reference point for establishing the Company's climate targets and is fully aligned with its GHG emissions reduction strategy. The Scope 1 and Scope 2 emissions for the baseline year were independently verified, providing additional assurance regarding the appropriateness of the selected baseline.

The emissions of the Company's related party in Hungary are included in the consolidated GHG emissions reported.

The parent company is currently constructing a biomass-fired combined heat and power (CHP) plant, which is expected to significantly reduce direct greenhouse gas emissions (Scope 1) and decrease reliance on grid electricity.

The organizational boundaries have been established using the operational control approach, under which the parent company exercises operational control over its related parties in Croatia and Hungary. For the current reporting year, greenhouse gas (GHG) emissions data have been disclosed for DRENIK Hungary. These emissions have been calculated in accordance with the applicable European Union regulatory requirements.

Emissions data for DRENIK Ltd. Zagreb, Croatia, have not been disclosed, as they

Klijent: Fabrika za proizvodnju papira Drenik ND d.o.o.

10000128001-AER-26/1

2.1 MIŠLJENJE

Sproveli smo postupak verifikacije sledećeg izveštaja o GHG emisijama

**Godišnji izveštaj o emisijama GHG operatera instalacija
12. 3. 2026, 10:04:50 - Godišnji izveštaj operatera DRENİK ND d.o.o.**

koji je pripremio klijent, Fabrika za proizvodnju papira Drenik ND d.o.o., Pančevački put 69, 11210 Beograd,

Izveštajni period:
01.01.2025 - 31.12.2025

Na osnovu sprovedenog postupka i podataka i informacija koje je klijent dostavio Bureau Veritas d.o.o., za gore navedeni izveštaj izdajemo

POZITIVNO MIŠLJENJE, sa komentarom (Dodatak A, izveštaj verifikatora).

Na osnovu podataka i informacija dostavljenih od strane klijenta, kao i sprovedenog postupka možemo zaključiti da je klijent uspostavio odgovarajući sistem i metodologiju za prikupljanje, obradu i analizu podataka za utvrđivanje podataka evidentiranih u izveštaju o GHG emisijama, za određeno razdoblje i ograničenja izveštavanja.

Oznaka postupka: 10000128001-AER-26/1

Datum izdavanja: 13.03.2026

Ime i potpis ovlašćenog lica verifikatora:

Jovan BabićVerifikator: Bureau Veritas, d.o.o. Beograd, Baza Pivljanina 39, 11040 Beograd, Srbija
Za dodatne informacije o validnosti ovog dokumenta pozovite: +381 11 614 93 12Moguće dodatne činjenice nakon izdavanja izveštaja verifikatora:
*Nije relevantno za ovaj postupak.***PRILOZI:**

Dodatak A: Zaključci sprovođenja postupka (netačnosti, neusaglašenosti, preporuke)

Dodatak B: Ključni podaci iz izveštaja o GHG emisijama klijenta i kontrola od strane verifikatora

Napomena:*Mišljenje može biti:**Positivno ... zadovoljavajuće, izveštaj o GHG emisijama ne sadrži materijalne greške**Positivno, uz komentar ... , zadovoljavajuće, verifikator konstatuje materijalne odstupanje koje ne prelaze nivo materijalnosti.**Negativno ... nezadovoljavajuće, preostala materijalna odstupanja u izveštaju o GHG emisijama su veća od dozvoljene vrednosti nivoa materijalnosti.*

Obrazac BV_Izveštaj o verifikaciji ver. 4.03.10.2025. Strana: 6/10

Verifikator: Bureau Veritas d.o.o.

**BUREAU
VERITAS****IZVEŠTAJ O VERIFIKACIJI I MIŠLJENJE VERIFIKATORA**

(ISO 17029:2019, ISO 14065:2020, ISO 14064-3:2019)

Dokument koji je predmet postupka

**Godišnji izveštaj o emisijama GHG operatera instalacija
12. 3. 2026, 10:04:50 - Godišnji izveštaj operatera DRENİK ND d.o.o.**

Izveštaj je pripremljen u skladu sa zahtevima

**Zakon o klimatskim promenama („Službeni glasnik RS”, broj 26/2021)
Pravilnik o verifikaciji i akreditaciji verifikatora izveštaja o emisijama gasova sa efektom
staklene bašte („Službeni glasnik RS”, broj 107/2021)**Izveštajni period:
01.01.2025 - 31.12.2025Organizacija čiji su podaci predmet postupka
**Fabrika za proizvodnju papira Drenik ND d.o.o.
Pančevački put 69, 11210 Beograd, Srbija
10000128001****Lokacija postrojenja: Fabrika za proizvodnju papira Drenik ND d.o.o.,
Pančevački put 69, 11210 Beograd, Srbija**Oznaka postupka: 10000128001-AER-26/1
Verifikator: Bureau Veritas, d.o.o. Beograd, Baza Pivljanina 39, 11040 Beograd, Srbija
Datum izveštaja verifikatora: 13.03.2026
Vrsta stranke: Treća strana
Interni postupak: Poslovnik sistema menadžmenta kvalitetom u aktivnostima verifikacije izveštaja o emisijama GHG gasova, BV_Poslovnik_verifikacija

Ovaj izveštaj sadrži poverljive podatke, distribucija je ograničena na firmu za verifikaciju, organizaciju čiji su podaci predmet postupka, nadzorni organi Bureau Veritas d.o.o.

are not considered material to the Company's consolidated Scope 1 and Scope 2 GHG emissions inventory.

* Starting from the 2025 reporting year, entity in Hungary will be fully included in the consolidated GHG emissions inventory, ensuring full alignment with the Greenhouse Gas Protocol (GHG Protocol) and applicable regulatory requirements

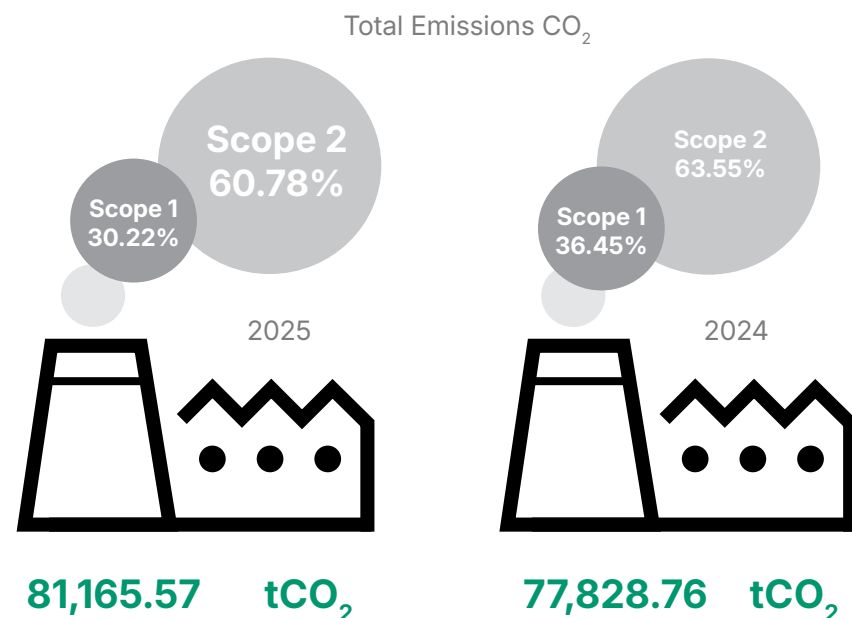
Greenhouse Gas (GHG) Emissions Measurement and Management

DRENİK ND reports its greenhouse gas (GHG) emissions in accordance with the applicable national legislation and the Greenhouse Gas Protocol (GHG Protocol). Direct GHG emissions are monitored and reported in compliance with the Rulebook on the Monitoring and Reporting of Greenhouse Gas Emissions (Official Gazette of the Republic of Serbia, No. 118/2023) and are calculated using a methodology based on the IPCC Guidelines. Indirect emissions are quantified in accordance with the principles and methodology of the GHG Protocol.

The Company's GHG inventory includes:

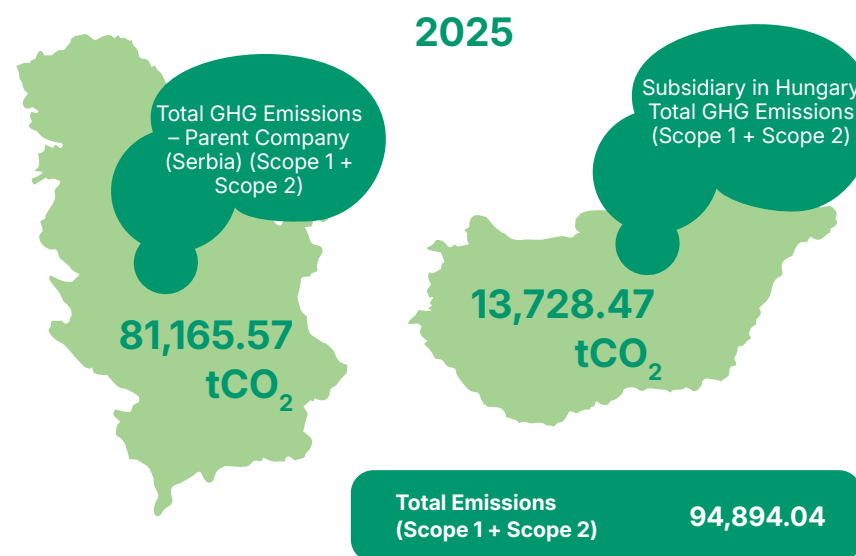
- **Scope 1** – Direct greenhouse gas emissions from stationary and mobile fuel combustion sources.
- **Scope 2** – Indirect greenhouse gas emissions associated with the consumption of purchased electricity, steam, heating, and cooling. Scope 2 emissions have been calculated using the location-based method.
- **Scope 3** – Not included in the current reporting boundary.

* Methodological note: The emission factor used to calculate Scope 2 emissions was taken from the European Investment Bank (EIB) Project Carbon Footprint Methodologies, Version 11.4 (March 2026).



GRI 305-1 GRI 305-2 GRI 305-4

Total GHG Emissions (tCO ₂ e)	2025	2024
Emissions from mobile sources (tCO ₂ c)	266.39	289.39
Stationary combustion of energy sources (tCO ₂ e)	31,564.00	28,078.69
Total Scope 1 (tCO ₂ e)	31,830.39	28,368.08
Total Scope 2 (purchased electricity) (tCO ₂ e)	49,335.18	49,460.68
Total emissions (Scope 1 + Scope 2) (tCO ₂ e)	81,165.57	77,828.76
tCO ₂ e/t of products	1.16	1.10



Context

GRI 306-1

Waste Management Approach



Effective waste management is a key component of environmental responsibility and an integral part of DRENIK ND's sustainability strategy. In line with international best practices and applicable national waste management regulations, the Company is committed to reducing waste generation by improving production efficiency and applying ecodesign principles. Our products, manufactured from virgin pulp sourced from renewable resources, generate only limited amounts of production waste, the majority of which is recovered and reused within our manufacturing operations. In the production of toilet tissue and paper towels, we apply circular economy principles through the use of renewable raw materials, sustainable primary packaging with an increased share of post-consumer recycled (PCR) content and reduced packaging thickness, and secondary packaging made from 50% post-industrial recycled (PIR) plastic. Both primary and secondary packaging are 100% recyclable.

The Company's waste streams include non-hazardous production waste, recyclable materials, limited quantities of hazardous waste generated during equipment maintenance, as well as organic waste, plastic waste, and wastewater treatment sludge. Production residues generated during the manufacture of tissue products can be used as raw materials in other industries. In particular, cardboard waste generated during the converting process is collected and transferred to an authorized recycling operator, where it is recycled into new cardboard products. This contributes to resource conservation and indirectly supports the reduction of greenhouse gas (GHG) emissions. DRENIK ND recognizes that inadequate waste management may result in environmental, social, and financial risks arising from regulatory obligations, waste treatment and disposal costs, potential impacts on local communities, and increasing expectations related to the circular economy and sustainable business practices. Where waste cannot be reused, the Company applies rigorous waste segregation, handling, and treatment procedures in accordance with its internal policies and applicable regulatory requirements.

GRI 3-3

Material Topics Management

During the materiality analysis, which involved stakeholder engagement and impact analysis, we identified waste generation, treatment, and disposal as a significant material topic regarding the company's environmental impact, as well as its potential financial and reputational implications. This primarily relates to the efficient use of resources, pollution prevention, and alignment with circular economy principles. The company enforces strict procedures for managing the disposal of hazardous and non-hazardous waste while actively striving to minimize production waste.

In response to these considerations, we have developed a comprehensive Waste Management Plan that prioritizes waste prevention and responsible disposal.

GRI 306-2

Waste Management

DRENİK ND applies a structured approach to the identification, classification, and management of waste, with a strong emphasis on waste prevention, reuse, and recycling. Waste is systematically segregated into hazardous and non-hazardous categories, with each waste stream managed in accordance with applicable environmental regulations to ensure compliance and minimize landfill disposal.

Given the diversity of manufacturing operations and the standardized nature of the input materials—including tissue paper, adhesives, tapes, cardboard, polyethylene (PE) films, stretch films, and other packaging materials—waste management is centrally coordinated across all production processes and operational units. Waste generated at the Company's facilities is transferred or sold to authorized waste management operators responsible for its collection, transportation, recovery, and treatment. The Company continuously monitors waste streams to identify opportunities for further improvement.

Circularity is embedded throughout our business model—from the responsible sourcing of renewable raw materials (with 100% of virgin pulp FSC-certified), to more resource-efficient manufacturing with a lower carbon footprint, and the development of circular product and packaging solutions that help customers

reduce waste. Tissue production generates only limited amounts of manufacturing waste, the majority of which is recovered and reused within the production process.

The Company continuously optimizes packaging design by increasing the use of recycled materials and reducing plastic thickness in order to minimize post-consumer waste. Most of our packaging is recyclable. Packaging used for finished products consists primarily of low-density polyethylene (LDPE) film, polypropylene (PP) film, cardboard boxes, and stretch film, all of which are 100% recyclable. One of the key challenges in many markets remains the insufficient infrastructure for collecting used packaging and end-of-life products. For this reason, DRENİK ND actively supports national recycling initiatives and the development of circular economy systems.

The paper manufacturing process generates only negligible quantities of hazardous waste, which are not directly associated with paper production itself but primarily arise from equipment maintenance activities. These waste streams include used oils, fluorescent lamps, batteries, and similar maintenance-related materials.

GRI 306-3

Production Waste

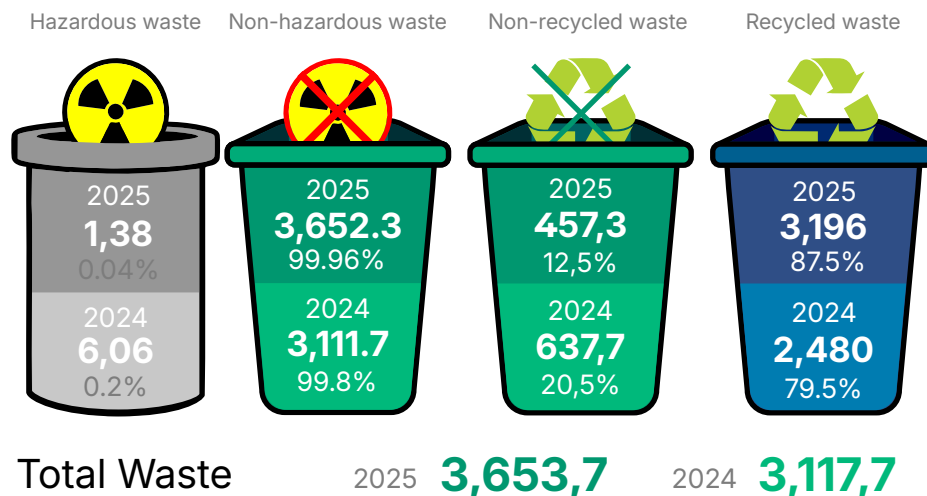
Waste generated during the manufacturing process primarily consists of wastewater treatment sludge, organic waste, and plastic waste. The Company's production facilities continuously implement measures to reduce waste generation and identify alternative waste recovery and treatment solutions. During 2025, DRENİK ND reduced the quantity of hazardous waste generated while increasing the share of waste recycled to 87.5% of total waste.

Waste that cannot be recovered is disposed of at authorized landfill facilities. Hazardous waste accounted for only 0.04% of the total waste generated, equivalent to 1.38 tonnes, and consisted primarily of used oil, batteries, and fluorescent lamps.

The largest waste stream generated by the Company's operations is sludge from the wastewater treatment plant, which is collected and managed by authorized waste management operators. Additional waste streams include materials that are recovered and reused in other manufacturing processes, such as paper, wood, metals, and polyethylene. DRENİK ND also monitors the performance of contractors responsible for the transportation, storage, and treatment of hazardous waste to ensure that waste is managed in accordance with applicable regulatory requirements and environmental standards.

GRI 306-4 GRI 306-5

Waste Generated (t)



GRI 306-5 b

Hazardous Waste

During 2025, all hazardous waste generated by the Company was transferred to authorized operators for further treatment.

GRI 306-5 c

Of the total waste generated in 2025, 87.5% was recycled (compared with 79.6% in 2024). This recycled portion consisted entirely of non-hazardous waste. The remaining 12.5% (compared with 20.4% in 2024) was sent for landfill disposal or other treatment and included all hazardous waste together with the non-recoverable portion of non-hazardous waste.

Total Waste Disposed of in Landfill



Total Waste Recycled (t)



Context



In the production of tissue paper and paper hygiene products, pollution primarily arises from industrial air emissions and waste generated during the manufacturing process.

Emissions are monitored through periodic assessments conducted by accredited independent laboratories in accordance with applicable regulatory requirements. DRENİK ND operates in compliance with the legislation of the Republic of Serbia and maintains an ISO 14001 Environmental Management System.

During 2023, the Republic of Serbia adopted several key policy documents, including the Integrated National Energy and Climate Plan (INECP), the Low-Carbon Development Strategy 2023–2030, and the Rulebook on the Monitoring and Reporting of Greenhouse Gas Emissions (Official Gazette of the Republic of Serbia, No. 118/2023). These introduced mandatory annual monitoring, reporting, and verification of greenhouse gas (GHG) emissions.

The application of robust emissions monitoring methodologies and alignment with internationally recognized practices demonstrate the Company's commitment to reducing pollution, improving environmental performance, and supporting sustainable operations throughout its value chain. Pollution-related risks include the potential for non-compliance with increasingly stringent emissions regulations. At the same time, the Company recognizes significant opportunities to improve energy efficiency through the planned construction of a biomass-fired energy plant, enhance air filtration systems, and increase the recycling and reuse of materials, thereby further reducing its environmental footprint.

Pollution Prevention and Control Measures

DRENIK ND manages pollution through the implementation of policies and measures designed to minimize its environmental impact. These policies include the substitution of hazardous substances with safer alternatives wherever technically feasible, while ensuring full compliance with the applicable legislation of the Republic of Serbia and relevant industry regulations.

During 2025, the Company introduced sustainably manufactured additives to improve the wet strength of paper towels. The use of these additives reduces the organic load, as well as the concentration of organically bound halogens and organochlorine compounds in wastewater effluent, thereby contributing to improved environmental performance.

The Company regularly monitors and reports its compliance with pollution-related legislation through the National Pollution Sources Register (NPSR), ensuring transparency and adherence to regulatory requirements.

Throughout 2025, continuous monitoring of atmospheric emissions was carried out, with all measured values remaining within the applicable Emission Limit Values (ELVs). The principal air pollutants associated with the Company's manufacturing activities—including nitrogen oxides (NO_x), sulfur dioxide (SO₂), and particulate matter (PM)—were monitored in accordance with applicable legal and regulatory requirements.

GRI 305-7

Methodology and Measurement

Air pollutant emissions data were calculated based on the results of accredited emissions monitoring reports.

The concentration of total particulate matter (PM) in waste gases was determined using manual sampling followed by laboratory analysis of the collected flue gas samples. Concentrations of carbon monoxide (CO), sulfur oxides (SO_x), and nitrogen oxides (NO_x) were measured using an automated emissions analyzer, which records and stores measurement results electronically through dedicated monitoring software.

The results of the emissions monitoring program confirmed that no exceedances of the applicable Emission Limit Values (ELVs) were recorded during 2025.

GRI 305-7

Other Air Emissions

unit kg



Environmentally Hazardous Substances

DRENIK ND identifies, monitors, and responsibly manages the use and generation of environmentally hazardous substances across its operations in accordance with applicable legal requirements. The Company's principal air pollutants include sulfur oxides (SO_x), carbon monoxide (CO), nitrogen oxides (NO_x), and particulate matter (PM).

Hazardous waste generated by the Company includes waste oil, oily water collected from oil separators, and materials such as spent fluorescent lamps. These substances are managed in accordance with applicable legislation and internal procedures to minimize risks to human health and the environment. Particular emphasis is placed on their safe handling, storage, transportation, and disposal.

The Company's waste management practices ensure that hazardous substances are not improperly released into or disposed of in the environment.

During the reporting period, DRENIK ND operated in full compliance with all applicable environmental regulations relating to pollution prevention and control. No cases of non-compliance were identified.

Biodiversity

The loss of biodiversity affects natural ecosystems and their capacity to provide essential ecosystem services over the long term. DRENIK ND recognizes that its operations may have an impact on biodiversity and is therefore committed to understanding, managing, and minimizing these impacts responsibly.

To support this commitment, the Company has adopted a Biodiversity Conser-

vation Policy, aimed at protecting and preserving healthy ecosystems that underpin the long-term resilience and sustainability of natural resources. Through responsible business practices, DRENIK ND seeks to minimize adverse impacts on nature while safeguarding natural resources for future generations.

Biodiversity Conservation Policy

Our commitment to protecting forests and biodiversity is reflected in our rigorous pulp sourcing policy. As virgin pulp is the primary raw material used in our manufacturing process, we source exclusively from suppliers certified by independent third-party certification schemes. Our supply chain is committed to zero deforestation, ensuring that no deforestation occurs at any stage of the sourcing process.

The DRENIK ND Biodiversity Conservation Policy is founded on the following principles:

Sustainable Resource Management – Responsible sourcing of raw materials from certified forests (FSC and PEFC), reduced pressure on natural resources, and the promotion of forest regeneration and reforestation.

Protection of Natural Habitats – Minimizing impacts on local ecosystems, avoiding the degradation of habitats critical to biodiversity, and cooperating with local communities and public authorities to protect threatened species.

Collaboration and Awareness – Engaging local communities, non-governmental organizations, and public institutions in biodiversity conservation initiatives, while strengthening employees' environmental awareness through continuous education and training.





Context

Workforce and Employment Practices

GRI 3-3 GRI 2-7 GRI 401-1
GRI 401-2 GRI 401-3 GRI 202-1
GRI 202-2 GRI 2-30 GRI 402-1
GRI 408-1 409-1 GRI 405-1 405-2
GRI 406-1 GRI 404-1 GRI 404-2
GRI 404-3 GRI 410-1

Value Chain

GRI 3-3 GRI 2-6 GRI 204-1
GRI 308-1 308-2 GRI 414-1 414-2

Stakeholders

GRI 2-29

Occupational Health and Safety

GRI 3-3 GRI 403-1 403-8
GRI 403-2 403-7 GRI 403-3
GRI 403-4 GRI 403-5 403-6
GRI 403-9

Local Communities

GRI 3-3 GRI 413-1
GRI 413-2

Product Safety and Customer Health

GRI 3-3 GRI 416-1
GRI 416-2 GRI 417-1
GRI 417-2 GRI 417-3

Context



DRENİK ND recognizes the management of employment practices and labor relations as an integral component of sustainable development and corporate social responsibility. HR policies and procedures are developed and implemented in full compliance with applicable legal regulations, international labor standards, and the principles outlined in our internal Code of Ethics, aiming to ensure fair, transparent, and inclusive working conditions. Two-way communication mechanisms have been established, including the Employees' Council and other relevant channels, enabling workers to actively engage in decision-making processes and the continuous improvement of the workplace environment. Strategic investments are directed toward the ongoing development of employee competencies, enhancing workplace culture, promoting equal opportunities, and preventing all forms of discrimination—thereby fostering stable, transparent, and sustainable employment relationships.

GRI 3-3

Material Topics Management

As one of the most significant employers in the Republic of Serbia, we place particular emphasis on recruitment, work practices, employee development and retention, maintaining their mental and physical well-being, human rights, and equal opportunities.

We are continuously working to create the conditions for the creation of new jobs, the improvement of working conditions, the performance system, and the knowledge and skills of employees, thereby contributing to a more equitable distribution of economic value and strengthening the efficiency, commitment, and long-term sustainability of our workforce. Respect for and protection of human rights, including the principle of equal opportunities and the fight against all forms of discrimination, are integrated into our corporate culture and operating practices. Through active mechanisms for preventing, reporting, and combating inappropriate behavior, as well as through the continuous training of our employees, we promote an inclusive, safe, and fair working environment.

These initiatives confirm our commitment to responsible human resources management as a key element for long-term value creation and sustainable development.



Human Resources Management

Human resources management at DRENİK ND is based on the application of national legal regulations, but also international standards and best practices, including the ISO 45001 standard for occupational health and safety, the implementation of SMETA audits as one of the most recognized forms of socially responsible audits in the supply chain, and compliance with the fundamental conventions of the International Labor Organization (ILO) regarding the prohibition of forced and child labor and the elimination of all forms of discrimination in hiring and work.

The human resources management system is based on an integrated approach that includes:

1. Development and implementation of a human resources policy that complies with applicable legal requirements and international standards, with a particular focus on improving working conditions, continuous professional development, and the application of programs to attract, develop, and retain key personnel;
2. Managing employee performance by tracking key performance indicators to achieve optimal productivity and skills development; and
3. Mutual, transparent, and inclusive communication with employees through formal and informal mechanisms such as the employee council, a suggestion and complaint system, direct dialogue with management, open doors, and employee initiatives, ensuring the active involvement of employees in decision-making processes related to the work environment and working conditions.

The human resources management system is based on the principles of fairness, responsibility, and inclusion, which are embedded in a corporate culture that promotes trust, non-discrimination, respect for human rights, and continuous professional development, and in which human capital is at the center of the value creation process.

Code of Ethics

The Code of Ethics is based on the principles of respect for human rights, protection of health and safety, and improvement of the quality of life of the local community in which we operate. It expressly prohibits any form of child or forced labor, discrimination based on gender, religion, cultural or ethnic affiliation, sexual orientation, and any form of physical, psychological, verbal, or sexual harassment.

In combination with internal policies and procedures, the Code defines expected standards of professional conduct and provides a basis for protecting employee rights, promoting principles of transparency, consistency, and accountability in managing labor relations, in accordance with the values of sustainable and ethical business practices.

SMETA Audit

The aim of the SMETA standard is to ensure fair treatment of workers, prevent forced or child labor, and promote safety and health at work and ethical business conduct. During 2025, the business practices of DRENİK ND were subject to a SMETA (Sedex Members Ethical Trade Audit), which covered working conditions, health and safety at work, and ethical and business practices.

The workforce covered by the audit included all categories of workers at the site. In accordance with the SMETA methodology, the following areas were assessed:

1. Management systems and code implementation – evaluation of management systems across four key dimensions: policies and procedures, resource allocation, communication and training, and monitoring;
2. Labour standards – assessment of freely chosen employment, freedom of association and the right to collective bargaining, prohibition of child labour, payment of legal and fair wages, reasonable working hours, non-discrimination, provision of regular employment, and the prohibition of harsh or inhumane treatment;
3. Occupational health and safety – evaluation of workplace health, safety, and hygiene conditions to ensure the protection and well-being of employees;
4. Business ethics – assessment of measures to prevent corruption and promote ethical business conduct and fair working conditions; and
5. Environmental responsibility – evaluation of practices that support environmentally responsible and sustainable business operations.

The successful completion of the SMETA audit confirms DRENİK ND's commitment to responsible workforce management and compliance with internationally recognized labour standards and conventions.

The audit results demonstrate that the Company has established robust management systems for labour practices and occupational health and safety. These systems are supported by clearly defined policies and procedures, appropriate resource allocation, structured communication and training programmes, and effective monitoring mechanisms.

GRI 2-7

Demographics and Total Number of Employees

According to demographic indicators, the entire workforce (100%) is in the territory of the Republic of Serbia, which allows us to have a direct and measurable impact on the development of the local economy and the strengthening of the economic and social capacities of the community, in accordance with the principles of corporate social responsibility and sustainable development.

The number of employees as of 31 December 2025, was 3% higher than on the same day of the previous year, which is a result of our dedication to ensuring conditions for the creation of new jobs.

Number of Employees

Number of employees as of 31 December

Average number of employees at the end of each month



Employee Qualification

The company's employees have diverse talents, skills and experiences, which confirms our capacity for sustainable growth and an effective response to future challenges.

	University or higher vocational education	Secondary vocational education	Low-skilled employees	Total
2025	% 13.20	% 82.40	% 4.40	100
2024	% 13.50	% 82.00	% 4.50	100

Employee Structure by Gender, Employment Contract and Working Hours

The predominance of men **(80%)** compared with women **(20%)** in the Company's workforce primarily reflects educational and labour market trends, particularly the higher representation of men in technical professions such as mechanical and electrical engineering, which form the foundation of operational roles within the manufacturing sector. It also reflects the nature of specific job functions, particularly in production, maintenance, warehouse operations, and loading and unloading activities.

DRENIK ND recognizes this gender imbalance and is committed to addressing it through policies and initiatives that promote gender equality, diversity, inclusion, and the empowerment of women. These measures include professional development programmes, as well as proactive initiatives aimed at increasing the recruitment and advancement of women in traditionally underrepresented technical fields and leadership positions.

During the reporting period, the majority of employees (77%) were employed under permanent employment contracts, while almost the entire workforce (99%) was employed on a full-time basis.

Overview of employees by contract type and gender:

	Contract type 2025			Contract type 2024		
	Men	Women	Total	Men	Women	Total
Permanent employment contracts	434	120	554 76%	445	126	571 81%
Fixed-term contracts	138	27	165 23%	114	15	129 18%
Temporary and casual jobs	4	1	5 1%	4	0	4 1%
Total	576	148	724	563	141	704

Overview of employees by work schedule and gender:

	Work Schedule 2025			Work Schedule 2024		
			Total			Total
Full-time schedule	571	146	717 99%	559	140	699 99%
Part-time schedule	1	1	2 0%	0	1	1 0%
Temporary and casual jobs	4	1	5 1%	4	0	4 1%
Total	576	148	724	563	141	704

GRI 401-1

Employee Turnover

During 2025, the Company's employee hiring rate was 22% (2024: 23%). Over the same period, the employee turnover rate was 19% (2024: 14%). The age profile of newly hired employees during 2025 demonstrates a balanced representation across all age groups. Employees under the age of 30 accounted for 47% of all new hires, those aged 30–50 represented 33%, while employees over the age of 50 accounted for the remaining 20%. This distribution reflects DRENIK ND's commitment to age diversity and equal employment opportunities. The Company's recruitment strategy is focused on strengthening workforce capabilities, enhancing operational agility, and proactively attracting young talent, while simultaneously ensuring knowledge continuity, employee development, and the sustainable management of human capital.

Overview of new employees by gender employed in current and previous reporting period:

	2025			2024		
Newly Employed						
	134	24	158	130	32	162
Total Number of Employees	572	147	719	559	141	700

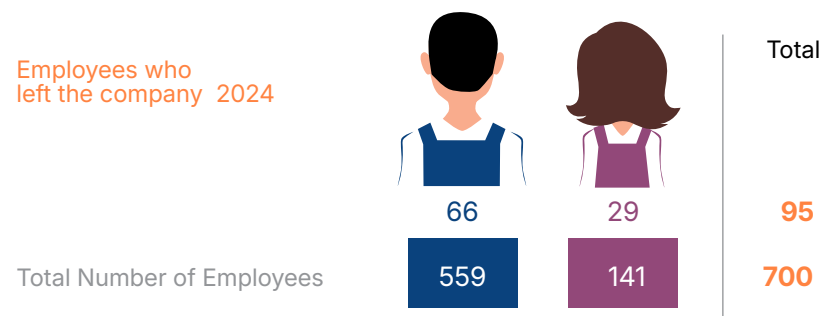
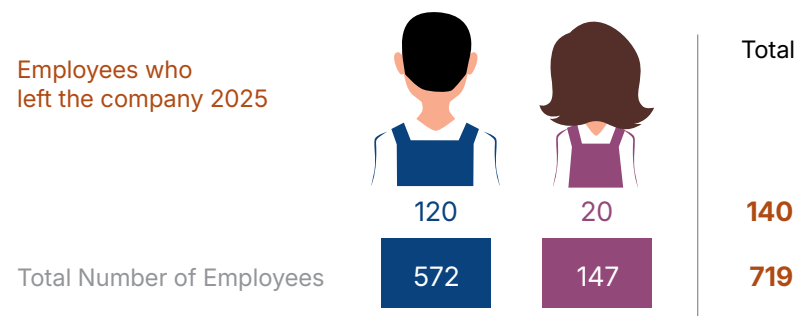
Overview of new employees by age structure during the current and previous reporting periods:

	2025			2024			Total
							
	74 47%	52 33%	32 20%	67 41%	71 44%	24 13%	158
	<30 years			from 30 to 50 years			162

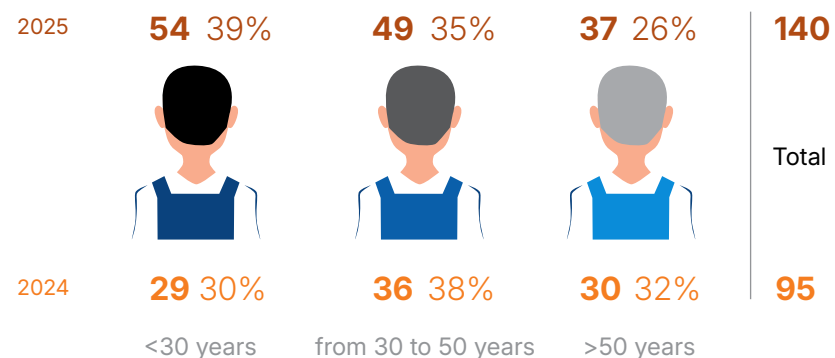
Note: overview does not include contract employees, i.e. temporary and casual jobs

Workforce and Employment Practices

Overview of employees by gender who left the company during the current and previous reporting period:



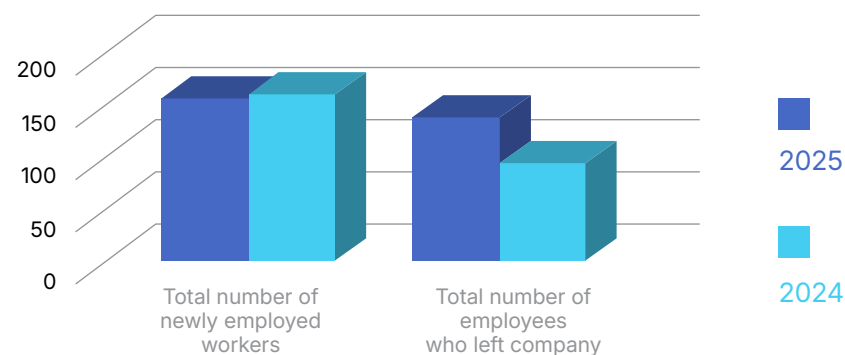
Overview of employees by age structure who left the company during the current and previous reporting periods:



Overview of employment rates and turnover rate during the current and previous reporting periods:

	2025	2024
Employment rate total	21.97%	23.14%
Employment rate of men	23.43%	23.26%
Employment rate of women	16.33%	22.70%
Staff turnover rate – total (% Of employees who left the Company)	19.47%	13.57%
Staff turnover rate of men	20.98%	11.81%
Staff turnover rate of women	13.61%	20.57%

Note: The rates do not include employees under service contracts, i.e., temporary and occasional assignments.



GRI 401-2

Employee Benefits

DRENIK ND ensures the consistent implementation of, and full compliance with, all statutory employment obligations towards its employees. As part of the SMETA audit conducted during the reporting period, it was confirmed that the Company provides wages that support a decent standard of living, in accordance with the ETI Base Code and applicable regulatory requirements. In addition to its legal obligations, the Company has established a comprehensive employee benefits programme designed to enhance quality of working life, promote employee health and well-being, and strengthen social and financial security. These initiatives contribute to the overall well-being of employees while fostering a stable, supportive, and motivating work environment.

As part of its commitment to employee health, DRENIK ND has established a long-term strategic partnership with the Vizim Health Centre, providing employees with continuous access to healthcare services that extend beyond the scope of mandatory occupational medicine. Employees benefit from comprehensive healthcare coverage, including unlimited access to preventive, periodic, and specialist medical examinations, both at the workplace and through a network of private healthcare providers. Particular emphasis is placed on preventive healthcare programmes and targeted benefits for female employees, including complimentary gynaecological examinations and Pap smear screening. Healthcare support is also extended to employees' family members by providing children with access to paediatric and ear, nose and throat (ENT) services, as well as essential laboratory testing. In addition, the Company's supplementary health insurance programme covers a broad range of risks beyond statutory requirements, including serious chronic illnesses, disability, surgical procedures, and exceptional life events such as death and medical emergencies.

To further strengthen employees' financial security, DRENIK ND offers interest-free employee loans through a formal internal loan programme. These loans are repaid through monthly payroll deductions without interest or additional administrative charges. During 2025, 139 employees benefited from this programme (2024: 270 employees), reflecting the continued importance of this initiative in supporting employees' financial well-being.

To promote a healthy work-life balance, the Company also grants additional annual leave entitlements based on criteria such as length of service, work performed in higher-risk positions, and employees' educational qualifications.

These initiatives form part of DRENIK ND's integrated people management approach, recognizing employees as the Company's most valuable asset while contributing to the development of a motivated, engaged, and resilient workforce.

GRI 401 - 3

Parental Leave

The company applies a parental leave policy in accordance with the applicable legal framework and actively supports the maintenance of a balance between the professional and private obligations of its employees. All employees are guaranteed the right to leave for reasons of pregnancy, childbirth, adoption, as well as for childcare or special childcare, with clearly defined duration and conditions, in accordance with relevant national regulations. During 2025, one female employee commenced maternity leave, while two female employees returned to work following maternity leave. The return-to-work rate and retention rate after maternity leave were both 100% during the reporting period, demonstrating the successful reintegration of employees into the workplace following their leave.

GRI 202-1

Relationship Between Minimum Salary in The Company and Minimum Salary Prescribed by Law in a Significant Location

To promote the economic well-being of its employees and contribute to reducing gender inequalities through fair and equitable remuneration, DRENIK ND provides a starting monthly gross salary for all employees in the Republic of Serbia, regardless of gender or job position, that exceeds the statutory minimum gross wage established under Serbian legislation.

SMETA Audit

During the reporting period, the Company successfully completed a SMETA audit, which confirmed that DRENIK ND has established a robust wage management system fully aligned with applicable legal requirements. The audit verified that remuneration practices are supported by clearly defined policies and procedures, appropriate resource allocation, structured communication processes, and effective monitoring mechanisms, ensuring transparency, consistency, and compliance in employee compensation.

GRI 202-2

Percentage Of Local Employment In Senior Management Positions

Definition: For the purposes of this report, a local senior manager is defined as an individual holding a senior management position within DRENİK ND who is a citizen of the Republic of Serbia or of the country in which the respective Company entity operates.

DRENİK ND recognizes the importance of appointing local talent to senior management positions as a means of supporting local economic development and strengthening the long-term sustainability of the organization. During the reporting period, 100% of senior management positions were held by citizens of the Republic of Serbia or the country in which the respective Company entity operates, demonstrating a strong commitment to local leadership and the development of local managerial talent.

GRI 2-30

Employee Representative Bodies

DRENİK ND consistently respects the right of employees to freely associate and participate in decision-making processes relating to working conditions, safety, and work organization. In order to institutionalize dialogue and ensure two-way communication between employees and management, an Employee Council has been formed. The Council consists of five representatives from organizational units, elected by direct vote of the employees, with a three-year term of office. Although there is no collective agreement in the company, employees participate in decision-making processes through the Council, which plays an important consultative role in matters relating to working conditions, human rights, working practices, the social status of employees, as well as safety and protection at work. Particular emphasis is placed on risk prevention, employee health protection, and continuous improvement of working conditions.

The Council functions as a structured channel of communication, organizing regular and extraordinary meetings at which information is exchanged, employee initiatives are presented, and key management decisions and announcements are distributed. The council's activities are documented through minutes, decisions, and announcements, ensuring transparency, continuity, and consistency in its operations.

Open Door

In order to strengthen two-way communication with employees and ensure the availability of support services, the company has, in addition to the established

representative body of employees, the company has developed an additional mechanism – “Open Door”, which allows employees daily direct access to the HR sector, on working days from 13:00 to 15:00, in person or by telephone. During this period, employees can obtain relevant information, professional advice, and support regarding labor law issues, working conditions, benefits, and development opportunities. Information about the mechanism and contact details are transparently displayed on notice boards in all organizational units, ensuring equal and non-discriminatory access in accordance with equal opportunity and employee rights policies.

SMETA Audit

The results of the SMETA audit confirm that DRENİK ND has established robust management systems supporting freedom of association and the right to collective bargaining. These systems are underpinned by clearly defined policies and procedures, appropriate resource allocation, structured communication and training programmes, and effective monitoring mechanisms, ensuring compliance with internationally recognized labour standards.

GRI 402-1

Minimum Notice Periods and Mandatory Consultations

The company strictly complies with the minimum notice periods prescribed by law in the event of organizational and operational changes that may affect employees. Consultations are conducted at all levels to find adequate solutions and mitigate the consequences, and all affected employees are provided with timely and complete information about the nature, reasons, and consequences of the changes, in accordance with applicable legislation and internal procedures.

GRI 408-1 GRI 409-1

Child Labour

Drenik ND does not tolerate any form of child labor and consistently respects basic human rights in all segments of its operations. The prohibition of child labor is clearly defined in our internal acts and implemented in our working practices. An SMETA audit conducted during the reporting period confirmed that we consistently comply with the prohibition of child labor, in accordance with the principles of the Ethical Trading Initiative (ETI), international conventions, and applicable regulatory requirements.

Forced Labor

DRENİK ND strictly prohibits all forms of forced or compulsory labour, including

the retention of personal documents, withholding of wages, work performed under coercion or threat, restrictions on employees' freedom of movement, modern slavery, and human trafficking. The SMETA audit conducted during the reporting period confirmed that the Company consistently upholds the principle of freely chosen employment in accordance with the Ethical Trading Initiative (ETI) Base Code and applicable legal and regulatory requirements.

Responsibility in the Supply Chain

DRENİK ND requires all suppliers to comply with the principles set out in the Company's Code of Business Ethics as well as the amfori BSCI Code of Conduct. A structured annual supplier evaluation process is carried out to assess compliance with these requirements. Where indications of non-compliance are identified, the Company undertakes additional due diligence measures and corrective actions, including, where appropriate, the termination of the business relationship. DRENİK ND neither initiates nor maintains business relationships with suppliers or business partners for whom there is verified evidence of violations of fundamental human rights or any form of labour exploitation, including forced labour, modern slavery, or human trafficking.

GRI 405-1 GRI 405-2

Diversity, Equal Opportunity and Non-Discrimination in Management and Remuneration

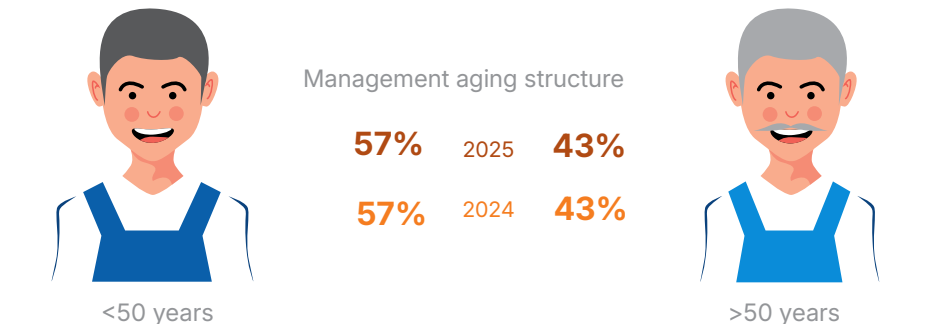
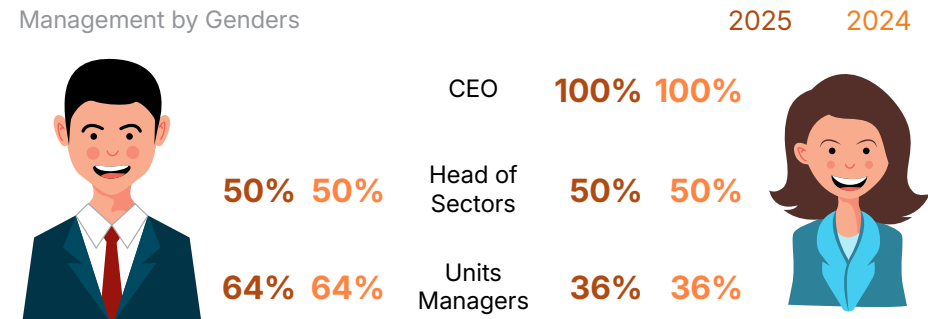
DRENİK ND is committed to fostering an inclusive, safe, and equitable working environment with zero tolerance for discrimination. The Company's Equal Opportunity Policy ensures that all employment-related decisions—from recruitment and career development to termination of employment—are based solely on professional qualifications, competencies, and performance. Personal characteristics such as gender, age, ethnicity, religion, disability, or sexual orientation have no influence on employment or business decisions. In line with the principles of equal opportunity and internationally recognized human rights standards, DRENİK ND actively promotes gender balance. This commitment is reflected in the appointment of a female Chief Executive Officer (CEO), demonstrating the Company's support for gender diversity at the highest level of leadership.

The Company also actively promotes inclusion through the employment of persons with disabilities, with 10 employees with disabilities employed during 2025 (compared with 7 in 2024). Documented procedures ensure equal access to employment, career development, and advancement opportunities, supporting an inclusive workplace culture free from barriers.

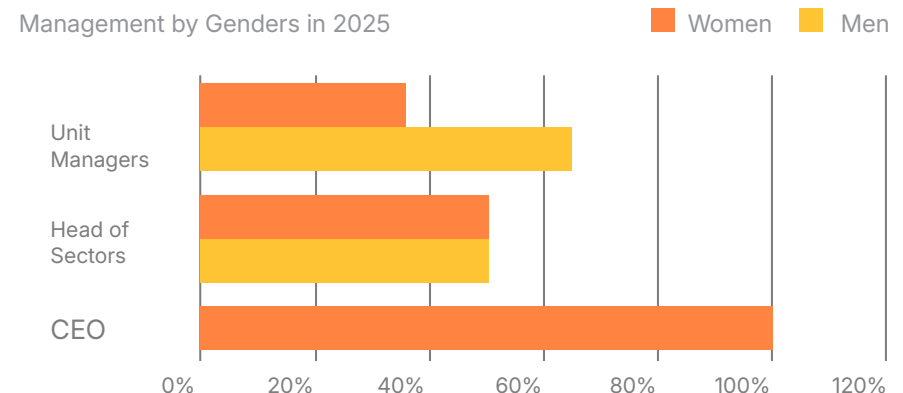
DRENİK ND applies the principle of equal pay for work of equal value, in accordance with its Labour Rulebook. Base salaries are identical for employees performing the same role, regardless of gender, age, or any other personal characteristic. Differ-

ences in total remuneration may arise only from predefined variable compensation components, such as individual performance, quality of work, and contributions to projects. The Company regularly monitors and analyzes pay differentials to ensure fairness, transparency, and continued compliance with the principles of equality and non-discrimination.

Management by Genders



Management by Genders in 2025



GRI 406-1

Discrimination Cases

DRENİK ND has established formal mechanisms to protect employees' rights, including confidential and anonymous reporting channels for potential violations, discrimination, or other forms of inappropriate conduct. The Company's **Labour Rulebook, Code of Ethics, Equal Opportunity Policy, Gender Equality Action Plan**, and internal procedures provide the framework for preventing, identifying, and responding promptly to any infringement of employee rights. Employees may report concerns through their direct supervisors, the Human Resources Department, the Employee Council, or anonymous reporting channels. The right to report concerns without fear of retaliation is guaranteed through the Company's internal policies and practices and is fully aligned with applicable legislation and internationally recognized standards.

During the reporting period, no incidents of discrimination were reported, and no cases of non-compliance were identified through the Company's internal monitoring and grievance mechanisms.

The SMETA audit conducted during 2025 confirmed that DRENİK ND consistently applies the principle of non-discrimination, ensuring fair treatment of all employees and equal access to employment opportunities in accordance with the Ethical Trading Initiative (ETI) Base Code and applicable regulatory requirements.

GRI 404-1

Average Hours of Professional Trainings

The Company maintains records of the annual number of hours of formal training delivered through both internal and external training programmes. During 2025, the average number of formal training hours per employee was 9.42 hours, representing a significant increase compared with 2.72 hours in 2024. This positive trend reflects DRENİK ND's strategic commitment to the continuous development of employee competencies and the strengthening of its human capital.

By gender, male employees received an average of 9.67 hours of formal training per employee (2024: 2.20 hours), while female employees received an average of 8.43 hours (2024: 4.77 hours). These figures demonstrate that access to learning and development opportunities is equitable and inclusive across the workforce.

An analysis by employee category shows that the highest average number of training hours was recorded among other employees, with 11.33 hours per employee, followed by middle management with 6.21 hours, senior management (CEO and department heads) with 3.71 hours, and first-line management with 0.54 hours per

employee. The distribution of training activities demonstrates that, during 2025, the Company prioritized the development of operational competencies while continuing to strengthen the knowledge and capabilities of employees across all organizational levels.

The allocation of training resources during 2025 was primarily focused on strengthening the competencies of employees in operational roles. This approach enabled the Company to achieve a balance between its objective of improving operational efficiency and its responsibility towards employees by providing continuous learning opportunities that support safer working practices, personal development, and long-term professional employability.

It should be noted, however, that DRENİK ND does not currently maintain formal records of the hours dedicated to its mentoring programme covering Occupational Health and Safety (OHS) and machine operation training. Consequently, the average training hours reported in this Sustainability Report are lower than the actual volume of training delivered, as the calculation includes only those training hours that are formally monitored and recorded.

Mentoring program for integrating new employees in the field of occupational health and safety and machine operation

DRENİK ND operates a structured onboarding programme for newly hired employees that includes practical mentoring as part of training in Occupational Health and Safety (OHS) and machine operation. Following the completion of the initial formal induction training provided at the commencement of employment, new employees participate in a structured workplace integration programme. During this period, they work under the supervision of an experienced employee—typically their direct supervisor or a technically qualified mentor—who provides practical guidance, transfers operational knowledge, and supports the application of work procedures and safety measures relevant to the employee's role.

The mentoring process takes place during normal working hours and represents an important component of practical, on-the-job training, enabling the continuous development of knowledge and skills in a real working environment. Although the mentoring and onboarding process is documented through appropriate internal records, the time devoted to mentoring is not currently recorded as formal training hours. The duration of mentoring varies depending on several factors, including shift organization, the complexity of the position, the pace of operational integration, and the individual employee's learning and adaptation process. As a result, this component of training cannot currently be measured in a consistent and standardized manner.

In future reporting periods, DRENİK ND intends to establish a formal system for tracking and recording the time dedicated to practical training delivered through its mentoring programme. This will enable the Company to include these activities in its overall learning and development indicators and provide a more accurate representation of annual training hours per employee, in line with the transparency and disclosure requirements of GRI 404-1.

GRI 404 - 2

Professional Education Programs

DRENİK ND systematically plans and implements employee training and professional development programmes in accordance with its Employee Training and Professional Development Procedure, the primary objective of which is to ensure the effective planning, coordination, and monitoring of all learning and development activities.

Training is planned annually through the Company's Annual Training Plan. Training needs are identified in the following circumstances:

1. Recruitment of new employees;
2. Promotion or transfer to a new position;
3. Business plan initiatives requiring prior employee training (e.g. the introduction of a new production line);
4. Identification of insufficient knowledge or skills required for a specific role;
5. Corrective or preventive actions where training has been identified as the root cause of an actual or potential non-conformity;
6. Management reviews that identify the need for additional training as part of the continuous improvement process; and
7. Training required by applicable legislation and regulations, including programmes such as fire safety training, forklift operator certification, and other mandatory professional qualifications.

In addition to the annual planning process, training activities not included in the approved Annual Training Plan may be initiated by the General, Legal and Corporate Affairs Department, the employee concerned, the employee's direct supervisor, or through the Company's Non-conformity and Corrective Action Procedure, where training is identified as an appropriate corrective measure.

Targeted training programmes are provided for employees at all organizational levels—including operational employees, first-line and middle management, and senior management—based on the specific competencies and development needs of each employee group. This structured approach supports continuous professional development while ensuring equal access to learning and career advancement opportunities.

During 2025, employees participated in training programmes covering the following areas:

1. Occupational Health and Safety (OHS);
2. Quality Management System (QMS), hygiene, product quality, product safety, and product traceability;
3. Requirements of the IFS HPC (International Featured Standards – Household and Personal Care) standard;
4. Prevention of discrimination, child labour and forced labour, gender equality, and human rights;
5. Environmental protection and sustainable business practices;
6. Accounting and taxation;
7. Data protection and cybersecurity; and
8. Sustainable procurement, including dedicated training on the implementation of the EU Deforestation Regulation (EUDR).

Training programmes were delivered through a combination of internal workshops and courses conducted in cooperation with external training providers. All training programmes were mandatory and fully funded by the Company. Attendance was documented through internal training records, while the content of each programme was developed in accordance with the requirements of the Company's Integrated Management System (IMS) and applicable legal and regulatory frameworks.



GRI 404-3

Employees Performance Evaluation

The employee performance evaluation system is governed by the Labor Regulations. The evaluation is carried out on the basis of pre-defined criteria, which include the quality and quantity of completed work tasks, as well as the employee's professional attitude towards work duties and organizational values. During the reporting period, the evaluation process included 100% of employees regardless of gender or job level.

Employee Social Security Protection

DRENİK ND provides employee social protection in full compliance with applicable national legislation. All employees are covered by Serbia's mandatory social security system, including health insurance, pension and disability insurance, and unemployment insurance, ensuring a comprehensive foundation of social protection. To further promote employee health and wellbeing and support the prevention of health-related risks, the Company has established additional voluntary healthcare benefits in partnership with an accredited healthcare provider. These benefits include access to preventive medical examinations, diagnostic and therapeutic services, and professional medical consultations, with the option to extend certain benefits to employees' immediate family members. To ensure timely access to healthcare services, qualified medical personnel, including a physician and a registered nurse, are permanently available on the Company's premises throughout the working week during regular business hours. This enables prompt medical assistance and provides employees with continuous occupational health support.



GRI 410-1

Conformity of security personnel work with human rights standards

During the reporting period, DRENİK ND engaged a total of 44 external security personnel, including fire protection staff, through a licensed security service provider. The Company's contractual arrangements with the service provider include explicit provisions requiring respect for internationally recognized human rights and adherence to applicable human rights standards. During 2025, DRENİK ND delivered dedicated training on human rights, equality, the

prohibition of child labour, non-discrimination, and respectful workplace conduct to all external security personnel. The training was attended by all 44 security personnel, representing 100% of the workforce engaged under the contract. In addition, security personnel were provided with educational materials covering the protection of human rights, respect for human dignity, and the prevention of discrimination. To support ongoing compliance, the Company has established internal oversight mechanisms for monitoring the performance of external security personnel, together with procedures for reporting, documenting, and investigating any alleged human rights violations or inappropriate conduct. During 2025, no incidents, complaints, or reported cases of inappropriate conduct or human rights violations involving security personnel were recorded.

Context

At DRENIK ND, sustainable value chain management is a strategic priority. We recognize that the long-term success and resilience of our business depend not only on the responsible sourcing of raw materials but also on the way we manage our relationships with business partners and our broader impacts across the value chain. To support this commitment, we have established a management system that promotes transparency and traceability throughout every stage of our value chain. We collaborate with certified suppliers that comply with internationally recognized standards, including FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification), and amfori BSCI (Business Social Compliance Initiative), helping to ensure that environmental, social, and governance (ESG) requirements are integrated into our procurement practices. As part of our due diligence approach, we regularly assess environmental, human rights, and labour-related risks and opportunities throughout our value chain. Our supplier management framework is built on long-term partnerships, clearly defined supplier selection and evaluation criteria, and the continuous improvement of procurement processes. Through this approach, we strengthen responsible sourcing practices and contribute to creating positive environmental and social impacts across our supply chain.



GRI 3-3

Material Topics Management

The value chain and raw material management represent a material topic for our company, as key actual and potential environmental and social impacts do not arise exclusively within the boundaries of our direct operations, but also manifest through the activities of external actors across the value chain. Identified impacts encompass the use of natural resources—with a particular focus on sustainable forest management—greenhouse gas emissions, as well as ethical and labor practices within the supply chain. To effectively address and manage these impacts, a comprehensive management approach has been established. Transparency, responsibility, and sustainability across the supply chain and raw material management are fundamental drivers for our long-term business success and the preservation of our corporate reputation.

Value Chain Management

DRENİK ND manages its value chain through an integrated framework that embeds sustainable procurement principles, collaboration with certified suppliers (acc. to standards ISO, FSC, PEFC), and continuous supplier assessment throughout the procurement lifecycle. This approach enables the Company to strengthen supply chain resilience, enhance transparency, and manage environmental and social risks across its operations. The Company's procurement framework is supported by a comprehensive set of internal policies and procedures governing supplier qualification and evaluation, procurement and import activities, incoming inspection of raw materials, quality control, and the management of non-conformities. These procedures are fully aligned with internationally recognized management system standards, including ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management), ISO 45001:2018 (Occupational Health and Safety Management), and the IFS HPC (International Featured Standards – Household and Personal Care) standard. Collectively, these management systems promote consistency, product integrity, transparency, and stakeholder confidence throughout the supply chain.

Compliance with FSC and PEFC Standards

Procurement represents one of the Company's most important levers for promoting responsible resource management, improving occupational health and safety, and reducing environmental impacts throughout the value chain. Accordingly, integrating sustainability considerations into procurement decisions is a fundamental element of DRENİK ND's corporate strategy and responsible sourcing approach.

DRENİK ND is certified under the Forest Stewardship Council (FSC) Chain of Custody (CoC) standard, demonstrating that every stage of the supply chain for its primary fibre-based raw materials—from timber harvesting and pulp production to converting, manufacturing, and product distribution—is managed in accordance with internationally recognized principles of responsible forest management. These principles include the conservation of biodiversity and forest ecosystems,

the protection of the rights of local communities and forestry workers, respect for the rights of Indigenous Peoples, and full supply chain traceability. The Company also holds PEFC Chain of Custody (CoC) certification, which verifies the traceability and responsible management of wood-based and other forest-derived materials throughout the supply chain. The certification provides assurance that raw materials originate from PEFC-certified sources and that robust controls are in place for material segregation, traceability, and certification claims, ensuring the integrity of certified products across the entire value chain.

The amfori BSCI (Business Social Compliance Initiative) Code of Conduct

The amfori BSCI Code of Conduct serves as a cornerstone of DRENİK ND's responsible sourcing framework and governs the Company's relationships with suppliers and other business partners across the value chain. The Code establishes the minimum social, ethical, and labour standards expected of suppliers and all relevant participants within the supply chain. It is founded on internationally recognized principles and frameworks, including the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the United Nations Global Compact, the United Nations Convention on the Rights of the Child, and the conventions and recommendations of the International Labour Organization (ILO). The amfori BSCI Code of Conduct requires suppliers to uphold fundamental human rights and internationally recognized labour standards throughout their operations. It explicitly prohibits child labour, forced labour, human trafficking, and all forms of modern slavery, while promoting equal opportunity, non-discrimination, freedom of association, and the right to collective bargaining. In addition, the Code requires suppliers to provide safe and healthy working conditions, ensure fair and equitable terms of employment, and offer remuneration that complies with applicable legal requirements and internationally recognized labour standards. Through the implementation of these principles, DRENİK ND seeks to strengthen responsible business practices and foster a resilient, ethical, and sustainable supply chain.

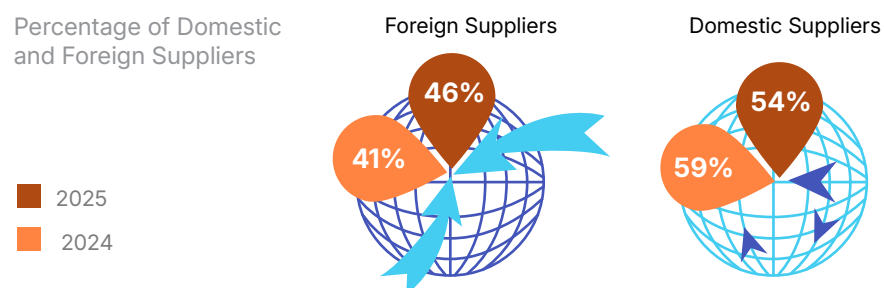
GRI 2-6

Operation Description and Value Chain

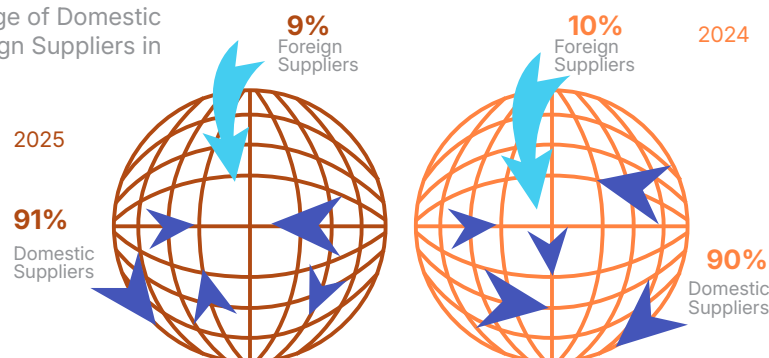
DRENIK ND operates within the paper and paper products manufacturing sector and is classified under the International Standard Industrial Classification (ISIC) as 1712 – Manufacture of Paper and Paperboard, reflecting the Company's production of tissue paper and converted paper hygiene products. Our supply chain comprises more than 500 suppliers, including providers of raw materials, spare parts, consumables, utilities, and a broad range of operational services. All suppliers are subject to the Company's internal supplier qualification, ranking,

Unit of measure - Number	2025	2024
Raw materials suppliers, (domestic suppliers)	31	23
Raw materials suppliers, (foreign suppliers)	26	16
Spare parts, consumables, services and etc. (domestic suppliers)	505	426
Spare parts, consumables, services and etc. (foreign suppliers)	49	49
Energy suppliers (domestic dobavljači)	3	3

Percentage of Domestic and Foreign Suppliers



Percentage of Domestic and Foreign Suppliers in 2025



and evaluation process, which applies defined assessment criteria covering product quality, environmental performance, occupational health and safety, and overall supplier reliability. Suppliers that successfully meet these requirements are included in DRENIK ND's approved supplier register, supporting effective supply chain governance while reducing operational and reputational risks.

Within this network, the Company has identified 60 strategically significant suppliers of raw materials and energy, whose reliability is essential to maintaining business continuity and uninterrupted manufacturing operations. As virgin pulp represents the Company's principal raw material, DRENIK ND procures pulp exclusively from suppliers holding Forest Stewardship Council (FSC) and/or Programme for the Endorsement of Forest Certification (PEFC) certification. This sourcing approach supports the responsible management of forest resources and promotes sustainable forestry practices. Consequently, 100% of the Company's

Number and Type of Supplier / Type of Raw Material

	Domestic Suppliers	Foreign Suppliers
Cellulose		11 100%
Foils	7 100%	
Cardboard	4 100%	
Glue	2 100%	
Other	18 55%	15 45%
Total	31 54%	26 46%

Total payments to suppliers and advances paid (RSD '000)

2025	12,028,876
2024	15,239,801

*Data taken from the 2025 Cash Flow Statement

virgin pulp suppliers are international suppliers. DRENIK ND has established long-term relationships with the majority of its key suppliers of raw materials, energy, and spare parts. These partnerships are built on mutual trust, reliability, and a shared commitment to maintaining high standards of operational performance, product quality, and sustainable business practices.

Production and Logistics

DRENIK ND's manufacturing facilities are strategically located in close proximity to its key markets. This location strategy enables the Company to provide a high level of customer service while reducing transportation distances, lowering the environmental impacts associated with product distribution, and supporting more sustainable logistics operations.

The Company's production facilities manufacture jumbo tissue reels, which are either supplied as intermediate products or further converted into finished tissue products, including toilet paper, paper towels, napkins, and other tissue hygiene products for consumer and professional markets.

Warehouse and logistics operations are supported by automated systems and advanced technological solutions that enhance inventory management, improve operational efficiency, reduce the Company's environmental footprint, and strengthen product handling safety.

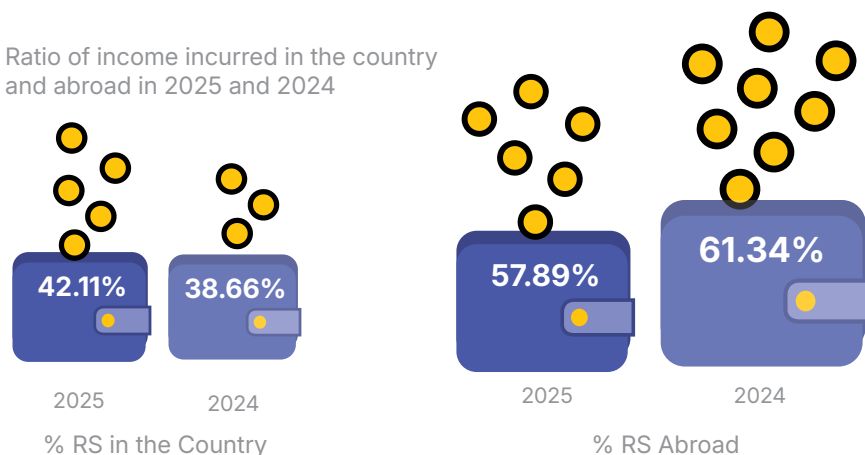
Internal logistics rely on state-of-the-art electrically powered material handling equipment for the transportation of raw materials and finished products. By replacing fossil fuel-powered equipment with electric alternatives, the Company reduces direct emissions while supporting its broader decarbonization and environmental objectives.

External logistics are primarily carried out through road transportation in cooperation with qualified and trusted logistics partners. At the same time, DRENİK ND continues to evaluate and develop lower-emission transport solutions as part of its long-term strategy to improve logistics sustainability and support the transition towards climate neutrality.

*Data taken from 2025 Income Statement

	2025	2024	(RSD '000)
Revenue from the sale of goods in the country	167,791	180,407	
Revenue from the sale of products and services in the country	5,855,068	5,677,336	
Total revenues in the country	6,022,859	5,857,743	
Revenue from the sale of goods abroad	461,976	822,312	
Revenue from the sale of products and services abroad	7,817,115	8,473,063	
Total revenues abroad	8,279,091	9,295,375	
Total revenue from sales	14,301,950	15,153,118	
% RS in the country	42.11%	38.66%	
% RS abroad	57.89%	61.34%	

Ratio of income incurred in the country and abroad in 2025 and 2024



Market Presence and Revenue Structure

DRENİK ND generates approximately 58% of its revenue from abroad (60% in 2024), reflecting the Company's strategic expansion across the regional markets and the European Union. This growth has been driven by long-term partnerships with leading retail chains and the continued development of private label manufacturing for international customers. The Company's geographically diversified market presence strengthens its financial resilience by reducing dependence on any single market and mitigating exposure to local economic, geopolitical, and regulatory risks. The Company does not manufacture or market prohibited products and does not participate in business activities that conflict with its principles of ethical, responsible, and sustainable business conduct.

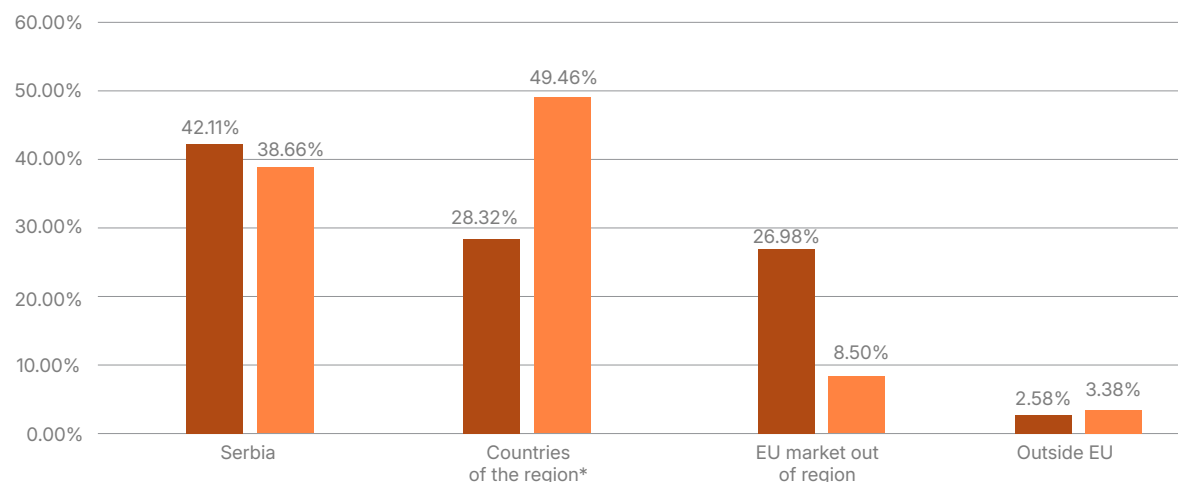
MARKET (RSD '000)	2025	2024
Srbija	6,022,859	5,857,743
Countries of the Region*	4,050,621	7,495,186
EU outside Region	3,859,116	1,288,212
Outside EU	369,357	511,977

*Countries of the region include: B&H, Montenegro, North Macedonia, Albania, Croatia, Bulgaria, Romania and Hungary

Geographic breakdown of sales revenue by market in 2025 and 2024

■ 2025
■ 2024

*Countries of the region include: B&H, Montenegro, North Macedonia, Albania, Croatia, Bulgaria, Romania and Hungary



GRI 204-1

Procurement in the Country

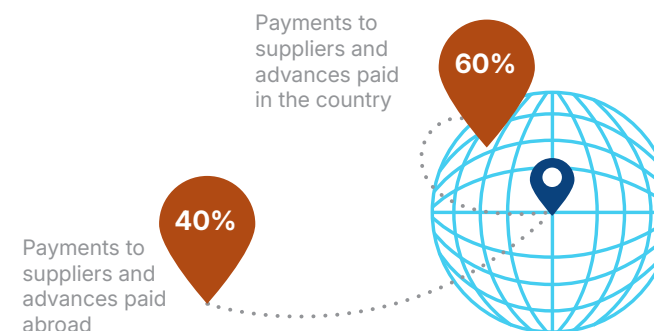
Definition: For the purposes of this Sustainability Report, a local supplier is defined as a legal entity that is registered and conducts business in the Republic of Serbia, the country in which DRENİK ND carries out its principal business activities.

DRENİK ND recognizes local procurement as an important component of its sustainable procurement strategy. Sourcing goods and services locally contributes to the development of the domestic economy, supports local business communities, reduces transport- and logistics-related emissions across the value chain, and strengthens the resilience of the Company's supply network. Accordingly, whenever commercially and technically feasible, preference is given to local suppliers. Supplier selection, however, is based on a balanced assessment of multiple criteria, including the availability of specific raw materials or products in the domestic market, product quality, supplier expertise, technical capabilities, reliability, and overall business performance. Consequently, certain strategic raw materials cannot be sourced locally and are procured from international suppliers.

During the reporting period, 100% of suppliers of plastic film, cardboard, and adhesives qualified as local suppliers, 55% of suppliers of other materials (excluding wood pulp) were local suppliers, 91% of suppliers of spare parts, consumables, and services were local suppliers, 100% of suppliers of the Company's key energy sources (electricity and natural gas) were local suppliers. Payments made to local suppliers accounted for 60% of the total value of supplier payments in 2025, compared with 56% in 2024.

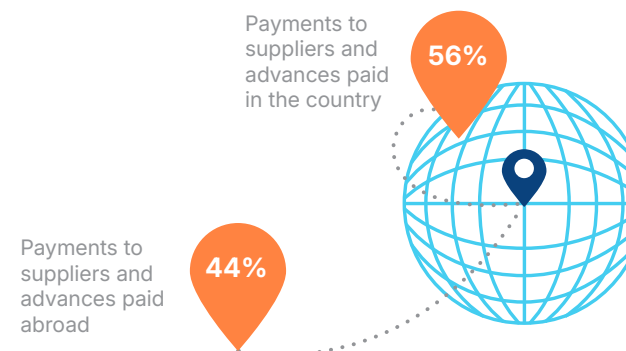
Payments to domestic and foreign suppliers
2025

*Data taken from the 2025 cash Flow Statement



Payments to domestic and foreign suppliers
2024

*Data taken from the 2025 cash Flow Statement



GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2

Evaluation of Suppliers According to Environmental and Social Criteria

DRENIK ND has established a supplier evaluation system through a ranking procedure in accordance with ISO 9001:2015, Serbian Standard ISO 14001:2015, Serbian Standard ISO 45001:2018, and IFS HPC standards. The system also includes aspects of assessing their environmental and social impact. Ranking is carried out on an annual basis by the procurement department and technical staff, depending on the type of product and service. The assessed suppliers are included in the List of Approved and Ranked Suppliers, which is verified by the director. The ranking process is carried out according to the following criteria: quality, delivery time, price, product safety, possession of certificates in the field of environmental protection (e.g., ISO 14001) and occupational health and safety (e.g., ISO 45001). Suppliers who receive a rating of less than 4 (on a scale of 1 to 5) are not included in the circle of regular suppliers. In order to assess the environmental and social compliance of suppliers, a standardized questionnaire was implemented that covers the following areas:

- identification and management of environmental aspects of business;
- implementation of measures to reduce negative impacts on the environment;
- informing and educating employees about legal requirements and internal acts related to environmental protection and safety at work;
- possession and submission of a certificate on the management system for the environment and safety and health at work.

In cases where significant negative impacts on the environment or social aspects are identified, the company reviews the status of business cooperation, in order to maintain a high level of responsibility in the supply chain. During the reporting period, the company collaborated with a total of 643 suppliers, of which 614 were formally evaluated during 2025 and included in the company's approved and ranked supplier list following successful completion of the supplier assessment process. During the reporting period, DRENIK ND did not identify any supplier with significant actual or potential adverse environmental or social impacts requiring the termination of the business relationship.



Cellulose
suppliers with
FSC, PEFC
certificates

100%



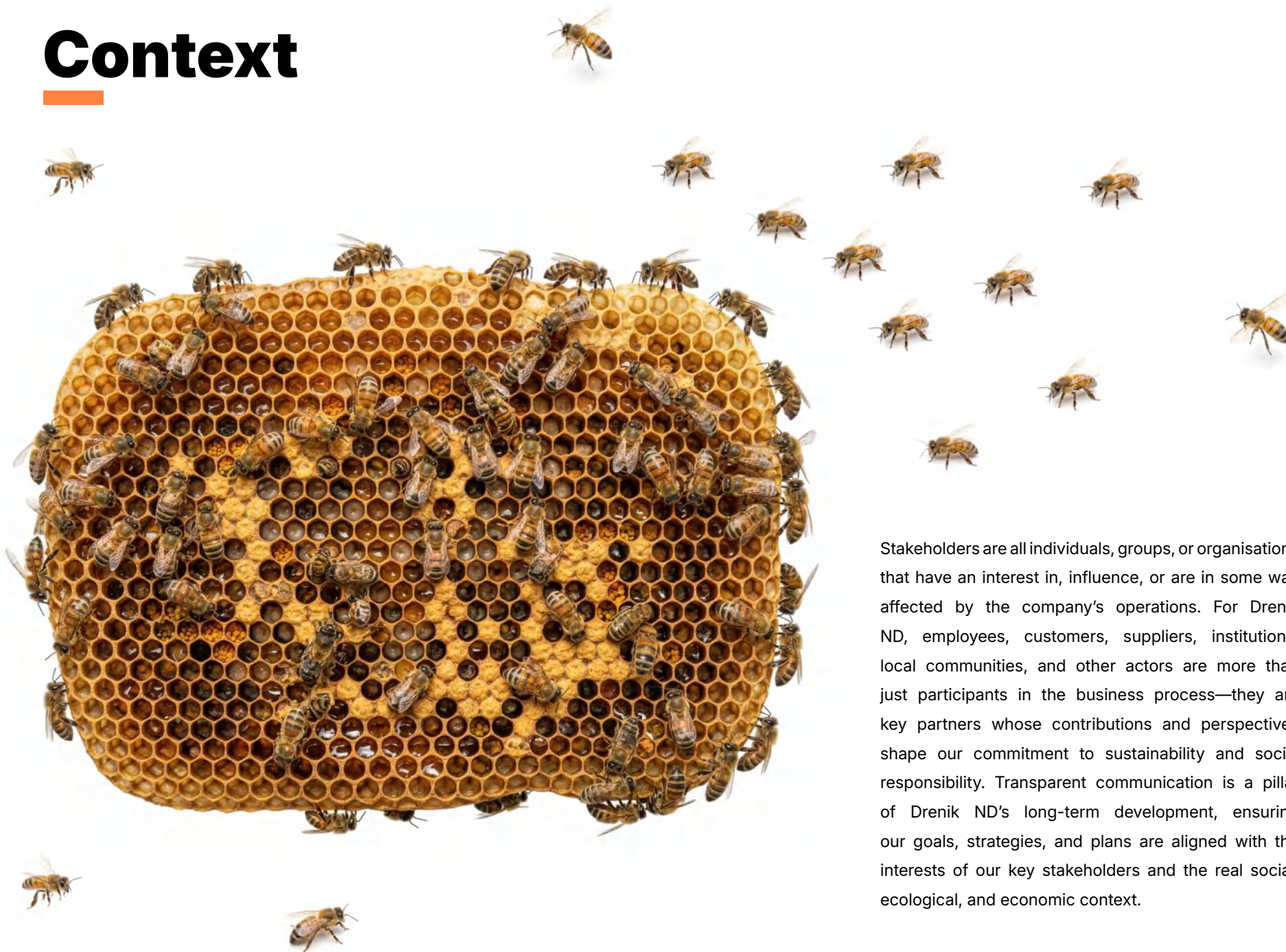
Risk Management in the Field of Human Rights and the Fight Against Corruption in the Value Chain

The protection of human and labor rights, the fight against corruption and care for the environment are at the heart of our concept of sustainability, and we strive to apply this approach to the entire supply chain. The company identifies potential risks to human rights, especially in relation to vulnerable groups (women, young workers, foreign nationals), including risks of child and forced labor, discrimination, inadequate working conditions, compromised security, as well as violations of the right to privacy and freedom of expression. We require suppliers to comply with the BSCI Code of Conduct and specific contractual clauses relating to the protection of data confidentiality. During the supplier evaluation process, social criteria are also applied, with an emphasis on occupational safety and health.

We believe that respect for human rights is a prerequisite for long-term sustainability, and through active cooperation and dialogue with partners, we encourage responsible business and the creation of safe working conditions in the entire value chain.

In all stages of business, we apply a policy of zero tolerance towards corruption and money laundering, including the readiness to terminate cooperation with partners who do not meet minimum standards and legal requirements, and/or participate in questionable business practices. We have established mechanisms for reporting and processing reports, while internal employee education is an additional prevention mechanism.

Context



Stakeholders are all individuals, groups, or organisations that have an interest in, influence, or are in some way affected by the company's operations. For Drenik ND, employees, customers, suppliers, institutions, local communities, and other actors are more than just participants in the business process—they are key partners whose contributions and perspectives shape our commitment to sustainability and social responsibility. Transparent communication is a pillar of Drenik ND's long-term development, ensuring our goals, strategies, and plans are aligned with the interests of our key stakeholders and the real social, ecological, and economic context.

The stakeholder relationship management process is focused on identifying, establishing and maintaining productive relationships with key stakeholders. Drenik ND recognizes that stakeholder relations is a dynamic, evolving and strengthening category. Effective management of those relations is based on transparency, continuous communication through clearly defined channels, joint initiatives, responsiveness, and feedback monitoring. In this way, we not only build trust, but also create the foundations for a more resilient, responsible and long-term successful business.

GRI 2-29

Identification and categories of stakeholders

According to the principles of GRI standard, two main categories of key stakeholders have been identified: internal (owners and employees), and external (customers, suppliers and other partners in the supply chain, regulators, institutions and financiers, the local community, environmental organizations and certification bodies). The analysis of key stakeholders is presented as part of the materiality analysis, which enables an understanding of their priorities and expectations based on the economic, environmental and social aspects of business. The criteria used to identify and map key stakeholders include the degree of influence, the level of interest in the company's activities, the frequency and intensity of cooperation, as well as the level of reputational and operational risk.

Objective and Method of Cooperation with Stakeholders

The goal of effective cooperation with stakeholders is a deeper understanding of the company's impact on the environment, as well as the interests, needs and expectations of those affected by our business and who have an interest, identification of key topics, recognition of opportunities, prevention and minimization of risks, and building relationships based on trust. Analysis of communication channels and ways of cooperation with key stakeholders is presented within the materiality analysis.

Involving Stakeholders and Understanding Their Interests

We build the foundation of responsible business on a meaningful and open dialogue with key stakeholders — a dialogue that implies transparency, inclusiveness, two-way, clear and continuous communication, with full respect for equality and human rights, as well as with a commitment to understanding and responding to the needs and expectations of all relevant stakeholders. Our approach to engaging with key stakeholders ensures:

Accessibility and Inclusiveness

We tailor our communication channels and engagement formats to the specific needs of different stakeholder groups, including the use of local languages and gender-inclusive communication practices. Particular attention is given to eliminating language barriers in our engagement with international business partners by employing qualified professionals with a high level of English language proficiency.

Safe and Open Engagement

We are committed to fostering an environment in which all stakeholders can express their views, concerns, and expectations openly and without fear of retaliation.

Feedback and Transparency

Stakeholder perspectives are actively considered throughout our decision-making processes. We systematically review and assess the feedback received and regularly refine our business activities, plans, and strategies in response to stakeholder input. We are also committed to communicating how stakeholder feedback has influenced our decisions, priorities, and business processes.

A detailed overview of our stakeholder engagement methods—including communication, consultation, and collaboration practices for each key stakeholder group—is presented in the Materiality Analysis section of this Sustainability Report.

GRI 3-3**Material Topics Management**

Occupational Health and Safety (OH&S) is recognized as a material topic due to its direct impact on our employees, the inherent risks of the manufacturing environment, regulatory compliance mandates, and broader societal expectations. Ineffective management of these risks can lead to occupational injuries, prolonged employee absences, operational disruptions, legal exposure, and reputational damage. Key stakeholders—including owners, employees, trade union representatives, regulatory authorities, business partners, and local communities—consistently express high expectations regarding health and safety. Consequently, OH&S remains a strategic priority for us, essential both for corporate social responsibility and full alignment with applicable national legislation and international standards.

Systematic identification, assessment, and management of OH&S risks are integral components of our responsible business conduct. To minimize potential hazards to our workforce, we consistently enforce integrated protective measures encompassing technical and organizational aspects of the work environment, alongside routine maintenance of infrastructure and manufacturing equipment. The effectiveness and efficiency of these safety measures are continuously monitored and enhanced to prevent workplace injuries. Furthermore, we strategically foster a culture of prevention through ongoing training initiatives and systematic awareness campaigns aimed at maintaining strict compliance with safety protocols and standards.



GRI 403-1, GRI 403-8

Corporate Practices for Workplace Safety and Health and Programs for Promoting Safety and Health

DRENİK ND applies a comprehensive occupational health and safety management system (OHSMS) that is fully compliant with applicable national legislation and the requirements of the international standard. The Company is certified to the requirements of ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018. The system is integrated into the company's daily operational activities and is designed to cover all employees, including externally engaged associates whose work is under the direct control of the company, thus confirming the integrity and effectiveness of the OHSMS applied. The following persons have the right to safety and health at work:

- Employees of the company, regardless of their job position and length of service;
- Employees of other employers who work on the basis of a contract, engagement on any basis and agreement, or on any other basis;
- Persons who enter the work environment to perform specific tasks if their presence is known to the responsible person or the employer's manager.

The OHS governance structure comprises formally appointed internal personnel, including the Occupational Health and Safety Manager, an Occupational Health and Safety Adviser, dedicated OHS specialists, and externally engaged professionals holding the relevant professional licences and qualifications. The management system operates in accordance with the principles of continual improvement and includes risk assessment, planning, implementation of preventive and protective measures, as well as regular internal and external audits covering all Company operations, including manufacturing facilities, administrative offices, and warehouses.

Prior to entering into an employment relationship, every employee undergoes mandatory occupational safety and health (OHS) and fire protection training. Upon completion of one year of service, a regular knowledge assessment is conducted, with particular emphasis placed on high risk position. Preventive OHS measures are ensured through:

- Development and implementation of investment and technical documentation for work and auxiliary premises;
- The production, procurement, and reconstruction of work equipment;
- The procurement of hazardous substances, and the procurement of personal protective equipment (PPE).

This approach ensures that occupational health and safety considerations are embedded throughout operational activities and business processes, contributing to the protection of employees and the prevention of workplace incidents.

All contractors and third-party personnel working on Company premises are required to obtain a work permit before commencing activities. Prior to the start of work, they are informed of the applicable preventive safety measures, the protective measures required during the execution of work, and the safety requirements applicable upon completion of their activities.

Systematic internal OHS audits are performed in accordance with the requirements of ISO 45001 and the Company's documented internal procedures. These activities are complemented by external certification audits conducted by accredited certification bodies, as well as inspections performed by the competent public authorities to verify compliance with applicable national legislation. Audit activities cover all organizational units, including manufacturing facilities, administrative offices, and warehouses, providing assurance regarding the effectiveness of the OHS management system and identifying opportunities for its continual improvement.

During 2025, the Company's internal occupational health and safety monitoring programme covered 100% of employees in accordance with established internal protocols and audit methodologies. In addition, all employees were subject to external verification during the reporting period, either through inspections conducted by the Labour Inspectorate of the Republic of Serbia or through independent SMETA audits.

During 2025, DRENİK ND successfully completed a SMETA audit, confirming a high level of compliance of the Company's policies, procedures, and operational practices with internationally recognized standards relating to labour practices, occupational health and safety, and ethical business conduct. Furthermore, the Company's external OHS service provider, Beozaštita, carried out monthly inspections of DRENİK ND's facilities and prepared regular reports on occupational health and safety performance and compliance.

An important indicator of DRENİK ND's institutional commitment to occupational health and safety is that all individuals performing work for the Company are engaged under formal contractual arrangements. The Company does not employ workers outside legally recognized employment or contractual frameworks, ensuring that every worker is fully covered by applicable occupational health and safety requirements and organizational procedures.

The implementation and continual improvement of the Occupational Health and Safety Management System are supported by a comprehensive set of internal policies, procedures, and management documents, including:

1. Occupational health and safety policy;
2. Occupational risk assessment, updated during 2025 to reflect amendments to the legislation of the Republic of Serbia;
3. Procedure for hazard identification and risk and opportunity assessment;
4. Emergency response and incident investigation procedure;
5. Standard operating procedures and safe work instructions for paper converting lines, production machinery, presses, forklift operations, and other work equipment;

6. Employee health protection policy and medical examination procedures;
7. Internal and external audit and inspection reports;
8. Training procedures, annual training plans, and training attendance records.

The aforementioned documentation serves as the foundation for the consistent implementation and monitoring of occupational safety and health measures, in accordance with the requirements of national legislation and the ISO 45001 standard.

Special attention is dedicated to risk assessment in transitional situations, such as the introduction of new technologies, changes in work organization, or modifications to the physical environment. All employees are actively involved in hazard reporting processes and have access to clearly defined channels for reporting potential risks and incidents.

In 2025, no worker was excluded from the occupational health and safety management system. All processes, functions, and workplaces are continuously monitored through systemic procedures, with all data being collected in accordance with a predefined methodology. This approach enables the systematic identification, assessment, and management of risks, thereby ensuring that every workplace—from offices to the production floor and warehouses—remains safe and compliant with applicable statutory and standardized requirements.

Strategic Importance of Occupational Health and Safety

DRENİK ND does not view a high level of occupational health and safety merely as a legal obligation, but rather as a strategic commitment of the company that directly contributes to the prevention of injuries and occupational illnesses, the preservation of business continuity, and the enhancement of long-term employee satisfaction, motivation, and engagement.



EXTERNAL CONTROL

Number of employees covered by the OHS

	2025	2024
no.	724	704
rate	100%	100%

INTERNAL CONTROL

Number of employees covered by the OHS

	2025	2024
no.	724	704
rate	100%	100%

ACC. TO LEGAL REQUIREMENTS

Number of employees covered by the OHS

	2025	2024
no.	724	704
rate	100%	100%

GRI 403-2, GRI 403-7

Hazard Identification and Assessment of Risks and Opportunities Process

The process of identifying, assessing, and mitigating occupational safety and health risks is part of an integrated management approach and is fully aligned with the requirements of the international standards ISO 45001, ISO 14001, and ISO 9001, the company's internal regulations, and the applicable laws of the Republic of Serbia. The process encompasses all employees, as well as externally engaged personnel operating within the work environment under the company's supervision and control.

The assessment and analysis of occupational safety and health hazards, risks, and opportunities follow the principles of the FMEA (Failure Mode and Effects Analysis) method, which is utilized to evaluate the modes and effects of potential failures within subsystems, assemblies, components, or system functions. The risk assessment algorithm is based on the probability of a hazard causing harmful consequences, combined with the severity of those consequences and the likelihood of detection. For each risk, the following are determined:

- The consequences it may cause;
- The potential root causes of occurrence; and
- The control and prevention measures already implemented by the company regarding that specific risk.

Subsequently, the Risk Priority Number (RPN) is calculated, which is equal to the product of severity, probability of occurrence, and probability of detection.

In accordance with the requirements of the ISO 45001 standard, risks to occupational health and safety elements are assessed for each process, with the mandatory participation of the Head of the Occupational Health and Safety Department in the analysis. The results of the risk analysis are entered into the DND-OB-13-06-01.

List of Processes and Analysis of Risks/Opportunities

During regular annual risk reviews, opportunities are also considered and re-examined in the same manner as risks. For all identified opportunities, the following are defined:

- The process to which it relates;
- Potential benefits;
- Knowledge required for implementation;
- Required resources;
- Implementation team;
- Implementation deadline; and
- Implementation status.

Risks are regularly updated in the Risk Assessment Act, in accordance with internal procedure DND-PR-36-02-00, which defines the hazard classification methodology.

Triggers for the process conducted on a non-routine basis.

Risk assessment also includes:

- All changes in technology, work organization, work processes, and the physical work environment;
- The specific characteristics of individual workplaces; as well as
- Incident investigations, worker complaints, or reports.

Management of the Hazard Identification and Risk Assessment Procedure, and Responsibilities

The responsibility for controlling and ensuring compliance with this procedure is entrusted to the IMS Leader, while the approval of the procedure falls under the direct authority of the Director. Operational control of work in accordance with the defined procedure is delegated to the IMS Leader, heads of organizational units, and process owners, who ensure consistent application in day-to-day operations. All managers and employees are actively involved in the process of continuous hazard identification and risk mitigation. Supervision over the implementation of procedures, along with direct work control, is primarily carried out by the immediate supervisor, with the operational support of the shift supervisor, while the Occupational Health and Safety (OHS) advisor and associate provide expert support and supervision. The detailed responsibilities of all employees are precisely defined through individual job descriptions.

Measures to Neutralize or Minimize Identified Risks

Based on the identified risks, the company implements a wide range of technical

and organizational measures, applying the hierarchy of controls—starting from attempts to completely eliminate hazards, to minimizing exposure to an acceptable level. For all risks with a value exceeding 50, it is mandatory to initiate additional risk reduction measures, specifying responsibilities, activities, and implementation deadlines. These measures include the installation of physical barriers, safety signage, the use of collective and personal protective equipment, as well as mandatory employee training. The company's commitment to employee safety is also reflected in continuous investments in the modernization of work equipment, the timely provision of adequate personal protective equipment (PPE), and the maintenance of a safe working infrastructure, thereby creating an encouraging and secure environment for all employees.

Employees actively participate in this process through hazard reporting mechanisms and direct communication with the OHS department. Based on these reports, technical and organizational interventions are implemented, alongside additional education. During 2025, targeted educational programs focused on the identification and prevention of specific risks were conducted, and the findings of internal and external audits were utilized to improve existing occupational health and safety protocols and procedures.

Emergency Response Procedure

The procedure is aligned with the international standards ISO 45001 and ISO 14001, as well as with the applicable domestic legislation. The system ensures that employees are well-informed about risks, hazards, and harmful factors, with clearly defined protocols for the safe use of equipment and tools. The procedure defines:

- The methodology for identifying potential emergencies, including incidents, accidents, techno-industrial accidents, and natural disasters;
- Alerting and raising alarms;
- Operational response procedures, including evacuation and first aid;
- Procedures for incident investigation.

The primary focus is on protecting the lives of employees and third parties, preserving company property, and minimizing the impact on the environment. A key segment encompasses plans for rapid and efficient evacuation from endangered zones, thereby ensuring a high level of safety across all business operations.

The approval of this procedure is under the authority of the CEO, subject to prior verification by the Management Representative for Environmental Protection and the Management Representative for Occupational Health and Safety. The application of the defined protocols is mandatory for all managers, process owners, employees, as well as contracted workers, visitors, and all other persons staying within the corporate perimeter and facilities of Drenik ND Ltd, Belgrade.

Prevention of Adverse Impacts on Health and Safety

DRENIK ND consistently applies measures to prevent the adverse impacts of work activities and conditions on the health and safety of employees. The OHS

management system covers 100% of employees and externally engaged personnel under the company's control. Special attention is dedicated to protecting vulnerable groups—including pregnant employees, workers with disabilities, and employees handling hazardous substances. The rights and protection of these groups are mandated by internal regulations, which are fully compliant with the Labor Law and other relevant legislation. Employees handling chemicals undergo additional training and testing in accordance with ADR transport requirements, conducted by an internally authorized person.

Internal documentation, including rulebooks, acts, and standard operating procedures, enables transparent and systematic risk management. Through this approach, the company ensures a safe and healthy working environment aligned with both international and national norms.

GRI 403-2

Employees Legal Right to Report Workplace Hazards, Irregularities, and Incidents

DRENIK ND ensures that all employees have a clearly defined right and opportunity to report any observed hazards, non-conformities, or incidents within the work environment without risk to their employment status, including protection against sanctions, loss of income, or termination of employment. This practice is systemically integrated into the corporate culture and forms part of a comprehensive occupational health and safety management system that is fully aligned with the requirements of the international standard ISO 45001.

Reporting Mechanisms and the Complaint Processing Procedure

Clear and accessible internal channels for reporting incidents and non-conformities have been established, including direct communication with supervisors, contact with department heads, occupational health and safety advisors, as well as an anonymous internal system via suggestion boxes. The system operates on the principles of confidentiality, integrity, and efficient response.

Reported cases are treated with strict confidentiality, and the process of logging, analyzing, and handling reports is conducted in accordance with prescribed internal procedures. In cases where an immediate hazard to employee health and safety is identified, the company takes urgent corrective actions, which may include a temporary suspension of work or the adjustment of work tasks to neutralize the risk. The process of reporting and handling incidents is based on five clearly defined steps, in accordance with the Law on Occupational Safety and Health and internal procedures:

1. Immediate reporting via: a) a NEAR MISS form, which includes employee details (name, surname, and department) and a detailed description of the situation that almost led to an injury, b) photographs, or c) verbal reporting;

2. Securing the location and emergency intervention to prevent further consequences;
3. Classification and investigation of the reported event;
4. Root cause analysis using the A3 methodology ("fishbone" diagram), which addresses questions regarding the nature, location, manner, timing, and scope of the failure;
5. Implementation of corrective measures and providing feedback to employees, including training, warnings, additional monitoring, or temporary suspension of work when necessary.

Reports submitted via the NEAR MISS form are processed in cooperation with shift supervisors, department heads, and OHS advisors, and corrective measures are adjusted according to the assessed risk level. The company has established a comprehensive procedure for hazard identification and the assessment of risks and opportunities, which is aligned with the international standards ISO 9001, ISO 14001, and ISO 45001, as well as internal regulations in the field of occupational health and safety. This procedure clearly defines objectives and responsibilities, describes risk assessment activities, and ensures a systematic approach to risk management.

The right of employees to refuse to work in conditions that threaten safety

DRENIK ND guarantees employees the right to refuse to perform a task or to withdraw from the workplace if they assess that continuing work could jeopardize their safety or health. This decision does not require prior approval from supervisors and cannot result in disciplinary actions or negative consequences for the employees. Every report of such a situation is treated with utmost seriousness, and the authorized persons are required to immediately take appropriate corrective actions to ensure safe working conditions and eliminate the identified risks.

GRI 403-3

Occupational Health Service Access to the Health System

DRENİK ND provides a comprehensive health care system as an integral part of an integrated occupational health and safety management system. The main objective of this system is to maintain working capacity, early detection of health risks, and prevention of occupational diseases.

Scope and Availability of Health Care Services

- All employees have access to organized health care services, which include:
- Medical examinations prior to employment for employees in high-risk jobs;
- Mandatory periodic checking, at least once a year, in accordance with legislative and professional protocols;
- Preventive and specialist examinations that can also be carried out in private healthcare institutions without restrictions on the use of services;
- Evaluation of work capacity, carried out by authorized occupational medicine physicians, in accordance with the specificities of the workplace.

The above activities are carried out in cooperation with licensed healthcare institutions that are authorized to provide occupational medicine services. Health services are available during working hours, and information about rights and procedures is regularly communicated to employees through internal communication channels and through direct managers.

Cooperation with Authorized Healthcare Institutions

The company has established cooperation with the Vizim Health Center as a key partner in the organization and implementation of medical care.

Recording and Use of Findings

The results of medical examinations and recommendations from medical experts are recorded in accordance with applicable data protection regulations and are used as a basis for defining additional prevention and protection measures.

Protection Through Additional Insurance

The supplementary health insurance program also covers situations that exceed standard health risks, including disability, surgical interventions, as well as the most difficult life circumstances such as death or unforeseen extraordinary events.

Mandatory Medical Checking for Employees in High-Risk Jobs

All employees working in positions with increased risk are referred for regular

annual medical examinations. Employees working night shifts are also referred for these examinations. Every newly hired employee in a high-risk position must undergo a medical examination prior to starting work, and the decision on entering into an employment relationship is made based on the medical findings



GRI 403-4

Employee Participation in Workplace Safety and Health (OSH)

The participation of employees in workplace safety and health (OSH) is organized through formal and informal mechanisms that enable timely information, exchange of opinions and involvement in decision-making. Such an approach enables more effective risk management and strengthens the culture of prevention.

A key institutional role is played by the Employee Council, in which employee representatives and management representatives jointly consider initiatives, incidents and all important topics related to occupational safety and health. Meetings are held regularly, and the conclusions and recommendations from the meetings have a direct impact on decision-making and the implementation of protection measures. Membership in the Council covers all sectors of work, and the Council functions in accordance with legal obligations and internal acts, with clearly defined responsibilities and competences.

In addition to formal bodies, the system includes daily two-way communication with OSH Advisors in production facilities and offices. Employees could report hazards, participate in risk assessment, training, revisions of procedures and definition of corrective measures.

In addition, through regular field walkdowns and direct dialogue, management proactively identifies risks and improves safety standards. As a direct result of these consultations, numerous improvement measures have been implemented, including the installation of advanced work platforms and safety ladders, as well as the modernization of personal protective equipment. This approach enables us to continuously raise the level of safety and ergonomic working conditions for all employees.

Information regarding all current occupational safety and health (OSH) measures and procedures is also available via notice boards, regular electronic communication, and during training sessions. In accordance with the transparency policy and the employees' right to information, access to documentation and data concerning risks, protective measures, incidents, and response procedures is fully provided.

Protection of Employees from Retaliation

No instances of obstacles to active employee participation in the OSH system, including protection against any forms of retaliation, have been recorded within the company. The rights of employees to raise concerns regarding occupational health and safety, including the right to refuse unsafe work, are guaranteed and supported through clearly defined internal procedures.

GRI 403-5, GRI 403-6

Health and Safety Training and Education

DRENIK ND implements a comprehensive and mandatory training program in the field of occupational safety and health (OSH) and fire protection, which includes both theoretical and practical components. Initial training is conducted immediately prior to the commencement of employment and covers key safety procedures, equipment operation rules, and emergency response procedures. Upon successfully passing the OSH and fire protection training, the employment relationship is formally established, and personal protective equipment (PPE) is issued. Additional education and evaluations are conducted on-the-job, particularly within segments involving the operation of machinery and technical equipment. The training is carried out according to a predefined program, complying with statutory obligations and the company's internal regulations, including employee training and professional development procedures, as well as emergency preparedness and response training procedures.

The training program defines the topics and schedule of training in accordance with assessed risks and the specific type of workplace. It is realized in cooperation with OSH experts, medical professionals from the Vizim Healthcare Center, physical security personnel, and fire brigade services. Education is conducted in key operational scenarios, including:

- Orientation and rotation plan: onboarding of new personnel and workplace changes;
- Technological advancements: introduction of new equipment and production lines;
- Competence development: targeted improvement of employee skills and the implementation of corrective measures; and
- Compliance: execution of training sessions in accordance with statutory obligations.

To ensure a permanently high level of competence, training sessions are periodically repeated in accordance with the 'Overview and Schedule of Protection Activities'. Through this systemic approach, we ensure that the knowledge and skills of all program participants are continuously upgraded, thereby directly contributing to the stability and safety of our operational processes.

The program is designed to encompass all categories of employees, including temporarily engaged personnel and external contractors, who undergo the necessary induction regarding site-wide risks and the permitting process for high-risk work prior to commencing operations. Training modules are periodically

updated in accordance with operational needs and regulatory requirements, while the entire process is documented through systemic attendance records and internal protocols, thereby ensuring full traceability and efficiency of the protection system.

Completed Training Sessions in 2025

During 2025, we conducted a series of training sessions in the field of occupational safety and health (OSH) and fire protection, focusing on the following key topics:

- Initial and periodic training for safe work in high-risk positions – for employees assigned to these roles;
- Initial and periodic training for work in positions without increased risk – for employees in non-hazardous roles;
- Professional training for operating work equipment (forklifts, cranes) – for employees operating the aforementioned equipment;
- Basic and advanced first aid training – for all employees;
- Periodic practical evacuation drills with fire extinguishing simulation elements and demonstration exercises on the use of fire protection equipment – for all employees;
- Theoretical training on the use of fire protection equipment – for all employees.

The training sessions were provided free of charge during paid working hours, conducted in the employees' native language, and delivered in a manner that is easily understood.

Training Effectiveness Assessment

DRENIK ND applies a system of continuous assessment of training program effectiveness and employee evaluation, aligned with internal standards. The process of assessing training effectiveness and testing knowledge is integrated into work protocols as follows:

- Incoming Competence Verification – prior to starting work, all newly hired employees are required to successfully pass a test in the field of occupational safety and health (OSH) and fire protection;
- Periodic Verification – regular annual training sessions are supplemented by completing Form 6, through which employees document their understanding of the completed training and identified risks, thereby ensuring the maintenance of a high safety culture.

Evaluation of Employees Covered by the Training Program – the company evaluates all employees who attended the training sessions based on four criteria: performance of tasks according to instructions or work orders; compliance with legal regulations and the requirements of relevant standards (ISO 9001, 14001, 45001, IFS, HPC, and others); speed, efficiency, and precision in work; and the level of engagement.



Employee Health Promotion

In order to promote employee health, the company provides all employees with access to organized healthcare services, which include comprehensive medical check-ups, preventive and specialist examinations, as well as a supplemental health insurance program. Furthermore, the company implements initiatives and campaigns that promote healthy habits and physical activity.

Access to and Participation in Health Promotion Programs

Health promotion programs are available to all employees, regardless of their function or position, and employees have the opportunity to utilize them without any form of discrimination.

GRI 403-9

Workplace Injuries

DRENIK ND company keeps a systematic record of all incidents and injuries occur at work, in order to continuously monitor the state of safety and implement appropriate prevention measures. Data from the records are used to analyze the causes of incidents and identify areas for improvement, as part of an integrated occupational health and safety management system.

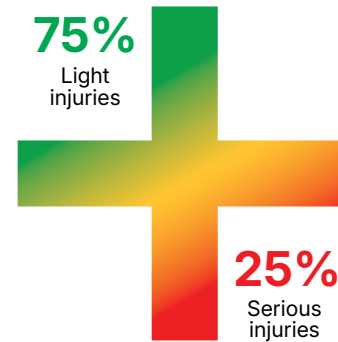
Analyses of each incident include all relevant factors, including deviations from defined procedures, inadequate use of personal protective equipment, technical causes, as well as organizational failures. Based on the findings from the analysis, targeted corrective and preventive measures are taken, such as additional thematic training of employees, increased internal control of the application of procedures, and revision and adjustment of operational instructions and procedures, when necessary.

Occupational injuries registered during the reporting period were mostly of mild intensity and did not require extended absences from work. The ratio of light and serious injuries at work in 2025 stood at 75% in favor of light injuries, while the share of serious injuries was 25%. Out of the recorded injuries, 94% occurred at the workplace, while 6% occurred during the commute from home to work, specifically involving the use of transport not organized by the company (private transport). When it comes to the type of injury, all were of an individual nature, while there were no injuries of a collective nature. Also, there were no injuries that resulted in death, nor serious injuries that would result in long-term work incapacity.

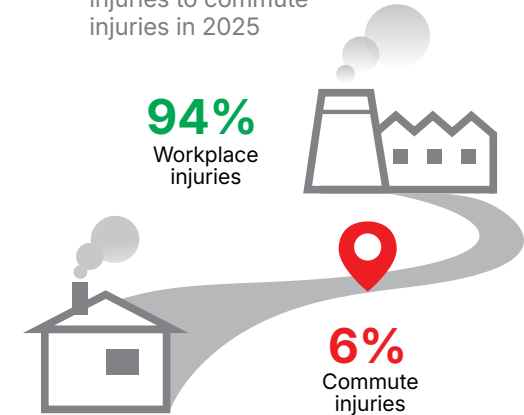
According to the company's strategy, the objective is to reduce the overall injury rate by 20% by 2027, as well as the serious injury rate by 20% by 2027, through the implementation of preventive measures, continuous employee training, and the further enhancement of occupational health and safety. The occupational injury log strictly encompasses incidents and injuries relating to workers directly employed by DRENIK ND.

Our OSH management system is based on rigorous and regularly updated procedures that encompass preventive risk management, emergency response protocols, and the maintenance of high hygiene standards. The consistent implementation of these measures is ensured through the engagement of an expert OSH team and a designated responsible person, who perform continuous oversight through regular internal and external inspections.

Ratio of minor and major injuries at work in 2025



Ratio of workplace injuries to commute injuries in 2025



The number of injuries at work excluding the number of injuries sustained while commuting to or from work by transportation organised other than company.

Number	2025	2024
	34	26

Number of injuries at work sustained while commuting to or from work by transportation organized by the company.

Number	2025	2024
	0	0

The number of injuries at work excluding the number of injuries sustained while commuting to or from work by transportation organised other than company (public and private transport).

Number	2025	2024
	2	4

*Note: The rate of serious injuries at work is per 200,000 working hours

Number of fatal injuries at work.

Number	2025	2024
	0	0

Number of working hours

Number	2025	2024
	1,354,023	1,182,831

Rate of serious injuries at work*

Rate	2025	2024
	1.18	0.34

Rate of recorded injuries at work*

Rate	2025	2024
	5.02	4.40

Rate of fatal injuries at work

Rate	2025	2024
	0.00	0.00

GRI 403-9

Description of Work Activities Leading to Injuries and Corective Actions taken

An analysis of the occupational injuries recorded during 2025 indicates that incidents are most frequently linked to the specific operational characteristics of production and logistics. The dominant risk factors encompass contact with the rotating parts of paper processing machinery, movement on potentially slippery surfaces, forklift hazards, and falling loads. During the reporting period, the company implemented a series of technical and organizational preventive and corrective measures, including the installation of barriers, guards, sensors, horns, and signaling devices, the regular cleaning and marking of critical zones, the posting of warning signs during operational checks, inspections of proper load stacking, as well as targeted employee training programs. These measures contribute to reducing risk exposure, preventing injuries, and maintaining a safe working environment.

Methodology for Determining Work-Related Injuries

The company maintains a systematic log of all incidents and injuries occurring both during the commute from home to work and during working hours. Records are tracked by the employee's gender, the date and time of occurrence, workplace, organizational unit or location, type of injury (isolated or collective), assessment of injury severity (severe or minor), the source of injury or description of work activities that led to the incident, and the root cause of the occupational injury. In addition, identifying data regarding the injured individual, witnesses, and the responsible supervisor are recorded. Every event is analyzed within the occupational health and safety (OHS) system to establish a cause-and-effect relationship between the activity and the injury, whereby 'near-miss' situations—events that could have, but did not result in an injury—are also logged and analyzed.

Data Disaggregation by Gender

Data on injuries at work is recorded and analyzed according to the gender of the employees. During the reporting period, 97% of recorded work injuries were related to male employees, while 3% were related to female employees. The injuries mentioned are mostly minor in nature. This practice allows the company to identify potential imbalances and further improve protection measures for all employees, regardless of gender.



GRI 3-3

Material Topic Management

We continuously monitor the needs of citizens and the local community to initiate initiatives that deliver long-term benefits and foster sustainable development within the regions where we operate. We pay particular attention to building strong partnerships with local stakeholders through local job creation, engagement of local suppliers, and the execution of various corporate social responsibility (CSR) and environmental programs. Through these actions, we reinforce our commitment to enhancing social responsibility and creating lasting value for both the community and the environment.

GRI 413-1

Engagement with Local Community

Humanitarians Walk for NURDOR Children

In cooperation with the National Association of Parents of Children with Cancer NURDOR and merchants throughout Serbia we launched "Make a Step" project for children of Nurdora - a path of support. The action was organized in 2024 for the first time and in 2025 implemented successfully for the second time. The action included a humanitarian walk through Fruška Gora with the aim of improving the social and health care of children, as well as promoting health in the form of physical activity. The humanitarian walk had a good response, and all funds collected from registration fees were fully donated to NURDOR, for direct assistance to the youngest who are struggling with a serious illness.





Voluntary Campaign 'Plant Your Own Shade'

In alignment with the company's strategic orientation towards sustainable development, DRENİK ND participated in a corporate social responsibility (CSR) tree-planting campaign titled 'Plant Your Own Shade' ('Posadi svoj hlad'). In cooperation with the Green Development Center, we provided and funded park tree seedlings, which our employees jointly planted in the park at the Zemun Quay (Zemunski kej). To further motivate and facilitate participation in this campaign, employees were permitted to utilize a portion of their working hours for this purpose. The contribution of this initiative is reflected in the reduction of our carbon footprint, as well as the reinforcement of a corporate strategy that promotes responsible management of natural resources and the active involvement of employees in implementing sustainable practices. Through such initiatives, we continuously strengthen a corporate culture of social and environmental responsibility, creating long-term value for the local community and the environment.

Donation to the Humanitarian Organization 'Dečije srce'

DRENİK ND is committed to creating a positive impact within the community and actively supports projects that promote social inclusion and equality. Therefore, we donated raw materials to the humanitarian organization 'Dečije srce' (Children's Heart) to enable beneficiaries with developmental disabilities to undergo training within the vocational rehabilitation program for persons with developmental disabilities. This initiative contributes to their economic empowerment and social integration, promoting long-term sustainable models of social inclusion. We continue to contribute to the development of a society that accepts all its members, providing support to children with developmental disabilities and their families. The significance of this donation was also recognized with an official certificate of appreciation awarded to our company.

Contribution to Improving the Living Conditions of Persons with Disabilities

We actively supported the 'Čep za hendikep' (Bottle Cap for Handicap) campaign, through which employees collected plastic bottle caps to fund medical and mobility aids for persons with disabilities. This initiative, for which the company was awarded a certificate of appreciation, highlights our permanent commitment to social responsibility, with a particular focus on contributing to social inclusion and the well-being of vulnerable groups.

Supporting Education and Local Talent

Recognizing the local community's need for developing practical skills among the youth and supporting the educational system in conducting practical training, DRENİK ND has developed an internship and practical block-training program. The program is designed in alignment with the curricula of local universities and vocational secondary schools, and is implemented in full compliance with all legal and safety protocols. Pupils and students are provided with the opportunity to acquire practical knowledge through a clearly defined curriculum, supported by mentors, with a focus on gaining relevant skills, thereby achieving the Sustainable Development Goals (SDG 4 – Quality Education). During 2025, employees dedicated a total of 392.5 hours to training young people, of which 112.5 hours were allocated to practical block training for secondary school pupils, while the remaining 280 hours were dedicated to university student internships.

Upon completion of the internship, the company formally verifies achievements by issuing certificates and endorsing activity logs. Through active participation in the competency evaluation system, our mentors provide universities with valuable analytical inputs regarding the interns' development. This synergy between the business sector and the academic community directly contributes to optimizing study programs and aligning them with modern industrial standards, significantly enhancing students' readiness for future professional challenges. Through partnerships with schools and universities, DRENİK ND fosters the development of local human capital, creating a sustainable talent pool and future workforce, as well as long-term value for the community. Through this voluntary engagement, the company invests in the local community, actively supporting the education of young people and their preparation for the labor market.

Sustainable Investment in the Community Through Sport and Youth Activities

As part of our contribution to the local community and in accordance with our corporate culture of social responsibility, the company donated funds to the "Spas" volleyball club. The initiative aims to promote healthy lifestyle habits, team spirit, and social inclusion, while supporting the development of local sports and young talent. Through these activities, the company invests in a healthier future for the community, reaffirming its commitment to the principles of corporate social responsibility.

Impact of Initiatives on the Local Community

The aforementioned activities of our company are aimed at creating a positive and measurable impact within the local community through:

- Improving social and health care for children suffering from cancer and supporting persons with disabilities, thereby contributing to enhancing the quality of life for vulnerable groups;
- Strengthening social inclusion and equality for persons with developmental disabilities;
- Fostering sports activities among children and youth to strengthen social cohesion, team spirit, and promote a healthy lifestyle;
- Environmental preservation and the promotion of sustainability; and
- The execution of internships and practical training for pupils and students, in line with the Sustainable Development Goals (SDG 4 – Quality Education).

DRENİK ND continuously develops and improves its programs and campaigns, regularly monitoring and evaluating their impact, while maintaining an active dialogue with local community representatives. In this manner, we ensure that our contribution remains relevant and aligned with the needs of society.

GRI 413-2

Business Operations with Significant Actual or Potential Negative Impacts on Local Communities

DRENİK ND does not conduct business operations that have a significant actual or potential negative impact on the local community in which it operates. Activities are continuously monitored to ensure timely identification and resolution of any potential challenges, and to date, no incidents or conflicts have been recorded that would indicate negative consequences for the community.

GRI 3-3

Material Topic Management

Customers and end consumers are at the center of our business strategy and operational processes. We direct a special focus on the development of products that meet the expectations of users and meet the highest quality, health and safety requirements. The quality of our products is ensured by a corporate system of quality control and product health compliance, which is in line with national regulations and the ISO international quality management system. Consumer safety is additionally guaranteed by the application of IFS HPC, FSC and PEFC ST standards, guaranteeing high standards in terms of hygiene, health and product safety along the entire production chain.

Process certification includes:

- ISO Certificate 9001:2015, ISO 14001:2015 and ISO 45001:2018 for the scope of application - production of yew paper, toilet paper, kitchen towels and napkins;
- IFS HPC certificate (International Featured Standards - Household and Personal Care), which refers to the hygienic safety of products intended for home use and personal hygiene, for the activity of converting yew into toilet paper, kitchen towels and napkins and packaging in PE foil;
- FSC certificate confirming that the company has implemented the FSCTM control system of production groups in accordance with the Forest Stewardship CouncilTM certification system at the site, and in accordance with the requirements of the FSC Chain of Custody Certification standard for the activities of production and sale of yew and production of other paper products for household and hygienic use, FSC Mix certified;
- Certificate of conformity confirming that DRENIK ND meets the requirements of the PEFC Chain of Custody certification according to the PEFC ST 2001:2020 and PEFC ST 2002:2020 standards, which relate to the chain of responsibility of products made of wood and other forest materials, ensuring the control of the flow of materials from sustainably managed forests through the entire supply chain to the end product.

The company is currently in the process of obtaining the ECO LABEL certificate, a recognized international sign of environmental friendliness of products. The expected acquisition of this certification will further confirm the compliance of our products with strict sustainability criteria.



GRI 416-1

Quality Control and Health and Fitness of a Product

The quality control and health and fitness of products includes the assessment of potential risks of physical, chemical and biological contamination of products in various stages of the production cycle, such as the procurement of raw materials, the production process and the delivery of products to the warehouse.

Risk analysis follows the principles of the FMEA (Failure Mode and Effects Analysis) method and applies a risk assessment algorithm based on the probability that a hazard will cause adverse consequences, combined with the severity of those consequences, and the possibility of detection. The system includes clearly defined technical requirements and specifications, a risk management procedure that is applied in all organizational units, and refers to products that may be in contact with food, procurement and sales procedures, internal supervision, as well as continuous improvement of business practices.

Quality control is carried out in all stages of the production chain - from the procurement of raw materials and packaging materials, through production, to delivery to the end user. Incoming control of raw materials is conducted in accordance with the incoming control operational plan within the paper plant, and encompasses compliance testing of:

- tissue paper • cardboard for core manufacturing • adhesives • flexible transparent packaging • flexible printed packaging – films and bags.

The company applies a finished product quality control procedure aligned with national regulations and international standards ISO 9001, ISO 14001, ISO 45001, as well as the IFS HPC standard (International Featured Standards – Household and Personal Care). Control activities encompass:

- in-process and final control during the manufacturing of finished products within the paper processing sector;
- product safety verification of all raw materials – suppliers are required to provide product safety reports, while the Company periodically conducts testing in accredited external laboratories;
- internal finished product safety control;
- submitting finished products for product safety testing to an authorized laboratory according to a predefined plan;
- submitting finished products for allergen testing according to a predefined plan;
- submitting finished products for food contact laboratory analysis.

DRENIK ND requires its suppliers to submit updated certificates of safety and compliance for materials that come into contact with products, thereby ensuring complete control over conformity, as well as continuity in supply chain monitoring. Quality requirements for all raw materials further define technical characteristics and guarantee suitability for use. Within the scope of regular procedures, testing and evaluation of packaging materials are conducted in order to preserve product safety. The quality and product safety policies we apply reflect our corporate culture, as well as our commitment to responsible and sustainable business operations.

Percentage of product or service category for which a safety and health assessment was performed.

2025

100%

2024

100%



GRI 417-1

Transparency in Consumer Information

DRENİK ND places special emphasis on responsible consumer information. All information provided on the primary product packaging complies with statutory regulations on labeling and includes mandatory data, encompassing product composition, instructions for safe use, potential environmental and health impacts, as well as recommendations for proper disposal. In addition to basic information, technical data sheets are also available to consumers, which are compiled and updated in cooperation with the quality control department based on the technical specifications of the raw materials.

To ensure the reliability and consistency of information, packaging labels are subject to regular internal controls and periodic audits. All product categories (100%) are covered by an information system that complies with applicable legislation and internal standards, thereby enabling consumers to make informed decisions when purchasing and using our products.

Product labeling: % of significant product categories assessed for compliance with labeling regulations and internal guidelines



GRI 416-2

Customer Satisfaction, Complaints, and Non-Compliance

DRENİK ND applies an integrated system for analyzing and managing customer satisfaction and customer complaints, whereby a timely and efficient response is of critical importance for maintaining customer trust and resolving potential deviations regarding product quality. Customer satisfaction is monitored continuously through surveys and data analysis in accordance with the customer satisfaction measurement procedure, which is aligned with ISO and IFS HPC standards, the management review procedure, and the procedure for preventive and corrective actions.

The Customer Satisfaction Report is presented to the Director and is prepared on an annual basis, including proposed measures for improvement. The complaint resolution procedure encompasses monitoring the info line, receiving complaints, assessing validity, notifying customers, and updating complaint records. A detailed record of complaints is maintained in the Complaints Register, which

includes the date of receipt, the claimant, the type of complaint, the validity analysis, the department to which the complaint was forwarded, the actions taken, and the resolution date.

During 2025, there were no recorded cases of product recalls or withdrawals, nor any non-conformities with applicable legal regulations relating to product quality and safety that resulted in fines or warnings, nor were any critical customer complaints identified that would require corrective actions. Furthermore, there were no reported non-conformities with applicable voluntary codes, standards, or internal guidelines that the company applies within its quality and product safety management system. The systematic approach we practice ensures high product quality and safety and contributes to maintaining the trust of end-users, especially those from vulnerable categories, such as children, the elderly, and individuals with sensitive skin.

GRI 417-2

Information Compliance Control

Information relating to product labeling and composition is subject to strict internal control mechanisms and verification procedures, in accordance with the requirements of the IFS HPC standard (International Featured Standards – Household and Personal Care), thereby ensuring the accuracy, consistency, and reliability of all data displayed on our products.

We continuously monitor the compliance of information with applicable statutory regulations and the specific requirements of the markets where our products are present, including any regulatory changes that may affect label content. During 2025 and 2024, all significant product categories were covered by the compliance verification process for labels against applicable legal regulations and internal guidelines. This approach further enhances the level of consumer protection and contributes to building long-term trust in the brands that the company markets. During the reporting period, there were no recorded cases of information non-compliance with applicable legal regulations relating to product labeling and specification, or the provision of safety information, that resulted in fines or warnings. Furthermore, there were no reported non-conformities with applicable voluntary codes or internal guidelines that the company applies within its consumer information system.

GRI 417-3**Responsible Marketing
Communication and
Advertising**

Our method of consumer communication plays a pivotal role in building trust, our brand reputation, and the long-term sustainability of our business. Guided by this principle, we have developed a responsible marketing communication system fully aligned with the applicable regulations of the Republic of Serbia, as well as with relevant international ethical guidelines and professional norms.

The focus of our approach lies in providing accurate, clear, and unambiguous information across all forms of market communication, including advertising campaigns, packaging labels and messages, digital advertising, promotional materials, and other forms of market outreach. We pay special attention to the presentation of products to avoid any form of misleading, aggressive, or socially irresponsible communication, particularly in the context of our target end-user groups. We have implemented clearly defined internal mechanisms to ensure that marketing communication is verified and legally compliant.

All promotional and advertising content is subject to an internal control system, which encompasses:

- Verification in cooperation with the legal affairs, marketing, and quality control departments;
- Compliance checks against applicable laws and voluntary codes; and
- Alignment with the principles of fair and ethical communication towards consumers.

During the reporting period, there were no recorded cases of non-compliance with applicable legal regulations relating to marketing communications that resulted in fines or warnings. Furthermore, there were no identified non-conformities with applicable voluntary codes or internal guidelines applied by the company within its marketing practices that would require corrective actions. Consistent adherence to regulatory and ethical guidelines contributes to preserving the integrity and credibility of our brands, strengthening the company's reputation, protecting consumers, and ensuring continuous alignment with the principles of responsible business.



Regional and Sector Context

Corporate Governance

GRI 2-9 GRI 2-12
GRI 2-17 GRI 2-13
GRI 2-15 GRI 2-14
GRI 2-16 GRI 2-27

Ethic Leadership and Responsibility

GRI 3-3 GRI 2-23
GRI 2-24 GRI 205-1
GRI 205-2 GRI 205-3
GRI 2-25 GRI 2-26

Protection of Privacy and Personal Data

GRI 418-1

Regional and Sector Context

The corporate governance system of DRENIK ND has been developed in full compliance with the applicable legislative and regulatory framework of the Republic of Serbia, integrating modern principles of responsible and sustainable business practices characteristic of the paper and cellulose-based hygiene products manufacturing industry. As a manufacturer of products that come into daily contact with end consumers—such as toilet paper, napkins, and paper towels—the company operates in a sector that demands high compliance with standards of quality, consumer safety, corporate social responsibility, and environmental protection.

The legal framework of the Republic of Serbia encompasses a range of areas that directly impact the company's management system, including, among others, labor relations, occupational health and safety, whistleblowing mechanisms, as well as the prevention of and fight against corruption and bribery. DRENIK ND integrates all these regulatory requirements into its internal policies, procedures, and rulebooks, thereby ensuring the consistent and responsible application of legislation in its daily operations. In addition to compliance with national regulations, the company is guided by relevant international standards and guidelines in the fields of sustainable development, business ethics, and human rights, which include the GRI standards, IFC recommendations, and the UN Guiding Principles on Business and Human Rights.

In the paper products manufacturing sector, key challenges are related to the sustainable management of natural resources, energy efficiency, emissions control, safe and fair working conditions, as well as responsibility throughout the entire supply chain. DRENIK ND approaches these topics systematically, developing internal policies and mechanisms that enable long-term responsible business operations.

In the regional context, increasingly pronounced demands from consumers, regulatory bodies, and business partners shape growing expectations regarding transparency, ethical conduct, and sustainability. In this light, DRENIK ND continuously enhances its corporate governance system, aiming to ensure full compliance with market requirements and to build an organizational culture based on stability, resilience, and the trust of all relevant stakeholders.

The principles of accountability, fairness, transparency, and sustainability are integrated into our corporate governance system, and daily decisions are made with careful consideration of long-term environmental, social, and economic impacts. The existence of management practices and processes enables the organization to remain focused on its strategic goals, operating in compliance with legal obligations and the expectations of relevant stakeholders. Our management practices include the division of responsibilities, oversight mechanisms, and regular reporting, thereby ensuring effective risk management, timely anticipation of opportunities, and informed decision-making.

GRI 2-9

Management Structure

The corporate governance principles rely on a clearly defined organizational structure that ensures a transparent division of responsibilities and roles between different functional and management levels. Such an organizational structure not only enables operational efficiency, better coordination, flexibility in decision-making, but also systematic monitoring of the degree of achievement of goals, a more efficient process of risk management and consistent implementation of the sustainable development strategy. The company's ESG strategy is aligned with the mission and vision of sustainable growth and is implemented through clearly defined targets and development plans that integrate sustainability into all key business processes.

The bodies of the Company are the Assembly and the CEO. The management of the Company is organized as a unicameral body. The Assembly of the Company consists of all members of the Company, where each member has the right to vote in proportion to his share in the share capital. The Assembly has a key role in the adoption of financial statements, the appointment and supervision of directors, deciding on the distribution of profits, amendments to the founding act and other significant business changes. Assembly sessions are convened by the director or a member of the company, and can be held without formal convening if all members are present.

The CEO is the legal representative of the Company, and independently represents the Company and manages its affairs, with unlimited powers in accordance with the law and the founding act. The CEO is appointed by the Assembly of the company, and his responsibilities include operational management and representation of the company, keeping business books, checking the accuracy of financial reporting, regular reporting to the assembly and managing other tasks that are not within the competence of the assembly.

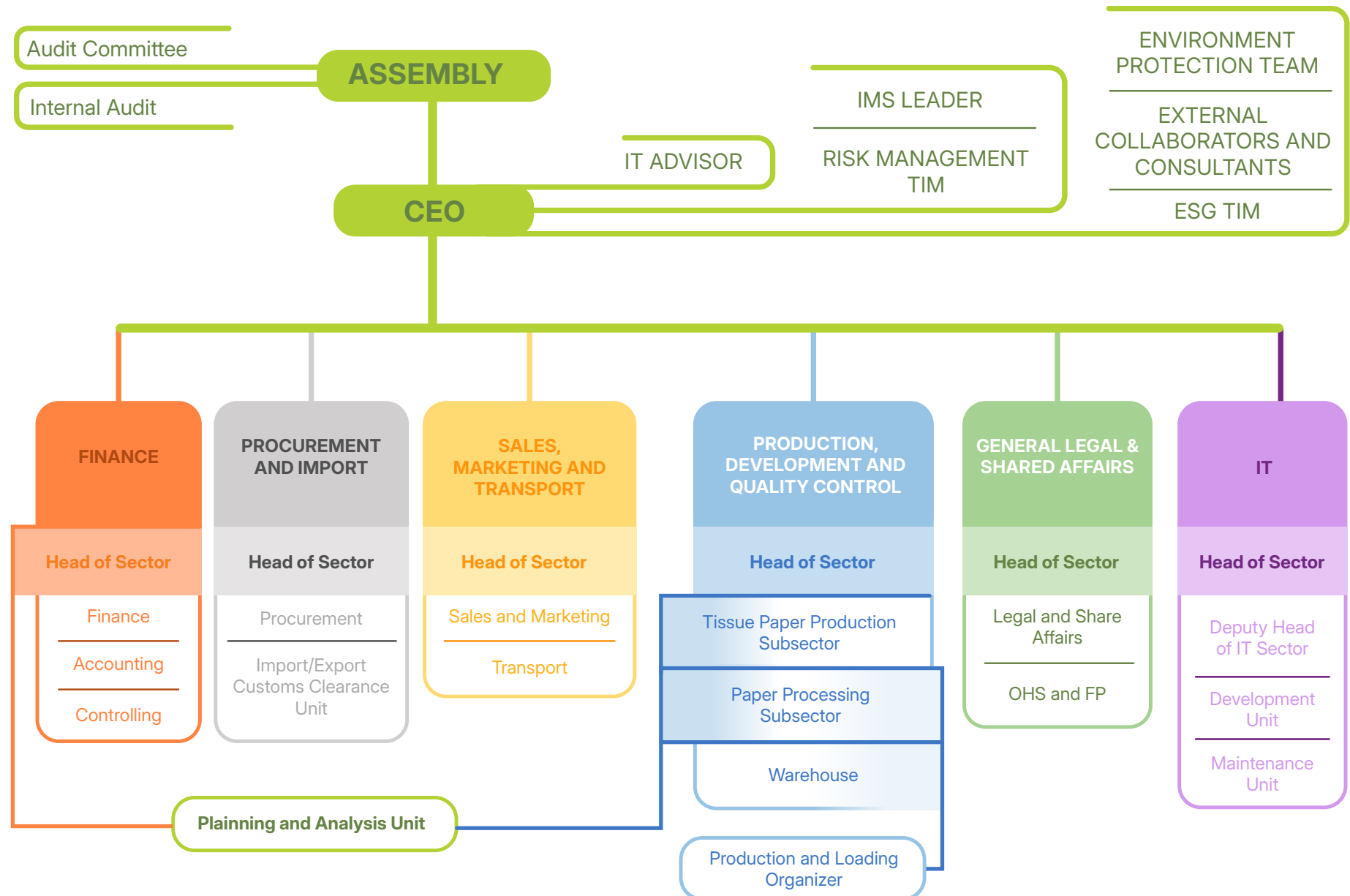
DRENİK ND's organizational structure includes the following sectors: finance sector, procurement and export sector, sales, marketing and transport sector, production, development and quality control sector, legal and general affairs sector,

and IT sector. Each of the sectors is managed by responsible Heads with clearly defined powers and responsibilities, which ensures a high level of expertise and responsibility.

Due to the need to strengthen responsible business and implement a sustainability strategy, as well as aligning with legislation and best practices in the area of environmental protection, socially responsible behavior and management, the ESG team was formed. The task of this team is the implementation of the sustainable development strategy, the development of plans and initiatives that ensure compliance with ESG standards, as well as monitoring the effectiveness of the same initiatives. Additionally, team members are responsible for the development of ESG policies and strategies within the company, monitoring, reporting and transparency of ESG goals, preparation and implementation of initiatives in accordance with sustainability principles, regular reporting to company directors on achieved results, and cooperation with partners and organizations in order to improve ESG practices.

The internal audit department was formed in order to independently assess the business processes of DRENİK ND. The business function organized in this way is considered an integral part of the risk management system in the Company. The purpose of internal audit is to provide an independent and objective view of business processes with the aim of improving and increasing the value of the company's performance. Internal audit helps the Company achieve its goals by providing a systematic and professional approach to assess and improve the effectiveness of internal controls and risk management. Corporate governance principles, such as accountability, equity and focus on long-term sustainability, are deeply integrated into all levels of the organizational structure. The business organization conceived in this way enables DRENİK ND to respond quickly to changes in the market and regulatory environment, as well as to successfully respond to the expectations of key stakeholders.

Organisational Structure Chart



GRI 2-17

Relevant Knowledge, Skills and Abilities (KSA)

In DRENİK ND, the competence of management and employees in key positions is the basis for making responsible, thoughtful and long-term sustainable decisions. The management structure of the company brings together experts with rich experience in areas such as strategic management, production, finance, legal affairs, human resource management, environmental protection and sustainable development. The diversity of knowledge and skills enables a holistic approach to management and the integration of ESG principles into all aspects of business. Special importance is attached to continuous professional development and training, so that all members of management and supervisory bodies are up to date with current legislative, regulatory and market trends. This includes training in the field of corporate governance, risk management, anti-corruption measures, human rights protection, as well as other ESG topics that are essential for modern and responsible business. In addition to formal education and professional qualifications, practical experience in managing complex business processes, managing changes and developing an organizational culture that encourages ethics, transparency and responsibility. The company DRENİK ND believes that people, with their knowledge, integrity and commitment, are the most valuable resource, and constantly invests in the development and strengthening of management capacities that will ensure stability and create long-term value for all key stakeholders.

CEO

The CEO of DRENİK ND is a graduate economist whose entire professional career has been developed within the company. Through years of dedicated work, she has gained a deep understanding of all business aspects, from finance and sales to procurement, production, and strategic management. This extensive experience has allowed her to tailor her professional expertise to the specific needs of the sector, cultivating strong leadership and management skills along the way. Her professional journey is marked by a commitment to continuous improvement, including internal training on anti-corruption, ethics and compliance, and whistleblower protection, as well as specialized ESG education. The legal team regularly keeps the CEO informed of significant changes in legal regulations through routine meetings. The CEO operates without any conflicts of interest, and the internal audit function is structured to ensure its.

GRI 2-15

Conflict of Interest

In accordance with the Code of Business Ethics, DRENİK ND is committed to maintaining a high level of business ethics, integrity, and transparency across all its activities. Our employees are obligated to act in the best interest of the company, avoiding all situations that could potentially lead to actual, potential, or perceived conflicts of interest.

The entire collective is expected to responsibly identify circumstances where personal interests, relationships, or undertaken activities could conflict with the interests of the company, or be perceived as such, and to report such situations to their immediate supervisor. Reporting a conflict of interest is conducted prior to engaging in any activity that could compromise the objectivity of decision-making. Particular attention is dedicated to the conflict of interest reporting process from the very first day of employment; accordingly, every newly hired employee is required to disclose all existing or potential conflicts of interest no later than their onboarding date. In cases of doubt regarding the existence of a conflict of interest, employees are encouraged to seek timely advice from their supervisor, which further raises the level of responsibility and awareness in daily operations. Monitoring and managing risks associated with conflicts of interest are overseen by individual department heads, thereby ensuring the consistent application of internal rules and preserving the trust of all stakeholders.

To strengthen the corporate culture and prevent irregularities, the Company has developed anti-corruption training programs, within which the topic of conflicts of interest holds a key position. The programs encompass all departments exposed to the risk of corrupt activities and are implemented through workshops, interactive lectures, panel discussions, group work, and case study analyses. The target group includes the Director, department heads, and employees in finance, accounting, human resources, and sales, as well as those with access to sensitive information, clients, and inventory management. Continuity in education is secured through the integration of the conflict of interest topic into onboarding training for new employees, ensuring that personnel are informed of business standards in a timely manner.

Information regarding conflicts of interest is also communicated to relevant external actors, including financial and regulatory institutions, in compliance with legislative requirements and best business practices. In this manner, DRENİK ND reaffirms its commitment to responsible business operations, reputation protection, and building long-term trust in relations with relevant stakeholders. During 2025, the company had no reported cases of conflicts of interest.

OUR PURPOSE

To improve everyday hygiene through responsibly manufactured tissue products while advancing sustainable manufacturing through continuous innovation, operational excellence, and responsible use of natural resources. We strive to be a trusted leader in the sustainable production of tissue paper, toilet paper, paper towels, and napkins.



OUR MISSION

Our mission is to manufacture and deliver sustainable, safe, and high-quality hygiene products that enhance the everyday comfort and well-being of consumers and environmentally responsible operations.



OUR VISION

We envision a future in which sustainability and hygiene go hand in hand, ensuring that high-quality tissue products are accessible to all while preserving natural resources for future generations.



Our corporate governance framework enables the consistent integration of sustainability principles into decision-making processes, strengthens organizational accountability, and supports long-term resilience, competitiveness, and stakeholder trust.

GRI 2-16

Common Communication Process and Issues

DRENİK ND fosters a culture of openness, trust, and integrity, encouraging all employees to raise concerns regarding potential breaches of the Code of Business Ethics, as well as any unethical, illegal, or non-compliant conduct. The Company considers the timely identification and reporting of such concerns essential to maintaining an ethical, transparent, and legally compliant working environment. The Company's whistleblowing framework is governed by the Internal Whistleblowing Procedure, which defines the reporting process, the responsibilities of designated personnel, and the measures established to protect whistleblowers. In addition, DRENİK ND has formally appointed an authorized Whistleblowing Officer responsible for receiving reports and managing whistleblowing procedures, ensuring accountability, impartiality, and the effective handling of reported concerns. Every employee who has a question, concern, or reasonable suspicion regarding the application of the Code of Business Ethics or becomes aware of a potential violation has both the right and the responsibility to report it without undue delay. Reports may be submitted to the Head of General, Legal and Shared Affairs, the Internal Auditor, or the CEO through established reporting channels. In addition to the formal whistleblowing mechanism, employees may also raise concerns anonymously through dedicated complaint and suggestion boxes located throughout the Company's facilities. These confidential reporting channels enable employees to report suspected unethical or unlawful conduct without fear of identification, further strengthening the protection of whistleblowers and promoting a culture of transparency and accountability. Managers have a particular responsibility not only to oversee compliance with the Code of Business Ethics but also to lead by example, actively promote ethical conduct, and support employees in understanding and applying the Company's ethical standards. They are also responsible for maintaining a working environment in which employees feel safe and empowered to raise concerns, seek guidance, and report critical issues without fear of retaliation. DRENİK ND guarantees the confidentiality of all reports submitted in good faith and is committed to protecting the identity of whistleblowers to the fullest extent permitted by applicable legislation. Any form of retaliation against individuals who report concerns or participate in investigations in good faith is strictly prohibited. Likewise, the intentional failure to report known violations of the Code of Business Ethics constitutes a breach of the Company's internal policies. The Company's long-term success and reputation depend on the willingness of employees to speak up whenever they identify conduct that may compromise the Company's values, ethical principles, or legal obligations. During the 2025 reporting period, no critical issues were reported or escalated to the Company's highest governance body. DRENİK ND remains committed to maintaining effective governance, robust compliance processes, and a strong ethical culture, ensuring that its business activities continue to comply with applicable legal and regulatory requirements while sustaining the trust of its stakeholders.

GRI 2-12

Role of the Highest Governance Body in Overseeing Impact Management

The highest governance body plays a central role in defining and overseeing the Company's purpose, vision, and mission, which form the foundation of DRENİK ND's long-term strategy for sustainable growth and development. Through its oversight responsibilities, the highest governance body ensures that the Company's strategic direction, business objectives, and decision-making processes remain aligned with its sustainability commitments and the legitimate interests and expectations of its stakeholders. Business and operational decisions are made in accordance with the Company's strategic framework, with sustainability considerations integrated into planning and decision-making across all levels of the organization. Responsible managers systematically monitor progress against strategic objectives and regularly report performance, risks, and material developments to the General Director, enabling informed oversight and timely decision-making.

GRI 2-13

Impact Management

DRENİK ND has defined business sustainability as a key priority with a clearly expressed strategic and operational component. The CEO bears ultimate responsibility for the development, implementation, and continuous monitoring of the company's ESG strategy, including the responsibility for managing the company's impacts on the economy, the environment, and people, ensuring alignment with sustainability and responsible business goals.

The ESG Team, as the driver of operational activities, is tasked with implementing the sustainable development strategy, developing plans and initiatives, and monitoring the effectiveness of these initiatives. Additionally, it is responsible for the development of policies and rulebooks that integrate sustainability principles into all relevant departments and their business activities. Through continuous analysis, team members identify potential ESG risks and opportunities, develop plans and initiatives for appropriate management, and monitor progress in their implementation. Special attention is dedicated to establishing a transparent system for monitoring and reporting on sustainability goals and performance, which includes data collection, analysis, and regular reporting to the highest level of governance, namely the company's CEO.

Furthermore, the ESG Team actively collaborates with external partners, organizations, and stakeholders with the aim of improving existing practices and adopting innovative approaches. The multidisciplinary composition of this team enables coordinated management of ESG topics across all business functions and their activities.



GRI 2-14

Sustainability Reporting

Recognizing the importance of transparent and consistent sustainability reporting, as well as the necessity of aligning with international standards and the expectations of key stakeholders, we have prepared our first Sustainability Report.

The content of the report has been defined by applying the principles of materiality assessment in accordance with the selected GRI methodology, following the 'with reference to the GRI Standards' approach. Through this document, we reaffirm our strategic commitment to the continuous improvement of sustainable and responsible business practices.

The process of preparation and reporting coordination was entrusted to the internal ESG Team, which was officially appointed by a management decision and consists of: an Environmental and Sustainability Representative, a Corporate Social Responsibility and Corporate Governance Representative, and a Sustainability Reporting Financial Analyst. The ESG Team is responsible for data collection and processing, monitoring the achievement level of strategic goals, and preparing the report content in accordance with the GRI reporting methodology. Throughout the reporting process, the ESG Team collaborated with other relevant organizational units to ensure the accuracy, completeness, and relevance of the published information. The report, including the selection of material topics, has been approved

by the company's CEO. The company's management bears responsibility for the preparation of the sustainability report in accordance with the GRI methodology, as well as for establishing internal controls designed and implemented to ensure accurate reporting. For enhanced objectivity and to strengthen trust among key stakeholders, the report was also subjected to independent external limited assurance by a qualified external auditor, in accordance with the international standard ISAE 3000.

GRI 2-27

Legal Compliance

During the reporting period, DRENİK ND had no recorded cases of significant non-compliance with applicable legislation, including regulations in the fields of environmental protection, occupational health and safety, consumer protection, tax obligations, and corporate governance; consequently, no fines or non-financial sanctions were imposed by competent authorities. We work dedicatedly to ensure that all aspects of our business comply with legal requirements in order to preserve the trust of key stakeholders and ensure responsible and uninterrupted operations.

GRI 3-3

Material Topic Management

Conducting business based on integrity, transparency, and a zero-tolerance policy toward corruption forms the cornerstone of our corporate culture and sustainable development strategy. Clear and consistently enforced standards of ethical behavior are critical factors in maintaining stakeholder trust, protecting our corporate reputation, achieving strategic goals, and securing long-term stability and competitive advantage. Consequently, this has been recognized as a material topic for our company.

We have established a governance system built on active stakeholder dialogue, clear distribution of responsibilities, and ongoing oversight of internal policy implementation. Special emphasis is placed on preventing corruption, conflicts of interest, and other unfair practices, while encouraging employees to actively and responsibly report potential irregularities through accessible, confidential, and protected communication channels. Fully aligned with applicable regulations, this framework ensures legal compliance and actively fosters a culture of corporate accountability.

GRI 2-23 GRI 2-24

Consistent Application of Adopted Policies

As a responsible company, DRENİK ND assumes full responsibility for preventing and mitigating the negative impacts of its business activities on the environment and society. Our commitment encompasses strict adherence to ethical principles, human rights, anti-corruption measures, equal opportunities, freedom of association, the prohibition of child and forced labor, as well as environmental protection through responsible resource management throughout the entire value chain. We operationally implement these principles by integrating sustainability standards into our business strategies, policies, and procedures, followed by the division of responsibilities, contractual obligations toward business partners, and continuous employee education.

The process of adopting policies and procedures within DRENİK ND can be initiated by management, the general, legal, and shared affairs department—particularly in cases of changes in the legislative framework—as well as upon the initiative of any company employee. Upon receiving an initiative, the Integrated Management System Representative (IMSR) assesses the validity of the proposal and, in cooperation with colleagues from relevant departments, analyzes the existence of similar or related documentation. If a valid basis exists, the drafting of the act begins, which then undergoes a harmonization phase with process and activity owners to ensure its alignment with actual practices.

The content of the document is drafted in a clearly defined form, in accordance with internal standards. Policies and procedures are officially approved by the

IMSR and/or the CEO, while operational instructions are drafted and adopted at the level of the organizational unit for which they are intended. Upon adoption, responsible managers, together with the IMSR, organize employee training and ensure the application of the adopted documents in daily work. Furthermore, a systematic review of the documentation is conducted at least once a year within internal audits to ensure its continuous alignment with regulatory requirements, internal needs, and the principles of sustainable business. Certain adopted policies and procedures that steer our business toward transparency, accountability, and long-term sustainability include:

Policies

Code of Business Ethics
BSCI Code of Conduct
Child Labor Prohibition and Young Workers Protection Policy
Equality Policy
Equal Opportunity Policy
Climate Change Adaptation Policy
ESG Strategy

Decision on the Establishment of the Employee Representative Council

Policy for the Promotion of Sports and Healthy Living Habits

Procedures

Rulebook on the Prevention of Corruption
Rulebook on Internal Whistleblowing
Rulebook on Personal Data Protection
Rulebook on the Prevention of Harassment at Work
Rulebook on Occupational Health and Safety

GRI 205-1 GRI 205-2 GRI 205-3



Fight against Bribery and Corruption

The company traditionally nurtures commitment to ethical business, integrity and transparency, placing the fight against corruption among the key aspects of sustainable management.

Corruption risk assessments are conducted continuously, encompassing various business sectors. Special attention during the assessment is dedicated to activities involving intensive cooperation with external partners and institutions. The results obtained from the assessment are used for the continuous improvement of internal controls and preventive procedures.

The company has developed an anti-corruption training program designed for the Director, department heads, heads of services, employees in positions with a high risk of corrupt activities (e.g., procurement, transport), as well as newly hired employees. 95% of senior and middle management (CEO, department heads, and unit managers) have undergone anti-corruption training. The goal of the training is to strengthen awareness and responsibility in accordance with internal anti-corruption rulebooks and the company's Code of Ethical Conduct.

Prior to the commencement of employment, as part of the initial employee onboarding procedure, an induction training is organized. This includes

familiarization with corporate rules, internal policies, and standards of conduct, encompassing a segment dedicated to corruption prevention, ethics, and mechanisms for recognizing and reporting unacceptable behavior. This training is conducted immediately before the signing of the employment contract, along with education in the field of occupational health and safety, to ensure that new employees are fully informed of expectations and obligations before starting their work engagement.

The company's anti-corruption policies and rulebooks comply with the Law on the Prevention of Corruption, the Law on Whistleblower Protection, the Law on Personal Data Protection, and other relevant legislation of the Republic of Serbia. Furthermore, DRENIK ND conducts its business in accordance with the principles of anti-corruption policies and the BSCI Code of Conduct, which unequivocally stipulate that business partners must not participate in corruption, extortion, embezzlement, or any form of fraud within the supply chain. Additionally, business partners are required to possess accurate and complete information regarding their business activities, structure, and operations, and to present them in accordance with applicable legal regulations and best practice standards in their industry. Any misuse of data, including falsification or concealment of facts, is considered a serious breach of contractual obligations and trust.

During 2025, there were no reported cases of corruption, nor confirmed incidents, nor public legal cases against the company or its employees, recorded sanctions, contract terminations, or other proceedings that would indicate a violation of anti-corruption rules.

In the coming periods, DRENIK ND will consistently apply the principle of zero tolerance toward corruption and will continue to strengthen integrity mechanisms, both within the organization and throughout the entire value chain."

GRI 2-25 GRI 2-26

Grievance and Concern Management Mechanisms

DRENIK ND provides clearly defined mechanisms within its policies for handling grievances and expressed concerns. All employees and relevant stakeholders can report suspicions of irregularities, unethical behavior, or potential negative impacts through formal and anonymous channels. Reports are reviewed impartially and in accordance with the principles of confidentiality, involving competent internal or external institutions as necessary. In cases where it is determined that the company has caused or contributed to a negative impact, appropriate measures are taken to remediate the consequences and repair the damage.

The Internal Audit Department contributes to this process through additional oversight regarding the implementation of relevant policies and procedures. Through regular audits, internal audit contributes to the identification of potential system weaknesses and the improvement of mechanisms for reporting and processing grievances, thereby further strengthening trust in the efficiency and reliability of the company's internal controls.

GRI 418-1

Protection of Privacy and Personal Data

DRENIK ND protects the personal data of its users with the utmost care. To this end, a management model has been developed, defined by internal acts aligned with the Law on Personal Data Protection (LPDP) and other relevant national regulations, as well as the Code of Business Ethics. Furthermore, a risk assessment has been conducted to identify and evaluate the main risks related to privacy compliance and management, and Data Protection Officers have been appointed. The Rulebook on Personal Data Protection regulates in detail the types of data processed, the purpose, legal basis, and methods of processing, data retention periods, technical, organizational, and personnel data protection measures, record-keeping, responsible persons, the rights of users whose personal data is processed, as well as legal remedies. The data privacy protection system also includes procedures defined by information security, information categorization, new user onboarding, remote access, and access control policies. User data is collected solely to the extent necessary for providing services and communicating with users. Upon the commencement of employment, employees provide explicit consent for the processing of clearly defined personal data, in accordance with applicable regulations and the principles of lawful, fair, and transparent data processing. To preserve data integrity and protection within the value chain, a confidentiality clause is included in contractual relations with suppliers and business partners, stipulating the obligation to protect precisely specified confidential information during the term of the contract, as well as after its expiration, regardless of the reason for the termination of the contractual relationship.

Control System for Personal Data Protection

The company applies technical and organizational data protection measures, including controlled access to data, employee confidentiality training, regular risk assessments, and periodic controls in cooperation with the IT department.

The Access Control Policy is designed to control access to IT systems on three levels: physical, administrative, and technical. User and employee data are stored in specialized modules of the IT system, with precisely defined access privileges assigned in accordance with the principle of least privilege. The defined data protection procedures and IT architecture enable continuous access monitoring, data confidentiality, availability, and integrity, as well as the periodic generation of detailed logs regarding login activities, including accurate chronological timelines and user identification. The process of monitoring and analyzing these logs is conducted in cooperation with the IT department, thereby ensuring a high level of security and transparency in data management.

Business Continuity Plan in the Event of Data Loss

The company has adopted a business continuity plan in the event of data loss, which includes a clearly defined data recovery strategy, encompassing the procedure, frequency, and control of data backups, incident notification and communication, as well as corrective measures.

Substantiated Complaints Concerning Breaches of Privacy and Losses of Personal Data

During 2025, there was not a single substantiated complaint recorded from users, employees, regulatory bodies, or third parties regarding data privacy breaches, including unauthorized access, disclosure, loss, leakage, or theft of personal data. This confirms the effectiveness of the existing protection mechanisms and the company's high level of awareness regarding the importance of preserving privacy and personal data.

Number of recorded complaints related to privacy violation:

0

Number of recorded complaints related to data theft, breaches:

0

Number of complaints and reports to competent authorities:

0

GRI 2-1 GRI 2-2 GRI 2-3

DRENIK ND has prepared this Sustainability Report “with reference to” the GRI Standards (GRI Universal Standards 2021) for the period covering 1 January to 31 December 2025.

This report is prepared in accordance with the GRI Reporting Principles governing content and quality, including sustainability context, material topics, stakeholder, completeness, accuracy, balance, clarity, comparability, reliability, and timeliness.

The report addresses the key sustainability issues relevant to the company and its stakeholders, as determined through a materiality analysis. Material topics were identified using a methodological approach aligned with GRI 3: Material Topics.

The information disclosed in the Sustainability Report was subject to independent limited assurance by the audit firm PKF Ltd., Belgrade, in accordance with ISAE 3000 (Revised) — International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB).

Reporting Scope

The report covers the operations of the parent company, DRENIK ND Ltd., headquartered at 69 Pančevački Put, Belgrade. Subsidiaries Drenik Ltd., Zagreb, Croatia (100%) and Drenik Hungary Kft., Szolnok, Hungary (100%) are not fully consolidated within the reporting scope for this reporting cycle. An exception applies to the GHG emissions data for the Hungarian subsidiary, which has been included to provide a more comprehensive overview of climate impacts at the Group level.

Data presented in this report pertains to the calendar year 2025, with comparative disclosures provided for 2024. This report is published on an annual basis.

For questions regarding the Sustainability Report and the reporting process, please contact the ESG Team:

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For additional information, please visit our website: www.dreniknd.com

GRI INDICATORS



GRI
**EMPOWERING
SUSTAINABLE
DECISIONS**

Statement of use	DRENİK ND Ltd., Belgrade reported on the information listed in this GRI content index for the period from 01.01. until 31.12.2025, "with reference" to GRI standards.
Used GRI 1 standard	GRI 1: Basis 2021

GRI STANDARD

INDICATOR

INDICATOR LOCATION

GRI 2
 General Disclosures 2021

2-1	Organisational details	Page 11 Page 117
2-2	Entities included in the organization's sustainability reporting	Page 7 Page 117
2-3	Reporting period, frequency, and contact point	Page 117
2-5	External assurance, Auditor's Report	Page 7 Page 127
2-6	Activities, value chain, and other business relationships	Page 14 Page 82
2-7	Employees	Page 72
2-9	Governance structure and composition	Page 21 Page 108
2-12	Role of the highest governance body in overseeing the management of impacts	Page 112
2-13	Delegation of responsibility for managing impact	Page 112
2-14	Role of the highest governance body in sustainability reporting	Page 113
2-15	Conflict of interest	Page 110
2-16	Communication of critical concerns	Page 112
2-17	Collective knowledge of the highest governance body	Page 110
2-22	Statement on sustainable development strategy	Page 4
2-23	Policy commitments	Page 34 Page 114

GRI index of content

Statement of use	DRENİK ND Ltd., Belgrade reported on the information listed in this GRI content index for the period from 01.01. until 31.12.2025, "with reference" to GRI standards.
Used GRI 1 standard	GRI 1: Basis 2021

GRI STANDARD		INDICATOR	INDICATOR LOCATION
GRI 2 General Disclosures 2021	2-24	Embedding policy commitments	Page 114
	2-25	Processes to remediate negative impacts	Page 115
	2-26	Mechanism for seeking advice and raising concerns	Page 115
	2-27	Compliance with laws and regulations	Page 113
	2-28	Membership associations	Page 19
	2-29	Approach to stakeholder engagement	Page 28 Page 88
	2-30	Collective bargaining agreements	Page 76
GRI 3 Material Topics 2021	3-1	Process to determine material topics	Page 25 Page 26
	3-2	List of material topics	Page 25
	3-3	Management of material topics	Page 40 Page 47 Page 51 Page 53 Page 54 Page 59 Page 63 Page 70 Page 82 Page 89 Page 99 Page 102 Page 114
GRI 201 Economic Performance 2016	201-1	Direct economic value generated and distributed	Page 41
GRI 201 Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	Page 45
GRI 202 Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Page 75

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Used GRI 1 standard	GRI 1: Basis 2021

GRI STANDARD		INDICATOR	INDICATOR LOCATION
GRI 202 Market Presence 2016	202-2	Proportion of senior management hired from the local community	Page 76
GRI 204 Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Page 85
GRI 205 Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Page 115
	205-2	Communication and training about anti-corruption policies and procedures	Page 115
	205-3	Confirmed incidents of corruption and actions	Page 115
GRI 301 Materials 2016	301-1	Materials used by weight or volume	Page 48 Page 49
	301-2	Recycled input materials used	Page 49
	301-3	Reclaimed products and their packaging materials	Page 48
GRI 302 Energy 2016	302-1	Energy consumption within the organisation	Page 52
	302-3	Energy intensity	Page 52
GRI 303 Water and Effluents 2018	303-1	Interactions with water as a shared resource	Page 53 Page 54
	303-2	Management of water discharged related impacts	Page 53 Page 56
	303-3	Water withdrawal	Page 55 Page 57

GRI index of content

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Used GRI 1 standard	GRI 1: Basis 2021

GRI STANDARD		INDICATOR	INDICATOR LOCATION
GRI 303 Water and Effluents 2018	303-4	Water discharge	Page 56
	303-5	Water consumption	Page 55 Page 57
GRI 305 Emission 2016	305-1	Direct (Scope 1) GHG emissions	Page 59 Page 61
	305-2	Energy indirect (Scope 2) GHG emissions	Page 59 Page 61
	305-4	GHG emission intensity	Page 61
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Page 66
GRI 306 Waste 2020	306-1	Waste generation and significant waste-related impacts	Page 62
	306-2	Management of significant wasterelated impacts	Page 63
	306-3	Waste generated	Page 64
	306-4	Waste diverted from disposal	Page 64
	306-5	Waste directed to disposal	Page 64
GRI 308 Supplier Environmental Assessment 2016	308-1	New suppliers that are screened using environmental criteria	Page 86
	308-2	Negative environmental impacts in the supply chain and actions taken	Page 86
GRI 401 Employment 2016	401-1	New employee hires and employee turnover	Page 73
	401-2	Benefits provided to full-time employees that are not provide to temporary of part-time employees	Page 75

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Used GRI 1 standard	GRI 1: Basis 2021

GRI STANDARD	INDICATOR		INDICATOR LOCATION
GRI 401 Employment 2016	401-3	Parental leave	Page 75
GRI 402 Labour/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Page 76
GRI 403 Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Page 90
	403-2	Hazard identification, risk assessment, and incident investigation	Page 91 Page 93
	403-3	Occupational health services	Page 94
	403-4	Worker participation, consultation, and communication on occupational health and safety	Page 95
	403-5	Worker training on occupational health and safety	Page 95
	403-6	Promotion of worker health	Page 95
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 91
	403-8	Workers covered by an occupational health and safety management system	Page 90
	403-9	Work-related injuries	Page 97

GRI index of content

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Used GRI 1 standard	GRI 1: Basis 2021

GRI STANDARD		INDICATOR	INDICATOR LOCATION
GRI 404 Training and Education 2016	404-1	Average hours of training per year per employee	Page 78
	404-2	Programs for upgrading employee skills and transition assistance programs	Page 79
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 80
GRI 405 Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Page 77
	405-2	Ratio of basic salary of and remuneration of women to men	Page 77
GRI 406 Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Page 78
GRI 408 Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Page 76
GRI 409 Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 76
GRI 410 Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	Page 80
GRI 413 Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Page 99
	413-2	Operations with significant actual or potential negative impacts on local communities	Page 101

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Used GRI 1 standard	GRI 1: Basis 2021

GRI STANDARD		INDICATOR	INDICATOR LOCATION
GRI 414 Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Page 86
	414-2	Negative social impacts in the supply chain and actions taken	Page 86
GRI 416 Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Page 103
	416-2	Incidents of non-compliance concerning the health and safety impacts of product and services	Page 104
GRI 417 Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	Page 104
	417-2	Incidents of non-compliance concerning product and service information and labeling	Page 104
	417-3	Incidents of non-compliance concerning marketing communications	Page 105
GRI 418 Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 116

Glossary Of Terms

OSH

Occupational
Safety and Health

CBAM

Carbon Border
Adjustment Mechanism

CO2

Carbon
Dioxide

CSR

Corporate Social
Responsibility

LTD.

Limited Liability
Company

EBITDA

Earning before
Interest, Taxes
Depreciation and
Amortisation

PEFC

Programme for the
Endorsement of
Forest Certification

ESG

Environment, Social
and Governance

EU

European
Union

FSC

Forest
Stewardship
Council

GHG

Greenhouse
Gases

GRI

Global Reporting
Initiative

HR

Human
resources

PIR

Post-Industrial
Recycled

IMS

Integrated
Management
System

ISO

International
Organization for
Standardization

IFS HPC

International Featured
Standards Household and
Personal Care

IT

Information
technologies

KPI

Key Performance
Indicators

FMEA

Failure Mode and
Effects Analysis

HSE

Health, Safety and
Environment

NO2

Nitrogen
Dioxide

NOx

Nitrogen oxides
(nitrogen monoxide
and nitrogen dioxide)

NRIZ

National Register
of Pollution
Sources

PCR

Post-Consumer
Waste

PEFC

Programme for the
Endorsement of Forest
Certification

AOx

Adsorbable
Organic
Halogens

CCIS

Chamber of
Commerce
and Industry
of Serbia

R&D

Research and
Development

SDG

Sustainable
Development
Goals

SMETA

Sedex Members
Ethical Trade Audit

SO2

Sulfur Dioxide

SOx

Sulfur Oxides
(sulfur dioxide and
sulfur trioxide)

PKF Ltd., Belgrade



*Translation of the Auditors' Report
issued in the Serbian language on July 27th, 2026*

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

TO THE MANAGEMENT OF DRENIK ND LTD., BELGRADE

Scope of Engagement

We have been engaged by the management of DRENIK ND Ltd., Belgrade ("the Company") to conduct a limited assurance engagement, in accordance with the International Standards on Assurance Engagements ("the Engagement"). The objective of this Engagement is to report on the qualitative and quantitative disclosures ("the Subject Matter") presented in the Company's Sustainability Report for the period from 1st January 2025, to 31st December 2025 ("the Report").

The Company's management is responsible for the preparation of the Report, including the collection and disclosure of all data. Our responsibility is solely to the Company's management, and it is not advisable to make financial decisions based on the information provided. Any reliance on this Report by a third party is at its own risk.

Criteria applied by Management

In preparing the qualitative and quantitative disclosures contained in the Report, the Company's management has applied the requirements of the Global Reporting Initiative Standards ("GRI Standards"), following the option of "with reference to the GRI Standards" ("the Criteria").

Responsibility of the Company's Management

The Company's management is responsible in all material respects for selecting the Criteria, and for presenting the Report in accordance with those Criteria. This responsibility includes establishing and maintaining internal control system, adequate records, and making judgments relevant to the preparation of the Subject Matter that are free from material misstatement, whether due to fraud or error.

Management is also responsible for defining the Company's obligations regarding sustainability performance, and for identifying its stakeholders and significant issues.

Auditor's Responsibility

Our responsibility is to express a conclusion about the Subject Matter based on the evidence we have obtained.

This is a translation of the original independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

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*Translation of the Auditors' Report
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INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT (Continued)

We conducted our assurance engagement in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"*. This standard requires us to plan and perform our engagement to obtain limited assurance as to whether we are aware of any material modifications that should be made to the Subject Matter for it to be in accordance with the stated criteria. The nature, timing and scope of the procedures selected are subject to our judgment, including the risks assessment of the material misstatement, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Independence and Quality Management

We have maintained our independence and confirm our compliance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). We also confirm that we have the necessary competence and experience to perform this engagement.

PKF also applies the International Standard on Quality Management (*ISQM*) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires us to maintain a quality management system that includes policies and procedures regarding ethical requirements, professional standards, and applicable legal and regulatory requirements.

Procedures Performed

The procedures performed in a limited assurance engagement differ in nature and timing from those performed in a reasonable assurance engagement. Accordingly, the level of assurance we obtained is significantly lower than what would be obtained in an engagement with reasonable assurance. Our procedures are designed to obtain a limited level of assurance on which to base our conclusion, and do not include all the evidence that would be required to provide reasonable assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance about internal controls. Our procedures did not include a full test of internal controls or the verification of data aggregation within the IT system. The limited assurance engagement primarily consists of interviews with personnel responsible for the preparation of the qualitative and quantitative disclosures contained in the Sustainability Report for the period from 1st January 2025 to 31st December 2025, and the application of analytical and other appropriate procedures.

We reviewed the Report in Serbian and consider that version to be the authoritative one. Any discrepancies with versions in other languages are a result of translation.

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INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT (Continued)

Specifically, the following procedures were conducted to provide a basis for our conclusion:

- Assessing the company's sustainability management structure and stakeholder engagement process.
- Evaluating the process used to conduct the materiality analysis in accordance with GRI criteria.
- Conducting interviews with those responsible for the Report's preparation, focusing on the preparation process, related internal controls, and the disclosures.
- Identifying the risks of material misstatement in the Report that are relevant to the GRI criteria.
- Performing analytical procedures on the qualitative and quantitative disclosures.
- Evaluating the presentation of qualitative and quantitative disclosures for conformity with the GRI criteria.
- Reviewing the GRI content index and its included references to ensure alignment with GRI standards.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe the qualitative and quantitative disclosures in the Sustainability Report for the period from 1st January 2025 to 31st December 2025, are not prepared, in all material respects, in accordance with the Criteria.

Belgrade, 27th July 2026



Bojana Rašo
 Authorised Auditor
 for PKF Ltd., Belgrade
 5/III Palmira Toljatija Street
 11070 New Belgrade

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