Annual Report 2023

Hero


NSERV
E GO DNE
E NATU

Table of contents

Click title to access section directly

Financial key figures

in CHF million	2023	2022
Net Sales	**1,220.7**	**1,206.6**
organic growth Adjusted for currency and acquisition effects	+10.9%	+12.5%
EBIT before exceptional transformation effects*	**57.8**	**40.3**
in % Net Sales	4.7	3.3
EBIT	**23.3**	**40.3**
in % Net Sales	1.9	3.3
Net Income before exceptional transformation effects	**39.3**	**26.8**
in % Net Sales	3.2	2.2
Net Income	**11.0**	**26.8**
in % Net Sales	0.9	2.2
Total Equity	**559.1**	**690.3**
equity ratio in %	46.8	52.2
EBITDA	**94.1**	**85.0**
Net Debt	**222.2**	**184.4**
Net Debt / EBITDA	2.4	2.2
Full time employees	4,151	4,131

*** Exceptional transformational one-off effects on EBIT**	**-34.5**	-
Closing of production in the factory in Lenzburg, Switzerland	-15.4	-
Closing of production in the factory in Götene, Sweden	-18.4	-
Sale of Gluten Free business in the Nordics	-0.7	-

- Baby & Toddler Food **39%**
- Natural Spreads **20%**
- Healthy Snacks **15%**
- Baby & Toddler Milk **7%**
- Specialties **9%**
- Gluten Free **2%**
- Non-Branded **8%**

- Europe **71%**
- Emerging Markets **13%**
- North America **16%**

Sustainability key figures

Our climate mitigation

[t CO2e]	FY23	FY22
Total carbon footprint (SC 1-2-3)[1]	623,214	728,103
Scope 1-2	38,921	44,466
Scope 3	584,293	683,637
SBTi performance: Absolute reduction of scope 1 and 2 GHG emissions since 2019 [%]	-31%	-22%
SBTi performance: Absolute reduction of scope 3 GHG emissions since 2019 [%]	-24%	-11%

Our sustainability progress

	FY23	FY22
Raw cocoa Rainforest Alliance certified [%]	99%	99%
Energy consumption [MWh]	265,642	288,429
Recycled content in our packaging[2] [%]	45%	46%
Employee travel reductions versus 2019	-11%	-56%

1 Data reported in 2022, restated, due to the implementation of our ESG Data Management and Carbon Accounting tool during 2023.
2 Data reported in 2022, restated due to an accounting error detected.

Our strategic initiatives

1 Sourcing and supplier partnering

Develop and scale initiatives with key suppliers, supplier performance and risk management

2 Production and transport efficiency

Production efficiencies in energy, waste and water reduction, logistics optimization footprint

3 Naturally healthy food

Advance and adjust goodness of nature commitments and sustainable packaging

4 Purposeful people

Keep our people safe, leverage talent development and build diverse and inclusive workplaces

Joint Chairman / CEO Message

2023

In 2023, we substantially improved our operational performance and made significant progress in our transformation roadmap.

Substantial improvement of our operational performance

Overall, the Hero Group grew sales, margin and profit (before exceptional transformation one-offs). We achieved an organic Net Sales growth of 10.9% in 2023, albeit in nominal terms our Net Sales grew by 1.2% to CHF 1,220.7 million. The big gap between organic and nominal sales growth was caused to a large extent by negative currency translation effects coming from a devaluation of almost all currencies against the Swiss Franc and, to a smaller extent, from the divestiture of our Gluten Free business in the UK under the brand Juvela in December 2022.

All categories contributed to our organic growth. Our Healthy Snacks category had a particularly strong year with a sales growth of 27.1% combined with a volume growth of 8.1%. Overall, we faced some volume headwinds in selective markets, many of which we compensated for through positive pricing and portfolio mix effects.

We are particularly pleased with the fact that the growth was broad based across countries. Our largest businesses in Germany, the Nordics, and the US delivered double digit sales growth for the second year in a row.

After the 2022 Gross Margin decline caused by high product cost inflation and energy hikes, we improved our Gross Margin from 29.3% in 2022 to 31.0% in the year under review, and with that we largely recovered the margin lost in the prior year. Even though the overall inflation figures cooled down in course of 2023, the impact on our product costs was once again very meaningful, driven mainly by raw materials, packaging, and also labor costs.

Giovanni Ciserani Chairman

Rob Versloot CEO

Joint Chairman / CEO Message

2023

While the huge market price inflation was partially tempered in 2022 due to existing stock levels and contracts, the full impact was felt in 2023. In this environment, we had to go for another year of significant price increases. It is a testimony to the strength of our brands that we were able to implement these price increases and in combination with efficiencies in procurement and manufacturing, we managed to recover lost margins.

With good cost control in the other operating areas, we increased our EBIT (before exceptional transformation one-offs) from CHF 40.3 million in 2022 to CHF 57.8 million in 2023. Our Net Income before exceptional transformation one-offs landed at CHF 39.3 million compared to CHF 26.8 million the prior year.

Significant progress in our transformation roadmap

Next to a strong operational performance, we made significant steps forward in our strategic transformation roadmap.

On our path to improve our supply chain efficiency and manufacturing footprint, we had to take two difficult decisions, namely the closing of our factory in Lenzburg (Switzerland) and the intention to stop production in our plant in Götene (Sweden). After a thorough evaluation, we concluded that the decisions were required to improve capacity utilization and cost competitiveness of our company going forward.

With our strategic focus on the core categories Baby & Toddler Food/Snacks, Healthy Snacks and Natural Spreads, we exited the Gluten Free category. After the divestiture of the UK business in 2022, we sold our Gluten Free business in the Nordics to Dr. Schär. This transaction was completed early January 2024.

These transformation projects triggered exceptional transformation one-off costs in the magnitude of CHF 34.5 million, predominantly asset impairments and costs related to the two factory restructurings.

Another important milestone on our transformation roadmap was reached in January 2024. With the successful go-live of our new harmonized ERP system, known internally as project PHI, at Schwartauer Werke KG, Germany, an important investment into the digital future of our company came to fruition.

Sustainability

We have worked hard to adjust our practices and ensure sustainable progress since the development of our sustainability strategy. We are taking actions to reduce the environmental impacts of our operations, including the areas that are hardest to decarbonize.

Our sustainability strategy has led to real change in how we manage our business, putting in place structures, processes and projects that will allow us to move towards our goal of becoming a net zero carbon business.

In addition to our focus on the planet, we aim to do the right thing for our products and people, too. This means reviewing our recipes and ingredients to build up the nutritional profile of our products to meet our consumers' desire for healthy snacks and meals. It also means taking good care of the people who work for us, and the communities within which we operate.

People

Hero is a multinational company with thousands of people working in different manufacturing sites and offices, but we strongly believe in 'One Hero': one company working together as one team towards one shared mission.

Our new global People & Culture Strategy was agreed in June 2023, and we are supporting all our entities to work well together to deliver better results and better customer service.

Our people are at the heart of our business. In spring 2023, we asked them to tell us how we were doing, and we are now acting on their feedback. We do this because we value their work and commitment to the company.

This is also why we would like to express our gratitude for the work they carried out in 2023 and continue to do beyond.

Joint Chairman / CEO Message

Outlook

We will continue to pursue **our strategic transformation** path in 2024 and beyond to a company:

- **Focused on its core categories** Baby & Toddler Food, Healthy Snacks and Natural Spreads, where we have a strong right to win. The share of core categories shall further increase from 73% of Net Sales in 2023 to ≥ 90% by 2027.
- With an **efficient supply chain footprint** and capacity utilization.
- Dedicated to a **comprehensive sustainability agenda** fully embedded in our business functions from supply chain to innovation.
- Enabled by **digitalization leading to state-of-the art business processes and systems**.

The implementation of this transformation has led to and will continue to trigger important decisions and measures, including:

- Divestitures of non-core business segments (e.g. Gluten Free category effective in 2024) as well as potential acquisitions in our core categories.
- Optimization of our supply chain footprint and excellence, including the closure of our factories in Lenzburg and Götene by the end of 2024.
- Investments into sustainability and our digitalization roadmap, including the further roll-out of our digital backbone PHI (new ERP platform) to more countries after the successful Go-live in Germany in January 2024.

We are convinced that this transformation will bring Hero into an even stronger position in the future with a more robust and resilient business model, higher growth potential, more efficient cost structures as well as elevated margins and profitability.

For 2024, we expect the economic and geopolitical environment to remain challenging. In many markets, labor cost inflation will make it difficult to return to low inflation target numbers. Supply chain efficiencies are needed to mitigate this cost inflation pressure. We have taken action with the announced factory restructurings in Lenzburg and Götene, which are important elements to capture such efficiencies. Based on our strong market positions, fueled by a strong operational performance momentum in 2023 and with a more focused business operation in 2024, we are confident to deliver profitable growth in 2024.

Sincerely,

Giovanni Ciserani
Chairman Board of Directors

Rob Versloot
Chief Executive Officer

01 Company information

Some call us a food manufacturer. For us, it is Mother Nature who makes food – all we do is conserve the goodness for our consumers. Hero is a melting pot of people from different geographies, with varying opinions and ways of working. Our values and shared mission are the social glue that bind all us together, making One Hero.

We operate predominantly in three core categories – Baby & Toddler Food / Snacks, Natural Spreads, and Healthy Snacks. For nearly a century and a half, we have been nature lovers with one aspiration; to delight consumers by conserving the goodness of nature.

Find out more about our history »

02 Financial report

03 Sustainability report

Our mission, vision, and strategy

Our mission

The world today is different from the one that existed 10 years ago, and nothing like what it was when Hero was founded. Since the first day, our company has been on a journey, and while the wording may have changed, the mission has always been **to delight consumers by conserving the goodness of nature**. It's what we do and what we are good at.

Bringing nature into people's homes in consumer relevant and convenient packaging is our core business. We want to ensure that the food we offer is the best in terms of quality, using the best natural ingredients while minimizing processing. We continuously ask ourselves the question: how can we delight consumers and create preference for our products and brands?

We believe in the following principles:

- Ensuring our products bring enjoyment and delight consumers through naturally great taste
- Having superior natural products that communicate goodness, nature, and homemade
- Using sustainable and responsible sourcing
- Minimizing the use of artificial additives
- Focusing on nutritional and healthy brands
- Building consumer and shopper understanding
- Innovating our processes, products, and packaging for the future

Mission, vision, and strategy

Our vision

One Hero, one future

At the end of 2017, we launched our Power of One change initiative that seeks to bring together all our businesses and talent. With more integration and collaboration, we can better leverage the collective capabilities of the Group. This is our new, more integrated way of working.

Now, we are taking the next logical step and moving even closer together through our new vision: One Hero. The Hero Group has launched this updated vision to prepare the company to address the challenges of tomorrow.

The updated vision comes at the tail end of a decade-long journey that has taken us from a decentralized company to one that is integrated and focused on achieving the same goals and mission by following the same set of values.

Today, we have a focus on core categories, have centralized Group resources, introduced many processes, and learnt how to work together as one, with country organizations, category organizations, and so forth. We have multiple brands in the same country, clearly leveraging different brands and categories from other countries.

Working as One Hero will ensure the company is future-proof and ready to face challenges and welcome opportunities to deliver on our goals.

Our strategy

Our company strategy is the blueprint through which we implement our mission, the overarching ideal that drives everything we do. It is the tool that allows us to have a razor-sharp focus on where we want to go, and provides us with guiding principles of how we can get there.

Our purpose-led strategy provides clarity on our targets and our choices on where to play and how to win. It aligns all our global activities, our portfolio, and our brands with the final aim of achieving sustainable profitable growth in the long term. Our focus now is on execution.

A category-led organization

In 2022, we moved to a category-led organization in which Categories are responsible for the definition of our business strategies, the end-to-end decision making on portfolio, and our supply strategy, including decision-making on our manufacturing footprint.

Mission, vision, and strategy

In this new set-up, our local commercial organizations will continue to drive in-market success by executing and delivering agreed business strategies. To do this, they will up their focus on the go-to-market (GTM) strategies and execution, and drive sales and marketing excellence.

A separate Supply Chain Excellence function – which includes Quality, Procurement, Planning, Logistics and Manufacturing Excellence – will strongly drive operational excellence and implement streamlined, best-in-class processes.

These decisive steps will allow us to future-proof the company by building scale through focus as a branded category specialist. The changes are a natural evolution and acceleration of the existing strategy with planned growth in the core and an optimized supply chain.

Strengthen our focus

At Hero, we aim to drive organic growth of our core categories, namely Baby & Toddler Food / Snacks, Natural Spreads, and Healthy Snacks, supported by our business in Baby & Toddler Milk and Specialties. We do so by increasingly aligning the portfolios of our core categories to our mission 'to delight consumers by conserving the goodness of nature', and by focusing our central and country organizations on these business. Next to this, our business development agenda is targeted at increasing the weight of our core categories in our total Group sales.

Sustainable profitable growth

Our strategy is aimed at increasing our sales every year, especially in core categories, over the next years. Gross Margin focus remains important, as is increasing the share of core categories in our Group to around 90% or more of total sales.

Supply chain footprint

Becoming ever more efficient in our supply chain will make it easier for us to become more competitive in the market and increase our Gross Margin. We are moving away from locally focused operations to a category-organized and integrated end-to-end supply chain. We are building on local pockets of excellence and integrating them into our collective knowledge to be shared across the organization. Doing this will help accelerate our efficiency programs both in procurement and operations, and will allow us to enhance our foundations such as sustainability, quality and health, and safety much faster.

We have also started working on the footprint of our supply chain organization. In October 2023, we announced the closure of our jam production facility in Lenzburg, Switzerland, and are moving and combining this with our jam production plant in Murcia, Spain. It is one step towards ensuring we have adequate utilization rates wherever we produce.

Our values

After an inclusive process involving around a quarter of our people, the Hero Group introduced a set of four values across the company.
The values reflect the company today and the company we want to build in the future. The Hero values are Create wow, Everyone Hero, Nourish others, and Take responsibility.

Values are at the heart of who we are as people and they guide how we behave. They play a critical role in connecting us especially considering how we exist as a grouping of multiple companies in different geographies with different ways of thinking and acting. They are the social glue that binds all of our differences together.

Create wow

We dare to do things differently, seek to always win with consumers and customers, and endeavor to be forever relevant and vital to our world. It's about Curiosity, Innovation and Consumer/Customer Focus.

Everyone Hero

We work together in pursuit of our common mission and strategy, strengthening our local businesses by leveraging the power of the collective. It's about Purpose, Performance and Teamwork.

Nourish others

We treat everyone with honesty, care and respect and provide our people, customers and consumers with what they need to thrive. It's about Honesty, Empowerment, Respect and Diversity.

Take responsibility

We make good choices today to build a more sustainable business and environment fit for the needs of tomorrow. It's about Sustainability, Ownership, Heritage and Quality.

Our categories

Everything we do starts from a simple premise: to delight consumers by conserving the goodness of nature, from the youngest to our seniors. This is what drives our product development, and which is also why we are focusing on three core categories.

Baby & Toddler Food / Snacks, the largest category of the Group, provides our younger customers with nutritious food and healthy, tasty snacks.

Our **Natural Spreads** includes jams, honey and more, while the trend towards snacking has seen our **Healthy Snacks** category go from strength to strength.

Our core categories are complemented by our **Baby & Toddler Milk** category where we offer a range of infant formulas, and our **Gluten Free** products. The year under review was the last in which we were active in this category as we have divested all of our Gluten Free interests in the UK and Nordics. We also have **Specialties** that includes specific local offerings.

Our categories

Baby & Toddler Food and Snacks (BTFS)

Our Baby & Toddler Food / Snacks category comprises a range of different brands all seeking to do the same two things: provide naturally nutritious products and help babies and toddlers develop good eating habits.

Eating should be a pleasure – for both parent and child – and we want to help cement a positive, healthy, and happy relationship with food.

Our range covers cereals, meals, and snacks of the highest quality. All are adapted to babies' and toddlers' requirements from weaning onwards.

Naturally nutritious

As you would expect, staying as close to nature as possible is our driving ambition. We choose high quality, baby-food-grade ingredients, avoid adding salt and sugar, and use no artificial flavors, colors, or preservatives. We then apply the barest minimum of processing under the strictest quality control. 57% of our products are organic and 65% % of our infant cereals contain whole grains.

We are always looking for ways to improve the nutritional profile of our products: 96% of our pureed products are now without starch and 92% are without fruit concentrate. This year, we also relaunched Sunar Cereals, adding more whole grains and completely removing both palm oil and sugar.

Our categories

Developing healthy habits

Parents rely on us to help them cement positive eating habits from their child's first taste experience. A varied diet is important to health, and we know that the more fruit and veg a baby tries in those early months of introducing solids, the more likely they are to grow up enjoying a variety of flavors, textures, and ingredients.

In 2023, we introduced delicious new toddler pouches which contain fruit puree and over 30% vegetables. In the Netherlands, this product was branded Organix Veggielicious and, in the Czech Republic and Slovakia, we are using Sunar 'Smícháček'. Both ranges are made with 100% fruit and vegetables and with no added sugar.

Baby meals inspired by planetary health diet

Protein is a key nutrient in the development of babies. Based on our thorough nutrition research and following the planetary healthy diet principles, we have improved our meals portfolio by increasing the legume content and reducing meat while ensuring the protein quality. Half of our meals now follow the planetary health principles.

In the second half of 2023, we introduced a new Semper Eko range in the Nordics and are extending parts of the portfolio to Spain (under the Hero Solo Bio brand) and the Czech Republic (under the Sunar brand). The new products use recipes that balance protein sources with a mixture of animal protein and legumes. Lentils, peas, beans, and chickpeas have excellent nutritional profiles as well as great taste and texture, and the new products were well received.

Overall, 56% of our BTF meals now contain at least 40% vegetables and legumes.

Our categories

Baby & Toddler Snacks

Through our innovative range of baby and toddler snack products, we aim to set new standards in the baby food category, with flavors and textures that spark smiles for parents and little ones This segment continues to grow, and we are responding to that demand with new lines. We are also creating more snacks for slightly older children meaning that as they start to choose for themselves, they can enjoy fun and tasty products that are healthier and nutritionally balanced.

During 2023, we introduced a number of new snack products under the Organix Kids brand, including Crunchy Waves, a chickpea-based snack in three flavors, and Crispy Red Apple Chips, an organic snack made from 100% fruit. We also reformulated and relaunched the range of Oaty bars, making them lower in sugar, higher in fiber, and under 100kcal meaning they are now categorized as non-HFSS in UK (high in saturated fat, sale and sugar).

Our categories

Guided by science

In order to maintain our leading position in key markets, we remain dedicated to staying at the forefront of new technologies, innovations, and consumer trends. Leveraging our extensive expertise in infant nutrition, we continually refine our recipes, striving to offer the highest quality products.

Over the past years, we have embarked on five pivotal projects outlined in our research agenda, collaborating with five universities and collaboration centers. Two of these projects are specifically geared towards sustainable nutrition, aiming to develop healthier and more sustainable products. The remaining three projects focus on crafting foods and snacks that strike the perfect balance between taste, healthiness, and naturalness, and also enhancing Baby Food Quality credentials to fortify our external reputation for naturality.

As part of our commitment to bridging academia and industry, two PhDs were successfully completed through industry/academic collaboration, resulting in two impactful doctoral theses. One delved into the optimization of food processing, while the other explored innovation and reformulation of snacks, shedding light on the aspects of healthiness and naturalness in snacking products.

Our dedication to advancing scientific knowledge is further evidenced by our contributions to four papers published in peer-reviewed journals. These papers cover a range of topics, including the perception and effects of food processing on healthiness and nutritional quality and naturalness in biscuits. In 2023 alone, our research garnered over 300 citations, underscoring the impact of our work.

Performance

In 2023, we reported an organic growth of 8.2% despite a drop in volume. This category is by far the largest of the Hero Group and made up 38.8% of total Net Sales.

38.8% of total Net Sales of the Hero Group

Our categories

Healthy Snacks

The snacks market continues growing strongly. The rigid structure of three large meals a day is increasingly being replaced by the trend of 'snackification' – eating a series of smaller meals and larger snacks across the day. Another growing trend is the desire to take care of our bodies and make healthy choices. Our portfolio targets the intersection of these trends with our range of snack bars.

We see the strongest growth in protein and aim to capitalize on that with our four new Corny Real Protein subranges, launched in early 2024. The four new ranges – Protein Sandwich Bars, Protein Power Bars, Soft Protein Bars, and Crunchy Protein Bars – offer a variety of textures and price points, allowing us to meet the demands of a broad consumer base. In line with our increasingly global product strategy, the launch of the Corny Real Protein portfolio will be our first global product release, with the same products available in all our markets at the same time.

Another area of rapid growth is what we term 'Wholesome Goodness' – products consisting of naturally valuable and tasty ingredients such as nuts and fruits. Our Corny Nuts&Choc range of bars proved very popular in Spain and the Netherlands, and has now been launched in other markets. We will be launching further ranges in the Wholesome Goodness territory in 2024.

Our categories

'Sweet Substitutes' continue to drive the majority of our sales. These offer consumers a healthier alternative to reaching for high sugar treats when they crave something sweet. We are working on reducing sugar across the base range and conducted extensive recipe testing during 2023 to determine how much sugar we can remove before there is a negative impact on taste. We also offer products that are free from added sugar by replacing it with sugar alternatives.

Performance

Category growth was strong in all regions during 2023. We are the market leader in Germany and are seeing strong growth in regions that have made a shift towards snacking more recently. Denmark is now our second strongest market – coming from almost nowhere 5-7 years ago – and Sweden saw triple digit growth over the last year.

Our multi-channel strategy continues to serve us well. While supermarket retail is still our main channel, our biggest growth has come from out-of-home retail, drug stores and eCommerce.

Similar to 2022, the Healthy Snacks category reported a strong 27.1% organic growth in the year under review. Net Sales for this category reached CHF 180.9 million, making up 14.8% of the total for the Group. Volume was also up 8.1%.

27.1%
organic growth

Our categories

Natural Spreads

As it has been for over 135 years, our mission is to conserve the goodness of nature while offering people a wealth of delicious tastes. To achieve this, we source the best quality fruits from trusted growers with whom we have longstanding relationships, and then we process it as minimally as possible.

A challenging market

Over the last year, the rising cost of our inputs – fruit, sugar, jars, and the energy to run our factories – forced us to raise our prices just as our consumers are feeling the pinch. We noticed that there was a migration to the lowest cost offerings in our category, typically a supermarket's own brand spreads. As a result, sales volume decreased in the year under review while sales value improved slightly.

Improving efficiencies

In this more challenging environment, we are redoubling our focus on efficiency to remain as competitive as we can. We currently sell a high number of SKUs – half to consumers, and half to the food service industry – as every market has its own unique brands and particular recipes. One opportunity comes from gaining synergies across our portfolio, produced in our European hubs.

Another opportunity for efficiency is streamlining our production processes. We intend to consolidate our production to take better advantage of economies of scale. In 2023, we decided to close our site in Switzerland where we produce small portion products such as mini glass jars and aluminum single portions with a peeling lid, typically used in food service. We will move this volume to our site in Spain which is currently being retooled to accommodate the new requirement.

Our categories

Better for you

The consumer trend for products which are 'Better For You' remains strong. Accordingly, we can benefit from our earlier efforts to create low and no sugar offerings as they are now performing strongly.

We have seen strong growth in the area of 'Less Sugar', particularly in Germany, and have even added another range with 'SAMT Less Sugar'. Also, our launches of 'No Sugar', such as Schwartau's Extra Zero range in Germany or ZERO in the Netherlands, are performing better than we expected. In parallel, we have entered another 'Better For You' segment in Spain under the brand '100%' only sweetened with fruit juice. We will introduce this to the Swiss market in early 2024 too.

Performance

Our Natural Spreads category generated 19.8% of our Hero Group sales in the last financial year, selling to 11 countries in Europe directly and exporting to more than 40 countries around the world.

This category saw sales increase by 6.6% compared to the previous year with sales of CHF 242.0 million. Volume declined in the year under review.

19.8%
of total sales of the Hero Group

Our categories

Specialties

Baby & Toddler Milk

Our milk formulae are inspired by breast milk following the latest scientific evidence so when, for whatever reason, breastfeeding is not possible, we can provide parents with an accessible, high-quality alternative for their baby.

We produce Baby & Toddler Milk for European, MEA, and Chinese markets under a range of brands, including Hero Baby, Semper, and Sunar.

80 years of studying and learning from nature

While infant health is our priority, we care about the health of our planet too. None of our formulae that contain milk fat contain palm oil. We also recognize that the dairy industry is a major contributor to food-related carbon emissions and aim to work with suppliers who adopt sustainable approaches.

Innovations

In the last financial year, we introduced several new lines. In the Czech Republic and Slovakia, we introduced Sunar Sensitive, a milk enriched with probiotics. Production began at the end of 2023, ready for launch in early 2024.

We will introduce a similar product – SensiPro – to the Chinese market in early 2024. Among other important ingredients, this milk contains a unique combination of probiotics and selected human milk oligosaccharides (2´FL).

Also in China, we have introduced a new Semper milk enriched with wholegrain oat that is aimed at older children aged three to 10. The unique recipe of the SmartGrow milk contains three types of protein and is rich in important ingredients for healthy growth and development. Following a promising launch, we are now exploring the possibility of introducing this kind of kid's milk under other brands.

Our most advanced innovations also contain milk fat with MFGM (milk fat globule membrane), one of the most important nutrients naturally present in breast milk which plays a crucial role in a baby's immune system, brain, and cognitive development. They have been developed thanks to over 80 years of studying and learning from nature to ensure babies have a good start in life.

Performance

In 2023, the BTM category made up 6.7% of total Hero Group sales, up/down from 8.2% in 2022. The total sales value of the category was CHF 81.8 million, with an organic growth of 0.4%.

6.7%
of total sales
of the Hero Group

Our categories

Gluten Free

Gluten Free has been a part of the Hero Group portfolio for many years, offering great tasting gluten-free alternatives for people who are diagnosed with coeliac disease, are gluten-intolerant, and for gluten-sensitive consumers.

Our products include a large variety of breads, breakfast cereals, pastas, cookies, biscuits, and flour mixes for all types of cooking and baking. We develop tasty food that makes consumers feel good.

In 2022, the Hero Group decided to focus on its core categories and exit the Gluten Free market. In December that same year, the Group divested its UK-based gluten-free company Juvela to S-Ventures plc as part of the company's long-term strategy. In 2023, the Hero Group sold its Semper Gluten Free business in the Nordics to Dr. Schär, effectively exiting the category altogether.

Sales in 2023 for the Gluten Free category stood at CHF 28.5 million with an organic increase of 7.3%. This category made up 2.3% of the total Group sales.

2.3%
of total sales
of the Hero Group

Specialties

The Hero Group product portfolio includes specialized products for niche markets. This section includes products such as gastronomy, local offerings, and co-packing.

9.3%
of total sales
of the Hero Group

The total sales in this category made up 9.3% of the Group total, or CHF 113.0 million, registering an organic growth of 2.7%.

Regional footprint

Europe remains the largest sales area for the Hero Group, accounting for 70.9% of total company sales, a slight increase from the previous year. Sales in Europe were up 6.6% compared to 2022, reaching CHF 866.1 million.

The share of sales in North America rose again to 16.1% from 15.7% in 2022. The region still maintains its position as the second largest for the Hero Group. Our North American sales for the Group reached CHF 196.7 million in 2023.

Emerging Markets, which include Brazil, China, Egypt, Russia, and Turkey, made up 8.8% of Net Sales, down from 9.7% in 2022. Sales in the regions totaled CHF 107.9 million. Global Export contributed CHF 49.9 million in Net Sales in 2023, up from CHF 46.1 million the prior year.

In terms of production, the Hero Group has its own facilities in Brazil (Itatiba, SP), Egypt (Cairo), Germany (Bad Schwartau), Spain (Alcantarilla), Sweden* (Götene and Korsnäs), Switzerland* (Lenzburg), Turkey (Ankara), and the US (Amsterdam, NY). Furthermore, the Group relies on external production and co-packers to produce its products. These include facilities in Belgium, Denmark, France, Germany, Italy, the Netherlands, North America, South America, Spain, Switzerland, and the UK.

6.6% increase of sales in Europe

* The Hero Group is stopping production in its plants in Götene (Sweden) and Lenzburg (Switzerland) in 2024, and divested its production plant in Korsnäs early January 2024.

Corporate governance

Principles

The Hero Group's fundamental business principle is to offer healthy, high-quality products to our consumers, create long-term success for our owners, and ultimately create value for society. In this regard, the Hero Group is committed to modern corporate governance principles. Hero's corporate governance regulations are oriented towards the recommendations of the Swiss Code of Best Practices for Corporate Governance 2022 issued by economiesuisse, in addition to the provisions set out by Swiss law.

The Hero Group's principles on corporate governance are mainly set out in the companies' bylaws, the organizational rules, the Code of Conduct and process manuals. Hero expects its employees to act with integrity, loyalty and honesty, to take responsibility for the environment, and act in full compliance with all applicable laws. Unless otherwise indicated, the following information on corporate governance relate to conditions on the balance sheet as at December 31, 2023.

Corporate governance

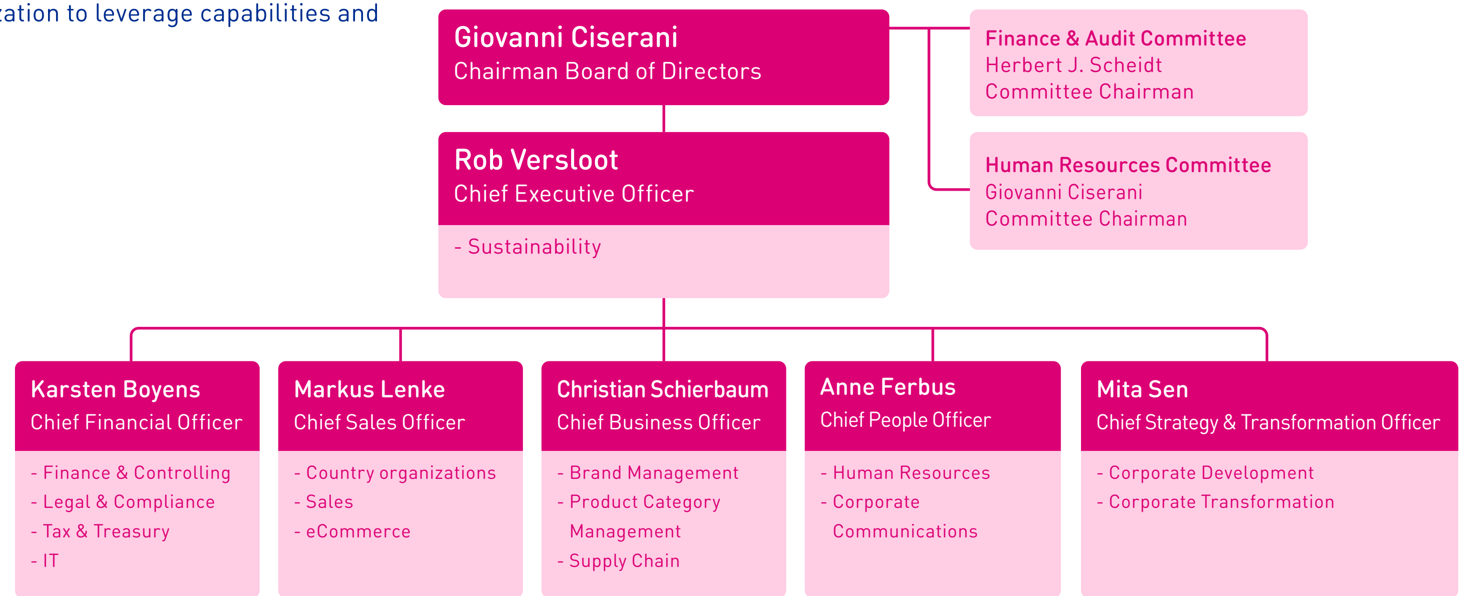
Group structure

Hero AG is the legal parent entity for the Hero Group. It comprises the headquarters functions as well as the Swiss business operations. The companies belonging to the Hero Group are listed in note 32 (page 153) of the consolidated financial statements.

The Hero Group is organized in a matrix. The Group Executive Board members cover the overall responsibility for the operations and individual functions, and the company general managers have performance responsibility for their regional cluster and/or countries. The Hero Group's business function is driven by a product category-led organization to leverage capabilities and drive efficiencies.

In the course of 2023, Anne Ferbus joined the Hero Group as the new Chief People Officer.

The chart below shows the organizational structure of the Hero Group as at December 31, 2023



Corporate governance

Shareholders and capital structure

Shareholders

Schwartau International GmbH, Bad Schwartau, Germany, holds 99.0% of the share capital of Hero AG*. The Dr Arend Oetker family, Germany, is the ultimate shareholder of Schwartau International GmbH, Bad Schwartau. A total of 0.5% of the share capital is held by Executive Board members in relation with the long-term incentive plan, and the remaining 0.5% of the shares are held as treasury shares by the company.

Leopold Oetker, member of the Board of Directors, represents the Oetker family's interests on the Board of Directors.

Share capital

The share capital of Hero AG has remained unchanged and consists of 6,213,272 fully-paid registered shares with a par value of CHF 10.00 each. Each share carries the right to one vote. All registered shares except for treasury shares held by Hero AG are eligible for a dividend. No preferential rights exist.

Contingent capital

As of December 31, 2023, the share capital may be increased through the issuance of a maximum of 938,328 fully paid registered shares with a par value of CHF 10.00 each. The contingent share capital is available for the exercise of any rights

in connection with convertible and other bonds as well as in connection with option rights of the Executive Board members related to the long-term incentive plan (refer to section Board and management compensation on page 42).

As of December 31, 2023, there were no convertible or other bonds with the right to acquire shares in Hero AG.

Hybrid capital

On May 30, 2023, the Hero Group issued CHF 140 million Perpetual Callable Subordinated Bonds on the Swiss Capital Market. The listed bonds do not have a maturity date and Hero AG has no obligation to redeem the underlying nominal amount at any future date.

* Hero AG is the legal entity for the Hero Group. Both names are used interchangeably in this section.

Corporate governance

The bonds bear a coupon of 5.0% for which there is no obligation to pay for Hero AG unless Hero AG distributes a dividend to their shareholders or re-purchases share capital. In case Hero AG does not redeem the bonds by July 5, 2028, the coupon will increase by applying the five-year SARON compound mid swap market rate and adding 3.3575% and an additional mark-up of 250 basis points.

The bonds are subordinated obligations to all of Hero's present and future unsubordinated debts.

Limitations on transferability

The transfer of shares of Hero AG are subject to the approval of the Board of Directors. The Board of Directors may refuse to recognize an acquirer of shares as a shareholder.

Board of Directors

Internal organization

The Board of Directors convenes its own meetings at least four times a year. The Board of Directors has delegated individual tasks to two sub-committees; the Finance & Audit Committee and the Human Resources Committee, both of which analyze specific issues in more depth on behalf of the board. The Board of Directors elects the chairman and the members of the two sub-committees from the directors sitting on the board. At each Board of Directors meeting, the chairmen of the sub-committees inform the members about the issues dealt with by the sub-committees and any corresponding resolutions.

The main responsibilities of the Finance & Audit Committee include the monitoring and the assessment of the company's financial situation, the dividend policy, the integrity of financial statements, risk management, internal controls in financial reporting, and the effectiveness and independence of the external audit firm. It also observes compliance requirements with norms and regulations, and assesses capital market transactions, including the financing of mergers and acquisitions.

Within this mandate, the FAC monitors and ensures the company's compliance with non-financial reporting as well as human rights and supply chain due diligence requirements. Please refer to pages 191 & 192 where Hero reports on compliance with Swiss Code of Obligations Par. 964.

Corporate governance

The Finance & Audit Committee meets at least twice a year. In the year under review, the Finance & Audit Committee met five times.

The Human Resources Committee mainly reviews and proposes the compensation system and remuneration for the Executive Board, vice presidents, and general managers of the subsidiaries. It proposes the composition and changes of the Executive Board to the Board of Directors and reviews the organization structure and personal development programs. A total of five meetings were held during 2023.

Board of Directors Members	Function	Nationality	Committee membership*	Initial election	Term expires
Giovanni Ciserani	Chairman	Italian	HRC	2017	2024
Herbert J. Scheidt	Vice-Chairman	Swiss/German	FAC, HRC	2010	2024
Dr Hagen Duenbostel	Member	German	FAC	2012	2024
Leopold Oetker	Member	German	FAC	2016	2024
Margaret Versteden	Member	Dutch	HRC	2019	2024

* FAC: Finance & Audit Committee, HRC: Human Resources Committee

The Hero Group Board of Directors and Executive Board are separate decision-making bodies with distinct functions and responsibilities.

All members of the Hero Board of Directors are non-executive members who were not a member of the Hero Group management or the management team of one of the subsidiaries in the last 10 years.

The members of the Board of Directors are elected as a group at the Annual General Meeting for a period of two years. The company statutes foresee that the Hero Board of Directors consists of three to seven members. Members of the Board of Directors whose term has expired are eligible for re-election.

In general, there is an age limit of 70 years for members of the Board of Directors. Members of the Board of Directors must step down from the Hero Group Board of Directors at the Annual General Meeting following their 70th birthday. However, the member may be reelected by the shareholders at the annual shareholder meeting.

The Members of the Board of Directors may hold a maximum of six other mandates in Swiss-listed entities. Otherwise, there is no restriction in terms of election or number of mandates.

There were no changes in the composition of the Board of Directors of Hero AG in 2023. The Board of Directors consists of Giovanni Ciserani (Chairman), Herbert J. Scheidt (Vice-Chairman), Dr Hagen Duenbostel, Leopold Oetker, and Margaret Versteden.

left to right:

Herbert J. Scheidt | Dr Hagen Duenbostel | Margaret Versteden | Leopold Oetker | Giovanni Ciserani

Corporate governance

Responsibilities between the Board of Directors and Executive Board

The Board of Directors is responsible for the overall direction of the company, including the supervision and control over the executive management in accordance with Art. 716a of the Swiss Code of Obligations.

The Board of Directors defines the strategic goals, the means to achieve these goals, and the people dealing with the operating management of the company. This includes the strategy for ESG (Environmental, social and governance) including the monitoring of its implementation.

It has delegated all operative management functions to the Executive Board with the exception of those tasks assigned to other bodies as prescribed by law and the articles of incorporation. The Board of Directors has detailed the responsibilities and authorities of the Executive Board in the company's organizational regulations.

For further description of the Executive Board members' responsibilities, refer to page 39.

Information and control instruments relating to the Executive Board

The Hero Executive Board members participate in every ordinary board meeting. The Hero Board of Directors is informed about current business developments, the financial situation, key business events or transactions, and any measures that have been implemented by members of the Executive Board at every meeting.

In addition, every member of the Board of Directors may request additional information about business matters and developments from the Chairman or the members of the Executive Board at any time.

Depending on the agenda of the business visit, delegations of the Board of Directors accompany the Executive Board during business reviews of subsidiary companies.

Corporate governance

Giovanni Ciserani

Chairman of the Board of Directors

Career history

Giovanni Ciserani joined the Hero Group Board of Directors in 2017 and took on the role of Chairman of the Board of Directors in March 2019. He also holds the chair of the Group's Human Resources Committee.

Verona-born Ciserani worked his way up the ranks at P&G to become one of the company's top executives. Educated at the prestigious Bocconi University in Milan, Italy, where he was nominated Alumnus of the Year in 2014, Ciserani spent his entire career at P&G, where he worked for more than 30 years. He retired from P&G at the end of 2018. His last position was as Sector Group President Global Fabric and Home Care, Global Baby and Feminine Care, P&G.

Other mandates

Giovanni Ciserani also serves on the Board of Angelini Holding.

Herbert J. Scheidt

Vice-Chairman of the Board of Directors

Career history

Herbert J. Scheidt is Vice-Chairman of the Hero Group Board of Directors. He holds the chairmanship of the Group's Finance & Audit Committee and is a Member of the Human Resources Committee.

Scheidt obtained a BA and an MA in Economics from the University of Sussex (UK) and an MBA from the University of New York. He was Chairman of the Vontobel AG Board of Directors from 2011 to April 2022, before which he served as the bank's CEO. Prior to that, he worked for Deutsche Bank AG in various senior roles for two decades from 1982, culminating with his appointment as CEO of Deutsche Bank (Schweiz) AG in 2001.

Scheidt mandated as Chairman of the Board of Directors of the Swiss Bankers Association and as Vice-Chairmanship of the Board of economiesuisse, both until September 2021. He acted as Member of the Board of the Zurich Chamber of Commerce until July 2022 and as Vice-Chairman of the Board of Directors of the SIX Group AG (Zurich, Switzerland) until May 2023.

Corporate governance

Other mandates

In addition to the Hero Group, Scheidt is also Member of the Executive Committee of the Chamber of Commerce Germany-Switzerland (Zurich), Member of the Presidium of the German Council for Foreign Relations e.V. (DGAP), and Member of the Board of Trustees of the Ernst von Siemens Music Foundation.

Dr Hagen Duenbostel

Member

Career history

Dr Hagen Duenbostel joined the Hero Board of Directors in 2012 and is currently a Member of the Hero Finance & Audit Committee.

Dr Duenbostel holds an MBA in Business Economics from the universities of Regensburg and Passau in Germany, and obtained his doctorate from the University of Göttingen, Germany.

Until December 2022, he was CEO and Executive Board Member of KWS SAAT SE & Co. KGaA, a provider of agricultural seed based in Einbeck, Germany. He joined KWS in 1998 and held various roles until he took over as CFO in 2003. He began his professional career in auditing at PricewaterhouseCoopers AG in 1995.

Other mandates

Since November 2022, Dr Duenbostel has been Chairman of the Audit Committee of the Max-Planck-Society for the Advancement of Science e.V. (MPG). He is a Member of C.H. Boehringer Sohn AG & Co. KG Advisory Board in Ingelheim, Germany.

Corporate governance

Leopold Oetker

Shareholder / Member

Career history

Leopold Oetker joined the Hero Board of Directors in 2016. Since March 2019, he has been a member of the Hero Finance & Audit Committee.

Oetker successfully completed his studies in Culture Studies and History in Berlin and Copenhagen.

He undertook a two-year international business development traineeship at the Hero Group's former partner Yildiz Holding, and worked at the Istanbul Foundation for Culture and Arts. He is involved in charitable work, helping underprivileged children in his hometown Berlin, Germany.

He has taken an active role in formulating and promoting the Hero Group's sustainability commitment.

Other mandates

In addition to the Hero Group, Leopold Oetker joined the Board of Dr Otto Suwelack Nachf. GmbH & Co KG in 2020. In 2022, he joined the Advisory Board of Digimind GmbH.

Margaret Versteden

Member

Career history

Margaret Versteden joined the Hero Board of Directors in March 2019 and is a Member of the Human Resources Committee.

Versteden holds a Bachelor's degree in Business Systems (IT) from Monash University in Melbourne, Australia, and an MBA from INSEAD, France.

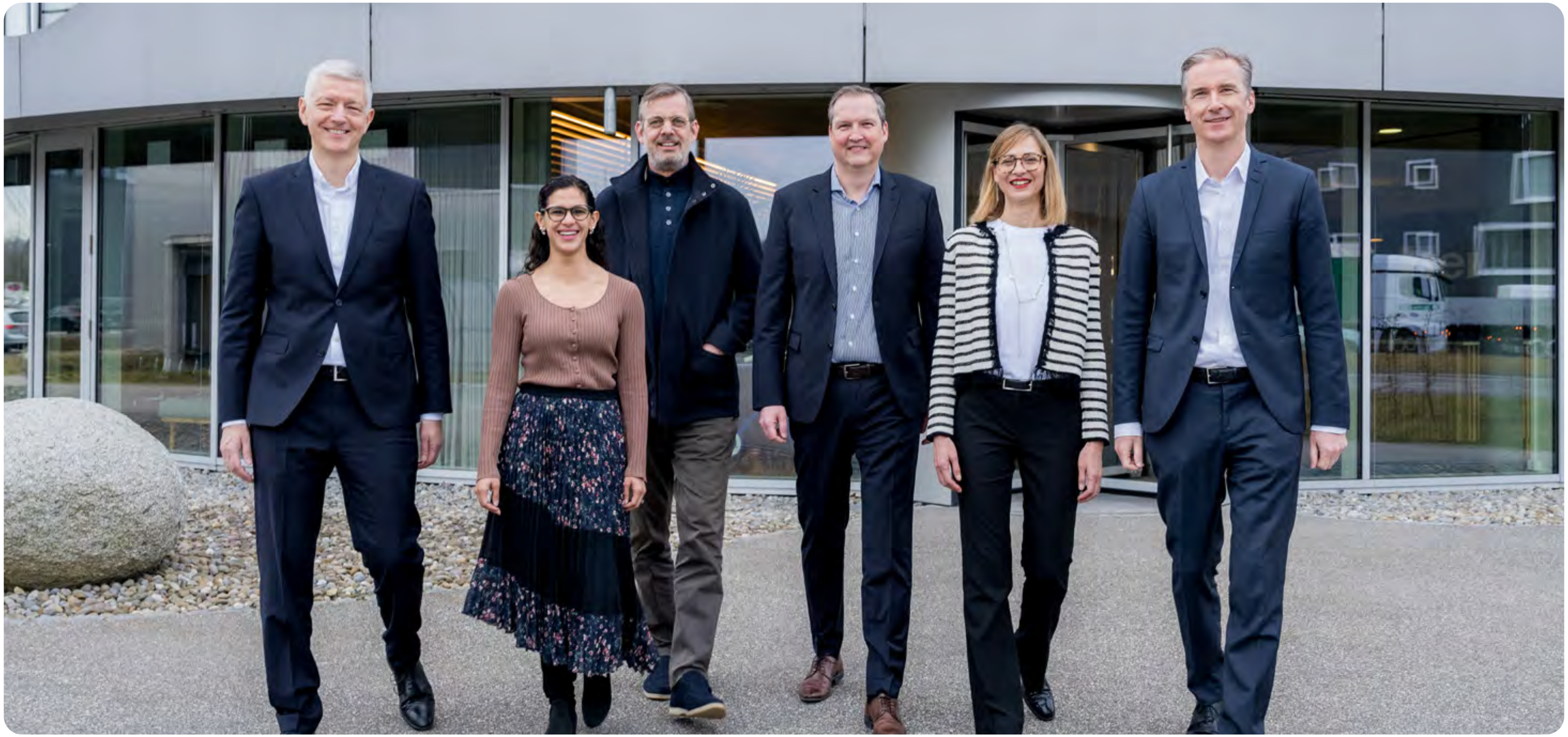
She is currently Chief Executive Officer of bol.com, the leading retail platform in the Netherlands and Belgium. Versteden joined bol.com from Bain & Company, where she was a managing partner, specializing in FMCG, retail, and eCommerce. Prior to this, Versteden also worked at Nike as General Manager for Central and Northern Europe, and as strategy consultant at BCG in Australia, Southeast Asia, and Europe for eight years.

Other mandates

Versteden has no other significant mandate beside her role as CEO of bol.com and the Board of Directors mandate at the Hero Group.

Corporate governance

Executive Board



left to right:

Markus Lenke Chief Sales Officer | **Mita Sen** Chief Strategy & Transformation Officer | **Rob Versloot** Chief Executive Officer
Christian Schierbaum Chief Business Officer | **Anne Ferbus** Chief People Officer | **Dr Karsten Boyens** Chief Financial Officer

Corporate governance

The Executive Board is ultimately responsible for the operational management of the business. The Executive Board's responsibilities encompass the execution and achievement of the Group's strategies, the direction of the Group's companies, as well as extracting maximum synergies from the Group's structures.

The leaders of the business divisions and the heads of the cluster organizations and subsidiary companies are responsible for the development and achievement of their commercial and financial targets, the execution of ESG measures, and for the leadership of their areas. The Executive Board answers to the Board of Directors for the financial and non-financial (ESG) results of the Group.

In general, there is an age limit of 62 years for members of the Executive Board.

Rob Versloot

CEO

Career history

Rob Versloot joined the company in September 2008 as Regional Vice President. In July 2011, he became Executive Vice President and Member of the Executive Board. The Board of Directors appointed him Group CEO in September 2012.

Before joining Hero, Versloot worked for Royal Numico / Danone. He held various commercial, general, and regional leadership roles at the company in the Netherlands, Brazil, Indonesia, and Russia. Versloot holds a Master's in Business Administration & Management from the University of Groningen in the Netherlands.

Other mandates

In April 2021, Versloot became a Member of the Supervisory Board of Eckes-Granini.

Corporate governance

Dr Karsten Boyens

CFO

Career history

Dr Karsten Boyens joined the Hero Group as Chief Financial Officer (CFO) in April 2016.

He brings with him a wealth of experience in the financial field and consulting having previously worked for the Beiersdorf Group in Germany, France, and Switzerland, as well as for McKinsey & Company. His responsibilities are Finance & Controlling, Tax & Treasury, Legal & Compliance as well as IT.

Dr Boyens holds a Master's in Business Administration from the WHU – Otto Beisheim School of Management in Koblenz, and a PhD from the Christian Albrechts University of Kiel (Germany).

Markus Lenke

CSO

Career history

Markus Lenke joined our German subsidiary Schwartauer Werke in December 1993. He has held different commercial and general manager positions within the company, and was appointed Regional Vice President in July 2010. He has been a member of the Executive Board since 2011.

During his long career with the Hero Group, Lenke held various positions in sales and marketing functions, among others. He was also general manager of both Schwartauer Werke and Semper in the Nordics.

Lenke holds a Master's in Business Administration from the University of Hamburg, Germany.

Corporate governance

Christian Schierbaum

CBO

Career history

Christian Schierbaum joined the Hero Group as Chief Marketing Officer (CMO) in September 2019 and took on the expanded role of Chief Business Officer (CBO) in 2022. He brings with him more than 25 years of commercial experience which he acquired in various marketing, sales, and business leadership roles within leading consumer goods companies such as Wella, Reckitt Benckiser, and Mondelez. In his last role at Mondelez, he served as member of the company's Europe Leadership Team, heading the Gum & Candy business across Europe as well as the overall marketing function for Europe.

Schierbaum holds a Master's in Business Studies from the Justus-Liebig-University Giessen in Germany.

Mita Sen

CSTO

Career history

Mita Sen joined the company in February 2019 as VP Strategy & Business Development before taking on the role of Chief Strategy & Transformation Officer in November 2022.

Sen began her career at PepsiCo International before joining consultancy firm McKinsey & Co where she worked her way up to Associate Partner. Here, she cut her professional teeth in transformation and strategy projects. She has worked and lived across Canada, the UK, Singapore, the Philippines, and Switzerland.

She completed her MBA at INSEAD in 2011.

Corporate governance

Anne Ferbus

CPO

Career history

Anne Ferbus joined Hero in March 2023 as Chief People Officer.

Ferbus brings with her an arsenal of experience, ranging from talent management to diversity, inclusion and organizational effectiveness. She has worked in HR for all her professional career, starting off as manager with United Airlines before moving to Hyatt Hotels and subsequently Rubbermaid. In 2005, Anne joined The Coca-Cola Company in a senior HR role and stayed for 12 years before moving to Stanley Black & Decker as VP Human Resources, first for emerging markets and then Europe.

She completed her Master's degree in Business Law at the Université Panthéon Assas in Paris, France.

Executive Board Name	Nationality	Title	Member since
Rob Versloot	Dutch	Chief Executive Officer	2011
Dr Karsten Boyens	German	Chief Financial Officer	2016
Markus Lenke	German	Chief Sales Officer	2011
Christian Schierbaum	German	Chief Business Officer	2019
Mita Sen	Canadian	Chief Strategy & Transformation Officer	2022
Anne Ferbus	French	Chief People Officer	2023

Board and management compensation

Principles and elements of compensation

Hero's compensation system aims to support the company's strategy. The remuneration is therefore aligned with the company's commercial plans, includes performance components, and is competitive to attract and retain talent. The basic remuneration reflects the required skills and responsibilities of the role while the variable remuneration component at management level fosters sustainable business development and the company's success.

The Board of Directors determines the principles of the remuneration system and annual compensation for the Board of Directors and Executive Board at the recommendation of the Human Resources Committee.
This process is carried out annually. The Human Resources Committee reviews the annual compensation in comparison to a benchmark of Swiss Mid Cap companies as defined by the SIX Swiss Exchange. The peer group excludes companies in the financial and healthcare industry.

Corporate governance

Compensation of the Board of Directors and Executive Board

The remuneration paid to the Board of Directors is not performance related, but comprises a fixed compensation paid in cash. It includes a flat fee for Board of Directors membership plus a fee for sub-committee membership and is therefore aimed at reflecting the time and work which members invest to fulfil their duties.

Remuneration for the members of the Executive Board comprises fixed, variable short-term, and variable long-term components. The fixed remuneration component is based on the function, experience, and skillset of the executive member.

The variable cash component of the Executive Board's remuneration is based on the company's results and individual performance targets. It is an equal amount to the fixed compensation in case of goal achievement. A total of 60% of the variable cash remuneration is linked to a percentage of the three-year average of net income, while 40% is linked to personal goals. The pay-out on the personal goals component is capped at 150%.

In addition, there is a variable component linked to the long-term achievement of strategic initiatives. Strategic KPIs cover operating performance related initiatives such as growth with innovation, growth in core categories or supply chain efficiency targets but also customer oriented and sustainability targets (e.g. reduction of CO_2).

Besides these remuneration components, the Executive Board members may participate in the long-term success of the company by investing up to 50% of their short-term cash bonus payment in shares of Hero AG (long-term incentive plan). For newly employed Executive Board members, there is a two-year waiting period [refer to note 23 of the consolidated financial statements on page 131 of this Annual Report for an explanation of the provisions of this long-term incentive plan].

Refer to note 36 on page 156 of this Annual Report for an overview of the Executive Board's compensation.

Corporate governance

Shareholders' participation rights

Shareholders must be registered to be able to exercise their vote. Beside the registration requirement, there are no restrictions on voting rights of the shareholders. A shareholder may provide a written power of attorney to be represented at a shareholders' meeting.

Unless otherwise stipulated by law, resolutions and elections by the General Meeting require a majority of the votes cast, excluding empty or invalid votes. In the case of a tie, the chair of the general assembly has the casting vote.

The Ordinary General Meeting is held annually within the first six months after the end of the financial year. It is convened by the Board of Directors. Shareholders representing at least 10% of voting rights (alone or together) may require the convention of a General Meeting.

Each shareholder may request an item to be put on the agenda at the General Meeting. Such requests must be submitted in writing to the Board of Directors at least eight weeks prior to the General Meeting.

Change of control measures

The Board of Directors may refuse to recognize an acquirer of shares as a shareholder. Besides this, the company's bylaws do not include any regulation in relation to potential take-over bids. There are no contractual agreements either for members of the Board of Directors nor members of the Executive Board relating to a change of control event.

Corporate governance

Auditors

The consolidated financial statements and the stand-alone financial statement of Hero AG are audited by Ernst & Young. According to the company's bylaws, the external auditor is elected for a period of one year at the Ordinary General Meeting of the shareholders.

Ernst & Young was elected as auditor of Hero AG for the first time in 2006. The auditor in charge is Willy Hofstetter, who held this function for the first time in the 2020 financial year. According to the provisions of the Swiss Code of Obligations, he may execute this mandate for a maximum of seven years.

The Finance & Audit Committee reviews the scope of the audit, the audit plans, and discusses the audit results and reports with the auditor in charge annually. In general, the auditors participate in all Finance & Audit Committee meetings to report, both verbally and in writing, on audit planning, execution, and recommendations.

The agreed fees with Ernst & Young AG for the audit of the consolidated financial statements for the year ending December 31, 2023, amounted to CHF 828,118. In addition, in 2023, Ernst & Young AG charged a total of CHF 108,880 audit related and CHF 60,850 for additional services. The additional services mainly include compliance support.

Information policy

The Hero Group pursues open and continuing communications with its shareholders, employees, clients, financial investors, and the general public. Hero strives to provide transparent information about the company, its values, strategy, and business development.

Hero publishes an annual report that includes information about its operating activities, sustainability ambitions, corporate governance, and financial results.

In addition, Hero organizes a financial information meeting every year. At this conference, the Hero Group informs interested parties about the results of the year, gives a strategy update, and an outlook for the new financial year.

Media releases about events relevant to the financial investors are published in accordance with guidelines relating to the ad-hoc publicity of the SIX Swiss Exchange. Further, Hero provides additional information about important Group events via its corporate website.

Risk management

The aim of Hero's risk management process is to identify potential risks at an early stage and avoid or substantially limit their potential impact on the Group. The process is designed to help the company achieve its results and support its long-term purpose and strategy.

Hero's risk management process includes an assessment of the company's most significant strategic and operational risks. Once a year, potential risks are identified at Group and cluster level, as well as with major subsidiaries not belonging to a cluster. The individual assessments are aggregated and evaluated in terms of possible damage that would result should the risk event materialize, the probability of occurrence, and potential reputational impact.

For each risk area, ownership is allocated to an Executive Board member to drive specific actions to mitigate the potential damage.

In 2022 and 2023, the Hero Group developed its enterprise risk management process further by including input from double materiality considerations and systematically integrating climate-related root causes in the assessment of the different operational and strategic risks. Such root causes and impacts identified are reported under the relevant risks factors.

The results of the Group Enterprise Risk Management process are presented and discussed with the Financial & Audit Committee and Board of Directors annually.

Risk management

Risk factors

Based on the 2023 risk management process, there are only minor changes to the company's risks compared to 2022. The company considers the risk of a pandemic to be less impactful and has therefore removed this risk from the major risk catalogue. Sourcing of materials and energy, product pricing, and supply chain disruptions have been identified as risks with highest potential impact on Hero's performance. The factors identified below are currently considered the most relevant for Hero's business and performance.

Food safety / product quality

Risk: Any major event triggered by a serious food safety, regulatory compliance issues, or product sabotage could have a negative effect on Hero's reputation or brand image, and result in a loss of consumer trust, potential litigation, and negative financial performance. Extreme weather situations (for example, floodings or heatwaves) can affect availability of raw materials, forcing us to switch our sourcing. This can negatively affect the quality of raw materials and cause manufacturing disruptions.

Mitigation: The Group has implemented a food safety culture. There are policies, processes, controls, and regular monitoring in place to ensure high-quality products. These prevent health risks arising from handling, preparation, and storage throughout the value chain.

Material and energy sourcing

Risk: Climate change is making harvest yields less predictable. Regional conflicts and geopolitical developments are impacting the reliability to source the necessary volumes of materials and energy. Hero's supply chain suffers from shortages and quality issues, prices for materials and energy become inflationary. As a result, sales decrease and margin diminishes or supply chains must be restructured, adding further efforts and cost.

Mitigation: Hero follows a sustainable sourcing strategy for key raw materials and packaging. Our large network of suppliers minimizes supply risks, and we evaluate direct contracting with farmers and monitor supplier performance.

Risk management

Product pricing

Risk: Due to increasing opposition of trade partners and buying alliances, limited market power and high price sensitivity of consumers the company is unable to maintain or increase its prices in pace with cost increases. Due to an inflationary environment, price increases might be required that could trigger volume declines. Both the difficulty to increase prices as well as potential volume losses can lead to deteriorating margins and lower financial performance of the Hero Group.

Mitigation: Hero invests to strengthen its core brands and product innovation and renovation, increasing its market power. The Group further strives for strategic customer relationships and diversified channel distribution thereby reducing customer concentration risk.

Supply Chain inefficiency

Risk: Due to increased volume volatility, portfolio complexity, ineffective investments, or poor stock management and planning capabilities, operational efficiency targets cannot be met. This can result in higher costs and margin declines.

Mitigation: The Group aligns investments, people development, and incentive systems with its strategic priorities. The company has systems and processes in place to better predict demand requirements and volatility.

Business transformation

Risk: Due to the lack of capabilities and resources or inadequate structuring, Hero fails to implement strategic transformation projects such as acquisitions, divestitures, or restructurings successfully. This can lead to cost overruns or impairment of assets thus negatively impacting the financial performance of the Hero Group.

Mitigation: Steering committees with executive sponsorship regularly assess and review progress of strategic projects. Resource allocations to projects are aligned with transformation targets.

Risk management

Geopolitics

Risk: Political conflicts escalate, leading to resource scarcities, supply chain and commercial disruptions in Hero's operating regions. Hero cannot source or sell products to meet business goals, faces higher costs for security and may discontinue business activities in certain regions.

Mitigation: Geopolitical developments are monitored, and supplier transitions built up in order to increase flexibility during adverse economic conditions. Processes and manuals are in place to deal with crises.

Sustainability requirements

Risk: Hero's sustainability commitment and increased regulatory as well as stakeholder expectations on sustainability (ESG) require additional efforts and investments leading to higher operational expenses. Due to the lack of data transparency and metrics, the company is not incorporating sustainable business processes. Failure to comply with those could lead to reputational damages, fines, and operational disruptions.

Mitigation: Hero follows the new regulatory developments and trends carefully. Sourcing and supplier partnering under ESG criteria along the Hero value chain as well as optimizations in production and transport efficiency are defined and being implemented.

The Group works on preparing compliant sustainability reporting and commits on recording and reducing its environmental footprint and developing relevant people skills.

More information on Hero's efforts on sustainability can be found in the Sustainability report starting on page 178 and following of this Annual Report.

Risk management

Increased public awareness

Risk: Social media increases the risk that trending topics, such as health, safety, sustainability and corporate responsibility, are held against the Group or its local companies. This could harm brand reputation and lead to decreasing sales.

Mitigation: Hero commits to improving its environmental footprint and follows a Code of Conduct in which it defines its fundamental business principles. Processes and manuals are in place to deal with crises.

IT systems and security

Risk: The Group depends on accurate, timely data along with increasing integration of digital solutions and services. System failures or threat of cyber-attacks can disrupt the reliability, security, and privacy of data, as well as the IT infrastructure. This leads to organizational disruptions, additional efforts, and costs.

Mitigation: Policies and controls, state-of-the-art hosting facilities, security measures along with contingency plans are in place with the aim of protecting and ensuring compliance for both infrastructure and data.

Risk: Hero invests in its IT infrastructure as well as a more harmonized, modern ERP system. Unrealistic scoping and planning or an insufficient resource allocation can lead to project overspend, delays, harmonization goals not being achieved, and business process disruption.

Mitigation: Hero counts on proper project management and change management tools, allocates internal and external resources with appropriate capabilities, and assigns priorities to ensure project goals are achieved.

Financial and compliance risks

Risks: Given its international operations, the Hero Group is exposed to financial risks. These comprise exchange rate, interest rate, and liquidity risks.

Due to underperforming business segments, the company's assets may need to be impaired.

The Hero Group maintains several pension funds. Underperformance of pension funds might lead to underfunded positions with potential negative impact on Hero's results.

Changing tax practices and regulations, organizational complexity, and rising national debts increase the risk of tax disputes.

Stricter or new regulations in combination with inadequate organizational processes lead to the failure to meet binding laws and regulations (e.g. anti-trust, data protection, food safety, financial and non-financial reporting). This may lead to additional efforts, financial losses, and legal action.

Risk management

Mitigation: The individual risks are closely controlled and monitored. Central tasks to reduce financial risk within the Group include risk mitigation through hedging where appropriate.

The Group follows changing regulatory requirements and practices, invests in internal and external training of its employees and documents its intercompany relationships.

Insurance program

The Hero Group risk policy also includes a comprehensive insurance scheme to protect against risks. This is achieved with the help of international and local insurance programs against third-party liability, property damage, and business interruption.

01 Company information

02 Financial report

The Hero Group ended the year with an organic growth of 10.9% with our EBIT before exceptional transformation effects at CHF 57.8 million. You can find the complete Group financial results here

03 Sustainability report

Finance review

The year under review was characterized on the one hand by a strong operational business performance and on the other hand by significant transformation steps which led to exceptional one-off effects. In order to transparently report on the operational business performance, we adjusted the profit performance measures for these exceptional transformation one-off effects as they are not considered part of Hero's ongoing performance.

At the same time, we laid out the background of the exceptional transformation one-off effects. They are significant items that are exceptional and related to the strategic business transformation, namely the optimization of our supply chain footprint and the focus on our core categories. Concretely, the exceptional transformation one-off expenses in 2023 refer to the following three transformation steps:

- The decision to stop production in our factory in Lenzburg, Switzerland
- The decision to launch consultations with unions on the future operations of our factory in Götene, Sweden, with the intention to stop production at the site
- The sale of our Gluten Free business in the Nordics

Finance review

Overview of profit performance measures and adjustments for exceptional transformation one-off expenses

in CHF 1000.–

	2023	2022
Operating profit before exceptional transformation one-off effects	**57,797**	**40,310**
Exceptional transformation one-off effects	-34,503	-
Operating profit as reported	23,294	40,310
EBITDA before exceptional transformation one-off effects	**102,589**	**84,978**
Exceptional transformation one-off effects	-8,443	-
EBITDA	94,146	84,978
Income for the year before exceptional transformation one-off effects	**39,269**	**26,795**
Exceptional transformation one-off effects	-28,254	-
Net income as reported	11,015	26,795

Overview exceptional transformation one-off effects on Operating Profit

in CHF 1000.–

	2023	2022
Closing of production in the factory in Lenzburg, Switzerland	-15,400	-
Closing of production in the factory in Götene, Sweden	-18,400	-
Sale of Glutenfree business in the Nordics	-703	-
Exceptional transformation one-off effects on Operating Profit	**-34,503**	**-**
thereof impairments on assets	-26,060	-
thereof other restructuring and project expenses	-8,443	-

Finance review

Summary of financial results

Operational business performance

In 2023, Hero's Net Sales increased by 1.2% to CHF 1,220.7 million (previous year: CHF 1,206.6 million). On a like-for-like basis, at constant foreign exchange rates and adjusting for acquisition / discontinuation effects, Hero achieved a strong organic Net Sales growth of 10.9%. The significant difference between organic and nominal sales growth comes from the further appreciation of the Swiss Franc against all major currencies causing negative currency translation effects of -9.0% in 2023.

In a year of continued inflationary developments, Hero's strong Net Sales performance is heavily price-driven. Similar to prior year, the Net Sales performance was broad based with all product categories and regions contributing to organic growth in 2023. From a product category point of view, Healthy Snacks, with an organic growth of 27.1%, and Emerging Markets from a regional point of view growing 32.9% at constant foreign exchange rates were leading the scale as the most significant drivers for this positive result.

Thanks to leading market positions and strong brands, Hero managed to implement price increases to reflect cost inflation from raw and packaging materials as well as labor. As a result, Hero recovered Gross Profit margin, which was back at 31.0% in 2023 after falling to 29.3% in 2022 from the 31.1% reported in 2021. The improvement of the Gross Profit margin in combination with the Net Sales growth led to a Gross Profit of CHF 379.0 million, a significant increase of CHF 26.0 million over prior year.

With all other operational costs under tight control Hero increased its operating profit (EBIT) before exceptional transformation one-offs effects from CHF 40.3 million to CHF 57.8 million, an increase of 43.4% over 2022. This is a strong operating profit improvement considering the headwinds from continued inflation, pressure on sales volumes and significant negative FX translation effects.

The Hero Group's **Net Income** before exceptional transformation one-off effects landed at CHF 39.3 million, an increase of 46.6% compared to CHF 26.8 million in 2022.

Exceptional transformation one-off effects

In the year under review, Hero continued its strategic journey to transform the Group into a more focused and efficient organization. While these transformation projects will help Hero become more profitable in the future, they had significant negative one-off effects totaling -CHF 34.5 million in 2023. The bulk part of these transformation effects is caused by impairments on fixed assets (-CHF 26.1 million).

As part of this journey, Hero reviewed the supply chain footprint and decided to close the production plant in Switzerland and to transfer the respective jam production to the Hero Spain plant. This incurred exceptional transformation one-off expenses in 2023 of -CHF 15.4 million coming from asset impairments and restructuring/project costs.

Finance review

In addition, on its way to focus on its core product categories, Hero sold its Gluten Free business in the Nordics at the beginning of 2024. While the transaction was completed early January 2024, project costs of -CHF 0.7 million occurred in 2023.

Further, Hero has communicated its intention to stop production at its Götene plant in Sweden. Currently, this plant produces baby milk, gluten-free mixes and gruel. Changing market conditions with lower demand for baby milk in China, lower birth rates as well as the sale of the Gluten Free category have led to the conclusion that such a step is necessary to avoid underutilization of capacity and inefficiency. Exceptional transformation one-off expenses of -CHF 18.4 million related to asset impairments and restructuring/project costs are reflected in the 2023 financial accounts.

Thanks to a strong operational business result, Hero was still able to post a positive operating profit (EBIT) of CHF 23.3 million and a Net Income of CHF 11.0 million after reflecting these significant exceptional transformation one-off effects.

Net Sales Regions

In **Europe**, our largest sales area, organic Net Sales grew by 6.6% compared to prior year. We saw a strong, broad based growth dynamic in our Healthy Snacks category across Europe, with particularly strong performance of our business under the Corny brand in Germany and the Nordic countries, with an increase of 30.5% and 60.3% respectively. Further, we achieved high growth rates in Natural Spreads in Italy, Baby & Toddler Food in the UK as well as in some Non-Branded businesses in Germany and Sweden.

The significant weakening of the SEK as well the EUR against the CHF in 2023 led to a negative currency translation effect of -4.0%, reducing the nominal Net Sales growth in CHF in Europe to 1.6% in 2023.

With regards to **North-America**, Hero markets baby food in the US and Canada under the brand names Beech Nut and Baby Gourmet. In the US, Hero saw the business recovering strongly for the second consecutive year. Beech-Nut posted an organic growth of 12.6% in 2023. The fast-growing toddler snacking business coupled with our organic baby food sold in jars and pouches contributed to this successful year in the US. Baby Gourmet, the leading organic baby food company in Canada which Hero acquired at the beginning of 2021, grew its baby and toddler food business by 6.4% in 2023. Overall, Hero's North America business grew 11.1% in local currencies in the year under review.

Finance review

Hero's **Emerging Market** segment consists of local businesses in Turkey, Egypt, Brazil and Russia as well as exports to several other emerging market countries. The business environment in these countries remained volatile, impacted by heavy inflation especially in Turkey and Egypt. Notwithstanding significant price increases to cope with the burdening cost inflation, Hero achieved strong Net Sales results, growing this business not only in value but also in volume. Net Sales in Russia declined further by almost 20% after Hero's decision to limit the business to essential baby food and to stop selling Healthy Snacks altogether in 2022. In the whole Emerging Market region, Hero posted a nominal decline of 4.3% in CHF, reflecting a strong growth of 32.9% in local currencies and significant negative currency translation effect of -37.2% driven by the heavy devaluation of the Egyptian Pound, the Turkish Lira and the Russian Ruble against the Swiss Franc.

in CHF million

	Net Sales 2023	Net Sales 2022	2023 vs 2022 in %	Acquisition & Divestment effect	Currency effect	Organic Growth
Europe	866.1	852.6	1.6%	-1.0%	-4.0%	6.6%
North America	196.7	189.1	4.0%	-	-7.1%	11.1%
Emerging Markets	157.8	164.9	-4.3%	-	-37.2%	32.9%
HERO GROUP	**1,220.7**	**1,206.6**	**1.2%**	**-0.7%**	**-9.0%**	**10.9%**

Finance review

Net Sales Product Categories

The strategic focus of Hero remains on branded business and within this on the core product categories Baby & Toddler Food (BTF), Healthy Snacks and Natural Spreads. In 2023, Hero further increased the share of its core product categories from 72.7% to 73.4%. The branded business accounts for more than 90% of total Net Sales.

With total Net Sales of CHF 473.5 million, **Baby & Toddler Food** (BTF) remains Hero's largest product category. In the year under review, the category grew by 8.2% at constant foreign exchange rates, but was down 1.1% in nominal CHF considering the negative foreign exchange translation effects. In 2023, Hero had to implement significant price increases to reflect cost inflation. As a result, we faced volume pressure within the category, particularly in the European markets. In 2023, Hero successfully continued to extend the life cycle of the BTF category by offering a compelling snack range for kids.

Net Sales in the **Natural Spreads** category grew by 6.6% at constant foreign exchange rates in the year under review. Hero sells Natural Spreads in Europe and Emerging Markets. Organic Net Sales in Emerging Markets grew by 37.7% but remained flat in Europe. As in the prior year, the trend towards lower sugar products continued with these offerings leading the growth scale of the category.

Healthy Snacks remains Hero's fastest growing core category. In 2023, the Healthy Snacks business grew strongly by 27.1% in local currencies, with almost all markets contributing to this successful story. Healthy Snacks not only grew in value, but also in volume with an increase of 8.1% in the year under review. The category is generally sold under the brand Corny and includes mainly cereal bars as well as functional products such as tasty protein bars.

The **Baby & Toddler Milk** (BTM) category remained flat with an organic growth of 0.4% in 2023. The category suffered from a weaker demand from China and generally low birth rates in many markets where we are active.

Finance review

On its path to focus on its core product categories, Hero sold its remaining **Gluten Free** business in the Nordics at the beginning of 2024. This follows the sale of its Gluten Free business in the UK in December 2022. The Gluten Free business in the Nordics grew by 7.3% in local currencies in 2023.

Net Sales of **Specialties**, which Hero sells mainly in Europe, grew 2.7% organically in 2023. Hero's **Non-Branded** business grew strongly by 37.3% at constant foreign exchange rates in 2023 driven by strong demand from our B2B customers in Germany, Sweden, the US and Egypt.

in CHF million

	Net Sales 2023	Net Sales 2022	2023 vs 2022 in %	Acquisition & Divestment effect	Currency effect	Organic Growth
Baby + Toddles Food	473.5	478.7	-1.1%	-	-9.3%	8.2%
Natural Spreads	242.0	249.9	-3.2%	-	-9.8%	6.6%
Healthy Snacks	180.9	148.1	22.2%	-	-4.9%	27.1%
Baby + Toddler Milk	81.8	99.1	-17.5%	-	-17.9%	0.4%
Gluten Free	28.5	37.4	-23.7%	-22.4%	-8.7%	7.3%
Specialties	113.0	114.6	-1.4%	-	-4.0%	2.7%
Non-Branded	101.0	78.8	28.2%	-	-9.1%	37.3%
HERO GROUP	**1,220.7**	**1,206.6**	**1.2%**	**-0.7%**	**-9.0%**	**10.9%**

Finance review

Operating result

Hero's **Gross Margin** improved well and landed at 31.0%, up from 29.3% in prior year and almost back to the level of 2021 (31.1%). The successful implementation of price increases to compensate for the significant cost increases in combination with efficiency gains in procurement and manufacturing were the key drivers for the improvement in the Gross Profit margin. We see Gross Margin recovery across all our core categories.

Operational Expenses made up 25.2% of Net Sales, a slight increase over prior year's ratio (PY: 24.8%). The increase came from additional investments in advertising and promotion in line with our strategy to support our brands.

Other Income / Expenses before exceptional transformation one-off effects remained relatively unchanged from last year at -CHF 13.5 million (PY: -CHF 13.7 million). The significant exceptional transformation expense of -CHF 34.5 million brought the net other expense up to -CHF 48.0 million in 2023.

Adjusted for the transformation one-off effects, **Operating Profit** (EBIT) reached CHF 57.8 million, an improvement of CHF 17.5 million over prior year (PY: CHF 40.3 million). As in prior year, there was a significant negative foreign translation effect due to the appreciation of the CHF. The profit improvement in 2023 is broad based as all regions – Europe, North America and Emerging Markets – are contributing. After exceptional transformation one-off expenses, the Operating Profit (EBIT) landed at CHF 23.3 million.

Financial result and taxes

In 2023, net Finance Expense stood at CHF 5.3 million, up by CHF 4.8 million from the record low of CHF 0.4 million achieved in 2022. In prior year, Hero benefited from a positive effect from hedging interest rates at favorable rates, contributing CHF 3.2 million. In the year under review, interest expenses increased to CHF 4.3 million compared with an expense of CHF 3.3 million in 2022. The increase in interest expenses is the result of refinancing CHF 60 million of the hybrid capital with straight debt as well as increasing interest rates. Interest income increased from CHF 2.8 million in 2022 to CHF 3.7 million in 2023. The higher interest income is mainly a result of the higher interest environment in the US where Hero keeps a financial asset versus the buyer of the former subsidiary Signature Brands, which was sold in 2018. Net foreign exchange losses stood at CHF 1.4 million compared with a net expense of CHF 0.6 million in 2022.

In 2023, **Tax Expense** decreased to CHF 5.2 million compared to CHF 10.2 million the year before. The reduction of our tax expense is the result of lower income before tax due to the significant transformation expenses.

Net income

Excluding the transformation one-off expenses, **Net Income** landed at CHF 39.3 million, significantly up from CHF 26.8 million in 2022. The improved bottom line financial performance before transformation one-offs is the result of improvements of the operating profitability of Hero Group in 2023. After exceptional transformation one-off effects, the Hero Group's **Net Income** for the year was CHF 11.0 million.

Finance review

Cash flow and financial position

Hero achieved a **Net Cash inflow from Operating Activities** of CHF 79.1 million, significantly up from CHF 44.6 million the year before. The improved operating result as well as an increased focus on net working capital management led to this cash flow improvement. Cash outflows from **investing activities** reached CHF 28.5 million, down from CHF 40.2 million in 2022. The significant difference is related to a cash outflow of CHF 10.4 million in 2022 for an earn-out payment relating to the acquisition of Hero's German organic baby food company goodforgrowth GmbH. Major investments in 2023 were made to extend the baby food production capacity at Hero Spain as well as the Healthy Snacks capacity in Germany. As in prior year, Hero continued its strategic investment to drive efficiency in Supply Chain planning and harmonize the company's core processes and modernize its ERP system. In 2023, Hero received another downpayment of CHF 6.1 million of its seller promissory note related to the sale of Signature Brands in 2018.

During 2023, Hero successfully refinanced its CHF 200 million hybrid bond with a new CHF 140 million hybrid bond and a straight debt financing via a syndicated credit facility. Cash outflows from **financing activities** amounted to CHF 53.0 million in 2023, mainly coming from the net downpayment in hybrid capital of CHF 60 million.

Total Assets of the Group reduced significantly from CHF 1,321.6 million in 2022 to CHF 1,194.7 million in the year under review. This balance sheet reduction is mainly due to the appreciation of the Swiss Franc against other foreign currencies. The Group's **Equity Ratio** reduced from 52.2% in 2022 to 46.8% in 2023. Hero paid back a net CHF 60 million in hybrid capital in 2023. In addition, Hero's equity reduced by CHF 65.3 million due to negative exchange differences on translating the foreign operations into the reporting currency CHF.

Due to positive operating cash-flows in 2023, Net Debt only increased by CHF 37.8 million to CHF 222.2 million (prior year: CHF 184.4 million) despite the replacement of CHF 60 million Hybrid financing with straight debt.

EBITDA increased to CHF 94.1 million (before exceptional transformation effects: CHF 102.6 million), up from CHF 85.0 million in 2022. Despite the increase in straight debt financing, Hero managed to maintain its Net Debt / EBITDA ratio at a healthy level of 2.4 (prior year ratio: 2.2) which comfortably meets Hero's financial covenants.

Outlook

Hero is confident that it can continue on its operational profitable growth path in 2024 despite a continued challenging economic and geopolitical environment. With the implementation of our manufacturing footprint optimization, we will take an important step forward in improving our supply chain efficiency. Hero will continue its focus on core product categories as well as its investments in sustainability and digitalization, like the further roll-out of our harmonized ERP system (project PHI).

Finance review

Consolidated Financial Statements of Hero AG, Lenzburg

Consolidated Financial Statements

Consolidated Income Statement

for the year ended December 31 - Hero Group in CHF 1000.–

	Note	2023	2022
Net Sales	5	**1 220 702**	**1 206 602**
Cost of sales	24	(784 079)	(786 994)
Distribution expense		(57 668)	(66 675)
Gross profit		**378 955**	**352 933**
Advertising and promotion		(120 266)	(114 821)
Marketing and sales		(82 386)	(84 296)
Research and development		(11 440)	(11 589)
Administrative expense		(93 597)	(88 177)
Other income	6	12 126	12 291
Other expense	6	(60 098)	(26 031)
Operating profit	5	**23 294**	**40 310**
Finance income	7	8 514	12 747
Finance expense	7	(13 809)	(13 159)
Share of result of associates and joint ventures	31	(1 439)	(1 469)
Net monetary loss arising from hyperinflationary economies		(372)	(1 406)
Income before tax		**16 188**	**37 023**
Income tax expense	8	(5 173)	(10 228)
INCOME FOR THE YEAR		**11 015**	**26 795**
Attributable to:			
Equity holders of the parent		9 676	25 485
Non-controlling interests		1 339	1 310
INCOME FOR THE YEAR		**11 015**	**26 795**

The notes form an integral part of these consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended December 31 - Hero Group in CHF 1000.–

	2023	2022 (restated)*
INCOME FOR THE YEAR	**11 015**	**26 795**
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations and hyperinflation adjustments	(65 272)	(42 822)
Income tax effects	94	(122)
	(65 178)	(42 944)
Net (loss)/gain on cash flow hedge	(633)	355
Income tax effects	(16)	(21)
	(649)	334
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(65 827)**	**(42 610)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of land	(1 151)	-
Income tax effects	174	57
	(977)	57
Remeasurement gains on defined benefit plans	1 442	9 067
Income tax effects	(553)	(3 088)
	889	5 979
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(88)**	**6 036**
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(65 915)**	**(36 574)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(54 900)**	**(9 779)**
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	(56 091)	(12 065)
Non-controlling interests	1 191	2 286
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(54 900)**	**(9 779)**

The notes form an integral part of these consolidated financial statements.

*) see note 2 - correction of an error

Consolidated Financial Statements

Consolidated Balance Sheet

As at December 31 - Hero Group in CHF 1000.–

Assets	Note	2023	2022 (restated)*
Non-current assets			
Property, plant and equipment	18	266 646	327 615
Intangible assets	20	439 785	461 130
Right-of-use-assets	19	20 652	18 209
Investments in associated companies and joint ventures	31	288	312
Financial assets at fair value through profit and loss	11	147	817
Non-current receivables	14	25 064	31 748
Deferred tax assets	21	11 418	9 075
Net defined benefit assets	22	646	637
TOTAL NON-CURRENT ASSETS		**764 646**	**849 543**
Current assets			
Inventories	24	195 081	216 354
Derivative financial assets	11	4 550	10 994
Income tax receivables		6 083	9 914
Trade receivables, prepayments and other receivables	13	148 253	158 849
Assets held for sale	30	7 833	-
Cash and cash equivalents	12	68 226	75 899
TOTAL CURRENT ASSETS		**430 026**	**472 010**
TOTAL ASSETS		**1 194 672**	**1 321 553**

The notes form an integral part of these consolidated financial statements.

*) see note 2 - correction of an error

Consolidated Financial Statements

Consolidated Balance Sheet cont'd

As at December 31 - Hero Group in CHF 1000.–

Equity and liabilities	Note	2023	2022 (restated)*
Shareholders' equity			
Share capital	25	62 133	62 133
Share premium		63 632	63 632
Hybrid capital	25	139 060	198 779
Treasury shares		(4 249)	(4 249)
Other reserves	25	(388 303)	(322 536)
Retained earnings		678 327	684 379
Equity attributable to the equity holders of the parent		**550 600**	**682 138**
Non-controlling interests		**8 540**	**8 208**
TOTAL EQUITY		**559 140**	**690 346**
Non-current liabilities			
Borrowings	11,15	100 015	100 052
Debentures	11,15	135 000	135 000
Lease liabilities	15,19	16 767	14 259
Deferred tax liabilities	21	38 153	43 376
Net defined benefit liabilities	22	30 716	35 672
Provisions	23	15 663	11 437
Other liabilities	17	1 769	1 464
Total non-current liabilities		**338 083**	**341 260**
Current liabilities			
Trade and other payables	16	244 568	270 953
Borrowings	11,15	33 766	5 966
Lease liabilities	15,19	4 898	4 993
Derivative financial liabilities	11	4 365	1 404
Provisions	23	2 728	3 277
Income tax payables		6 972	3 354
Liabilities directly associated with assets held for sale	30	152	-
Total current liabilities		**297 449**	**289 947**
TOTAL LIABILITIES		**635 532**	**631 207**
TOTAL EQUITY AND LIABILITIES		**1 194 672**	**1 321 553**

The notes form an integral part of these consolidated financial statements.

*) see note 2 - correction of an error

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

for the year ended December 31 - Hero Group in CHF 1000.-	Attributable to equity holders of the parent						Non-controlling interests	Total equity
	Share capital (note 25)	Share premium	Hybrid capital (note 25)	Treasury shares (note 25)	Other reserves (note 25)	Retained earnings		
BALANCE AT JANUARY 1, 2022	**62 133**	**63 632**	**198 779**	**(4 249)**	**(282 196)**	**651 166**	**13 801**	**703 066**
Restatement due to correction of error	-	-	-	-	(2 251)	6 888	-	4 637
BALANCE AT JANUARY 1, 2022 (restated)	**62 133**	**63 632**	**198 779**	**(4 249)**	**(284 447)**	**658 054**	**13 801**	**707 703**
Income for the year	-	-	-	-	-	25 485	1 310	26 795
Other comprehensive income (restated)	-	-	-	-	(37 550)	-	976	(36 574)
Total comprehensive income (restated)	**-**	**-**	**-**	**-**	**(37 550)**	**25 485**	**2 286**	**(9 779)**
Distribution on hybrid capital third parties	-	-	-	-	-	(4 270)	-	(4 270)
Dividend payments to the parent	-	-	-	-	-	(3 014)	-	(3 014)
Dividend payments to non-controlling interests	-	-	-	-	-	-	(294)	(294)
Acquisition of non-controlling interests	-	-	-	-	(539)	8 124	(7 585)	-
BALANCE AT DECEMBER 31, 2022/ JANUARY 1, 2023 (restated)	**62 133**	**63 632**	**198 779**	**(4 249)**	**(322 536)**	**684 379**	**8 208**	**690 346**
Income for the year	-	-	-	-	-	9 676	1 339	11 015
Other comprehensive income	-	-	-	-	(65 767)	-	(148)	(65 915)
Total comprehensive income	**-**	**-**	**-**	**-**	**(65 767)**	**9 676**	**1 191**	**(54 900)**
Repayment of hybrid capital	-	-	(198 779)	-	-	(1 419)	-	(200 198)
Issuance of hybrid capital	-	-	139 060	-	-	-	-	139 060
Distribution on hybrid capital	-	-	-	-	-	(3 880)	-	(3 880)
Tax impact on hybrid capital	-	-	-	-	-	(402)	-	(402)
Dividend payments to the parent	-	-	-	-	-	(10 027)	-	(10 027)
Dividend payments to non-controlling interests	-	-	-	-	-	-	(859)	(859)
BALANCE AT DECEMBER 31, 2023	**62 133**	**63 632**	**139 060**	**(4 249)**	**(388 303)**	**678 327**	**8 540**	**559 140**

The notes form an integral part of these consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Cash Flows

for the year ended December 31 - Hero Group in CHF 1000.–

	Note	2023	2022
Cash flows from operating activities			
Income for the year		11 015	26 795
Adjustments for:			
Income tax expense	8	5 173	10 228
Depreciation property, plant and equipment	18	31 414	33 391
Impairment property, plant and equipment	18	28 070	-
Depreciation right-of-use-assets	19	6 947	7 735
Amortization intangible assets	20	2 613	3 542
Impairment intangible assets	20	1 810	-
Loss on disposal of fixed assets	6	25	447
Net monetary (gain) / loss arising from hyperinflation economies		372	1 406
Gain on disposal of subsidiary excluding transaction costs	29	-	(117)
Fair value result, net	7	6 175	(9 968)
Interest income	7	(3 741)	(2 772)
Interest expense	7	5 186	4 315
Share of result of associates and joint ventures	31	1 439	1 469
Net (gain) /loss in foreign exchange	7	(4 764)	7 337
Cash flows before changes in net working capital		**91 734**	**83 808**
Inventories		2 031	(51 778)
Trade and other receivables		3 523	(17 940)
Trade and other payables		(25 829)	26 523
Accruals and provisions		16 174	14 654
Changes in net working capital		**(4 101)**	**(28 541)**
Interest paid		(4 942)	(4 210)
Income tax paid		(3 585)	(6 444)
NET CASH FROM OPERATING ACTIVITIES		**79 106**	**44 613**

Consolidated Financial Statements

Consolidated Statement of Cash Flows cont'd

for the year ended December 31 - Hero Group in CHF 1000.–

	Note	2023	2022
Cash flows from investing activities			
Earn-out payment	11	-	(10 427)
Capital contribution to joint ventures	31	(1 500)	(1 500)
Purchase of property, plant and equipment	18	(25 791)	(21 878)
Purchase of intangible assets	20	(10 924)	(11 422)
Loans granted		1 113	(2 152)
Repayment of seller promissiory note		6 141	-
Disposal of intangible assets		(55)	45
Disposal of subsidiary, net of cash disposed	29	-	6 638
Disposal of property, plant and equipment		1 407	151
Interest received		1 112	363
NET CASH USED IN INVESTING ACTIVITIES		**(28 497)**	**(40 182)**

Consolidated Financial Statements

Consolidated Statement of Cash Flows cont'd

for the year ended December 31 - Hero Group in CHF 1000.–

	Note	2023	2022
Cash flows from financing activities			
Acquisition of non-controlling interests	29	-	(16 832)
Issuance of hybrid capital third parties	25	139 059	-
Repayment of hybrid capital third parties	25	(200 198)	-
Distribution on hybrid capital third parties		(3 880)	(4 270)
Proceeds from bank loans	15	31 316	24 677
Repayment of bank loans	15	(2 480)	(4 369)
Proceeds from financial liabilities	15	722	-
Repayment of financial liabilities	15	(28)	(711)
Payment of lease liabilities excluding interest	15	(6 591)	(7 563)
Payment of dividends to shareholders		(10 027)	(3 014)
Payment of dividends to non-controlling interests		(859)	(294)
NET CASH USED IN FINANCING ACTIVITIES		**(52 966)**	**(12 376)**
DECREASE IN CASH AND CASH EQUIVALENTS		**(2 355)**	**(7 945)**
Movement in cash and cash equivalents			
At start of year		75 899	85 552
Decrease in cash and cash equivalents		(2 355)	(7 945)
Effects of exchange rate changes on cash and cash equivalents		(5 318)	(1 708)
AT END OF YEAR	**12**	**68 226**	**75 899**

The notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General

Hero AG (Hero) is a limited company headquartered in Lenzburg, Switzerland. Schwartau International GmbH, Bad Schwartau, Germany, a subsidiary of AOH Nahrungsmittel GmbH & Co. KG, Germany, holds 99.0% of the share capital of Hero, 0.5% are held by executive board members in relation with the long term incentive plan and 0.5% are held by Hero. The Group's primary activities are the production and selling of consumer food products in the product areas of natural spreads, healthy snacks, baby and toddler food, baby and toddler milk, gluten-free products and specialties which are sold in Europe, North America and Emerging Markets. At the end of 2023, the Group had 4 151 full time employees (2022: 4 131). All figures in the financial statements are presented in thousands of Swiss francs (TCHF) except where otherwise indicated. These financial statements were approved by the Board of Directors on March 5, 2024, and are subject to approval by the annual general meeting of shareholders to be held on March 20, 2024.

2. Basis for Preparation, Consolidation and Changes in Accounting Policies and Disclosures

Basis for Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements for the year ending December 31, 2023, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historic cost convention, unless otherwise stated (i.e. revaluation of land, certain financial assets and liabilities at fair value). The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 37.

Notes to the consolidated financial statements

Consolidation

Consolidation Method

The consolidated financial statements include Hero AG, Switzerland and those companies over which Hero AG has control, which is generally the case with a shareholding of more than one half of the voting rights.
Companies controlled by the Group are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Eliminations in the Course of Consolidation

All intra-group balances / transactions / unrealized gains / losses and dividends are eliminated in full.

Related Parties

Related parties include AOH Nahrungsmittel Group companies (Germany), members of the Board of Directors and Executive Board as well as associates and joint-ventures.

Changes in the Scope of Consolidation

The scope of consolidation did not change compared to 2022.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied the following amendments, which are effective as at January 1, 2023 for the first time:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- International Tax Reform - Pillar Two Model Rules – Amendments to IAS 12

None of these amendments had a material impact on the Group’s financial statements.

Notes to the consolidated financial statements

Future changes in IFRS Accounting Standards

There are no plans for early adoption of published standards, interpretations or amendments prior to their mandatory effective date. The Group does not expect that other changes in IFRS Accounting Standards, which are published but not yet effective, will have a material impact on the Group's consolidated financial statements.

Correction of an error - restatement as per January 1, 2022

In February 2006 Hero acquired Semper Sweden. As part of the purchase price allocation a brand value for Semper was identified for which no deferred tax liability was recognized. Based on the updated assessment, a deferred tax liability on the brand value and a corresponding increase in goodwill should have been recognized back in 2006. Therefore, Hero has restated its balance sheet reflecting this adjustment as of January 1, 2022.

Impact on equity (increase in equity)

	JAN 1, 2022 (restated)	(restatement)	JAN 1, 2022 (reported)
Goodwill	330 429	12 308	318 121
Total assets	**1 343 748**	**12 308**	**1 331 440**
Deferred tax liabilities	(39 703)	(7 671)	(32 032)
Total liabilities	**(636 045)**	**(7 671)**	**(628 374)**
Net impact on equity	**707 703**	**4 637**	**703 066**

	DEC 31, 2022 (restated)	(restatement)	DEC 31, 2022 (reported)
Goodwill	307 065	10 757	296 308
Total assets	**1 321 553**	**10 757**	**1 310 796**
Deferred tax liabilities	(43 376)	(6 704)	(36 672)
Total liabilities	**(631 207)**	**(6 704)**	**(624 503)**
Net impact on equity	**690 346**	**4 053**	**686 293**

Impact on other comprehensive income (decrease in income)

	2022		
	(restated)	(restatement)	(reported)
Exchange differences on translating foreign operations	(42 822)	(584)	(42 238)
Total comprehensive income for the year	**(9 779)**	**(584)**	**(9 195)**

The change did not have an impact on the income statement for the period or the Group's operating, investing and financing cash flows.

Notes to the consolidated financial statements

3. Foreign Currency Translation and Hyperinflation Adjustments

Foreign currency translation

The presentation currency for the Group is the Swiss Franc, which is also the functional currency of Hero AG, Switzerland. Financial statements denominated in foreign currencies have been translated into Swiss Francs as follows except for financial statements of subsidiaries in hyperinflationary economies:

- Assets and liabilities, including goodwill, are translated at the closing rate at the date of the balance sheet
- Revenues and costs are translated using average exchange rates for the accounting period
- Exchange differences out of the translation of assets and liabilities and the related income statements are booked in other comprehensive income.

Foreign Exchange Rate Table

The following table shows the most important foreign exchange rates used:

	2023	2022
AVERAGE EXCHANGE RATES		
EUR/CHF	0.9713	1.0026
USD/CHF	0.8965	0.9534
GBP/CHF	1.1174	1.1738
SEK/CHF	0.0847	0.0940
CLOSING EXCHANGE RATES		
EUR/CHF	0.9260	0.9836
USD/CHF	0.8380	0.9237
GBP/CHF	1.0656	1.1120
SEK/CHF	0.0835	0.0881

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences arising from Group company loans which have the characteristics of a long-term investment are recorded in other comprehensive income.

Notes to the consolidated financial statements

In the event of a sale of a foreign company all translation differences accumulated since the purchase of the said company are released and included in the calculation of disposal gain or loss and fully disclosed as such.
Open monetary balances denominated in foreign currencies and recorded in the accounts of Group companies at the balance sheet date are revalued using the prevailing exchange rate as at the balance sheet date. The differences resulting from these revaluations are recorded in the income statement for the period.

Hyperinflationary economies

The Group has considered Turkey (since April 1, 2022) to be a hyperinflationary economy in the context of IAS 29 'Financial Reporting in Hyperinflationary Economies'. In 2023 and in 2022, the cumulative inflation index of Turkey, as measured by the consumer price index published by the Turkish Statistical Institute, exceeds 100% over the last three years.

The adjustments resulting from the application of IAS 29 do not have a significant impact on the Group's operating results and balance sheet. An adjustment is recorded for the losses on the net monetary positions, which is a loss of CHF 0.4 million (2022: CHF 1.4 million) resulting from the loss in purchasing power of the net monetary positions during 2023 of the Group's subsidiary in Turkey.

Notes to the consolidated financial statements

4. Significant Events in the Reporting Periods

Significant events 2023

The financial position and performance of the Group was affected by the following events and transactions during the reporting period 2023:

- Repayment of hybrid capital of nominal CHF 200 million and issuance of new hybrid capital of nominal CHF 140 million, see note 25.
- The group initiated several transformation projects and recorded expenses of CHF 34.5 million before taxes in 2023, see note 6. The recoverable amount of the assets which were impaired is their fair values less costs of disposal.

Overview exceptional transformation one-off effects on Operating Profit
in CHF 1000.–

	2023	2022
Closing of production in the factory in Lenzburg, Switzerland	-15,400	-
Closing of production in the factory in Götene, Sweden	-18,400	-
Sale of Gluten Free business in the Nordics	-703	-
Exceptional transformation one-off effects on Operating Profit	**-34,503**	**-**
thereof impairments on assets	-26,060	-
thereof other restructuring and project expenses	-8,443	-

Significant events 2022

The financial position and performance of the Group was affected by the following events and transactions during the reporting period 2022:

- Exercise of call option to acquire the remaining 30% non-controlling interests in goodforgrowth GmbH, see note 29.
- The sale of Hero UK Ltd. (Juvela), see note 29.

Segment disclosures

5. Disaggregated Revenue and Segment Information

Revenue from contracts with customers

The Hero Group manufactures and sells baby and toddler food, baby and toddler milk, healthy snacks, natural spreads and gluten-free food products. Besides this core activity, Hero trades with other food products and manufactures goods for other business partners. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. This amount reflects the list price after deductions of returns, trade discounts, price promotions to customers, sales taxes and other pricing allowances. Payments made to customers for distinct commercial services are booked as an expense. Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery and therefore, there is no significant finance component included in the contracts. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To measure the variable consideration for the expected future rebates, the Group applies its best estimate and constrains revenue if necessary. These refund liabilities are included in trade and other payables.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for making operating decisions, allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Board. For management purposes, the Group is organized in geographical clusters and countries which represent operating segments. The operating segments are aggregated based on similar economic characteristics into three reportable operating segments: Europe, North America and Emerging Markets. Each cluster/country is allocated according to the risk profile of the reportable operating segment.

Segment disclosures

The segment Europe produces and sells mainly consumer food products such as natural spreads, healthy snacks, baby and toddler food, gluten free, baby and toddler milk and specialties. The segment North America produces and sells mainly consumer food products in the area of baby and toddler food. The segment Emerging Markets mainly includes China, Egypt, Russia, Turkey, Brazil and other export countries which produce and sell mainly consumer food products such as natural spreds, healthy snacks, baby and toddler food and baby and toddler milk. The Group's financing (incl. finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Unallocated amounts relate to Headquarter costs in relation to finance and M&A transactions, executive management and market organization at Headquarter level. The accounting policies of the operating segments are the same as for these consolidated financial statements. Average net working capital is composed of income tax receivables, trade and other receivables, prepayments and inventories less trade and other payables, short-term income tax payables and short-term provisions. Non-current assets comprise property, plant and equipment, intangible assets and right-of-use assets. Net sales by categories have been adjusted to distinguish between net sales of branded products and non-branded products. The net sales reporting of the produt categories reflect the strategic direction of the company with focus on branded business.

Segment disclosures

Information about operating segments

for the year ended December 31, 2023 in CHF 1000.–

	Europe	North America	Emerging Markets	Unallocated	Total
Net sales	866 137	196 744	157 821	-	**1 220 702**
Operating profit*	54 349	4 877	21 326	(57 258)	**23 294**
Depreciation and amortization	(26 570)	(11 905)	(2 333)	(166)	**(40 974)**
Impairment	(29 880)	-	-	-	**(29 880)**
Average net working capital	88 953	36 479	24 932	(5 440)	**144 924**
CAPEX (tangible)	22 013	1 448	2 330	-	**25 791**

Information about major countries

December 31, 2023 in CHF 1000.–

	Switzerland (country of domicile)	Germany	USA	Spain	Other	Total
Net sales	90 681	262 984	173 366	120 330	573 341	**1 220 702**
Non-current assets (PPE, intangible & RoU assets)	71 843	112 278	119 544	49 461	373 957	**727 083**

Information about categories

December 31, 2023 in CHF 1000.–

	Baby and toddler food	Natural spreads	Healthy snacks	Baby and toddler milk	Gluten free	Specialties	Non-branded	Total
Net sales	473 411	241 963	180 932	81 857	28 490	113 005	101 044	**1 220 702**

* Includes transformation costs in Switzerland and Sweden of CHF 34.5m (see Note 4)

Segment disclosures

Information about operating segments

for the year ended December 31, 2022 in CHF 1000.–

	Europe	North America	Emerging Markets	Unallocated	Total
Net sales	852 593	189 096	164 913	-	**1 206 602**
Operating profit	69 231	4 673	16 207	(49 801)	**40 310**
Depreciation and amortization	(28 556)	(12 820)	(3 126)	(166)	**(44 668)**
Average net working capital	64 657	26 598	29 826	(5 451)	**115 630**
CAPEX (tangible)	17 426	2 484	1 968	-	**21 878**

Information about major countries

December 31, 2022 in CHF 1000.–

	Switzerland (country of domicile)	Germany	USA	Spain	Other	Total
Net sales	89 430	236 984	163 681	131 543	584 964	**1 206 602**
Non-current assets (PPE, intangible & RoU assets)	78 470	121 321	137 186	44 476	414 744	**796 197**

Information about categories

December 31, 2022 in CHF 1000.–

	Baby and toddler food	Natural spreads	Healthy snacks	Baby and toddler milk	Gluten free	Specialties	Non-branded	Total
Net sales	478 671	249 903	148 127	99 160	37 361	114 557	78 823	**1 206 602**

Income statement information

6. Details on Other Income/Expense

in CHF 1000.–

	Note	2023	2022
Compensation for damages		7 327	6 879
Gain from VAT settlement		845	706
Reversal of accruals and provisions		794	1 192
Brand name usage		600	699
Stock refunds		483	610
Change in value of earn-out and put option liabilities		331	676
Government grants	10	40	405
Other		1 706	1 124
TOTAL OTHER INCOME		**12 126**	**12 291**
Transformation costs	4	(34 503)	-
Cost for organizational changes		(9 470)	(8 407)
Legal and recall expenses		(6 851)	(8 517)
Compensation and destruction of inventory		(3 640)	(3 127)
Government obligation payments		(2 241)	(2 384)
Loss on disposal of subsidiaries incl. transaction costs	29	-	(1 003)
Loss on disposal of assets		(25)	(447)
Impairment Intangibles		(1 810)	-
Other		(1 558)	(2 146)
TOTAL OTHER EXPENSE		**(60 098)**	**(26 031)**

Cost for organizational changes relate to personnel and project costs mainly in Europe as well as project PHI (implementation of Group wide ERP system). Compensation for damages relate to insurance proceeds to compensate legal expenses in the USA. Government obligation payments are mainly related to property tax. In 2023, transformation costs related to Hero's decision to close its jam factory in Lenzburg (Switzerland) and move production to Hero Spain. In addition Hero has the intention to either close or sell its factory in Götene (Sweden). For further details please see Note 4. In 2022, loss on disposal of subsidiaries relates to the divestment of Juvela Ltd..

Income statement information

7. Finance Income/Expense

Interest income and expense

Interest is recognized using the effective interest method.

in CHF 1000.–

	Note	2023	2022
Interest income		3 741	2 772
Gains from financial instruments at fair value through profit and loss		-	9 968
Net foreign exchange gains		4 764	-
Other financial income		9	7
TOTAL FINANCE INCOME		**8 514**	**12 747**
Interest expense		(4 272)	(3 338)
Interest expense leases	19	(914)	(976)
Net foreign exchange losses		-	(7 337)
Losses from financial instruments at fair value through profit and loss		(6 175)	-
Other financial expense		(2 448)	(1 508)
TOTAL FINANCE EXPENSE		**(13 809)**	**(13 159)**

Other financial expense consist primarily of non-income tax.

Income statement information

8. Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Current income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes.

Pillar Two legislation has been enacted or substantively enacted in most of the jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation. However, the legislation was enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report the potential exposure in its next financial statements for the period ending 31 December 2024.

in CHF 1000.–

	2023	2022
Current income tax expense	(10 626)	(7 299)
Current income tax expense relating to prior periods	(1 414)	(250)
Deferred income tax	6 867	(2 679)
TOTAL INCOME TAX EXPENSE	**(5 173)**	**(10 228)**

Income statement information

Analysis of tax rate

The variation in the Group's average expected tax rate is caused by changes in profitability of the Group's subsidiaries in the various jurisdictions, as well as changes in local statutory tax rates. The main elements contributing to the difference between the Group's overall expected tax rate (the weighted average tax rate based on the results before tax of each subsidiary) and the effective tax expense are:

in CHF 1000.–

	2023	2022
Income before taxes	**16 188**	**37 023**
Tax expense based on expected Group tax rate of the year	(5 547) 34.3%	(8 371) 22.6%
Impact of expense not entitled for deduction for tax purposes	(5 629)	(8 714)
Impact of non taxable income and exclusively tax deductible expense	2 352	9 415
Impact of tax expense related to profits of other periods and other items*	(1 414)	(250)
Utilization of previously unrecognized tax losses	560	(54)
Reassessment of recognized tax losses of prior periods	2 148	48
Impact of unrecognized tax losses of current period**	(420)	(3 439)
Impact of deferred taxes on hybrid coupon	1 129	643
Impact of difference between statutory and deferred tax rate	426	397
Impact of changes in local tax rates	275	97
Impact of tax law changes***	947	(57)
EFFECTIVE GROUP TAX EXPENSE	**(5 173)**	**(10 228)**

* 2023: Mainly relates to Egypt
** 2022: Mainly relates to Switzerland
*** 2023: Mainly relates to Turkey

Income statement information

9. Additional Information on the Nature of Expense

in CHF 1000.–

	Note	2023	2022
Wages and salaries		(210 258)	(195 133)
Social security costs		(40 468)	(41 118)
Pension costs – defined contribution plans		(6 242)	(3 356)
Pension costs – defined benefit plans	22	(2 871)	(2 755)
TOTAL PERSONNEL EXPENSE		**(259 839)**	**(242 362)**

Personnel Expense are not reduced for government grants received in relation to wages and salaries. For further details refer to Note 10.

The Group employed 4 151 full time employees in 2023 (2022: 4 131).

Income statement information

Depreciation and amortization are included in the consolidated statement of income as follows:

Year ended December 31, 2023		Right-of-use assets	Property, plant and equipment	Property, plant and equipment	Intangible assets	Intangible assets
	Note	Depreciation	Depreciation	Impairment	Amortization	Impairment
Cost of sales		(833)	(27 276)	-	(79)	-
Distribution expense		(1 250)	(484)	-	(48)	-
Marketing and sales		(1 737)	(205)	-	(808)	-
Research and development		(43)	(273)	-	-	-
Administrative expense		(2 594)	(3 176)	-	(1 678)	-
Other expense		(490)	-	(28 070)	-	(1 810)
TOTAL	18, 19, 20	**(6 947)**	**(31 414)**	**(28 070)**	**(2 613)**	**(1 810)**

Year ended December 31, 2022		Right-of-use assets	Property, plant and equipment	Property, plant and equipment	Intangible assets	Intangible assets
	Note	Depreciation	Depreciation	Impairment	Amortization	Impairment
Cost of sales		(886)	(27 933)	-	(85)	-
Distribution expense		(1 457)	(1 776)	-	(53)	-
Marketing and sales		(1 694)	(258)	-	(1 452)	-
Research and development		(44)	(281)	-	-	-
Administrative expense		(3 282)	(3 145)	-	(1 952)	-
Other expense		(372)	2	-	-	-
TOTAL	18, 19, 20	**(7 735)**	**(33 391)**	**-**	**(3 542)**	**-**

Income statement information

10. Government Grants

Government grants are recognized only when the Group complies with the applicable conditions and if there is reasonable assurance that the grants will be received. Government grants are deferred and recognized in the income statement over the period necessary to match them with the related costs which they are intended to compensate on a systematic basis, or the carrying amount of the asset to which the grant relates is reduced by the grant. The grant is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

in CHF 1000.–

	Note	2023	2022
Export subsidies in Egypt		1 050	1 539
Government grants for Schwartauer Werke jam factory		-	262
Spanish education grant		41	41
Other		98	120
TOTAL GOVERNMENT GRANTS		**1 189**	**1 962**

Government grants are recognized in the following type of expense/income:

in CHF 1000.–

	Note	2023	2022
Government grants deducted from cost of sales		1 129	1 631
Government grants deducted from administrative expenses		20	20
Government grants included in other income	6	40	311
TOTAL GOVERNMENT GRANTS		**1 189**	**1 962**

Financial assets and liabilities

11. Financial Instruments

General

The Group classifies financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss or subsequently measured at amortised cost. The classification depends on the contractual cash flow characteristics and the Group's business model for managing them. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date. Financial instruments are classified as current if they are expected to be realized within 12 months of the balance sheet date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management to avoid an accounting mismatch.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial assets at amortised cost

Financial assets with fixed or determinable payments that are held to collect contractual cash flows and give rise on specified dates to cash flows representing solely payments of principal and interest. They arise when the Group provides goods or services to customers with no intention of trading the associated receivable or when the Group lends funds to other parties. Trade receivables are initially measured at the transaction price that is expected to be received and subsequently measured at amortised cost. Financial assets at amortised cost comprise cash and cash equivalents, trade receivables and certain other receivables. The allowance for bad debts is based on the expected credit loss model. Hero incorporates forward-looking information into its historical customer default rates, grouping receivables by customer sector and credit rating and taking into account the existence of collateral, if any. For trade receivables, Hero applies the simplified approach and recognises lifetime expected credit losses.

Financial assets and liabilities

Borrowings (Financial liabilities at amortised cost)

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting including the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

Cash flow hedges are accounted for, as described below:
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions. The ineffective portion relating to foreign currency contracts is recognized in profit or loss.

Financial assets and liabilities

Amounts recognized in OCI are accounted for depending on the nature of the underlying hedged transaction.

If the hedged transaction subsequently results in the recognition of a non-financial item, the amount is removed from the cash flow hedge reserve and included in the initial cost of the non-financial asset or liability. For other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss in the same periods during which the hedged cash flows affect profit or loss.

For put option policy see note 29.

Fair Value Estimation

The fair value of publicly traded derivatives and trading securities measured at fair value is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments. The carrying amounts of short-term financial assets and liabilities are generally assumed to approximate to their fair values. For disclosure purposes, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Financial assets and liabilities

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

in CHF 1000.–		Carrying amount		Fair value	
	Note	2023	2022	2023	2022
Financial assets - cash flow and interest hedges					
Current					
Foreign exchange and interest rate hedges		4 550	10 994	4 550	10 994
Financial assets at fair value through profit and loss					
Non-current					
S-Ventures shares		147	817	147	817
Financial assets measured at amortized cost					
Non-current					
Seller promissory note	14	19 051	24 625	19 051	24 175
Loans to related parties	36	166	166	166	166
Current					
Trade receivables	13	126 145	136 794	*	*
Cash and cash equivalents	12	68 226	75 899	*	*
Loans to third parties		514	1 675	*	*
Total (non-current and current)		**214 102**	**239 159**	**-**	**-**

Financial assets and liabilities

in CHF 1000.–		Carrying amount		Fair value	
	Note	2023	2022	2023	2022
Financial liabilities - cash flow hedges					
Current					
Foreign exchange hedges		4 365	1 404	4 365	1 404
Other financial liabilities measured at amortized cost					
Non-current					
Borrowings	15	100 015	100 052	99 982	100 008
Debentures	15	135 000	135 000	134 966	134 929
Put option liabilities over non-controlling interests	17	411	742	411	742
Current					
Trade and other payables	16	235 251	260 683	*	*
Borrowings	15	33 766	5 966	*	*
Total (non-current and current)		**529 875**	**502 443**	**-**	**-**

* The fair values approximate the carrying amounts, largely due to the short-term maturities of these instruments.

Fair value

The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of financial assets has been calculated using market interest rates. The fair values of non-current borrowings and debentures is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair value of S-Venture shares is based on the quoted stock price. Put option over non-controlling interests are measured at the present value of the redemption amount.

Financial assets and liabilities

Debentures

The Group issued CHF 135.0 million bonds on October 28, 2016. The bonds bear 1.00% interest p.a. The maturity date is October 28, 2026. The bonds are traded at the SIX Swiss Exchange. The bonds constitute direct, unconditional and unsubordinated obligations for Hero.

Seller promissory note

Part of the disposal consideration for Signature Brands was received in the form of a subordinated seller promissory note. The note was issued by TC Signature Purchaser LLC on October 25, 2018 at a principal amount of USD 31 million. Signature Brands, LLC promises to pay to Hero USA Inc. the principal amount and interest. The applicable interest rate is SOFR plus 8.25%. The final maturity date is August 4, 2028. An amount of USD 6.8 million is due for repayment on March 29, 2024. The note can be partially or in full repaid earlier. In 2023 Hero received a repayment of USD 6.8 million (CHF 6.1 million). In 2019 Hero received a repayment of USD 12.7 million (CHF 12.6 million). The current valuation includes a loss allowance equal to a 12 months expected credit loss (ECL).

Financial assets and liabilities

Put option liability Baby Gourmet Foods Inc.

As of January 18, 2021, Hero bought 97% of the shares of Baby Gourmet Foods Inc. (Baby Gourmet). Hero paid an initial purchase price for these 97%. At the same time, Hero received a call option over the remaining 3% and is option writer of a put option over the remaining 3%.

The put option on the non-controlling interests of 3% over Baby Gourmet was recognized at an estimated present value of the redemption amount of CHF 1.0 million at the acquisition date. It is remeasured to CHF 0.4 million (2022: 0.7 million) as at the reporting date based on new estimates of the future development of the company. Future developments may require further revisions to the estimate. The put option is classified as non-current liability.

Put option valuation:

Strike price: Enterprise value minus net debt +/- difference to net working capital target. Enterprise value is the result of a net sales and EBITDA multiple.

Exercise period: March 31, 2025 - June 30, 2025

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending December 31, 2023, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Financial assets and liabilities

As at December 31, 2023, the Group held the following financial instruments measured at fair value:

at December 31, 2023 in CHF 1000.–	Assets measured at fair value		Liabilities measured at fair value	
	Level 1	Level 2	Level 2	Level 3
Forward foreign exchange hedges	-	4 550	4 365	-
S-Ventures shares	147	-	-	-

at December 31, 2022 in CHF 1000.–				
		Level 2	Level 2	Level 3
Forward foreign exchange and interest rate hedges		10 994	1 404	-
S-Ventures shares	817	-	-	-

Earn-out liability on acquisition

in CHF 1000.–	2023	2022
Balance at January 1,	-	10 809
Payments	-	(10 427)
Fair value changes through profit or loss	-	(382)
Balance at December 31	**-**	**-**

Liabilities for which fair values are disclosed

in CHF 1000.–	2023			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Borrowings	-	99 982	-	-	100 008	-
Debentures	134 966	-	-	134 929	-	-
Put option liabilities over non-controlling interests	-	-	411	-	-	742

Description of significant unobservable inputs to valuation:

At 31 December 2023 there are no level 3 instruments.

Financial assets and liabilities

The Group holds the following forward foreign exchange contracts:

in CHF 1000.–

	2023	2022
Contracts with positive fair values		
Notional amount of forward foreign exchange contracts	78 635	228 010
Contracts with negative fair values		
Notional amount of forward foreign exchange contracts	(132 332)	(110 188)

The Group entered into forward foreign exchange contracts during financial year 2023 locking in several foreign exchange rates. The maturity of the open derivative positions is less than 12 months.

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income:

in CHF 1000.–

Year ended December 31, 2023	Total hedging gain / (loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Cost of hedging recognized in OCI	Amount reclassified from OCI to profit or loss (cost of sales)
Highly probable forecast transaction	(633)	-	-	355
Total	**(633)**	**-**	**-**	**355**
Year ended December 31, 2022				
Highly probable forecast transaction	355	-	-	45
Total	**355**	**-**	**-**	**45**

Financial assets and liabilities

12. Cash and Cash Equivalents

in CHF 1000.–

	Note	2023	2022
Cash at banks		67 560	75 887
Cash equivalents		666	12
TOTAL CASH AND CASH EQUIVALENTS	**11**	**68 226**	**75 899**

Cash and cash equivalents at the end of the period include deposits with banks of CHF 8.5 million (2022: CHF 27.7 million) held by some subsidiaries which are not freely transferable to the holding company because those deposits are used to secure bank facilities and guarantees or blocked by exchange control regulations. Cash equivalents contain cheques. The weighted average effective interest rate on cash and cash equivalents in 2023 was 2.00% (2022: 0.59%).

Financial assets and liabilities

13. Trade Receivables, Prepayments and Other Receivables

in CHF 1000.–

	Note	2023	2022
Trade receivables from customers		128 287	138 782
Trade receivables from related and associated parties		550	274
Less: Allowance for expected credit losses		(2 692)	(2 262)
TRADE RECEIVABLES NET	**11**	**126 145**	**136 794**
Prepayments		6 031	5 113
VAT		9 787	8 720
Other receivables		6 290	8 222
TOTAL RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES		**148 253**	**158 849**

Other receivables consist primarily of balances resulting from refundables taxes and tax credits.

Allowance for expected credit losses

in CHF 1000.–

	2023	2022
Balance at January 1	(2 262)	(2 603)
Charge for the year	(718)	(141)
Amounts used / written off	20	22
Unused amounts reversed	67	234
Disposal of subsidiary	-	18
Exchange rate differences	201	208
BALANCE AT DECEMBER 31	**(2 692)**	**(2 262)**

Financial assets and liabilities

Maturity of trade receivables

Year ended December 31, 2023 in CHF 1000.–

	Total carrying amount	Of which are not overdue	Overdue < 30 days	Overdue 30-60 days	Overdue 60-90 days	Overdue 90-120 days	Overdue > 120 days
Trade receivables, gross	128 837	112 996	8 667	1 414	1 140	888	3 732
Allowance for expected credit losses	(2 692)	(556)	(117)	(18)	(18)	(10)	(1 973)
TRADE RECEIVABLES, NET	**126 145**	**112 440**	**8 550**	**1 396**	**1 122**	**878**	**1 759**

Year ended December 31, 2022 in CHF 1000.–

	Total carrying amount	Of which are not overdue	Overdue < 30 days	Overdue 30-60 days	Overdue 60-90 days	Overdue 90-120 days	Overdue > 120 days
Trade receivables, gross	139 056	126 144	6 408	2 512	667	362	2 963
Allowance for expected credit losses	(2 262)	(808)	(30)	(43)	(47)	-	(1 334)
TRADE RECEIVABLES, NET	**136 794**	**125 337**	**6 378**	**2 469**	**620**	**362**	**1 629**

Financial assets and liabilities

14. Non-current Receivables

in CHF 1000.–

	Note	2023	2022
Reimbursement rights of Schwartauer Werke	22	589	1 217
Long term incentive plan loan receivable	11	166	166
Seller promissary note	11	19 051	24 625
Other non-current receivables		5 258	5 740
TOTAL NON-CURRENT RECEIVABLES		**25 064**	**31 748**

In 2023 (and 2022), other non-current receivables mostly relate to prepaid taxes on uncertain tax treatment. They also include an endowment insurance of CHF 0.4 million (2022: CHF 0.4 million) which is pledged as collateral.

Financial assets and liabilities

15. Borrowings

in CHF 1000.–

	Note	2023	2022
Current			
Bank borrowings and overdrafts	11	32 224	4 938
Loan liabilities third parties	11	1 542	1 028
Lease liabilities	19	4 898	4 993
TOTAL CURRENT BORROWINGS		**38 664**	**10 959**
Non-current			
Bank borrowings	11	100 000	100 010
Loan liabilities third parties	11	15	42
Lease liabilities	19	16 767	14 259
Debentures	11	135 000	135 000
TOTAL NON-CURRENT BORROWINGS		**251 782**	**249 311**

Covenants

Hero is engaged in different kinds of financings and most of them are related to certain financial covenants. The main covenants are Net Debt / EBITDA and interest coverage. As per December 31, 2023 and 2022 no covenant was breached.

Bank and loan liabilities

The weighted average effective interest expense rate for bank and loan liabilities in 2023 was 22.31% for Emerging Markets and 1.17% outside Emerging markets (2022: 17.23% for Emerging Markets and 1.12% outside Emerging markets). The interest rates for the majority of current bank overdrafts and loan liabilities were between 9.00% - 48.00% for Emerging Markets and 0% - 3.00% excluding Emerging Markets (2022: 3.90% - 20.00% for Emerging Markets and 0.00% - 3.00% excluding Emerging Markets). Non-current borrowings had a weighted average fixed interest rate of 0.88% (2022: 1.13%).

Debentures

Debentures of CHF 135 million issued in 2016 mature on October 28, 2026 and carry interest of 1.0%.

Financial assets and liabilities

Reconciliation of borrowings/liabilities arising from financing activities	Non-current borrowings	Current borrowings
BALANCE AT JANUARY 1, 2022	**233 882**	**15 110**
Repayment of bank loans	-	(4 369)
Proceeds from bank loans	20 000	4 677
Repayment of financial liabilities	(121)	(590)
Payment of lease liabilities	-	(7 563)
New lease liabilities	4 676	-
Changes of lease liabilities	(377)	-
Reclassifications of lease liabilities	(5 984)	5 984
Amortization of bond discounts	-	45
Reclassification of bank loans	(169)	169
Disposal of subsidiary	(168)	(130)
Foreign currency translation effects	(2 428)	(2 374)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**249 311**	**10 959**
Repayment of bank loans	-	(2 480)
Proceeds from bank loans	-	31 316
Repayment of financial liabilities	(28)	-
Proceeds from financial liabilities	-	722
Payment of lease liabilities	-	(6 591)
New lease liabilities	10 977	-
Changes of lease liabilities	(7)	-
Reclassifications of lease liabilities	(6 909)	6 909
Amortization of bond discounts	-	95
Foreign currency translation effects	(1 562)	(2 266)
BALANCE AT DECEMBER 31, 2023	**251 782**	**38 664**

Financial assets and liabilities

16. Trade and Other Payables

in CHF 1000.–

	Note	2023	2022
Trade payables	11	111 468	144 062
Amounts due to related and associated companies	11, 36	132	-
Accrued expenses	11	116 244	111 763
VAT and other taxes		6 405	7 171
Social security		2 912	3 099
Other payables	11	7 407	4 858
TOTAL TRADE AND OTHER PAYABLES		**244 568**	**270 953**

Other Payables consist primarily of obligations arising from customer credit balances and short-term incentive plan liabilities.

17. Other Non-current Liabilities

in CHF 1000.–

	Note	2023	2022
Put option liabilities	11	411	742
Withholding taxes		99	102
Income taxes		666	-
Other liabilities		593	620
TOTAL OTHER NON-CURRENT LIABILITIES		**1 769**	**1 464**

18. Property, Plant and Equipment

Tangible fixed assets, other than land, are recorded at historical acquisition cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is charged to the income statement during the financial period in which they are incurred. Depreciation is recorded on a straight-line basis over the course of the useful life of the asset. Land is not depreciated.
The general useful lives for various asset categories can be summarized as follows:

- Buildings (25 to 50 years),
- Fixtures and fittings (up to 20 years),
- Plant and machinery (8 to 15 years),
- Motor vehicles (4 to 10 years),
- Furniture (5 to 10 years),
- Information technology hardware (3 to 5 years).

Gains or losses arising from the disposal of property, plant and equipment assets are recorded in the income statement as part of operating profit.
Land is recognized at fair value, based on periodic valuations by external independent valuers. Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income in the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income in other reserves (revaluation reserve); all other decreases are charged to the income statement.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

in CHF 1000.–

Property, Plant and Equipment	Land	Buildings	Plant and machinery	Other equipment	TOTAL
Cost or valuation					
BALANCE AT JANUARY 1, 2022	**34 333**	**234 521**	**442 043**	**49 758**	**760 655**
Additions	-	3 587	13 034	5 257	21 878
Derecognition/disposals of assets	-	(122)	(761)	(911)	(1 794)
Disposal of subsidiaries	-	-	(1 741)	(335)	(2 076)
Reclassifications	-	-	41	(41)	-
Foreign exchange differences & hyperinflation adjustments	(1 207)	(2 488)	(10 708)	(3 328)	(17 731)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**33 126**	**235 498**	**441 908**	**50 400**	**760 932**
Additions	-	2 599	15 929	7 263	25 791
Derecognition/disposals of assets	-	-	(4 534)	(1 772)	(6 306)
Reclassification to assets held for sale	(53)	(789)	(2 523)	(754)	(4 119)
Foreign exchange differences & hyperinflation adjustments	(2 131)	(16 686)	(30 743)	(4 565)	(54 125)
BALANCE AT DECEMBER 31, 2023	**30 942**	**220 622**	**420 037**	**50 572**	**722 173**
Accumulated depreciation					
BALANCE AT JANUARY 1, 2022	**18**	**90 547**	**284 489**	**34 751**	**409 805**
Additions	2	6 796	23 093	3 500	33 391
Derecognition/disposals of assets	-	(122)	(263)	(811)	(1 196)
Disposal of subsidiaries	-	-	(751)	(316)	(1 067)
Foreign exchange differences & hyperinflation adjustments	(2)	(2 067)	(3 336)	(2 211)	(7 616)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**18**	**95 154**	**303 232**	**34 913**	**433 317**
Additions	2	6 230	21 859	3 323	31 414
Derecognition/disposals of assets	-	-	(3 215)	(1 670)	(4 885)
Impairment	151	10 418	17 172	329	28 070
Revaluation	1 151	-	-	-	1 151
Reclassification to assets held for sale	(19)	(187)	(1 943)	-	(2 149)
Foreign exchange differences & hyperinflation adjustments	(3)	(6 755)	(21 455)	(3 178)	(31 391)
BALANCE AT DECEMBER 31, 2023	**1 300**	**104 860**	**315 650**	**33 717**	**455 527**
Carrying amount					
At December 31, 2022	33 108	140 344	138 676	15 487	**327 615**
At December 31, 2023	29 642	115 762	104 387	16 855	**266 646**

Revaluation of land

Land is carried at revalued amounts.

Country	Fair Value	Price / m2	Valuation Date	External Valuation
Switzerland	5 094	CHF 300	December 2023	BDO
Germany	9 396	EUR 55	September 2021	Marsh
Spain	5 457	EUR 69	August 2021	gesvalt
Sweden	76	SEK 74	September 2021	Svefa
Brazil	3 267	BRL 169	October 2021	CPCON
Turkey	2 510	TRY 1 050	August 2021	TKSB
Egypt	1 999	EGP 1 750	September 2021	Elhabashy
USA	1 844	USD 6	December 2021	Armstrong Appraisals, LLC
TOTAL	**29 642**	**N/A**		

In the fair value measurement hierarchy of the Group land is classified as level 3 fair value instrument using significant unobservable inputs.

The fair value of the land was determined by using mainly market comparable methods. This means that valuations performed by the appraisers are based on active market prices, adjusted for difference in the nature, location or condition of the specific land.

If land were stated on the historical cost basis, the amounts would be as follows:

in CHF 1000.–

	2023	2022
Balance at January 1	18 653	17 704
Foreign exchange differences	(2 090)	949
BALANCE AT DECEMBER 31	**16 563**	**18 653**

19. Right-of-use Assets and Lease Liabilities

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

I) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

II) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. The Group elected to apply the practical expedient IFRS 16.15 not to separate non-lease components from lease components.

In calculating the present value of lease payments, the Group uses either the interest rate implicit in the lease contract or its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

III) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

in CHF 1000.–

	Buildings	Plant and machinery	Other equipment	Total
Gross				
BALANCE AT JANUARY 1, 2022	**29 601**	**2 264**	**10 979**	**42 844**
Additions	816	1 187	2 674	4 677
Contract modifications & remeasurements	(342)	(421)	(1 525)	(2 288)
Disposal of subsidiary	(524)	-	(61)	(585)
Foreign exchange differences & hyperinflation adjustment	(3 047)	(119)	(476)	(3 642)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**26 504**	**2 911**	**11 591**	**41 006**
Additions	6 669	347	3 961	10 977
Contract modifications & remeasurements	(7 045)	(63)	(2 302)	(9 410)
Foreign exchange differences & hyperinflation adjustment	(2 408)	(192)	(586)	(3 186)
BALANCE AT DECEMBER 31, 2023	**23 720**	**3 003**	**12 664**	**39 387**
Accumulated depreciation				
BALANCE AT JANUARY 1, 2022	**10 612**	**1 338**	**6 621**	**18 571**
Additions	4 480	391	2 864	7 735
Contract modifications & remeasurements	(342)	-	(1 570)	(1 912)
Disposal of subsidiary	252	-	33	285
Foreign exchange differences & hyperinflation adjustment	(1 416)	(167)	(299)	(1 882)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**13 586**	**1 562**	**7 649**	**22 797**
Additions	3 757	319	2 871	6 947
Contract modifications & remeasurements	(7 045)	(63)	(2 302)	(9 410)
Foreign exchange differences & hyperinflation adjustment	(1 039)	(114)	(446)	(1 599)
BALANCE AT DECEMBER 31, 2023	**9 259**	**1 704**	**7 772**	**18 735**
Carrying amount				
At December 31, 2022	12 918	1 349	3 942	18 209
At December 31, 2023	14 461	1 299	4 892	20 652

Set out below are the carrying amounts of lease liabilities and the movements during the period:

in CHF 1000.–

	Note	2023	2022
As at 1 January		19 252	25 702
Additions		10 977	4 677
Decreases		(7)	(377)
Accretion of interest		914	976
Payments of lease liabilities including interest		(7 505)	(8 539)
Disposal of subsidiary		-	(298)
Foreign exchange differences		(1 966)	(2 889)
AS AT 31 DECEMBER		**21 665**	**19 252**
Thereof non-current	15	16 767	14 259
Thereof current	15	4 898	4 993

The following are the amounts recognised in the income statement:

in CHF 1000.–

	2023	2022
Depreciation expense of right-of-use assets	(6 947)	(7 735)
Interest expense on lease liabilities	(914)	(976)
Expense relating to short-term leases	(1 879)	(1 523)
Expense relating of low-value assets	(803)	(481)
Variable lease payments	(868)	(1 243)
TOTAL AMOUNT RECOGNISED IN THE INCOME STATEMENT	**(11 411)**	**(11 958)**

The Group had total cash outflows for leases of CHF 11.1 million in 2023 (2022: CHF 11.8 million)

Non-financial assets and liabilities

20. Intangible Assets

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

These cash-generating units represent countries or clusters, depending on at which level the goodwill is monitored for internal management purposes.

As a result, impairment tests are carried out on a country level for some and on a cluster level for other goodwill positions.

Based on the impairment tests, no goodwill impairment is required for any of the cash-generating units (see note 37).
Brands with an indefinite useful life are carried at historical cost (generally fair value in a business combination) less accumulated impairment losses and are tested annually for impairment using a value in use calculation. Brands are classified as indefinite useful life brands if the brand has sufficient history and the Group has no intention of re-branding.

Brands and other intangible assets with a finite useful life are carried at historical cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the costs over their estimated useful lives:

- Brands (up to 20 years),
- Software (1 to 10 years),
- Customer relationships (up to 10 years),
- Distribution Network (up to 5 years),
- Other intangibles (3 to 5 years).

Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or when there is an indication of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date.

Non-financial assets and liabilities

Research and Development Costs

Research costs are recorded in the income statement in the period in which they are incurred. Development costs are recognized as intangible assets to the extent that they meet the recognition criteria of IAS 38.

Following initial recognition of development expenditure as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Development costs are amortized on a straight-line- basis over the period of their expected benefit or tested for impairment annually. Other development costs are recorded in the income statement in the period in which they are incurred.

Non-financial assets and liabilities

in CHF 1000.–	Goodwill	Brands	Customer relations/ distribution networks	Other intangible assets	Total
Cost					
BALANCE AT JANUARY 1, 2022	**350 465**	**194 855**	**48 795**	**53 573**	**647 688**
Restatement	12 308	-	-	-	12 308
BALANCE AT JANUARY 1, 2022 (RESTATED)	**362 773**	**194 855**	**48 795**	**53 573**	**659 996**
Additions	-	-	-	11 422	11 422
Derecognition/disposals of assets	-	-	-	(72)	(72)
Disposal of subsidiaries	-	(6 132)	(23 112)	(2 525)	(31 769)
Foreign exchange differences & hyperinflation adj. (restated)	(23 218)	(9 740)	(683)	(1 307)	(34 948)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**339 555**	**178 983**	**25 000**	**61 091**	**604 629**
Additions	-	-	-	10 924	10 924
Derecognition/disposals of assets	-	-	-	(833)	(833)
Reclassification	(3 700)	-	-	-	(3 700)
Foreign exchange differences & hyperinflation adjustments	(18 054)	(7 337)	(1 268)	(2 063)	(28 722)
BALANCE AT DECEMBER 31, 2023	**317 801**	**171 646**	**23 732**	**69 119**	**582 298**
Accumulated amortization					
BALANCE AT JANUARY 1, 2022	**32 344**	**55 899**	**44 279**	**34 957**	**167 479**
Additions	-	730	790	2 022	3 542
Decrease/disposals of assets	-	-	-	(27)	(27)
Disposal of subsidiaries	-	-	(23 112)	(2 525)	(25 637)
Foreign exchange differences & hyperinflation adjustments	146	(90)	(642)	(1 272)	(1 858)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**32 490**	**56 539**	**21 315**	**33 155**	**143 499**
Additions	-	-	759	1 854	2 613
Derecognition/disposals of assets	-	-	-	(888)	(888)
Impairment	-	-	-	1 810	1 810
Foreign exchange differences & hyperinflation adjustments	(1 364)	(101)	(1 119)	(1 937)	(4 521)
BALANCE AT DECEMBER 31, 2023	**31 126**	**56 438**	**20 955**	**33 994**	**142 513**
Carrying amount					
At December 31, 2022 (restated)	307 065	122 444	3 685	27 936	**461 130**
At December 31, 2023	286 675	115 208	2 777	35 125	**439 785**

Non-financial assets and liabilities

Other intangibles

Other intangibles mainly include licenses, software, patents, recipes and development costs.

In 2023, TCHF 8 655 development costs (mainly software) were capitalized (2022: TCHF 11 385). It includes mainly the ongoing implementation of a new group wide Enterprise Resource Planning (ERP) system. Total value of the new group wide ERP asset as of December 31, 2023 is CHF 26.1 million (2022: 17.7 million). Amortization period is 10 years.

Impairment tests

Goodwill and intangible assets with indefinite useful lives are allocated to the respective cash-generating units (CGUs), which for goodwill primarily represents a geographical cluster. The recoverable amount of a CGU is determined based on value-in-use calculations. In 2023 as well as in 2022, the recoverable amounts exceeded the carrying amounts for all CGUs.

Hero's major single goodwill and brand positions as well as management's key assumption are summarized below:

December 31, 2023 Cluster & Country-CGU	Goodwill	Indef. life brands	Perpetual growth	Wacc pre-tax	Growth rates p.a. years 2024-2029	Profit margin change between years 2024 and 2029	Impairment
		in CHF million	in %	in %	in %	in pp	
Cluster Central Europe	139.8	21.1	2.6	7.7	2.3 - 7.4	0.7	no
Cluster Northern Europe	108.9	52.9	3.8	8.5	(5.1) - 3.8	2.3	no
Cluster MEA & Turkey	1.4	-	9.2	24.8	6.9 - 34.2	0.7	no
Beech-Nut	-	14.9	4.8	18.4	4.8 - 6.4	-	no
Hero Brazil	3.1	2.6	5.8	16.7	4.4 - 28.2	2.4	no
goodforgrowth	24.9	17.6	2.8	8.0	2.8 - 17.6	0.7	no
Baby Gourmet	8.6	6.1	4.0	8.0	(6.4) - 9.1	5.4	no
TOTAL	**286.7**	**115.2**					

December 31, 2022 (restated) Cluster & Country-CGU	Goodwill	Indef. life brands	Perpetual growth	Wacc pre-tax	Growth rates p.a. years 2023-2028	Profit margin change between years 2023 and 2028	Impairment
		in CHF million	in %	in %	in %	in pp	
Cluster Central Europe	148.6	22.5	3.1	8.3	2.1 - 10.7	1.3	no
Cluster Northern Europe (restated)	117.8	55.6	3.6	8.3	2.6 - 12.7	4.3	no
Cluster MEA & Turkey	1.8	-	10.0	25.5	8.8 - 22.9	2.6	no
Beech-Nut	-	16.5	4.1	17.6	4.1 - 10.2	-	no
Hero Brazil	3.2	2.6	5.1	16.7	5.0 - 12.6	3.8	no
goodforgrowth	26.5	18.7	2.2	8.5	2.1 - 24.3	1.7	no
Baby Gourmet	9.2	6.6	3.3	9.0	3.2 - 10.2	5.7	no
TOTAL	**307.1**	**122.5**					

21. Development of Deferred Tax Assets and Liabilities

Deferred income tax is calculated using the balance sheet liability method. Where the tax base of an asset or liability differs from its carrying amount, deferred tax liabilities or assets are recorded.

Unused tax credits and unused tax losses which may be carried forward to future accounting periods are capitalized as deferred tax assets in so far as it is probable that future taxable income will be generated in the same tax entity and same taxation authority and the said losses may be applied against such profits.

The carrying amount of deferred income taxes is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Locally enacted or substantively enacted tax rates are used in order to value the tax effect of temporary differences. When these tax rates change, deferred taxes are adjusted accordingly. Adjustments to deferred income taxes are directly booked to the income statement as part of the tax expense.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

in CHF 1000.–

	Deferred tax assets 2023	Deferred tax liabilities 2023	Deferred tax assets 2022	Deferred tax liabilities 2022 (restated)
Assets				
Property, plant and equipment	3 243	(20 571)	706	(25 527)
Intangible assets	6 609	(42 670)	6 638	(33 755)
Restatement - intangible assets	-	-	-	(6 704)
Right-of-use assets	103	(2 044)	124	(2 399)
Financial assets	539	(1 725)	147	(1 867)
Trade receivables, prepayments and other receivables	624	(1)	1 067	-
Inventories	1 199	(1 260)	287	(2 033)
Liabilities				
Net employee defined benefit assets/liabilities	4 183	(107)	4 868	(96)
Accruals and provisions	3 289	(384)	3 305	(91)
Trade and other payables	286	(3 049)	613	(4 643)
Lease liabilities	2 652	(83)	2 448	(108)
Financial liabilities	453	(122)	437	-
Capitalized unused tax losses and tax credits	22 101	-	22 282	-
TOTAL DEFERRED TAXES	**45 281**	**(72 016)**	**42 922**	**(77 223)**
DEFERRED TAXES, NET	**-**	**(26 735)**	**-**	**(34 301)**

Reflected in the consolidated balance sheet as follows:

in CHF 1000.–

	2023	2022 (restated)
Deferred tax assets	11 418	9 075
Deferred tax liabilities (restated)	(38 153)	(43 376)
DEFERRED TAX (LIABILITIES) / ASSETS, NET	**(26 735)**	**(34 301)**

Unrecognized deferred tax assets for unused tax losses

in CHF 1000.–

	2023	2022
Unrecognized deferred tax assets expire in:		
reporting year +1	-	79
reporting year +2	-	-
reporting year +3	-	-
reporting year +4	-	-
reporting year +5 and beyond	20 921	30 087
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS FOR UNUSED TAX LOSSES	**20 921**	**30 166**

Net deferred tax assets / (liabilities)

in CHF 1000.–

	Note	2023	2022 (restated)
Balance at January 1		(34 301)	(21 133)
Restatement		-	(7 671)
Balance at January 1 (restated)		(34 301)	(28 804)
Deferred tax income / (expense)	8	6 867	(2 679)
Change in scope of consolidation	29	-	(371)
Deferred taxes directly recognized in OCI		(301)	(3 174)
Deferred taxes directly recognized in retained earnings		(402)	-
Reclasses		(132)	(123)
Foreign exchange differences and hyperinflation adjustments		1 534	850
BALANCE AT DECEMBER 31		**(26 735)**	**(34 301)**

At December 31, 2023, there was no recognized deferred tax liability (2022: 0) for taxes that would be payable on the unremitted earnings of certain of the Group’s subsidiaries. The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognized, aggregate to CHF 28.1 million (2022: CHF 32.1 million).

22. Defined Benefit Obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions as well as changes in the effect of the asset ceiling are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately as an expense in the income statement.

Depending on the legal, economic and fiscal circumstances in each country, different retirement benefit systems are provided for the employees of the Group. As a rule, these systems are based on length of service and salary of the employees. Pension obligations in the Group relate to both defined benefit and defined contribution plans. Defined benefit plans are funded and unfunded. Most Group companies sponsor defined benefit pension schemes which are funded by payments to separate trustee-administered funds. The obligations of German companies are unfunded. The latest actuarial valuations under IAS 19 were carried out as at December 31, 2023, for all significant pension plans. The Group's largest pension plans are in Switzerland and Germany (Schwartauer Werke). They account for 91% (2022: 89%) of the Group's defined benefit obligations and 94% (2022: 94%) of the Group's plan assets.

Pension plans in Switzerland

Pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are overseen by a regulator as well as by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives. Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case of an underfunding, various measures can be taken such as the adjustment of the pension commitment by altering the conversion rates or increasing current contributions. The employer can also make additional restructuring contributions. The BVG prescribes how employees and employer have to jointly fund potential restructurings.

The Swiss pension plan "Hero Pensionskasse" has the legal structure of a foundation. All actuarial risks are borne by the foundation. These risks consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate, future increases in salaries/wages, and the return on plan assets) and are regularly assessed by the Board of Trustees. In addition, an annual actuarial report is drawn up in accordance with the requirements of the BVG. The report is not produced using the projected unit credit method, as required by IFRS Accounting Standards. The definitive funded status according to the BVG is determined in the first quarter of the following year. According to estimates, the funded status at December 31, 2023 is 110% (2022: 107%, final). In addition, a report is prepared annually in accordance with IFRS requirements.

The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy whenever necessary – especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the foundation's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target asset structure (investment policy). The Board of

Trustees delegates the implementation of the investment policy – in accordance with the investment strategy as well as various principles and objectives – to an external Investment Trust. The Swiss pension plan "Hero Pensionskasse" is treated as defined benefit plan under IAS 19 because both the actuarial risks and the investment risks are borne not only by the insured but also by the company. The pension plan in Switzerland has been set up according to the Swiss method of defined contributions but does not fulfill all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plan is treated as defined benefit plan in the consolidated financial statements.

Pension plan Schwartauer Werke, Germany Schwartauer Werke grants pension benefits to its employees in addition to the state plan. The plan is an unfunded plan and the risks associated to the plan are covered by pension liabilities of Schwartauer Werke, and reimbursement rights under an insurance policy. The rights to reimbursement are under an insurance policy that exactly matches the amount and timing of the benefits payable under the pension scheme. They are disclosed as an asset (see note 14). The book value of the reimbursement rights in 2023 is TCHF 589 (2022: TCHF 1 217).

Employee benefits are mainly based on three components: 1) direct obligation with no contributions of employees; 2) indirect obligations with no contributions of employees; 3) direct obligation with contributions of employees.

All employees under regular and permanent employment are entitled to participate in the plan. Employees need to have a minimum age of 30 years and a minimum time of service of three years. Employees are entitled to retirement capital, early retirement capital, old-age pension, disability pension and survivor benefits depending on the employees reinsurance value.

Multi-employer plans

The Group has multi-employer defined benefit plans in the US, the Netherlands and Sweden. For these plans there is no consistent and reliable basis for allocating the obligation, plan assets and cost of the plans to the individual entities participating in the plan. Therefore, defined benefit accounting cannot be used and these plans are treated as a defined contribution plans in accordance with IAS 19. Expected contributions for 2024 are TCHF 1 145.

The most significant multi-employer plan is Beech-Nut Bakery and Confectionery Union and Industry International Health Benefits and Pension Fund (B&C Pension fund). It is funded by employer contributions made pursuant to collective bargaining agreements between employers and the Bakery, Confectionary, Tobacco Workers and Grain Millers International Union. The plan is funded on an hours worked basis. The rate is set based on the pension rules. The plan rates are set by the Pension Board of Trustees. This Board consists of 6 employers and 6 union officials. Beech-Nut's share in the scheme is approximately 0.4% of the plan (2022: 0.4%).

The scheme shows 2023 based on latest information a USD 4.7 billion deficit (2022: USD 5.3 billion deficit).

Due to its funding issues, and as required by Employee Retirement Income Security Act (ERISA), the plan has been operating under a "rehabilitation plan" since 2012. The rehabilitation plan is designed to "forestall" the B&C Fund's insolvency.

The plan may become eligible for relief under legislation being considered by the U.S. Congress. Congress members introduced the Emergency Pension Plan Relief Act of 2021 (EPPRA), which would provide funding relief to plans that are in critical and declining status.

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements:

Amounts recognized in the balance sheet:
in CHF 1000.–

	2023	2022
Switzerland		
Present value of funded obligations	79 741	73 243
(Fair value of plan assets)	(88 596)	(85 676)
Surplus of funded obligations	(8 855)	(12 433)
Adjustment to asset ceiling	8 209	11 796
(ASSET) IN THE BALANCE SHEET	**(646)**	**(637)**
Germany		
Present value of unfunded obligations	25 442	29 229
LIABILITY IN THE BALANCE SHEET	**25 442**	**29 229**
Other		
Present value of funded obligations	5 735	6 629
(Fair value of plan assets)	(5 386)	(5 761)
Deficit of funded obligations	349	868
Present value of unfunded obligations	4 925	5 575
Total deficit of defined benefit pension plans	5 274	6 443
LIABILITY IN THE BALANCE SHEET	**5 274**	**6 443**
Total		
Present value of funded obligations	85 476	79 872
(Fair value of plan assets)	(93 982)	(91 437)
Surplus of funded obligations	(8 506)	(11 565)
Present value of unfunded obligations	30 367	34 804
Total deficit of defined benefit pension plans	**21 861**	**23 239**
Asset ceiling	**8 209**	**11 796**
(ASSET) IN THE BALANCE SHEET	**(646)**	**(637)**
LIABILITY IN THE BALANCE SHEET	**30 716**	**35 672**

Movement in the net defined benefit obligation over the year:

in CHF 1000.–	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
BALANCE AT DECEMBER 31, 2021/JANUARY 1, 2022	**150 703**	**(102 725)**	**47 978**	**-**	**47 978**
Current service cost	2 486	-	2 486	-	2 486
Interest expense/(income)	736	(467)	269	-	269
	3 222	**(467)**	**2 755**	**-**	**2 755**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	-	9 680	9 680	-	9 860
Gain from change in demographic assumptions	(179)	-	(179)	-	(179)
Gain from change in financial assumptions*	(27 288)	-	(27 288)	-	(27 288)
Experience gain	(3 076)	-	(3 076)	-	(3 076)
Change in asset ceiling, excl. amounts incl. in interest expense/(income)	-	-	-	11 796	11 796
	(30 543)	**9 680**	**(20 863)**	**11 796**	**(9 067)**
Contributions:					
Employers	-	(1 732)	(1 732)	-	(1 732)
Plan participants	1 499	(1 499)	-	-	-
Payments from plans:					
Benefit payments	(8 019)	5 456	(2 563)	-	(2 563)
Foreign exchange differences	(2 186)	(150)	(2 336)	-	(2 336)
AT DECEMBER 31, 2022	**114 676**	**(91 437)**	**23 239**	**11 796**	**35 035**

* Mainly Swiss Plan discount rate increases

Movement in the net defined benefit obligation over the year:

in CHF 1000.–	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**114 676**	**(91 437)**	**23 239**	**11 796**	**35 035**
Current service cost	1 754	-	1 754	-	1 754
Interest expense/(income)	3 070	(2 224)	846	271	1 118
	4 824	**(2 224)**	**2 600**	**-**	**2 871**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	-	(1 744)	(1 744)	-	(1 744)
Loss from change in financial assumptions*	4 056	-	4 056	-	4 056
Experience loss	104	-	104	-	104
Change in asset ceiling, excl. amounts incl. in interest expense/(income)	-	-	-	(3 858)	(3 858)
	4 160	**(1 744)**	**2 416**	**(3 858)**	**(1 442)**
Contributions:					
Employers	-	(1 786)	(1 786)	-	(1 786)
Plan participants	1 535	(1 535)	-	-	-
Payments from plans:					
Benefit payments	(6 841)	4 172	(2 669)	-	(2 699)
Foreign exchange differences	(2 509)	570	(1 939)	-	(1 939)
AT DECEMBER 31, 2023	**115 845**	**(93 984)**	**21 861**	**8 209**	**30 070**

* Mainly discount rate decrease

Significant actuarial assumptions:

	Switzerland		Germany		Other*	
in %	2023	2022	2023	2022	2023	2022
Discount rate	1.50	2.30	3.70	3.40	3.72	4.12
Salary growth rate	1.50	1.50	3.00	3.00	0.03	0.03
Pension growth rate	0.00	0.00	2.60	2.60	1.27	1.46

* weighted average

Assumptions regarding future mortality:

Average life expectancy in years for a pensioner retiring at age 65:

	Switzerland		Germany		Other*	
in years	2023	2022	2023	2022	2023	2022
Retiring at the end of the reporting period:						
Male	23	23	21	21	21	21
Female	25	24	24	24	24	24
Retiring 20 years after the end of the reporting period:						
Male	25	25	24	23	23	23
Female	27	26	26	26	25	25

* weighted average

Sensitivity of the defined benefit obligation:

2023

in CHF 1000.–

		Impact on defined benefit obligation			
	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.50%	(5 788)	(5.0%)	6 286	5.4%
Salary growth rate	0.50%	493	0.4%	(573)	(0.5%)
Pension growth rate	0.25%	2 073	1.8%	(700)*	(0.6%)
		Increase by 1 year in assumption		Decrease by 1 year in assumption	
Life expectancy		3 357	2.9%	(3 067)	(2.6%)

* Since it is legally not enforceable, a decrease of the pension growth rate is not applicable for the pension plans in Switzerland.

Sensitivity of the defined benefit obligation:

2022

in CHF 1000.–

		Impact on defined benefit obligation			
	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.50%	(5 624)	(4.9%)	6 242	5.4%
Salary growth rate	0.50%	482	0.4%	(502)	(0.4%)
Pension growth rate	0.25%	1 995	1.7%	(821)*	(0.7%)
		Increase by 1 year in assumption		Decrease by 1 year in assumption	
Life expectancy		3 513	3.1%	(3 247)	(2.8%)

* Since it is legally not enforceable, a decrease of the pension growth rate is not applicable for the pension plans in Switzerland.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Composition of plan assets:

Plan assets are comprised as follows:
in CHF 1000.–

	2023	in %	2022	in %
Equity instruments	26 118	27.8	20 365	22.3
Bonds	37 806	40.2	40 171	43.9
Property	25 606	27.2	29 301	32.0
Cash and cash equivalents	4 454	4.7	1 600	1.8
TOTAL	**93 984**	**100.0**	**91 437**	**100.0**

The assets of the Swiss pension funds which represent 94% (2022: 94%) of the Group's plan assets are comprised of:

- 26% (2022: 20%) Equity instruments with quoted prices in an active market (level 1 fair value classification).
- 40% (2022: 44%) Bonds with quoted prices in an active market (level 1 fair value classification).
- 29% (2022: 34%) Property with quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data (level 2 fair value classification).
- 5% (2022: 2%) Cash and cash equivalents (level 1 fair value classification).

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its pension scheme risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in bonds, although the Group also invests in property, equity, cash and alternative investments.

Expected contributions

Expected contributions to post-employment benefit plans for the year ending December 31, 2024 are TCHF 1 867.

Weighted average duration

The weighted average duration of the defined benefit obligations are:

	Switzerland		Germany		Other*	
	2023	2022	2023	2022	2023	2022
in years	11	10	12	12	10	9

* weighted average

23. Provisions

Provisions arise from restructuring programs, legal claims, and potential liabilities from normal operations. A provision is recognized in cases where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Severance and redundancy payments relating to restructuring are provided for when the Group has committed itself to such restructuring programs, when the location, function and number of employees to be laid off or re-deployed is known and has raised a valid expectation in those affected. Provisions are not recognized for future operating losses. In case the effect of time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

in CHF 1000.–

	Litigation	Employee related	Other	Total
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023	**1 976**	**8 476**	**4 262**	**14 714**
Additional provisions	109	5 566	541	6 216
Utilized	-	(143)	(213)	(356)
Unused amounts reversed/reclassifications	11	(1 083)	(338)	(1 410)
Foreign exchange differences	(13)	(336)	(424)	(773)
BALANCE AT DECEMBER 31, 2023	**2 083**	**12 480**	**3 828**	**18 391**
Analysis of total provisions				
Current provisions	32	-	2 696	**2 728**
Non-current provisions	2 051	12 480	1 132	**15 663**

Litigation

The amounts represent a provision for certain legal claims brought against the Group.

Employee related

This position represents a provision for long term incentive plans in the amount of CHF 8.5 million (2022: CHF 5.1 million) as well as provions for jubilee, early retirement and indemnity payments.

Power of One long-term incentive plan

As per January 1, 2019, the Group introduced an additional incentive plan for the members of the Group executive board and the members of the leadership circle including the general managers of the subsidiaries and functional heads of Hero. The plan is linked to the achievement of strategic KPI's and the performance of the share price of Hero which is calculated based on a formula defined in the plans. There is a minimum performance threshold of the strategic KPI's and the amount of pay-out is capped. The incentive plan is therefore aimed at providing an incentive to make significant contributions to the long-term performance and growth of Hero and shall increase the ability of Hero to attract, motivate and retain individuals of exceptional skills. Every year, a new plan is initiated in which the members of the plan are granted to participate with 15% of their base salary. The plan members have the option to increase their participation in the plan by decreasing the short-term incentive bonus of the current year. The performance cycle of each plan is three full calendar years, starting in the year of the grant date and ending with the year preceding the vesting date. For any participants not being a member of the Group executive board, the plan is settled in cash at the end of the vesting period. The members of the Group executive board have the option to either settle in cash or shares at the end of the vesting period. At each balance sheet date, management estimates the pay-out at the end of the vesting period.

The expense is recognized over the 3-year performance cycle in the income statement. As the shares are restricted and will ultimately revert to the company and the share price does not reflect the fair value of the Hero shares, the Group has accounted for the plan under an IAS 19 long-term benefits model.

Long Term Incentive Plan

Effective January 1, 2014, the Group issued a long term incentive plan for the executive board members. There is a two year waiting period for newly employed executive board members before they may participate in the plan. Under the plan, the participants are offered the opportunity to invest up to 50% of their short-term incentive payment in shares. After a restriction period of three years, participants may sell the shares back to Hero at a price based on a formula defined in the plan. In conjunction with the plan, participants may be granted loans to fund the share issue. As the shares are restricted and will ultimately revert to the company and the share price does not reflect the fair value of the Hero shares, the Group has accounted for the plan under an IAS 19 long-term benefits model. Under the IAS 19 model, management has estimated the future payment at the end of the restriction period and the expense is recognized over a 4-year vesting period in the income statement. At each reporting date the amount is re-assessed and recognized in the income statement.

Other provisions

Other provisions are set up for obligations which do not fall into one of the before mentioned group of provisions (mostly related to tax).

Non-financial assets and liabilities

24. Inventories

Inventories are recorded at the lower of acquisition or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the cost to make the sale.

Production costs include direct and indirect material and production costs. Inventory is valued using the weighted average method.

A valuation allowance is recognized for any damaged or slow-moving goods.

in CHF 1000.–

	2023	2022
Raw materials and supplies	64 310	80 185
Semi-finished goods	9 986	11 507
Finished goods	120 785	124 662
TOTAL INVENTORIES	**195 081**	**216 354**
Write down of inventories	(4 600)	(4 502)
Inventory expensed in cost of sales	(784 079)	(786 994)

Capital structure/management

25. Shares, Hybrid Capital and Other Reserves

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Hybrid Capital

Hybrid capital comprises listed bonds issued to third parties. The listed bonds are undated securities in respect of which there is no maturity date and where there is no obligation on the part of Hero either to redeem at any future date the underlying nominal amounts or to pay any annual coupon insofar as no compulsory payment event occurs in any given accounting period. The key compulsory payment events listed in the terms and conditions of the bonds include the payment to Hero's shareholders of either a dividend or an amount in connection with a capital re-purchase. The bonds are subordinated obligations and are subordinate to all of Hero's present and future unsubordinated indebtedness. Coupon payments are recorded directly in equity.

Capital structure/management

Number of shares

	2023	2022
Total shares issued January 1	6 213 272	6 213 272
Total shares issued at December 31	**6 213 272**	**6 213 272**
Less: Treasury shares	(61 672)	(61 672)
TOTAL SHARES OUTSTANDING AT DECEMBER 31	**6 151 600**	**6 151 600**

Common stock represents all of the registered and authorized shares with a par value of CHF 10 per share. All issued shares are fully paid.

Treasury shares are held in connection with the long term incentive plan. Treasury shares held by key management can only be sold back to Hero AG.

Hybrid capital

in CHF 1000.–

	2023	2022
Hybrid capital third parties	139 060	198 779
TOTAL HYBRID CAPITAL AT DECEMBER 31	**139 060**	**198 779**

Hybrid Capital Third Parties

On October 28, 2016, Hero issued CHF 200 million Perpetual Callable Subordinated Bonds which were fully repaid in 2023.

On May 30, 2023, Hero issued CHF 140 million Perpetual Callable Subordinated Bonds. The bonds bear interest on their principal amount at a fixed rate of 5.00% p.a. from the payment date up to July 5, 2028, and thereafter in respect of each successive five-year period at a fixed rate per annum as determined by the Principal Paying Agent in accordance with condition 2.2 of the Terms of the Bonds.

The terms and conditions of the bonds are such, that in accordance with IAS 32, the bonds qualify for treatment as equity in the financial statements of the Group. Payments of the coupons relating to the bonds are recorded as distribution on hybrid capital third parties.

Capital structure/management

Other reserves
in CHF 1000.–

	Revaluation reserve	Legal reserves	Cash flow hedge reserve	Pensions reserve	Foreign currency translation reserve	Total
BALANCE AT JANUARY 1, 2022	**16 007**	**25 758**	**41**	**(19 291)**	**(304 711)**	**(282 196)**
Restatement	-	-	-	-	(2 251)	(2 251)
BALANCE AT JANUARY 1, 2022 (restated)	**16 007**	**25 758**	**41**	**(19 291)**	**(306 962)**	**(284 447)**
Hedge accounting	-	-	355	-	-	355
Remeasurements	-	-	-	9 067	-	9 067
Tax effects	57	-	(21)	(3 088)	(122)	(3 174)
Acquisition of non-controlling interests	-	-	-	-	(539)	(539)
Restatement	-	-	-	-	(584)	(584)
Foreign exchange differences & hyperinflation adjustments	-	-	-	-	(43 214)	(43 214)
BALANCE AT DECEMBER 31, 2022/JANUARY 1, 2023 (restated)	**16 064**	**25 758**	**375**	**(13 312)**	**(351 421)**	**(322 536)**
Hedge accounting	-	-	(633)	-	-	(633)
Revaluation of land	(1 151)	-	-	-	-	(1 151)
Remeasurements	-	-	-	1442	-	1 442
Tax effects	174	-	(16)	(553)	94	(301)
Foreign exchange differences & hyperinflation adjustments	-	-	-	-	(65 124)	(65 124)
BALANCE AT DECEMBER 31, 2023	**15 087**	**25 758**	**(274)**	**(12 423)**	**(416 451)**	**(388 303)**

Capital structure/management

Revaluation reserve

The revaluation reserve is used to record increases in the fair value of assets and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in other comprehensive income.

Legal reserves

Legal reserves are not available for distribution.

Cash flow hedge reserve

The effective portion of the gain or loss on hedging instruments is recognized in other comprehensive income and is transferred to profit and loss when the forecast transaction occurs.

Pensions reserve

Pensions reserve contains remeasurement gains and losses of defined benefit pension plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations net of items reclassified to profit or loss on disposal of a foreign operation and on translation of equity loans.

Capital structure/management

26. Dividend

Dividends

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders. Any dividends payable for treasury shares held in connection with the long-term incentive plan are treated as personnel expense.

Dividend income is recognized when the right to receive payment is established.

At the Annual General Meeting in 2024 a dividend in respect of 2023 of CHF 1.63 per share amounting to a total dividend of CHF 10.1 million is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholder's equity as an appropriation of retained earnings in the year ending December 31, 2024. Dividend paid in 2023: CHF 1.63 per share amounting to a total dividend of CHF 10.1 million. Dividend paid in 2022: CHF 0.49 per share amounting to a total dividend of CHF 3.0 million.

Risk management

27. Financial Risk Management

Financial instruments risk management policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in debt and equity instruments and enters into derivative transactions. The Group is exposed to market risk, credit risk and liquidity risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 18-month period for hedges of forecasted sales and purchases and net investment hedges. When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.
At December 31, 2023 the Group hedged 58% of its net exposure of its expected foreign currency sales and purchases in 2024 (2022: 23% for 2023). Those hedged sales and purchases were highly probable at the reporting date. This foreign currency risk is hedged by using foreign currency forward contracts.

Derivatives not designated as hedging instruments

The Group uses foreign exchange contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 12 months.

Risk management

Derivatives designated as hedging instruments - Cash flow hedge

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast sales and forecast purchases. The forecast transactions are highly probable. The cash flow hedges of the expected future sales and purchases in 2023 and 2022 were assessed to be highly effective.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group tries to reduce the currency exposure through borrowings in the corresponding currencies where possible and economically prudent.

The Group uses a risk computation similar to Value-at-Risk (VAR). It includes financial instruments (mainly currency forwards) as well as balance sheet positions and future operating cash flows (non-discounted) in foreign currency. The estimates are made assuming normal market conditions, using a 99% confidence interval. The correlations between currency pairs and the volatilities are observed over a 360 day period.

The estimated potential intra-day loss in the VAR model amounts to TCHF 734.0 as per December 31, 2023 (2022: confidence interval 99%; TCHF 353.6)

Foreign Currency Risk Table

The following table demonstrates the sensitivity to a reasonably possible change in the USD, GBP, SEK and EUR exchange rate, with all other variables held constant, of the Group's profit before tax.

	2023	2022
Increase/(decrease)	5%	5%
in USD/EUR/GBP/SEK rate	(5%)	(5%)
Effect on profit before tax	577	890
in CHF 1000.–	(577)	(890)
Effect on comprehensive income/equity	610	607
in CHF 1000.–	(610)	(607)

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates with the exception of the seller note which is subject to SOFR changes, see note 11. The Group's long-term borrowings are with fixed maturity and interest rates. The Group is mainly exposed to interest risk in case of refinancing of matured borrowings.

Risk management

Credit Risk

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative and cash transactions are limited to highly creditworthy financial institutions. Other credit risk exposures are minimized by dealing only with a limited range of counterparties. From time to time the Group also makes loans to related parties. Where material the Group seeks adequate pledges or guarantees. The maximum credit risk represents the net carrying value of the loans and receivables. Credit risks arise from the possibility that customers may not be able to settle their trade receivables or other financial assets, like the seller note, as agreed. Hero considers a financial asset in default when contractual payments are more than 120 days past due. However, in certain cases, Hero may also consider a financial asset to be in default when internal or external information indicates that Hero is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. There is no significant concentration of credit risk for trade receivables as no customer accounts for more than 10% or more of net sales of the Group. The credit risk for the seller note is based on the rating of comparable companies. In 2023 there is no indication of credit default risk of the seller note. To manage this risk, the Group periodically assesses country and customer credit risk, assigns individual credit limits, and takes actions to mitigate credit risk where appropriate. The provisions for expected credit losses for customers are based on a forward-looking expected credit loss, which includes possible default events on the trade receivables over the entire holding period of the trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk and days past due. In determining the expected credit loss rates, the Group considers current and forward-looking macroeconomic factors that may affect the ability of the customers to settle the receivables, and historical loss rates for each category of customers.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facilities and cash and cash equivalents (note 12) on the basis of expected cash flows.

Risk management

Liquidity Risk Table

The table summarizes the maturity profile of the Group's financial liabilities based on contractual payments.

in CHF 1000.– at December 31, 2023

	Carrying value	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	5 years and more	Total
Derivatives							
Forward contracts – cash (inflow)	(4 550)	(4 550)	-	-	-	-	(4 550)
Forward contracts – cash outflow	4 366	4 366	-	-	-	-	4 366
Forward contracts – net	(184)	(184)	-	-	-	-	(184)
Borrowings	133 781	34 916	50 659	440	50 220	-	136 235
Debentures	135 000	1 350	1 350	136 125	-	-	138 825
Lease liabilities	21 665	4 630	5 281	4 505	3 583	4 266	22 265
Put option liabilities	411	-	411	-	-	-	411
Trade and other payables (note 16)	235 251	235 251	-	-	-	-	235 251
TOTAL	**525 924**	**275 963**	**57 701**	**141 070**	**53 803**	**4 266**	**532 803**

Risk management

in CHF 1000.– at December 31, 2022

	Carrying value	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	5 years and more	Total
Derivatives							
Forward contracts – cash (inflow)	(10 994)	(10 994)	-	-	-	-	(10 994)
Forward contracts – cash outflow	1 404	1 404	-	-	-	-	1 404
Forward contracts – net	(9 589)	(9 589)	-	-	-	-	(9 589)
Borrowings	106 018	2 006	37 550	878	50 703	50 660	141 797
Debentures	135 000	1 350	1 350	1 350	1 350	136 125	141 525
Lease liabilities	19 252	5 609	3 553	2 545	2 314	7 085	21 106
Put option liabilities	742	-	742	-	-	-	742
Trade and other payables	260 683	260 683	-	-	-	-	260 683
TOTAL	**512 106**	**260 059**	**43 195**	**4 773**	**54 367**	**193 870**	**556 264**

Capital Management

28. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new capital. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. No changes were made in the objectives, policies or processes during the years ended December 31, 2023, and December 31, 2022.

This gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings/ debentures as well as lease liabilities" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2023, and December 31, 2022, were as follows:

in CHF 1000.-

	2023	2022
Total borrowings, debentures, lease liabilities	290 445	260 270
Less: cash and cash equivalents	(68 226)	(75 899)
Net debt	**222 219**	**184 371**
Equity attributable to the equity holders of the parent	**550 600**	**678 085**
Gearing ratio	40%	27%

Group structure

29. Business Combinations, Acquisition of Non-controlling Interests and Disposals

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other expenses. When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, are recognized in profit or loss. If the contingent consideration is classified as equity, it is not subsequently remeasured.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non- controlling interests are based on a proportionate amount of the net assets of the subsidiary. Where the Group writes a put option over non-controlling interests, the Group assesses whether it has present access to returns associated with the ownership interests subject to the put option. If the Group concludes that it does not have present access, the non-controlling interests are not

Group structure

derecognised and continue to receive an allocation of profit and loss and other comprehensive income. The Group recognises a liability for the present value of the put option redemption amount against retained earnings and any subsequent changes are accounted for in profit or loss (other income/other expense). The put option liability is derecognised on settlement or expiry. Investments meeting none of these criteria are treated as financial instruments (refer to section "Financial Instruments" for further details).

There were no acquisitions in 2023.

Acquisitions of non-controlling interests 2022

On June 30, 2022, the Group exercised its call option over the remaining 30% of the voting shares of goodforgrowth GmbH, increasing its ownership to 100%. A cash consideration of TCHF 16 832 was paid to non-controlling interest shareholders against the liability for the call option of TCHF 17 039 recorded in prior year. The difference of TCHF 207 was recongized in other income. The carrying amount of non-controlling interests of goodforgrowth GmbH (excluding goodwill on the original acquisition) at this date was TCHF 7 585 and recognized in retained earnings within equity. Cumulative foreign exchange differences of TCHF 539 were reclassified from other comprehensive income of non-controlling interests to other comprehensive income of equity holders.

Disposals 2022

Effective December 14, 2022, the Group disposed of its 100% interest in Hero UK Ltd. (Juvela).

Group structure

As at December 14, 2022 in CHF 1000.–

Hero UK Ltd. (Juvela)	Carrying values 2022
Property, plant and equipment	(1 008)
Intangible assets	(6 132)
Other assets	(2 959)
Current and non-current liabilities	1 337
Net assets disposed	**(8 762)**
Cumulative foreign exchange differences recycling	(971)
Disposal consideration	**9 850**
Gain on disposal	**117**
Transaction costs	(1 120)
Loss on disposal including transaction costs	(1 003)
Disposal consideration	**9 850**
Non-cash consideration - S-Venture shares	(842)
Deferred consideration, receivable	(1 718)
Cash and cash equivalents disposed with subsidiary	(652)
Cash inflow on disposal	**6 638**
Revenues contributed to the Group in 2022	8 357
Net income contributed to the Group in 2022	1 425
Revenues contributed to the Group in 2021	9 417

Group structure

30. Non-current Assets Held for Sale

On January 4, 2024 the Group sold its Gluten Free business in Sweden for a cash consideration of CHF 12 million. Assets and liabilities directly associated with the disposal are classified as held for sale as per December 31, 2023.

The major classes of assets and liabilities classified as held for sale as at 31 December are, as follows:

in CHF 1000.-

	2023
Assets	
Property, plant and equipment	1 941
Intagible assets - goodwill	3 700
Inventory	2 192
Assets held for sale	**7 833**
Liabilities	
Accruals	(152)
Liabilities directly associated with assets held for sale	**(152)**
Net assets directly associated with disposal group	**7 681**

Group structure

31. Interest in Associates and Joint Ventures

Investments, where Hero has significant influence (generally accompanying a shareholding of between 20% and 50% of the voting rights) or joint control, are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition. The Group's share of its associates' or joint ventures post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in OCI and taken to other reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any receivables that form part of the net investment, the Group does not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or joint ventures.

Unrealized gains on transactions between the Group and its associates or joint venturs are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group has a 50% interest in MadreNatura AG which was founded in December 17, 2019 by Hero AG and its joint venture partner. The company sells baby and toddler food.

Group structure

Summarized statement of financial position of joint venture:

in CHF 1000.-

	2023	2022
Current assets	**3 382**	**1 995**
Thereof cash and cash equivalents	683	480
Non-current assets	**-**	**-**
Current liabilities	**2 869**	**1 531**
Thereof current financial liabilities	-	-
Non-current liabilities	**-**	**-**
Equity	**513**	**464**
Group's share in equity 50%	257	232
Group's carrying amount of the investment	**257**	**232**
Other non material associates and joint ventures	31	80
TOTAL INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	**288**	**312**

	2023	2022
Capital contribution to joint-venture	**1 500**	**1 500**

Hero has commited to contribute CHF 1.2 million in 2024 (2023: CHF 1.75 million).

Group structure

Summarized statement of profit or loss joint venture:

in CHF 1000.-

	2023	2022
Revenue from contracts with customers	4 361	3 376
Depreciation and amortization	-	-
Interest income	21	-
Interest expense	-	-
Loss before tax	**(2 878)**	**(2 938)**
Income tax expense	-	-
Loss for the year	**(2 878)**	**(2 938)**
Group's share of loss for the year	(1 439)	(1 469)
Foreign exchange differences	(36)	4
GROUP'S SHARE OF TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1 475)**	**(1 465)**

Group structure

32. Principal Group Companies

Country	Name of company	Location	Share capital in thousands local currency		Equity interest in %	Consolidation method*	Activity**
Brazil	Hero Brasil S.A.	Itatiba	BRL	39 000	50.0	F	P; S
Canada	Baby Gourmet Foods Inc.	Calgary	CAD	1 000	97.0	F	S
China	Autumn Harvest Ltd.	Hong Kong	HKD	1	100.0	F	S
	Hero (Shanghai) Trading Co.Ltd.	Shanghai	CNY	1 254	100.0	F	S
Czech Republic	Hero Czech s.r.o.	Prague	CZK	200	100.0	F	S
Denmark	Semper Danmark ApS	Frederiksberg	DKK	50	100.0	F	S
Egypt	Hero Nutritional Food Industries SAE (Vitrac)	Cairo	EGP	149 608	100.0	F	P; S
	Hero Middle East and Africa Trading LLC	Cairo	EGP	2050	100.0	F	S
	Hero Commercial Investment LLC	Cairo	EGP	2000	100.0	F	S
Finland	Oy Semper Ab	Espoo	EUR	3	100.0	F	S
Germany***	Hero GmbH & Co. KG	Bielefeld	EUR	260 156	100.0	F	S
	Schönauer IAV AG	Bad Schwartau	EUR	404	100.0	F	H
	Schwartauer Werke GmbH & Co. KG	Bad Schwartau	EUR	57 500	100.0	F	P; S; R
	Hero Deutschland Beteiligungen GmbH	Bielefeld	EUR	25 565	100.0	F	H
	goodforgrowth GmbH	Berlin	EUR	150	100.0	F	S
Italy	Hero Italia SpA	Verona	EUR	3'616	100.0	F	S
Netherlands	Hero Nederland B.V.	Breda	EUR	4 531	100.0	F	S
Norway	Semper AS	Lysaker	NOK	933	100.0	F	S
Portugal	Hero Portugal Lda	Amadora	EUR	4 607	100.0	F	S
Russia	Hero Rus LLC	Moscow	RUB	10	100.0	F	S
Slovakia	Hero Slovakia s.r.o.	Nitra	EUR	7	100.0	F	S
Spain	Hero España SA	Alcantarilla	EUR	22 538	100.0	F	P; S; R
Sweden	Semper AB	Sundbyberg	SEK	45 000	100.0	F	P; S
Switzerland	Hero AG	Lenzburg	CHF	62 132	100.0	F	H; P; S
	Hero Beteiligungen AG	Lenzburg	CHF	30 433	100.0	F	H
	MadreNatura AG	Lenzburg	CHF	100	50.0	E	S
Turkey	Hero Gida San.ve Tic. AS	Istanbul	TRY	63 632	100.0	F	P; S
United Kingdom	Hero UK Ltd. ****	Liverpool	GBP	–	100.0	F	S
	Organix Brands Ltd.	Bournemouth	GBP	47	100.0	F	S
United States of America	Beech-Nut Nutrition Corporation	Amsterdam, NY	USD	1	100.0	F	P; S
	Hero USA Inc.	Amsterdam, NY	USD	15 000	100.0	F	H

* Consolidation: F = fully consolidated
** Activity: H = holding company and/or performs finance function; P = performs manufacturing and/or production activities; S = performs sales and/or marketing activities; R = performs research and development activities.
*** For the purpose of German commercial law, these consolidated Group financial statements release the companies from their obligation to publish their own financial statements in Germany, in accordance with Section 264 sub-section 3 of the German HGB (commercial code).
**** Disposed as of December 14, 2022.

Other disclosures

33. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes to the financial statements.

The Hero Group is exposed to certain litigation claims in the USA. The proceedings of said claims are still ongoing and are being defended by the Group. While the outcome is still uncertain, because rulings by courts and other authorities may result in expenses that are not covered either partly or fully by insurance policies, and a reliable estimate of the potential financial impact is currently not possible, the Hero Group believes that the resolution of these claims will not materially impact the consolidated financial statement.

Other disclosures

34. Commitments

in CHF 1000.–

	2023	2022
Commitments for the acquisition of tangible fixed assets	713	939
Commitments for raw materials	71 624	101 600
TOTAL COMMITMENTS	**72 337**	**102 539**

35. Events after the Balance Sheet Date

On March 5, 2024, the Board of Directors resolved to pay the annual coupon of 5.00% on the hybrid capital of nominal CHF 140 million which is CHF 7.0 million.

On January 4, 2024, the Group sold it's Gluten Free business in Sweden for a disposal consideration of CHF 12 million settled in cash. The net asset value at December 31, 2023 was CHF 7.7 million (see note 30).

Other disclosures

36. Related Party Transactions

in CHF 1000.–	Note	2023	2022
Sales of goods			
to associated companies and joint ventures		2 532	2 049
Management services rendered			
to associated companies and joint ventures		483	275
Receivables/liabilities			
Trade receivables from associated companies and joint ventures		550	274
Other short-term receivables from associated companies and joint ventures		22	115
Short-term loan liabilities to AOH Nahrungsmittel Group	16	(132)	-
Short-term loan liabilities to associated companies and joint ventures		(1 541)	(899)
Key management personnel			
Salaries and other short-term employee benefits paid		(7 554)	(7 041)
Post-employment benefits paid		(461)	(461)
Long-term incentive plans - expense		(2 836)	(829)
Long-term incentive plans - dividend payment		(30)	(13)
Long-term incentive plans - provision		(5 701)	(3 638)
Long-term incentive plans - loan receivable	11,14	166	166

The key management personnel are defined as the Executive Board. Transactions with related parties, associated companies and joint ventures (commitments see note 30) are conducted on commercial terms and conditions and at market prices.

For detailed descriptions of the long-term incentive plans refer to section “Long-term incentive plans” in note 23.

Other disclosures

37. Critical Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Goodwill
The Group tests annually in December whether goodwill has suffered any impairment, in accordance with the valuation principles stated in note 20, Intangible Assets. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. These calculations use cash flow projections based on financial budgets approved by management and forecasts covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rates stated below. The growth rates generally correspond to the inflation rates plus general real gross domestic product (GDP) growth of the corresponding country or cluster. They are individually assessed and in case where management expects a significant deviation from general economic conditions they might be adjusted.

Management determined budgeted growth rates based on past performance and its expectations for the market development. Where general industry forecasts do not reflect the growth expectations of management for specific businesses, the growth rates used depart from forecasts included in such industry reports in order to better reflect the specific growth potentials expected by management. These assumptions have been used for the analysis of each CGU. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating unit.

The growth rate used to extrapolate cash flows beyond the budget and the pre-tax discount rate have a significant impact on the sensitivity of the impairment test. For all CGU’s no reasonable possible change in any key assumptions would lead to an impairment. In 2023, no goodwill was impaired.

Brands with indefinite life
The Group tests annually whether brands with indefinite life are impaired. These calculations require the use of estimates. The discount rates used are pre-tax and reflect specific risks relating to the relevant country. The growth rates used to extrapolate cash flows beyond the budget and the pre-tax discount rate have a significant impact on the sensitivity of the impairment test. In 2023, no impairment was identified.

Other disclosures

Income taxes

As described in note 8, the Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognized tax loss carryforwards

The Group has recognized deferred tax assets in relation to the recoverability of tax loss carryforwards (note 21). The recoverability of such assets is based on the ability of the entity to which the losses relate to generate future taxable profits. These calculations require the use of estimates. Management re-evaluates the recoverability at each balance sheet date.

Provisions

The Group has provisions for various cases based on estimates (note 23). Such estimates are based on the Group's experience, taking also into account economic conditions. Management believes that the total provisions for these items is adequate, based upon currently available information. As these provisions are based on management estimates, they may be subject to change as better information becomes available. Such changes that arise could impact the provisions recognized in the balance sheet in future periods and consequently the expenses recognized in the income statement in future periods.

Pension benefits

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations (note 22). An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Russia and Ukraine war

Hero suspended non-essential food sales in Russia and stopped all investment in the country. Hero continues to sell baby food to Russia. This change had no significant impact on the valuation of assets and liabilities of Hero.

Property, plant and equipment impairment

Hero applied judgment and third party valuations in assessing the impairment need in relation to the transformation projects (see note 4). Impairments might change in case better information becomes available and could lead to additional impairment needs in future.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Hero AG, Lenzburg

Zurich, 5 March 2024

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Hero AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 63 to 158) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the consolidated financial statements.

Goodwill and brands	
Area of focus	Goodwill and brands amounting to CHF 286.7 million respectively 115.2. million were significant for the Group’s consolidated financial statements. As stated in the accounting principles included in the notes to the consolidated financial statements, the carrying value of goodwill and brands are tested annually for impairment. The Group performed its annual impairment test of goodwill and brands in the fourth quarter of 2023 and determined that there was no impairment. Key assumptions concerning the impairment test are disclosed in the consolidated financial statements (refer to note 37). In determining the recoverable amount of cash generating units, the Group must apply judgment in estimating – amongst other factors – future revenues and margins, long-term growth, and discount rates. Due to the significance of the carrying values for goodwill and brands and the judgment involved in performing the impairment test, this matter was considered significant to our audit.
Our audit response	We assessed the Group’s internal controls over its annual impairment test and key assumptions applied as well as the authorization of the impairment test by the Board of Directors. We evaluated management’s interpretation of cash generating units. We involved valuation specialists to assist in examining the Group’s valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We assessed the historical accuracy of the Group’s estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information. Our audit procedures did not lead to any reservations concerning the recognition and measurement of goodwill and brands.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Silvan Rüegsegger
Licensed audit expert

Statutory Financial Statements of Hero AG, Lenzburg

Income Statement

for the year ended December 31
Hero AG, Lenzburg
in CHF 1000.–

	Note	2023	2022
Net proceeds from sales of goods and services	1	193 728	189 011
Dividend income		2 182	886
Cost of materials		(73 575)	(71 878)
Employee expenses		(55 608)	(54 779)
Other operational costs		(54 868)	(50 729)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**11 859**	**12 511**
Depreciation and amortization		(5 187)	(7 344)
Earnings before interest and taxes (EBIT)		**6 672**	**5 167**
Financial income		8 632	4 378
Financial costs		(13 257)	(8 112)
Operating result before taxes		**2 047**	**1 433**
Non-operational and extraordinary costs	1	(16 672)	(20 913)
Earnings before taxes		**(14 625)**	**(19 480)**
Tax expense		(283)	(337)
NET LOSS FOR THE YEAR		**(14 908)**	**(19 817)**

Balance Sheet

as at December 31, before appropriation of profit
Hero AG, Lenzburg
in CHF 1000.–

Assets	Note	2023	2022
Cash and cash equivalents		3 959	21 651
Trade receivables	4	10 744	12 875
Financial assets and other current receivables	4	32 463	66 203
Inventories	2	11 545	13 270
Accrued income and prepaid expenses		1 910	326
Current assets		**60 621**	**114 325**
Financial assets	4	294 926	399 531
Investments	3	457 064	336 301
Tangible fixed assets	2	17 367	30 394
Intangible assets		24 658	27 667
Non-current assets		**794 015**	**793 893**
TOTAL ASSETS		**854 636**	**908 218**

Balance Sheet

as at December 31, before appropriation of profit
Hero AG, Lenzburg
in CHF 1000.–

Liabilities and Equity	Note	2023	2022
Trade payables	4	13 536	11 528
Current interest-bearing liabilities	4	131 451	111 276
Other current liabilities	4	9 415	4 837
Deferred income and accrued expenses	2	30 511	29 716
Current provisions		951	71
Current liabilities		**185 864**	**157 428**
Non-current interest-bearing liabilities	2	375 000	435 000
Non-current provisions	2	7 267	4 925
Non-current liabilities		**382 267**	**439 925**
TOTAL LIABILITIES		**568 131**	**597 353**
Share capital		62 133	62 133
Capital contribution reserve		63 632	63 632
Legal reserve		25 758	25 758
Treasury shares	6	(3 407)	(4 082)
Profit carryforward		153 297	183 241
Net loss for the year		(14 908)	(19 817)
TOTAL EQUITY		**286 505**	**310 865**
TOTAL LIABILITIES AND EQUITY		**854 636**	**908 218**

Notes to the Statutory Financial Statements

Accounting principles

General

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Bad debt reserve

Bad debt allowances are based on internal guidelines that require individual value adjustments to be undertaken. Certain residual balances are subject to additional allowances of a suitable percentage. For these additional allowances, the aging structure is taken into account for domestic debtors and the respective country default risk is considered for foreign debtors.

Derivative financial instruments

Hero AG uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. In line with article 960b CO, derivative financial instruments are recognized at cost on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

As per 31 December, the balance of fair values is presented as net amount as financial asset or financial liability in the balance sheet.

In line with the lowest value principle, unrealized gains of derivatives designated as cash flow hedges are not recognized as per the balance sheet date. Any resulting gains or losses arising from changes in the fair value recognized are classified as financial income or financial cost.

Inventory

Inventories are recorded at the lower of acquisition or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the necessary cost to make the sale. Production costs include direct and indirect material and production costs. Inventory is valued using the weighted average method.

A valuation allowance is recognized for any damaged or slow-moving goods.

Notes to the Statutory Financial Statements

Tangible fixed assets

Tangible fixed assets are depreciated on a straight line method over the course of the useful economic life of the asset. The general useful economic lives for various asset categories can be summarized as follows:

• Land	indefinite
• Buildings	20 to 50 years
• Fixture and fittings	10 to 20 years
• Plant and machinery	3 to 10 years
• Motor vehicles	4 to 10 years
• Furniture	5 to 10 years
• IT hardware	3 to 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets

Brands and other intangible assets are carried at historical cost less accumulated amortization. Amortization is calculated using the following method to allocate the costs over their estimated useful lives:

• Brands	up to 25 years, straight-line method
• Software	1 to 5 years, reducing-balance method
• Other intangible assets	5 to 25 years, straight-line method

Investments

The carrying value of investments comprises costs less accumulated write-downs and are tested annually for impairment.

Long term incentive plan

Effective January 1, 2014, the Group issued a long term incentive plan for the executive board members. There is a two years waiting period for newly appointed executive board members before they may participate in the plan. Under the plan, the participants are offered the opportunity to invest up to 50% of their short-term incentive payment in shares. After a restriction period of three years, participants may sell the shares back to Hero AG at a price based on a formula defined in the plan. In conjunction with the plan, participants may be granted loans to fund the share issue. The shares are restricted and will ultimately revert to Hero AG. Any share repurchase from the management is accounted for as treasury shares. Treasury shares are reported as a negative item in equity. The shares which allow the executive board members to participate in the plan are revalued yearly by using the predefined enterprise valuation model. Such effects are recognized in the income statement as personnel expenses.

Notes to the Statutory Financial Statements

As of January 1, 2019, the Group introduced a new incentive plan for the members of the Group executive board and the members of the leadership circle including the general manager of the country and functional heads of Hero. The plan is linked to the achievement of strategic KPI's and the performance of the share price of Hero which is calculated based on a formula defined in the plans. There is a minimum performance threshold of the strategic KPI's and the amount of pay-out is capped. The incentive plan is therefore aimed at providing an incentive to make significant contributions to the long-term performance and growth of Hero and shall increase the ability of Hero to attract, motivate and retain individuals of exceptional skills. Every year, a new plan is initiated in which the members of the plan are granted to participate with a standard basis of 15% of their base salary. For any participants not being a member of the Group executive board, the plan is settled in cash at the end of the vesting period. The members of the Group executive board have the option to either settle in cash or shares at the end of the vesting period.

At each balance sheet date, management estimates the pay-out at the end of the vesting period. The expense is recognized over the 3-year performance cycle in the income statement.

Current/non-current interest-bearing liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds are recognized as prepaid expenses and amortized on a straight-line basis over the bond's maturity period. Premiums are recognized as accrued expenses and amortized on a straight-line basis over the loan's maturity period.

Other current/non-current liabilities

As of January 3, 2019, Hero AG bought 70% of the shares of goodforgrowth GmbH. Hero paid an initial purchase price for these 70% and agreed on an earn-out based on the results (Net Sales and EBIT) from 2019 - 2021. The earn-out was revalued annually and was included in the participation value of the investment. In June 2022, the earn-out has been settled for CHF 10.4 million.

In January 2019, Hero received a call option over the remaining 30% of goodforgrowth GmbH and was option writer of a put option over the remaining 30%. The exercise period of the call option was valid from April 2022 until September 2022. Hero AG exercised the call option in June 2022 and acquired the remaining 30% of goodforgrowth GmbH for CHF 16.8 million.

Notes to the Statutory Financial Statements

1. Explanations to positions in the income statement

Net proceeds from sales of goods and services

for the year ended December 31
in CHF 1000.–

	2023	2022
Sales of goods	126 647	124 276
Services	67 081	64 735
Net proceeds from sales of goods and services	**193 728**	**189 011**

Non-operational and extraordinary (costs) / income

The extraordinary costs in 2023 of CHF 16.7 million relate to impairments of CHF 13.1 million mainly for tangible fixed assets and a restructuring provision of CHF 3.6 million due to the decision to stop production in Hero AG's jam factory in Lenzburg, Switzerland.

The extraordinary costs in 2022 of CHF 20.9 million referred to a valuation adjustment of the participation value of Hero GmbH & Co. KG in connection with the completion of a restructuring of the German company set-up, an impairment of the participation value of Hero Russia and expenses in connection with the discontinuation of a start-up company in the Netherlands.

Notes to the Statutory Financial Statements

2. Explanations to positions in the balance sheet

as at December 31
in CHF 1000.–

	2023	2022
Packaging material	1 261	2 590
Raw material	1 294	1 777
Semi-finished and finished goods	8 990	8 903
Inventories	**11 545**	**13 270**
Land	4 749	4 749
Buildings	8 958	19 493
Plant and machinery	3 082	5 409
Other equipment and vehicles	578	743
Tangible fixed assets	**17 367**	**30 394**
Interest	3 602	793
Advertising	265	736
Promotions	484	907
Royalties and Licenses	927	619
Goods received no invoice received	1 326	1 632
Services received no invoice received	3 843	7 001
Personnel	11 299	9 489
Restructuring	3 550	3 613
Others	5 215	4 928
Deferred income and accrued expenses	**30 511**	**29 716**
Bank loans	100 000	100 000
Perpetual and subordinated bond	140 000	200 000
Straight bond	135 000	135 000
Non-current interest-bearing liabilities	**375 000**	**435 000**
Litigation	2 031	1 934
Others	5 236	2 991
Non-current provisions	**7 267**	**4 925**

Notes to the Statutory Financial Statements

3. Investments

The following table lists all of Hero AG's direct and material indirect shareholdings.

Company	Domicile	Ownership*	2023 Share capital in %	2023 Share of vote in %	2022 Share capital in %	2022 Share of vote in %
Hero Brasil S.A.	Itatiba, Brazil	D	50.0	50.0	50.0	50.0
Baby Gourmet Foods Inc.	Calgary, Canada	D	97.0	97.0	97.0	97.0
Autumn Harvest Ltd.	Hong Kong, China	I	100.0	100.0	100.0	100.0
Hero (Shanghai) Trading Co. Ltd.	Shanghai, China	D	100.0	100.0	100.0	100.0
Hero Czech s.r.o.	Prague, Czech Republic	I	100.0	100.0	100.0	100.0
Semper Denmark Aps	Copenhagen, Denmark	I	100.0	100.0	100.0	100.0
Hero Middle East and Africa Trading LLC	Cairo, Egypt	I	100.0	100.0	100.0	100.0
Hero Nutritional Food Industries SAE	Cairo, Egypt	I	100.0	100.0	100.0	100.0
Hero Commercial Investment LLC	Cairo, Egypt	I	100.0	100.0	-	-
Oy Semper AB	Espoo, Finland	I	100.0	100.0	100.0	100.0
erdbär GmbH	Berlin, Germany	I	100.0	100.0	100.0	100.0
goodforgrowth GmbH	Berlin, Germany	D	100.0	100.0	100.0	100.0
Hero Deutschland Beteiligungen GmbH	Bielefeld, Germany	D	100.0	100.0	100.0	100.0
Hero GmbH & Co. KG	Bielefeld, Germany	I	100.0	100.0	100.0	100.0
Hero Management GmbH	Bielefeld, Germany	D	100.0	100.0	100.0	100.0
Schwartauer Werke GmbH & Co. KG	Bad Schwartau, Germany	I	100.0	100.0	100.0	100.0
Hero Italia SpA	Verona, Italy	I	100.0	100.0	100.0	100.0
Hero Nederland B.V.	Breda, Netherlands	I	100.0	100.0	100.0	100.0
Mimic B.V.	Breda, Netherlands	D	100.0	100.0	100.0	100.0
Semper AS	Lysaker, Norway	I	100.0	100.0	100.0	100.0
Hero Portugal Lda	Amadora, Portugal	I	100.0	100.0	100.0	100.0
Hero Rus LLC	Moscow, Russia	D	100.0	100.0	100.0	100.0
Hero Slovakia s.r.o.	Nitra, Slovakia	I	100.0	100.0	100.0	100.0
Hero España SA	Alcantarilla, Spain	I	100.0	100.0	100.0	100.0
Semper AB	Sundbyberg, Sweden	I	100.0	100.0	100.0	100.0
Semper Gluten Free AB	Sundbyberg, Sweden	I	100.0	100.0	100.0	100.0

* Ownership: D = Hero AG owns this investment directly; I = The investment is indirectly held via a subsidiary in the direct ownership of Hero AG.

Notes to the Statutory Financial Statements

Company	Domicile	Ownership*	2023 Share capital in %	2023 Share of vote in %	2022 Share capital in %	2022 Share of vote in %
Hero Beteiligungen AG	Lenzburg, Switzerland	D	100.0	100.0	100.0	100.0
MadreNatura AG	Lenzburg, Switzerland	D	50.0	50.0	50.0	50.0
Hero Gida San.ve Tic.AS	Istanbul, Turkey	I	100.0	100.0	100.0	100.0
Hero UK Foods Ltd.	Liverpool, United Kingdom	D	100.0	100.0	100.0	100.0
Organix Brands Ltd.	Bournemouth, United Kingdom	I	100.0	100.0	100.0	100.0
Beech-Nut Nutrition Corporation	Amsterdam (NY), USA	I	100.0	100.0	100.0	100.0
Hero USA Inc.	Amsterdam (NY), USA	I	100.0	100.0	100.0	100.0

* Ownership: D = Hero AG owns this investment directly; I = The investment is indirectly held via a subsidiary in the direct ownership of Hero AG.

Hero Commercial Investment LLC in Cairo, Egypt, was newly incorporated in 2023. Mimic B.V. in Breda, Netherlands, has no longer any business operations as of December 31, 2023.

Notes to the Statutory Financial Statements

4. Receivables from and payables to related parties

as at December 31

in CHF 1000.–

	2023	2022
Subsidiaries	854	965
Third	9 890	11 910
Trade receivables	**10 744**	**12 875**
Loan receivables Subsidiaries	27 846	52 627
Other current receivables Third	4 617	13 576
Financial assets and other current receivables	**32 463**	**66 203**
Loan receivables Management bodies	166	166
Loan receivables Subsidiaries	294 760	399 365
Financial assets	**294 926**	**399 531**
Subsidiaries	2 042	1 655
Third	11 494	9 873
Trade payables	**13 536**	**11 528**
Loan payables Subsidiaries	101 910	110 377
Loan payables Third	29 541	899
Current interest-bearing liabilities	**131 451**	**111 276**
Subsidiaries	6 539	2 917
Third	2 876	1 920
Other current liabilities	**9 415**	**4 837**

Notes to the Statutory Financial Statements

5. Excess reserves

as at December 31
in CHF 1000.–

	2023	2022
Release of excess reserves	40	58

6. Treasury shares

Number of registered shares

	2023	2022
Inventory as at January 1	**43 557**	**36 011**
Acquisitions from executive board members	-	16 421
Sales to executive board members	(10 631)	(8 875)
Inventory as at December 31	**32 926**	**43 557**

In 2023, no registered shares were purchased. In the same year, 10 631 registered shares were sold at a price of CHF 56.82.

In 2022, 16 421 registered shares were purchased at a price of CHF 84.84 each. In the same year, 8 875 registered shares were sold at an average price of CHF 71.23.

Notes to the Statutory Financial Statements

7. Participation rights and options in the ownership of management bodies

as at December 31

	2023 Number	2023 Total value in TCHF	2022 Number	2022 Total value in TCHF
Participation rights in the ownership of				
Management bodies	28 746	2 117	18 115	1 513
Option rights in the ownership of*				
Management bodies	45 716	4 181	42 196	4 280

* Provisionally determined

8. Other information

in CHF 1000.–

as at December 31

	2023	2022
Lease obligations not recorded in the balance sheet	922	847
Liabilities to pension schemes	20	-
Guarantees in the name of Hero AG in the favour of third parties	17 547	19 228
Contingent liabilities	300	300

9. Number of employees

	2023	2022
The average number of full time employees was	between 50 to 249	between 50 to 249

Notes to the Statutory Financial Statements

10. Events after the balance sheet date

On March 5, 2024, the Board of Directors resolved to pay the annual coupon of 5.00% on the subordinated bond of nominal CHF 140 million.

There have been no other significant events between December 31, 2023, and the date of authorization of the financial statements that would require any adjustments or disclosure.

11. Bonds

Type of bond	Subordinated bond
Nominal value issued	CHF 140 million
Valor number	126892217/ISIN CH1268922171
Interest rate	5.00%
Maturity period	No fixed maturity
Maturity date	No fixed maturity

Type of bond	Senior bond
Nominal value	CHF 135 million
Valor number	34172588/ISIN CH0341725882
Interest rate	1.00%
Maturity period	October 28, 2016 to October 28, 2026
Maturity date	October 28, 2026

Type of bond	Subordinated bond
Nominal value	CHF 200 million
Valor number	34172587/ISIN CH0341725874
Interest rate	2.125%
Maturity period	No fixed maturity
Maturity date	October 27, 2023

Proposal of the Board on the appropriation of retained earnings

in CHF 1000.–

	2023	2022
Loss of the year	(14 908)	(19 817)
Amount carried forward from last year	153 367	183 172
Gain / (Loss) from disposal of Treasury Shares	(70)	69
AVAILABLE FOR DISTRIBUTION	**138 389**	**163 424**
Total dividend amount 2023: CHF 1.63 on 6 213 272 registered shares of CHF 10.- par value	(10 128)	(10 057)
BALANCE CARRIED FORWARD	**128 261**	**153 367**

In the name of the Board of Directors:

Giovanni Ciserani

Chairman Board of Directors

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Hero AG, Lenzburg

Zurich, 5 March 2024

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Hero AG (the Company), which comprise the balance sheet as at 31 December 2023, the income statement for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 161 to 174) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Investments and related income statement accounts	
Area of Focus	Primary functions of the Company include holding investments in its subsidiaries as well as financing and monitoring the group's activities. For statutory purposes, the Company is required to assess the valuation of its investments and determine potential impairments on an individual basis (refer to notes – accounting principles). Furthermore, the Company is required to evaluate the recoverability of its loans to subsidiaries. We consider investments and loans to subsidiaries significant to our audit as the amounts concerned are material and the assessments involve judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates.
Our audit response	We examined the Company's valuation model and analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information. Our audit procedures did not lead to any reservations concerning the recognition and measurement of investments and related income statement accounts.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Silvan Rüegsegger
Licensed audit expert

01 Company information

02 Financial report

03 Sustainability report

Working to deliver what is good for our planet, products, and people. You can find the details of our actions and projects in our four implementation pillars.

Introductions

Leopold Oetker

Member of the Hero Group Board of Directors and main Sustainability Commitment sponsor

As a family-owned business, the actions we take to care for people and the planet are a top priority for the Executive Board and Board of Directors. We are deeply committed to seeing Hero take credible action to keep sustainability front and center as we plan for future growth.

In the last few years we have seen significant change occur in our business, and that transformation is never ending. We remain responsive and will continue to take active steps to engage with our stakeholders and stay abreast of the wider social and environmental issues that affect us, balancing short-term impact and long-term focus.

We set our sustainability strategy in 2020 and, four years on, have built strong foundations. We now have clear, time-defined targets in place that guide our decision-making processes. In the last 12 months, our business has gone through significant change, and we have reflected this in the governance of our sustainability strategy. We have a strong team of functional leaders driving forward our ambitions at the category level.

The enormous importance of sustainability to our business is demonstrated in how we have structured rewards for our most senior leaders. This year, for the first time, our carbon targets have been added to our long-term incentive program, meaning sustainability is now anchored in our approach to performance management.

Introductions

Rob Versloot

Chief Executive Officer Hero Group

We have worked hard to adjust our practices and ensure sustainable progress since the development of our sustainability strategy. We are taking actions to reduce the environmental impacts of our operations, including the areas that are hardest to decarbonize. We have not only been focused on the environment, but overall sustainability, concerning the sustainability and quality of our products and the wellbeing of people, too.

Our sustainability strategy has led to real change in how we manage our business, so it is appropriate that we cover this in detail in our annual report. You can read about the progress we have made to put in place structures, processes and projects this year that will allow us to move towards our goal of becoming a net zero carbon in this report.

We are taking meaningful steps to reduce the environmental impact of our operations, but given that our scope 3 carbon footprint is more than 90% of our total, a key focus is on supporting our suppliers on their own journey to zero carbon.

In addition to our focus on Planet, we aim to do the right thing for Product and People, too. This means reviewing our recipes and ingredients to build up the nutritional profile of our products to meet our consumers' desire for healthy snacks and meals. It also means taking good care of the people who work for us, and the communities we operate within.

Christine Crosby

Sustainability Director Hero Group

In the year under review, our focus was on embedding sustainability into all aspects of our business, integrating initiatives into the core of each of our functions and markets. This focus has allowed us to set time-bound targets (SBTi) and think deeply and practically about how to achieve them. We are now building from this strong foundation to accelerate our plans and projects to decarbonize.

Since devising our sustainability strategy, we have spent time getting clear on where we need to focus our efforts to deliver our ambitions in each of our four pillars (see overleaf). We have worked hard to embed sustainability in our business and determine what it means for each of our functions and markets, and we now have clear, time-bound targets and a vision of how we will achieve them.

The most ambitious of these targets is our pledge to become a net zero business by 2050. As we work towards this, we are collaborating closely with our partners and suppliers to ensure that everyone benefits, and that all our businesses become better and stronger while seeking to reduce our carbon footprint.

Our net zero targets have now been validated by the Science Based Targets initiative (SBTi). We have agreed absolute greenhouse gas reduction targets across scopes 1, 2 and 3, for both the near and long-term. Equally important, we know what we need to do to deliver them and have clarified our expectations to everyone who has a role to play.

This clarity has led us to rename two of our strategic pillars to make it crystal clear to our people what we are going after. Our priority decarbonization projects now have clear owners and senior level sponsorship, meaning they are getting the traction they need to drive meaningful change in our business. We are really beginning to make things happen.

We recognize that our responsibility for Planet, Product ,and People is evolving and broadening, and we are now building on strong foundations to accelerate our plans to decarbonize our own operations and support our suppliers to do the same.

Sustainability key figures

Our climate mitigation

[t CO2e]	FY23	FY22
Total carbon footprint (SC 1-2-3)[1]	623,214	728,103
Scope 1-2	38,921	44,466
Scope 3	584,293	683,637
SBTi performance: Absolute reduction of scope 1 and 2 GHG emissions since 2019 [%]	-31%	-22%
SBTi performance: Absolute reduction of scope 3 GHG emissions since 2019 [%]	-24%	-11%

Our sustainability progress

	FY23	FY22
Raw cocoa Rainforest Alliance certified [%]	99%	99%
Energy consumption [MWh]	265,642	288,429
Recycled content in our packaging[2] [%]	45%	46%
Employee travel reductions versus 2019	-11%	-56%

1 Data reported in 2022, restated, due to the implementation of our ESG Data Management and Carbon Accounting tool during 2023.
2 Data reported in 2022, restated due to an accounting error detected.

Our strategic initiatives

1 Sourcing and supplier partnering

Develop and scale initiatives with key suppliers, supplier performance and risk management

2 Production and transport efficiency

Production efficiencies in energy, waste and water reduction, logistics optimization footprint

3 Naturally healthy food

Advance and adjust goodness of nature commitments and sustainable packaging

4 Purposeful people

Keep our people safe, leverage talent development and build diverse and inclusive workplaces

Our sustainability strategy

Our sustainability strategy is organized into four pillars and aims to drive positive change for people, the planet, and our products.

Our ambition to be a net zero business by 2050 is at the center of our strategy, and particularly the first two pillars: Pillar 1 focuses on our work to partner with our suppliers to drive agricultural best practice, and Pillar 2 concentrates on how we will improve efficiencies in our own operations and logistics. Pillar 3 is concerned with making sure our products conserve the goodness of nature for the benefit of both our consumers and the planet. Pillar 4 highlights our people and the wider communities we serve.

Our sustainability strategy

Our sustainability commitment

Our sustainability commitment is at the center of our Group mission to delight consumers by conserving the goodness of nature. We have always looked to nature as our partner and feel we need to do even more to drive change.

Therefore, we are making a commitment to actively work on improving our products, reducing our environmental footprint, and positively contributing to the lives of the people that make Hero a success.

Our ambitions

Planet
Reduce our environmental footprint within our production and along the full value chain

Product
Conserve the goodness of nature through naturally healthy products

People
Positively contribute to the lives of the people who make Hero a success

Our strategy

1 Sourcing and supplier partnering

We work in partnership with our suppliers on sustainable sourcing, emission reduction, resilient agriculture, fair labor conditions and transparent supply chains.
We are also innovating to make our ingredient sourcing and packaging more sustainable.

2 Production and transport efficiency

We continuously improve the efficiency of our production, switch to renewable electricity, conserve energy and water and reduce waste.
We optimize our transport and deploy technologies for decarbonization.

3 Naturally healthy food

Conserving nature's goodness via naturally healthy food. We will leverage our brands to educate and collaborate with consumers on a holistic diet good for us and for the planet. We will enhance our portfolio to give consumers more naturally healthy options – more of the good like nuts and whole grain and less of the bad like refined sugar and red meat.

4 Purposeful people

Growing and developing our people. Hero is a values-led family company and that's reflected in our culture. We work hard to keep our team feeling engaged, included, and motivated.
We encourage personal development, health and safety in our workplaces, and we engage with local communities.

Bee careful initiative

An impact-driven initiative to conserve pollinator habitats and health. Our goal:
Conserving the goodness of nature in our products while fostering biodiversity throughout our entire value chain.

In defining our goals, we work to support the United Nations Sustainable Development Goals for 2030. Particularly:

Our sustainability strategy

Partnering with our suppliers

We select the best possible ingredients from suppliers we trust, and turn them into natural, tasty, and nutritious products that are enjoyed by millions of people around the world.

1

Purchasing from trusted farmers

We select very best quality raw materials that nature has to offer. We aim to buy these ingredients directly from farmers we know and trust, and support them to give back to nature through promoting biodiversity and good soil health.

2

Innovative products

We begin by formulating the healthiest recipes, using nutrient-rich ingredients and minimizing processed sugar. Then, we work to continuously improve them.

3

Light touch manufacturing

Our careful manufacturing processes preserve the natural goodness of raw ingredients and keep our products natural. Our exhaustive quality controls ensure our products are nothing less than perfect.

4

Sustainable packaging

We keep our products safely sealed in convenient packaging that is easy to open, use, and recycle.

5

Efficient logistics

We move our products around as efficiently as possible, using full loads, careful route planning, and the most appropriate form of transport.

6

Happy consumers

Our products are enjoyed by 200 million consumers in countries across the world.

Our sustainability strategy

Ensuring the ongoing relevance of our strategy

As a company with sustainability and nature at its core, it is important for us to keep an open dialogue with our key stakeholders and ensure that our sustainability strategy stays up to date with the latest trends and risks. In 2023, we worked with external partners to complete Hero's first *double materiality* assessment – this is an evolution from the first materiality assessment we completed in 2021. This new assessment looked at the impact that our business has on key environmental, social and governance issues, as well as the financial impact of those issues on our business.

We engaged numerous internal and external stakeholders, including employees, suppliers, not-for-profit partners and our Board. While some new issues emerged or have risen in importance over the past couple of years, we were pleased to see that, overall, this process confirmed that our four-pillar sustainability strategy prioritizes the right issues.

The outcome of our materiality assessment clearly indicates that the urgency around managing climate change risk, adaptation, and reducing greenhouse gas (GHG) emissions has increased since we completed our first materiality assessment in 2021; we're already acting and have set our first Science Based Target and adopted the recommendations of the Taskforce for Climate Related Disclosures (TCFD). Although mitigating global warming through decarbonization is our priority, we recognize that climate adaptation will increase in importance over time.

Further, Product Safety & Quality stands out as a very important and material matter for Hero, This is an uncompromisable value at Hero and an integral part of our company's risk management.

On the social side, employee engagement, training and development is our lead focus. Diversity, Equity and Inclusion (DEI) is also a key strength at Hero, demonstrated by our great scores in our employee survey. As an enabler to strengthen our company culture, we have launched our DEI strategy and will continue to focus on this topic, particularly for our workforce. Human rights and labor practices grew significantly in importance and, again, we are already acting.

Respect for human rights

We have been using EcoVadis, a tool to help manage sustainability risk and compliance, over the past few years and, in 2023, we drafted our first human rights policy, which builds on our Code of Conduct that includes human rights principles based on those of the UN Global Compact and the International Labor Organization.

We are guided by changes to relevant legislation and have already taken action to meet the reporting requirements of the EU Corporate Sustainability Reporting Directive. We will continue to integrate these material topics into our sustainability and core business activities and will report on our progress annually.

Hero's first double materiality assessments »

Our sustainability strategy

SBTi validation

We have committed to reach net zero GHG emissions across our value chain by 2050 from a 2019 baseline. The Science Based Target initiative (SBTi) has approved our near and long-term science-based emission reduction targets, confirming they are in line with the SBTi's 1.5ºC mitigation pathways for reaching net zero by 2050. They also align with the global goal set annually in the UN Climate Change Conference of the Parties (COPs).

Our sustainability strategy

Our science-based emissions reduction targets
(from a 2019 baseline)

Overall net zero target

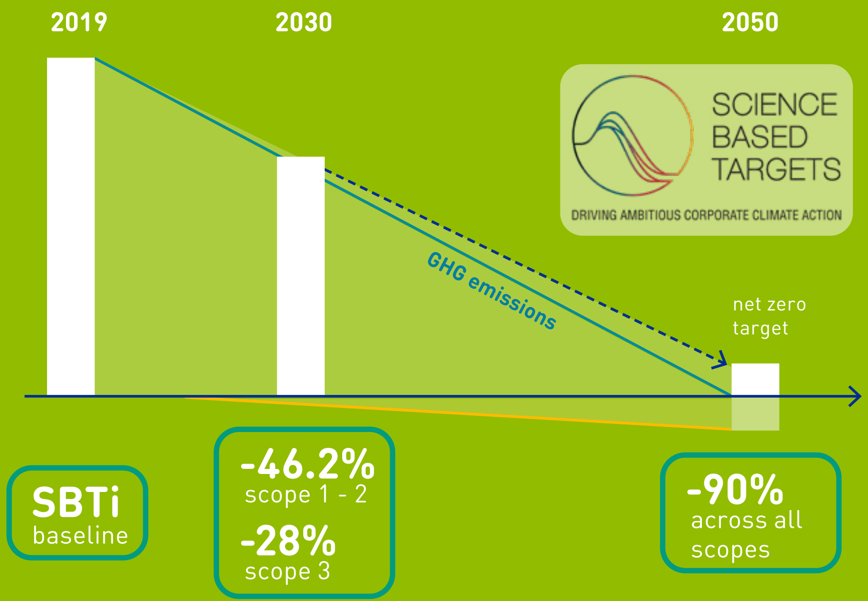
The Hero Group commits to reaching net zero GHG emissions across the value chain by 2050 from a 2019 baseline.

Near-term targets

The Hero Group commits to reducing absolute scope 1 and 2 GHG emissions by **46.2%** by 2030 from a 2019 baseline*. The Hero Group also commits to reducing absolute scope 3 GHG emissions by **28%** within the same timeframe.

Long-term targets

The Hero Group commits to reducing absolute scopes 1 and 2 emissions by **90%** by 2050 from a 2019 baseline*. The Hero Group also commits to reducing absolute scope 3 GHG emissions by **90%** within the same timeframe. The remaining emissions will be neutralized in line with SBTi criteria before reaching net zero emissions.



We will continue to publicly report progress against our approved SBTi targets in our Annual Report to ensure transparency, accountability, and corporate leadership.

* The target boundary includes land-related emissions and removals from bioenergy feedstocks.

Our sustainability strategy

TCFD statement

The Hero Group Taskforce on Climate Related Financial Disclosures (TCFD) Statement 2023.

We continue to work towards aligning with other developments on non-financial reporting (both mandatory and voluntary) and improving our transparency and overall sustainability mitigation. In 2023, two areas from the TCFD strategy pillar – scenario planning and resilience testing – were brought to the attention of the Group CFO and given further consideration.

The following statement, which we believe is consistent with the TCFD Recommendations and Recommended Disclosures, details the progress we have made to identify and manage the risks and opportunities arising from climate change and the potential impact on our business. You will also find climate-related disclosures throughout our report, but particularly in the chapters on our risk management (below), carbon footprint (page 196), Production and transportation efficiency (page 212), and in our GRI and data tables appendix (page 242).

Risk management

We recognize that the changing climate is causing more extreme weather, biodiversity loss, and unpredictable harvest yields which, in turn, could lead to shortages of raw and packaging materials. Climate risk is integrated into our Enterprise Risk Management (ERM) system, meaning that we consider the impacts that climate-related root causes may have on each of the 12 risks within our risk catalogue.

This approach means that every risk owner (across function and country) considers the impact of climate change in their functional area and identifies and implements mitigations as appropriate.

Awareness of these risks continues to inform our sustainability strategy and is driving our short, medium, and long-term planning.

To understand more about our standard approach to ERM, please see page 46 within the company information section of this report.

Our sustainability strategy

Governance

Our Group Sustainability Director is responsible for the delivery of our Group sustainability strategy and initiatives. She is supported by two Group Sustainability Managers and a Sustainability Data Analyst who track progress against our key sustainability goals. This small central team acts as a center of excellence for our entire organization, supporting transformation projects across the Group.

In addition, we have functional leaders for sustainability, representing our four strategic pillars, our different product category leaders, and key business owners such as Finance, Quality and Legal. In the year under review, we have strengthened their role by empowering them to set targets and lead sustainability initiatives for their area of the business. In addition, we have a sustainability champion for each of our countries of operation.

Our Sustainability Steering Committee is comprised of the Group sustainability team and the functional leaders. It meets bi-annually to discuss strategy and progress on sustainability issues, including climate.

In addition, our Group Sustainability Director shares progress with the Executive Board six times a year and with the Board of Directors twice a year. The Executive Board and Board of Directors have final review and sign off on our annual Sustainability Report and Enterprise Risk Management process – both of which include the latest detail on climate risks and opportunities, and what we are doing as a company to tackle these.

Our sustainability strategy

Compliance with due diligence requirements of the Swiss Code of Obligations

In compliance with the newly-introduced Article 964j of the Swiss Code of Obligations, the Hero Group undertakes to report on the due diligence requirements regarding minerals and metals from conflict areas and child labor.

Conflict materials

Hero uses metal for cans and caps for certain products following the appropriate regulations regarding food quality. We do not import nor process any metals or minerals defined in the Swiss Code of Obligations article 964j and related provisions of the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO).

Child labor - procurement due diligence process

Hero has implemented a strict sourcing process to secure ethical behavior, to protect human right and secure environmental performance. This is done via a supplier selection and approval process, integrating mandatory ethical and human rights criteria.

Supplier performance management and monitoring includes external supplier ratings– including sustainability and human rights criteria. The supplier onboarding process foresees the signing of the Hero Code of Conduct covering child labor as a mandatory step. In addition, it includes SMETA-audits (Sedex Members Ethical Trade Audit) for specific cases in case of higher risk assessments.

This is done through partnerships with specialized agencies and organizations, such as Sedex and Ecovadis.

We are guided by the United Nations Global Compact's (UNGC) principles on human rights and labor, and aim to provide an example of good human rights and labor practices throughout our business activities.

On the same issue, we support the International Labor Organization's recommendations according to UN and ILO guidelines. Our Code of Conduct outlining these principles can be found on Hero's website. In addition, we have a whistleblowing platform, called SpeakUp®, that allows both internal and external parties to report any such cases. More information can be found on the company website.

A well-functioning supply process considering ethical standards is key for Hero to operate profitably, to reduce the risk of reputational damage and to adhere to regulatory requirements.

UNGC » Code of Conduct » Company website »

Our sustainability strategy

Art. 964b content requirement	Section	Reference
General information required to understand our business and	**01 Company information**	
Description of the business model	Mission, vision, and strategy	page 11
	Our categories	page 16
	Regional footprint	page 27
Environmental matters (incl. CO_2 goals)	**03 Sustainability report**	
	Our carbon footprint	page 196
	Reducing the environmental impact of our operations	page 212
	Main performance indicators	page 182
	01 Company information	
	Risk management	page 46
Social issues	**03 Sustainability report**	
	Naturally healthy food	page 222
	Supporting our communities	page 238
	GRI Tables Pillar 3: Naturally healthy food	page 245
Employee-related issues	**03 Sustainability report**	
	Keeping our people safe	page 233
	Listening to our people	page 234
	Upskilling our teams	page 235
	Talent development and acquisition	page 236
	Building diverse and inclusive workplaces	page 237
	GRI Tables Pillar 4: Purposeful people	page 246
Respect for human rights	**03 Sustainability report**	
	Respect for human rights	page 186
	Child labor - procurement due diligence process	page 191
Combating corruption	**03 Sustainability report**	
	Anti-corruption	page 193
References to national, European or international regulations	Global Reporting Initiative (GRI) Index 2023	page 247
	Taskforce on Climate Related Financial Disclosures (TCFD)	page 189

Art. 964j content requirement	Section	Reference
Minerals and metals from conflict areas due diligence	**Conflict materials**	
	Conflict materials	page 191
Child labour due diligence	**03 Sustainability report**	
	Child labor - procurement due diligence process	page 191

Our sustainability strategy

Anti-corruption

Hero also subscribes to anti-corruption behavior, including extortion and bribery, and we subscribe to the principles set out by the United Nations as highlighted in our Code of Conduct.

The Code of Conduct requires Hero employees and all business partners to apply fair practices and to act with integrity in terms of anti-corruption and anti-competitive behavior. A signed Code of Conduct is introduced in the onboarding processes for employees and business partners.

Targeted training sessions on anti-corruption and anti-trust behavior for employees are held regularly. Hero has also introduced a platform through which both external and internal parties can file a report on possible misconduct without fear of retaliation. The SpeakUp® platform allows for anonymous reporting and details of a case are handled by external parties. With these measures, Hero strives to mitigate the risks of unethical behavior leading to reputational damages and violation of applicable laws and regulations. More information can be found on the company website.

Code of Conduct »

Company website »

Our sustainability strategy

Hero Group sustainability governance 2023

Sustainability core team

Responsible for overall engagement, implementation and project management.

Group Director Sustainability

Sustainability, Transformation & Data Managers

Functional leads

Set the strategic frame, define targets and manage pillar, category and business actions

SVPs

Supply Chain

Baby & Toddler Food and Snacks

Natural Spreads & Healthy Snacks

VPs & Directors

Procure-ment

R&D

HR

Quality

Finance

Legal

Executive Board (EB) sponsors

CEO

CBO

CPO

Main responsibilities (quarterly):

Sponsor:

- Steer and lead transformation, prioritization and resourcing
- Primary EB owner and sponspor
- Finance and legal steering and alignment including non-financial reporting
- Strategy and transformation steering and alignment
- Chief business officer leadership via categories
- Chief people officer sponsor and leadership role of people strategy

Board of directors (bi-annual):

Governance - active advisory and steering, non-financial reporting/GRI review and regulatory and ESG compliance

Country leads

Define and manage local actions with local owners. Communicate and cascade updates

SV

UK

Benelux

DE

CH

CZ & SK

ES

CA

MEA

US

BR

DE

TR

RU

Internal and external communities

Expertise and best practice sharing embed in internal communities. Leverage external expertise.

- Internal champions & knowledge exchange
- Business aliances and coalitions
- Research institutes
- Institutional forums and NGOs
- Data and transparency platforms
- + others

Our sustainability strategy

Metrics and targets

The Hero Group continues to report its full corporate carbon footprint (scopes 1, 2 and 3) and additional set of ESG metrics – all of which can be found within our Data and GRI appendix (page 242).

Our carbon footprint

The Hero Group is committed to achieving net zero emissions across our full value chain by 2050, in line with the Science Based Targets initiative (SBTi) Net Zero Standard.

We chose 2019 as our baseline year because this reflects 'business as usual' better than more recent years which were affected by Covid-19.

Collecting meaningful data

We aim to be a sustainability data-driven company so that we can pursue our sustainability roadmap to net zero GHG emissions across the value chain by 2050.

To allow us to calculate our complete corporate carbon footprint with the smallest possible margin of error, we must collect detailed, accurate data from our operations and across our value chain. To achieve this, we have implemented a new Environmental, Social, and Governance (ESG) data management and reporting tool, which is based on the requirements of the most salient ESG Reporting frameworks and the GHG Protocol standard for carbon accounting.

We spent the first six months of 2023 defining the ESG data reporting structure, including the definition of the different metrics, boundaries and timelines for each data point.

Our recently implemented carbon accounting tool will enable us to continue improving our data process across all scopes (1, 2 and 3), automatically calculate our corporate carbon footprint, track progress against our science-based GHG reduction targets, and model optimal decarbonization scenarios across business units, aligned with our sustainability strategy.

Our carbon footprint

Using primary data is the main challenge in carbon accounting. With respect to scope 1 and 2, the data collection process is straightforward, as it's in our direct area of influence.

When it comes to scope 3 emissions, it is more complicated – we are continuously working towards gathering high quality primary data from our suppliers to give us the most accurate picture.

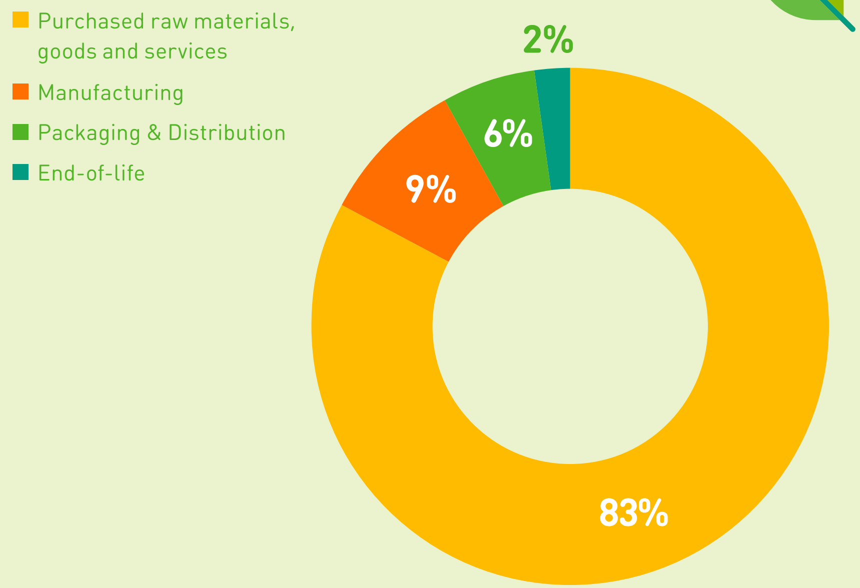
Our 2023 carbon footprint

The data we have collected has allowed us to publish scope 1, 2 and 3 data in this year's report:

Scope 1 emissions (tCO2e)	33,417
Scope 2 emissions (tCO2e) (market-based)	5,504
Scope 3 emissions (tCO2e)	584,293
Total (tCO2e)	623,214
GHG emissions intensity (kg CO2e per kg product sold)	2.5

Our total carbon footprint for 2023 is 623,214 tons CO_2 equivalent, down from 728,103 tons in 2022.

Scope 3 emissions account for 94% of our total carbon footprint, hence our strong focus on working with our suppliers to drive change in our supply chain. Read more about our sustainable sourcing strategy in our Pillar 1 chapter.



Methodology

Our corporate carbon footprint has been calculated following the guidelines of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The 2023 results show our GHG emissions footprint in 2023 (January to December) under scopes 1, 2 and 3 from all our manufacturing and commercial sites (operational control approach).

Sustainability pillars

1. Sourcing and supplier partnering
2. Production and transport efficiency
3. Naturally healthy food
4. Purposeful people

1 Sourcing and supplier partnering

A strategic approach

Our plan to sustainably source our food and raw materials is taking great shape. We laid the foundations in 2022, and then spent 2023 making sure we had all the tools in place to allow us to activate those plans effectively. We continue to implement projects which we know will have real impact.

A key step has been creating specific sourcing strategies for each category of ingredients – how we collaborate with our cocoa suppliers will be different from how we work with our fruit suppliers, for example. We have now created a sourcing playbook for 15 key categories of ingredients or materials which are, effectively, a methodology for how to procure them sustainably.

This playbook defines our key criteria and sustainability requirements. Quality and cost remain essential, but we also consider carbon emissions, the human rights of the workers who grow and harvest the ingredients, and any biodiversity impacts resulting from the way they are produced.

These are long-term strategies – we can't do everything overnight – but we are clear on what we want to do, how we are going to do it, and where we will start. We have begun by launching pilot projects related to our sourcing 'hot spots' where we can have the biggest impact.

Désiré Mouanga-Biayenda, VP Procurement Hero Group

Our sustainability progress

Goals	Progress to date
Raw cocoa Rainforest Alliance certified	99%
Palm oil RSPO[1] certified	97%
Recycled content in our packaging	45%
Strategic suppliers with EcoVadis rating	67%
Direct spend monitored under sustainability criteria	64%
Strategic suppliers confirmed Code of Conduct	65%

1 The Roundtable on Sustainable Palm Oil (RSPO) Certification includes the assurance that the RSPO member has committed to and complied with sustainability requirements.

1

Sourcing and supplier partnering

Maintaining our high standards

We interacted with over 6,500 suppliers in 2023; 163 of these are considered key strategic suppliers to our operations in Europe. We are therefore choosing to focus our efforts on these suppliers first. They are important to our business, and we know that our business is important to them. By taking this approach, we estimate that we will have oversight of 65% of our total direct spend with suppliers.

We are now fully integrating sustainability into how we manage our suppliers, clarifying objectives and defining targets. We are also integrating sustainability into our supplier performance management.

Transparency is key. We want to know what is happening at every step in our supply chain, and external tools and certification systems give us access to that information. We use EcoVadis to view our suppliers' sustainability ambitions and achievements, and to guide us on areas of risk or opportunity to make improvements.

1

Sourcing and supplier partnering

Maintaining our high standards

We are working to have all our strategic suppliers from direct sourcing rated via the EcoVadis platform, meaning we have oversight of their performance scores. This then allows us to actively manage supplier selection, performance, and management. By the end of 2023, 67% of our strategic direct suppliers had a sustainability rating in EcoVadis or were in the process of the assessment.

We aspire to work with suppliers that achieve a minimum of EcoVadis Silver. This means that performing well in the different aspects of sustainability is now part of the criteria for selecting them. For suppliers that decline to provide an EcoVadis rating, we run an alternative process to demonstrate their sustainability strategy and outcomes, for example via Sedex or SMETA audit.

Currently, 64% of the total direct spend of the Group is qualified as monitored under sustainability aspects through EcoVadis and/or similar recognized global standards.

Training our teams

All our lead buyers working on strategic procurement categories receive appropriate training and refresher sessions every year. Any newcomers to our procurement community are given comprehensive training on how to use EcoVadis and our sustainable sourcing tools (such as emission hot spot analysis, our supplier engagement model, and our impact checklist). Every year, we adapt the training to make sure it keeps pace with the latest tools and regulations. In 2023, for instance, our focus was on understanding and preparing for the requirements of the EU Corporate Sustainability Due Diligence Directive, the EU Deforestation Regulation, and the EU Packaging and Packaging Waste Directive.

1

Sourcing and supplier partnering

Promoting agricultural best practice

While we value EcoVadis for understanding many of our suppliers, it is not the right tool for assessing individual farms.

We are taking active steps to support our farmer suppliers to adopt the principles of sustainable agriculture. Our Sustainable Farming Principles, published in 2022, help farmers to understand the hot spots in their operations and give them guidance on taking care of the land, soil, and water, as well as themselves and their workforce.

Hero's agronomists are working with some of our farmers to help them understand and apply our Sustainable Farming Principles. We use our own tools to conduct audits designed to improve the quality performance of our suppliers.

We recognize that some of our suggestions cost money to implement and we do not wish to add to operating costs that might affect the profitability of their businesses. We have therefore created a fund and are inviting farmers to either apply for grants or to incorporate these costs into their pricing model.

When we purchase commodities, such as cocoa or palm oil, we rely on external organizations to ensure we are purchasing materials that have been certified as sustainable. From 2025, we aspire to be 100% deforestation-free on all our primary commodities: cocoa, palm oil, coconut oil, cardboard, and paper packaging. In July, Hero joined the Cocoa Promise Program which is helping us to achieve our target of buying certified deforestation-free materials by 2025.

Sourcing and supplier partnering

Promoting agricultural best practice

Working with others

We joined the European Carbon+ Farming Journey Coalition in 2021. This European farmer-centric initiative is catalyzed by the World Economic Forum and brings together stakeholders from across the food supply chain to collaborate on decarbonizing the food industry. Hero co-leads the working group on sharing best practice on sustainable sourcing and harmonizing procurement specifications.

Hero has joined the Sustainable Agriculture Initiative (SAI) platform and also plans to introduce the Farm Sustainability Assessment (FSA) to evaluate the sustainability status of our smaller suppliers and farmers. The platform helps us develop methodologies and assessments for our farmers to accelerate the adoption of sustainable agriculture practices and the transformation towards sustainable food systems.

In 2023, we launched pilot projects with key farmers and suppliers following the global framework of regenerative agriculture aligned by SAI platform. These include monitoring irrigation and tracking stone fruit crops with Digital Data Farm, a predictive modeling platform of crop water and nutrient consumption. Furthermore, the pilot includes the implementation of green fertilizer use in our key crops with the support from Yara, the world's leading crop nutrition company and provider of environmental and agricultural solutions.

1

Sourcing and supplier partnering

Promoting agricultural best practice

Sustainable cereals

Where possible, we want to transition to more sustainable versions of our key ingredients without having to alter our existing recipes. For several years, Semper has been collaborating with Lantmännen Cerealia on ways to accelerate the transition to a climate-neutral food chain for oats, wheat, and rye.

In 2023, we joined Lantmännen's 'Climate & Nature' program, which aims to reduce the climate impact from cultivation of grains by up to 45% compared to the average cultivation in Sweden in 2015 through adopting measures such as fossil-free fuels, fossil-free mineral fertilizer, and precision farming. The program boosts biodiversity by using chemical-free seed treatment, flowering zones, and skylark plots in the field (unsown plots in the fields where skylarks can land to find food).

During the 2023 harvest, the Semper-Lantmännen partnership delivered an approximately 400-ton reduction of CO_2e emissions. In addition, the land used contained over 6,000 skylark plots and more than 120,000m^2 of flowering zones.

This partnership with our supplier is a great example of our approach to learn, develop, and understand how to extend more sustainable methodologies to other supply partners. We are currently working with a cereal supplier in Spain to develop a similar program.

Supporting farmers to apply regenerative principles

We want to provide concrete and tangible frameworks that empower our fruit suppliers to overcome the most challenging barriers to implementing regenerative agriculture. Supported by regenerative experts reNature, we are working with two Spanish farmers – one growing apples, another pears – to understand which light-touch agricultural practices would be suitable for building soil fertility and improving carbon sequestration potential. Having established the benefits of activities such as cover cropping, mulching, and using green fertilizer, each farmer has been supported to create specific, executable implementation plans for the short, medium, and long-term.

Not only do we expect these interventions to improve yield, but also generate additional sources of income through side crops, and utilize natural fertilizers and integrated pest management practices rather than chemical fertilizers and pesticides.

1

Sourcing and supplier partnering

Fostering biodiversity through pollinator programs in our supply chain

We have been working to raise public awareness of the importance of bees and conserving fruit diversity since 2014.

Within our bee careful initiative, we want to conserve the goodness of nature in our products while fostering biodiversity throughout our entire value chain. This means using resources in a far-sighted and future-proof manner. We can't do this alone, which is why we are partnering with farmers, our closest allies.

Our bee careful program aims to educate our suppliers on the importance of encouraging pollinator species. We have expanded the mission of the initiative to include preserving habitats for pollinators, promoting soil and pollinator health, and encouraging biodiversity-friendly agriculture practices on and around our partners' farms. Interventions might include reducing pesticide use to reduce the risk of harm to pollinators, introducing or maintaining floral margins around their fields or installing 'bee boxes' where pollinators can live and breed.

bee careful®

Working with our Brazilian farmers

Our team in Brazil participated in the first Producer and Industry Integration meeting hosted by one of our major fruit suppliers, Sulfrut, and attended by more than 300 farmers. The event aimed to increase collaboration on biodiversity between farmers, producers, and the food industry.

Sulfrut is also collaborating with the NGO, *Bee or Not to Be*, to build bee hotels on Sulfrut's strawberry farms. This has educational benefits by raising awareness on how to protect the local Melipona bees, and the bees also help in pollinating the strawberries. To help raise awareness of the importance of pollinators, we are also putting the *Bee or Not to Be* logo on our product packaging.

1

Sourcing and supplier partnering

Fostering biodiversity through pollinator programs in our supply chain

Biodiversity-friendly farming in Germany

In Germany, our Schwartau team created a catalogue of 12 biodiversity-friendly farming initiatives for our fruit farmers and offered to co-invest with them. Over the year, 30 farmers joined the scheme with 1,831 hectares of agricultural fruit farmland incorporated by the cooperation. Between them, 126 hectares of alternating mulching, 69 hectares of tramline greening, 38 hectares of blooming intercrop, six hectares of flowering strips and fields, 133 nesting aids for pollinators, and 126 nesting aids for birds were set up. We also supported investments in new machinery for mechanical, rather than chemical, weed control.

30
farmers joined the scheme

12
biodiversity-friendly farming initiatives

1

Sourcing and supplier partnering

Better packaging

We have a cross functional team working on our sustainable packaging strategy, making sure that we have clear plans, by category, and are staying ahead of regulatory requirements.

Our intention is for all the products made in our factories to be sold in packaging that is designed to be recycled, allowing us to contribute to a circular economy. Clear labeling is key: we want to make it easy for consumers to sort packaging into the correct recycling bin. At least half of our packaging will also come from recycled sources by 2025, helping to reduce our use of virgin materials.

Making our packaging more sustainable sometimes requires us to reimagine the packaging entirely: for instance, redesigning our baby food pouches so that the lid and pouch are made of the same plastic to make collection and recycling more straightforward.

At other times, it is about reducing the amount of packaging materials we use. We have now completed extensive testing of a lightweight glass jar design that was designed for us using artificial intelligence. The optimized design is around 16% lighter than our standard jar and has been stress tested in our factory and through our distribution network. We have provided our other jar suppliers with the new technical specification so we can begin rolling out this new design globally.

Another way we optimize packaging is by working with our packaging suppliers to find materials with the lowest embodied carbon.

100% recyclable packaging on select Organix products

In the UK, Organix is working towards the goal of recyclable packaging. During 2023, we introduced our first fully recyclable pouch and moved our oaty bars, fruit bars and raisins to mono film packaging that can be recycled in some supermarkets. We have one remaining challenge: our cereal bags. We hope to move to a fully recyclable solution in early 2024.

Sourcing and supplier partnering

1 Better packaging

FSC-certified cartons in Benelux

Our team in the Benelux worked with our carton supplier SIG to switch the packaging of our Cassis blackcurrant juices to cartons. We chose Terra Forest-based polymer packaging material which comes from Forest Stewardship Council (FSC) certified renewable paperboard and has a carbon footprint up to 51% lower than a standard SIG pack.

Bigger bags in Germany

In Germany, avoid four tons of paper waste each year by requesting more efficient packaging from our barley flakes supplier. These were previously delivered to us in 25kg bags but are now delivered in 600kg bags.

600kg
bags

1

Sourcing and supplier partnering

Our Sourcing and supplier partnering 2024 strategic initiatives

Throughout 2024, we will work to scale our current supplier initiatives and develop additional impactful initiatives with key suppliers. We are aiming to increase the sustainability of our packaging too, including continuing to increase its recycled content. We will also focus on measuring and monitoring our supplier performance and risks, as well as the risks that we face to ensure sustainable progress towards our goals.

2 Production and transport efficiency

Reducing the environmental impact of our operations

Sustainability is now fully integrated into our business processes and is a key factor in both our short and long-term planning. We have clear targets for reducing our use of energy and water, and cutting the amount of waste we generate.

This year, we conducted detailed analysis to ensure we know exactly how to achieve these targets across all our sites and are now moving into the implementation phase of our strategy. We are focusing first on the factories that have the largest energy consumption within the Group.

Every month, the sustainability leads from each of our production facilities come together to discuss progress, share learnings, and support each other to solve issues. A key part of this is sharing data on actual savings achieved so that we can expedite the introduction of successful ideas or technologies across all sites.

Based on our work, we estimate that around a tenth of our total capital expenditure contributes to our sustainability ambitions.

Andrea Takacs, Senior Vice President Supply Chain Hero Group

2

Production and transport efficiency

Reducing carbon emissions in our operations

We have set science-based targets (see page 187) and have a clear understanding of the work we now need to undertake to bring down our scope 1 and 2 emissions. Our aim is to reduce our energy use by 46% by 2030 (from a 2019 baseline) which, on flat production volume, means we must achieve a 6% reduction each year.

Our operational energy strategy has three parts: reduce the amount we need; reuse what we can; and switch to renewable energy sources.

Throughout 2023, we worked in partnership with external experts to identify opportunities and technologies that will allow us to make rapid and dramatic reductions to our energy use. Our site teams analyzed these recommendations to estimate carbon benefit, cost and payback so that we can prioritize the actions that will have the biggest impact.

Reducing energy for pasteurization

Pasteurization is crucial to ensure that our products remain stable and high quality. However, the requirement for high temperatures can make this an energy-intensive part of the production process.

In 2023, we invested in an air pasteurization system at a new site in Murcia, Spain, dedicated to baby and toddler food pouches. The system requires far less energy and water to achieve the same results as the water systems we have used elsewhere.

In Germany, we are exploring switching the pasteurization process in our Schwartau jam production site to a 'hot fill' system. Instead of pasteurizing the filled glass jars, this system heats the jam as it is being poured into the jars, killing any bacteria. We are now running quality tests to confirm the system is suitable. If adopted, we will be able to reduce CO_2 emission from the pasteurization by 7%.

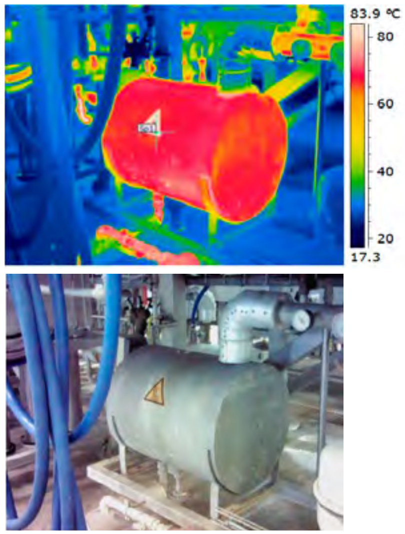
2

Production and transport efficiency

Reducing carbon emissions in our operations

Improving insulation

We used thermal imaging to conduct an energy audit of our Schwartau factory in Germany. This revealed opportunities to improve the site's insulation to reduce heat loss from certain areas and increase the speed of cooling in others. We estimate that our investment in insulation across Schwartau plants will save more than 230 tons of CO_2 a year.



Better buildings

During 2023, we renovated the staffroom at our Corny production site in Germany and introduced a range of environmental features to keep energy demand low. These included contemporary thermal insulation, underfloor heating, a solar thermal system for hot water, and a mechanical heat recovery system. Crucially, the building has been connected to the nearby combined heat and power (CHP) plant meaning that we are making use of the heat that is created when electricity is made.

2

Production and transport efficiency

Purchasing green energy for our operations

We continue to work with Schneider Electric to deliver a harmonized Group strategy for moving away from fossil fuels. In 2023, we sourced renewable energy (backed by certification) for our European and Brazilian plants from the power grid as the country of demand. For example, our plants in Switzerland and Sweden are powered by locally-produced hydroelectricity.

Solar energy to power new site and vehicles

Our new production facility in Spain has solar photovoltaic cells on its roof which will cover 12% of the electricity consumption of the three production lines at our new sites when they are up and running. The four new charging stations for electric vehicles in this facility will also be connected to the solar cells.

In Egypt, we moved our steam boilers closer to the production hall to reduce the distance the steam needed to travel in the pipes, leading to a 900 mWh reduction in energy annually. We also implemented an economizer system to use the heat from our boilers' exhaust to heat the boiler feed water, creating a closed loop that saves 700 mWh/consumption annually.

2

Production and transport efficiency

Green travel

Our green travel policy engages our people in the important task of reducing emissions from business travel. We use a dashboard to track our progress and share the positive impact with our teams. In 2023, emissions from business air travel were down 11% versus 2019.

Where practical, we also encourage staff to swap their car for a bike and we have charging stations for e-bikes at several of our sites.

2

Production and transport efficiency

Optimizing our logistics

During 2023, we reorganized our supply chain division to better serve our size and scale. As part of this, we created two new roles to ensure that sustainability was a factor in our decision-making processes.

Our new Head of Group Logistics is responsible for making sure we have the right capabilities in our logistics operations. They also ensure that we conduct internal and external benchmarking for sustainability in logistics.

We also created a new role in our Procurement function to oversee logistics. This role is responsible for bringing together our pan-European logistics for the first time, allowing us to leverage our scale by centrally managing inbound transport to optimize journeys. Our intention is to increase backhauling and lorry sharing so that we are sending full loads in both directions, potentially using external logistics providers to improve efficiencies and reduce costs. We are currently evaluating how best to achieve this and aim to operationalize the changes in the second half of 2024.

Our aim, ultimately, is to transition to fossil fuel-free transport and we are evaluating how we can achieve this.

Using electric transport in Sweden

We have worked with our supplier GKT to introduce a fully electric truck to transport goods from our factory in Sweden to our warehouse two kilometers away. The truck does five return trips each day and, because it is charged using 100% green electricity, emits 10 tons of CO_2e fewer each year than a diesel equivalent. The truck creates less air pollution and less noise pollution, too.

2

Production and transport efficiency

Generating less waste

Most of our European factories are ISO 14001 certified, which includes waste as a key pillar. These sites are tracking and seeking to minimize waste arising.

2023 was the first year when every site was required to report on total waste and this has allowed us to have a detailed and accurate understanding of where waste is occurring in our value chain. Most of our waste is created in just two places: overproduction from incorrectly estimating demand (which affects both materials used and finished goods), and production waste caused by spoiled batches or quality issues. We are now focusing on these two areas to reduce waste across the Group.

Surplus food with a short shelf life can be donated to local charities and, in 2024, we are setting our sites a stretching target to reduce quality issues. We will achieve this by increasing testing, ensuring scrutiny at each stage of the process, and building a culture where waste is not acceptable.

When food waste is created, several sites send it to be turned into animal feed. If it is unsuitable for that, we favor composting to biogas over incineration.

Minimizing food waste at our Swedish site

In Sweden, we led a food waste reduction workshop with our warehouse team, identifying several areas of improvement including redirecting certain waste streams from incineration to biogas production, and donating damaged products to a local charity.

Turning food waste into a co-product

In Germany, we have sent more than 400 tons of cherry pits to be turned into materials for the food and beauty industries since 2020. The pits, which were previously composted or incinerated, are now turned into oil, vegetable protein, or granules.

In 2023, we launched a project with the University of Applied Science ZHAW Zurich to explore further opportunities for upcycling the waste from stone-fruits, such as apricot pits, and intend to scale this up in our other manufacturing sites globally.

2

Production and transport efficiency

Treating water with respect

Water is a precious resource, which is why we have a target to reduce water consumption by 30% by 2030, and to return our appropriately cleaned wastewater back to local water courses. Although we add water to a few of our products, most of our water use is in factory processes such as cooling or cleaning. In 2024, our sites will begin to report water use so we have a better idea of how it is being used.

Cleaning in place in Spain

We use cleaning in place – or CIP – at our sites to avoid the need to disassemble equipment to clean it. In Spain, we have improved the CIP of the cold extraction plant by reducing the cleaning time from 150 minutes (28m^3 of water) to 95 minutes (17m^3 of water) and achieved savings of more than 660,000 liters of water a year, equivalent to the average daily consumption of around 4,500 EU citizens.

Reducing water use in production in Germany

In 2021, our team in Germany began a multi-year program to significantly reduce the amount of water that is needed along the production flow. Technical and strategic actions taken in 2022 cut water use by 13.4% per ton of product. In 2023, we achieved a further 5% reduction per ton by reducing the amount of steam used to pasteurize jam, as well as using heat recovery in the Corny production line.

2

Production and transport efficiency

Compensating for our remaining emissions

Our priority is to reduce our operational carbon emissions. However, when we have done everything possible, we recognize that we will still be producing some carbon and are looking at different ways we might compensate for these remaining emissions. In the coming year we will be developing our Group compensation strategy in line with our SBTi Net Zero target. At present, this is done at the local level, business by business.

In the UK, our Organix business chooses to compensate for the emissions created by business travel and employee commuting by funding Climate Wise to plant trees, with a view to creating our own forest over time.

In Spain, we have planted more than 4,750 trees in a natural park near our site in Murcia since 2012.

2

Production and transport efficiency

Our Production and transport efficiency 2024 strategic initiatives

In 2024, we will focus on making continued progress in production efficiencies to reduce both energy and water consumption. We will also focus on optimizing our logistics as the next step on reducing our overall operational footprint.

3 Naturally healthy food

The goodness of nature

Our mission, to delight consumers by conserving the goodness of nature, addresses the needs and desires of today's consumers for tasty naturally healthy food.

We apply nutritional and food naturalness targets to the whole portfolio across geographies based on latest nutrition science and consumer acceptance.

Over the last year, we have improved the naturalness of our products by reducing the number of additives and highly processed ingredients. We also have continued reducing sugar and increasing the quantity of vegetables, fruits, legumes, whole grains, and nuts. Furthermore, we leverage our brands to educate our consumers about sustainable, healthy diets.

Together with our ecosystem partners (academia, consumers, and industry), we have built a unique tasty, healthier, and more natural portfolio, advancing our mission.

Christian Schierbaum, Chief Business Officer Hero Group

Naturally healthy food

Our sustainability commitments, by category

Healthy Snacks

15% reduction of sugar content in bars (≥30%) by 2028

40% of new launches with less than 5% sugar by 2028

100% offerings claimable 'source of fiber' in all bars (3g/100g) by 2028 *

25% offerings claimable 'source of protein' (>12% of total energy) by 2028*

Baby & Toddler Food

60% of meals following Planetary Health Principles on meat reduction by 2028

0% palm oil in our products by 2025

75% of meals following Planetary Health Principles on high contribution of vegetables and legumes (min. 40 %) by 2028

55% of our products to be Organic by 2025*

100% of our pureed products without starch and from fruit concentrates by 2028

75% of our infant cereals to contain whole grains (min. 30%) by 2025

Natural Spreads

0% of jams with highly processed sugars by 2028

20% reduction of sugar in our jams by 2028

50% of our jams with reduced sugar (<40% sugar) by 2028

* Products are classed as 'organic', 'a source of fiber' or a 'source of protein' when they have externally - certified labelling on the product marketing them in this way.

Naturally healthy food

Embracing the goodness of nature

We continue to work hard to deliver on our commitments to make our products healthier for both people and the planet by, for instance, removing palm oil, reducing sugar, and increasing our use of organic ingredients.

We use the external nutritional rating system Nutri-Score to evaluate the nutritional quality of products targeted to adults and our own Health Index for our infant products. We use these, together with the Food Naturalness Index, to create our 'Goodness of Nature' index which helps inform our product innovation and reformulation.

We notice increasing consumer demand for individualization, such as vegan or no added sugar products. Creating these products sometimes means that nutritional quality and naturalness work in conflict. For instance, a zero-sugar jam with sweeteners may score high for nutritional quality but low for naturalness. We have therefore brought together an interdisciplinary team comprising external advisors, and our own R&D, nutrition, and marketing experts, to explore how to amend our approach and measure both aspects as separate key performance indicators. Every year, we review and update our product sustainability commitments based on the advice of this team.

Sensory testing

Sensory tests are a key part of our new product development process, helping us to gauge consumer preferences – how much they like our products – as well as providing insights into taste, texture, and acceptance. During 2023, we explored how we can standardize these tests to give us a sensory methodology that works across all our markets, allowing us to develop products that embrace the goodness of nature by category rather than by country or region. Our new approach will be rolled out in 2024.

Naturally healthy food

Embracing the goodness of nature

Working with others

To maintain our leading position in key markets, we remain dedicated to staying at the forefront of new technologies, innovations, and consumer trends. Over the past years, we have embarked on five pivotal projects, collaborating with five universities and collaboration centers. Two of these projects are specifically geared towards sustainable nutrition, aiming to develop healthier and more sustainable products. The remaining three projects focus on crafting foods and snacks that strike the perfect balance between taste, health, sustainability, and natural ingredients.

Our dedication to advancing scientific knowledge is further evidenced by our contributions to four papers published in peer-reviewed journals. These papers cover a range of topics, including the perception and effects of food processing on healthiness and nutritional quality and naturalness in biscuits. In 2023 alone, our research garnered over 300 citations, underscoring the impact of our work.

Naturally healthy food

Better for you, better for the planet

We know that companies that take sustainability seriously are attracting conscious consumers; and we are always looking for opportunities to use the power of our brands to drive positive eating habits.

In 2023, we introduced sustainability criteria for all product development and marketing and ran a series of training courses to help our teams to apply the new requirements. As a result, these considerations have become central to how we conceive new products.

Dino biscuits with hidden veggies and prebiotics

Our Beech-Nut team in the US introduced a new range of toddler snacks: Dino Biscuits with Hidden Veggies and Dino Biscuits with Prebiotics. In addition to containing fruit, veg and yoghurt, the new snack range contains whole grains and no artificial colors, flavors or preservatives, providing parents with balanced snack options for their toddler.

Phasing out palm oil

We aim to remove all palm oil from our baby and toddler food by 2025, and to minimize its use in our snack ranges.

In the UK, our Organix team has now completed the reformulation of all foods that included RSPO palm oil. Five of the six new recipes are now on shelves, and the sixth will be delivered in 2024.

2025 remove all palm oil

Naturally healthy food

Better for you, better for the planet

New plant-forward baby and toddler meals

In 2023, we began the rollout of 15 new Semper organic meal jars which contain at least 50% protein from plant-based ingredients such as beans and lentils. By introducing children to a variety of vegetables with different flavor profiles at a young age, we aim to lay the foundation for a healthy diet later in life.

15
new Semper organic meal jars

50%
protein from plant-based ingredients

Low and no-sugar spreads and snacks

We are working hard to increase the number of low and less-sugar products we offer, meeting a growing consumer demand.

In our Healthy Snacks portfolio, we introduced a zero-added sugar Oat Power bar in 2023 which was warmly received by consumers. We are now growing our range of protein bars with no added sugar. We have also introduced a new Nuts & Choc range of bars combining more than 46% of wholesome nuts with indulgent chocolate, but without added sugar.

We continue to innovate with less/zero-sugar jams and further expanded our range with the introduction of Schwartau Samt Less Sugar Jam and the addition of new varieties in our Schwartau Extra Less Sugar portfolio in 2023. Although these products are less sweet, the careful balance of fruit acidity and sweetness has proven popular and more and more of our consumers are making the switch away from classic sugar jams. By 2028, we want 50% of our Natural Spreads portfolio to be reduced sugar, meaning less than 40% Brix level (the official metric of soluble sugar in jams).

Naturally healthy food

Better for you, better for the planet

Removing glucose/fructose from our jam portfolio in Egypt

We want our entire jam portfolio to be made from simple, natural ingredients that you could expect to find in a domestic kitchen – fruit, sugar, lemon juice, and pectin. In Egypt, a few products still use glucose or fructose syrup, and we are working to phase these out.

Organix reformulating all HFSS products

All the products under our Organix brand are being reformulated to meet UK regulations on non-HFSS (high fat, sugar and salt) levels by the end of 2024. At the end of 2023, they had already achieved this for over 96% of the range.

New organic products

In our pursuit of naturalness, we set a target to make 55% of our baby and toddler products organic by 2025 and, by the end of 2023, had already exceeded that, achieving 57%. In support of the European Green Deal target to have 25% of agricultural land under organic farming by 2030, we remain committed to increasing the volume of organic ingredients we procure and are now considering setting a new, more stretching target.

Vegan chocolate

All dairy products have a high carbon footprint. Having successfully launched a vegan chocolate variety under our Corny Oat Zero brand, we have now reformulated the regular Corny Oat chocolate bar using a vegan recipe. Similarly, our product developers created a vegan chocolate dessert sauce for our foodservice partners in 2023.

Naturally healthy food

Food safety

Our customers and consumers trust us to deliver safe, high-quality products. Maintaining food safety is therefore core to our business. We rigorously test our products after selecting only the best ingredients. Testing is thorough and runs continuously from production to finalization and regularly thereafter to ensure our products meet the highest possible quality standards.

At the factory level, the Head of Quality ensures that high standards are implemented. We share best practice between sites and stay up to date with changes to trends, risks, and new regulations. In 2023, we started our digitalization of our Quality Management System to allow for easier data management and increased transparency.

Naturally healthy food

Our Naturally healthy food 2024 strategic initiatives

Every year, we review and update our product sustainability commitments to ensure they are fit for the future and align with the most up to date knowledge on nutrition and sustainability. We will work to advance these commitments in the coming year and design projects to help fulfil our targets.

4 Purposeful people

Taking care of our employees and communities

Hero is a multinational company with thousands of people working in eight different manufacturing sites and many different offices, but we strongly believe in 'One Hero': one company working together as one team towards one shared mission.

Our new global People and Culture Strategy was agreed in June 2023, and we are supporting all our entities to work well together to deliver better results and better customer service.

Our people are at the heart of our business. Our HR strategy is all about what we call 'The Human Deal': we lead with how our people *feel* about working for Hero, not processes and policies. Do they feel valued? Do they feel invested in? Cared for? Empowered and understood by their managers? We are aiming to get a resounding 'yes' to these questions, and that's what drives our approach. In spring 2023, we asked all our people to tell us how we were doing, and we are now acting on their feedback.

Another thing we know makes people feel good about working for Hero is the way we support our local communities. Whether through product donations, charity events, or volunteering, we aim to give something back to our neighbors, and be a force for good in the wider world.

Anne Ferbus, Chief People Officer Hero Group

Our sustainability progress

43% of our senior leadership roles are filled by women

Hero Spain certified as Top Employer

Purposeful people

Keeping our people safe

Safety is our number one priority – before we do anything else, we make sure that we keep our people safe. In 2023, we began centrally reporting the Lost Time Injury Rate at all sites for the first time and sharing it with the Executive Board. This allows us to understand the root cause of incidents and accidents and take steps to prevent them from recurring.

Every month, safety is the first agenda item for our leadership team meetings, and we have included safety walks as an obligatory part of their regular site visits.

'Strive for Zero' campaign

Our company safety policy, Strive for Zero, aims to create transparency of our safety performance and encourages our people to take responsibility for safe behavior and alert others when they observe a risk. Our approach is to make sure we share what we learn when an accident or incident occurs so that we can take action to avoid recurrence.

Schwartau safety training

Fire drills are a critical part of our safety strategy, making sure everyone knows what to do if a real emergency occurs. In April 2023, our team in Germany rehearsed an emergency at our plant with participation from four fire departments, the rescue services, and 40 of our colleagues.

In 2024, we want to encourage all our people to play an active role in keeping our sites safe. One of the ways they can do this is to build a practice of spotting and reporting risks and near misses: we are challenging our sites to target two observations per person per site over the year.

Purposeful people

Listening to our people

In spring 2023, we conducted a company-wide listening exercise to find out what our people felt needed to change. People from all over our organization – at every site, and every level – were invited to complete a survey covering every aspect of their experience of working for Hero.

Before the results were collated, we agreed on two things: that the lowest-scoring question across all markets would become the global priority for change; and that each market would choose a second area where it would drive change locally.

Across all markets, we heard that our people wanted to improve how we give feedback and reward employees, so we gave that as a question to our focus groups in the different markets: what should we do differently? We are now using that feedback to build a new program and culture of ongoing feedback, which is essential to employee well-being and performance.

Top Employee Certification – Spain

Hero Spain has been recognized by the Top Employer Institute as one of the best companies to work for due to the excellence of its people management policies. The organization has established a long-term relationship model for both longstanding employees and new recruits. It includes being 'a reference employer', and 'betting on the development of talent' among its strategic objectives. This external recognition shows that Hero Spain has fulfilled its firm commitment to be one of the best companies to work for.

top EMPLOYER ESPAÑA SPAIN 2023
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

Purposeful people

Upskilling our teams

Upskilling and reskilling our workforce is a priority for Hero to help ensure our people have long and fulfilling careers. We have more than 4,100 employees across our organization and offer numerous e-learning modules to enable them to build the relevant knowledge and skills to progress. In addition to broad business skills and sustainability training, we also offer function-specific training. For instance, our Marketing team received training this year on sustainability claims, while our Procurement team received guidance on using our Sourcing Playbooks to make purchasing decisions.

Our Process Harmonization Initiative (PHI), launching early 2024, is central to reskilling our teams. We are standardizing the processes and technical infrastructure that we use across all our markets, and making sure that everyone who needs it receives training to get the best results from the new systems.

Purposeful people

Talent development and acquisition

At Hero, we believe that there is a balance to be struck between hiring from within and bringing talent in from other organizations. We aim for a 50:50 split. In this way, we benefit from knowledgeable, homegrown talent that really understands our business, as well as from the injection of new ideas and original thinking that comes from people who have worked elsewhere. External talent acquisition is a key method for building capacity quickly, too: when we identify a new need, we choose to bring expertise into our business to help accelerate change. Furthermore, bringing external talent into the organization is key to strengthening the diversity of thinking of our employees.

Opportunities to work abroad

In 2023, we encountered some challenges in fully staffing some of our factories, while others faced temporary lower capacity utilization. Within our One Hero approach, we used those circumstances to turn a problem into an opportunity through a development exchange program across countries and factories to encourage the upskilling and personal growth of our manufacturing teams.

Within the exchange program, our entities benefitted from experienced workers familiar with our protocols, and the visiting workers enjoyed a work placement where they gained wider understanding of our business and the experience of living in a new country. This collaboration not only supported our customer demands and business growth, but also provided development opportunities for our people. One of our colleagues states: *"I learned a great deal about Hero by working in another country and factory: what we do the same and what we do differently. And I made some new friends, too."*

Purposeful people

Building diverse and inclusive workplaces

In 2022, we reported extensively on our new Diversity, Equity & Inclusion (DEI) strategy and were pleased to see that our people are already feeling the difference: in our employee survey, Wellbeing" and Inclusion scored respectively the third and fourth highest categories out of 19, with only a 5% negative response.

During 2023, our primary focus has been on creating inclusive workplaces, which are in turn appealing to a more diverse mix of employees. We kicked-off a DEI diagnostic to understand where we have opportunities to be even more inclusive. Our objective is to train all Hero people managers to embed inclusive practices into their day-to-day management by 2025.

When it comes to a better gender balance in our senior leadership circle, we made great progress in 2023. Our interview process for such roles was reviewed to include at least one woman in the interviewing panel, and at least one qualified woman in the shortlist of candidates. As a result, 43% of our senior leadership roles are now filled by women, up 13% versus last year.

Organix 'Be You!' initiative

Our Organix team in the UK launched a new program in 2023 to make their workplaces feel more inclusive, and encourage everyone to be themselves at work. The 'Be You!' initiative aims to raise awareness of other people's lived experience and help build understanding and awareness in a respectful and meaningful way.

As part of this, Organix has signed the 'It stops with me' pledge, an external scheme which aims to stop discrimination and harassment, introduced blind CVs to ensure they hire new people based on their knowledge, capabilities and experience, and participated in the Institute of Grocery Distribution (IGD) reverse mentoring program to learn more about the systems, obstacles and difficulties that others may face.

The company introduced new policies aimed at supporting people to live their life in a way that makes most sense to them, their lifestyle, their age, and their hobbies. These include a menopause support policy, sabbatical policy, working elsewhere policy (to allow more flexible working patterns or travel opportunities), and a religious holidays policy (which allows people to swap a bank holiday for a date of a religious or cultural festival).

Purposeful people

Supporting our communities

We choose to donate our products and our time to support our local communities, as well as providing sponsorship for causes we care about.

Donating our products

Our US team supported a local 'baby shower' event for families, donating 14,000 Beech-Nut pouches and snacks. It also donated 140,000 items to Convoy of Hope, a global humanitarian aid organization serving communities impacted by war and natural disasters.

In Canada, our Baby Gourmet team donated over 875,000 products that were nearing their best before date or that were in damaged shipping boxes to Canadian charities by the end of 2023.

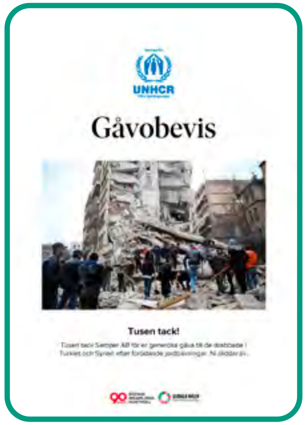
Donating our time

In Finland, the team marked the annual Baltic Sea Day in August by organizing a staff litter picking event along the shoreline in Helsinki.

In September, the US team held its 7th Annual Beech-Nut Gives Back event which aims to serve the community by providing healthy nutritious food to local families.

Purposeful people

Supporting our communities



Donating funds

Semper donated to UNHCR to support families in Ukraine and those affected by the earthquake in Turkey. The money was used to provide food, blankets and medicine to people in need.

Providing work experience

One of the most practical and tangible ways that we can support our communities is by providing young people with work experience. In addition to providing short work placements for high school students, we run numerous internship programs for graduates who want to spend longer with us.

Emergency response to the earthquake in Turkey

Following the earthquake in Turkey and Syria in 2023, our operations in the region immediately doubled production capacity to provide urgent baby food support to the affected regions.

Although healthy nutrition is critical during a crisis, we also recognized the need for psychological support for both children and parents. Hero Baby in Turkey initiated a project called the 'Van of Tales', taking expert storytellers and musicians to three cities affected by the earthquake, where they narrated healing tales and conducted art workshops for children. The project provided a psychologist who offered therapy assistance to families. The project was conducted in collaboration with İhtiyaç Haritası, a trusted civil society organization in Turkey, and will continue in 2024.

Purposeful people

Engaging people on sustainability

With such a large workforce around the world, we know we can play a role in raising awareness of sustainability. We provide training modules on sustainability to allow all our people to learn more about the climate crisis and the importance of conserving resources like energy and water.

In Germany, we included sustainability education in our program for Schwartau's apprentices and dual students. In the UK, we held an event in September designed to encourage our employees to eat more organic fruit and veg, and cycle to work.

Fostering biodiversity through awareness

Our bee careful initiative, launched in 2014, aims to raise awareness for the importance of pollinators and preserving habitats for pollinators, promoting soil and pollinator health, and encouraging biodiversity-friendly agriculture practices on and around our partners' farms. The initiative is supported by Professor Jürgen Tautz, one of the world's foremost experts in pollinator species. While working with our partners and farmers on concrete impact initiatives (see page 203 - 207), we also aim to raise awareness in our communities and workplaces about the importance of protecting pollinators.

For instance, in Sweden, we have created a pollinator-friendly area along a walking path close to our plant in Götene, Sweden, in cooperation with the local municipality and the UNESCO Biosphere Reserve.

In Germany, farmers that supply fruit to Schwartau and are part of our biodiversity program, host information signs that explain the bee careful initiative. In Brazil, a team planted sunflowers around our site to attract pollinators and act as a living reminder that we value and celebrate the contribution that they make.

Purposeful people

Our Purposeful people 2024 strategic initiatives

Looking ahead, two external trends will have a significant impact on our strategic priorities in our Purposeful people pillar. We anticipate a persistent skills shortage, and think transformative technologies such as AI will change how work gets done. Therefore, attracting and developing talents will be our number one priority to build a competitive advantage. We will redesign our end-to-end talent management processes, from talent acquisition to performance management, to take into consideration our employees' feedback, as well as external challenges.

Our company culture has always been a priority and will continue to be a priority in 2024 as we recognize culture is evolutionary and we must not be complacent. Our DEI strategy is a great strength and enabler that we will lever even further. To help our business and workforce adapt to a changing world, we are also focusing on increasing the talent within our business and building the capabilities of our employees.

GRI tables and data appendix

Hero Group corporate carbon footprint[1,2]

KPI	2023	2022
Scope 1 emissions (tCO2e)	33,417	38,766
Scope 2 emissions (tCO2e)[3]	5,504	5,700
Scope 3 emissions (tCO2e)	584,293	683,637
Total (tCO2e)	623,214	728,103

1. Data reported in 2022, restated due to the implementation of our ESG Data Management and Carbon Accounting tool during 2023.
2. All the calculations behind our Corporate Carbon Footprint results have been done following the GHG Protocol Corporate Accounting and Reporting Standard.
3. Market-based

GRI tables

Pillar 1: Sourcing and supplier partnering

KPI	2023	2022
Proportion of spend on local suppliers[4,5]	59%	58%
% of palm oil purchased from a certified sustainable source	97%	90%
% of raw cocoa purchased from a certified sustainable source[6]	99%	99%
Total weight of packaging purchased (kg)	70 million	85 million[7]
% recycled content of packaging[8]	45%	46%[7]
% recyclability of packaging[9]	N/A	74%
Average EcoVadis sustainability assessment score of Hero Group suppliers[10]	58	N/A

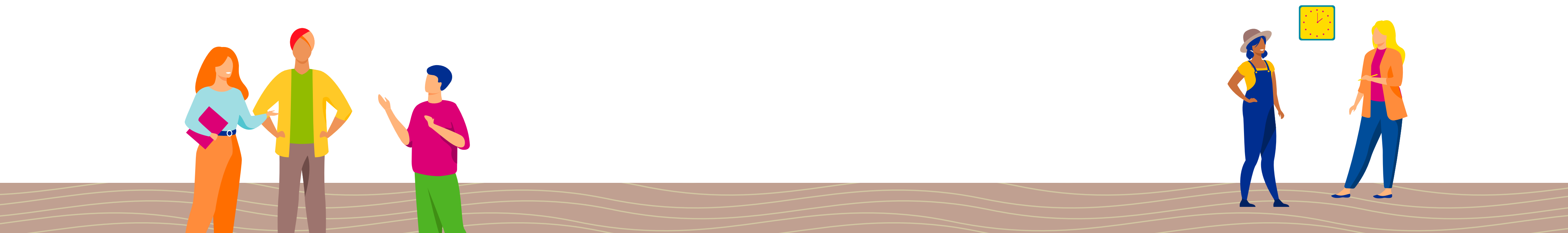
4. Local suppliers are defined as being located in the same country as the entity from which the materials (direct goods) are procured.
5. Data excludes spend from Hero Group's commercial entities.
6. Data excludes Hero Turkey due to data collection issues.
7. Data reported in 2022, restated due to an accounting error detected.
8. Recycled content information provided to Hero by packaging suppliers.
9. Hero Group has paused this KPI due to current incoming EU regulation. Once EU regulates and clarifies the official definition of recyclability, this KPI will be adjusted and reported again.
10. New KPI included from 2023 onwards, to be aligned with our supplier partnering model.

GRI tables

Pillar 2: Production and transport efficiency[11]

KPI	2023	2022
Energy consumption[12,13]	265,642 MWh	288,429 MWh
Proportion of energy consumption generated from renewable sources	19%	19%
Change in total energy consumption (vs. previous year)	-7.90%	2.60%
Energy intensity	1.4 MWh per mt produced content	1.3 MWh per mt produced content
Total non-hazardous waste generated[14]	33,168 mt	26,955 mt
Total hazardous waste generated[15]	17 mt	14 mt
Total food waste generated	18,709 mt	14,070 mt
Total water consumption	1,259,760 m^3	1,382,423 m^3
Total water discharged[16]	1,133,287 m^3	N/A

11. This table includes data from our manufacturing entities. Data from commercial entities have been included into the Hero Group corporate carbon footprint results.
12. Diesel consumption for mobile vehicles is not included.
13. Includes renewable energy produced on site from Hero NFI and Hero Spain.
14. Food waste is not included on this KPI.
15. Hazardous waste from Beech-Nut, Brazil, Egypt and Switzerland are not included due to data collection issues.
16. New KPI implemented from 2023 onwards.



GRI tables

Pillar 3: Naturally healthy food[17]

KPI	2023	2022
% of Baby &Toddler Food meals following Planetary Health Principles on meat reduction	48%	47%
% of Baby &Toddler Food meals following Planetary Health Principles on high contribution of vegetables and legumes (min. 40 %)	56%	47%
% of Baby & Toddler Food products that are organic[18]	56%	55%
% of Baby & Toddler Food infant cereals to contain whole grains (min 30%)	65%	50%
% of puréed Baby & Toddler Food products without starch and fruit concentrates	94%	94%
% of Baby & Toddler Food products without palm oil	97%	95%
% reduction of sugar content for bars containing ≥30% of sugar[19]	N/A	N/A
% of new launches with less than 5% sugar across our Healthy Snacks bars	61%	N/A
% offerings claimable 'source of fiber'[18] across our Healthy Snacks bars (3g/100g)	93%	92%
% offerings claimable 'source of protein'[18] (>12% of total energy) across our Healthy Snacks bars	16%	11%
% reduction in sugar content across our jams	-8%	-5%
% of jams offerings with reduced sugar (<40g)	36%	31%
% of jams without highly processed sugars	96%	96%

17. The Pillar 3 commitments outlined in this annual report have undergone a thorough review and revision to ensure alignment with our strategic objectives and evolving business landscape.
18. Products are classed as 'organic', 'a source of fiber' or a 'source of protein' when they have externally - certified labelling on the product marketing them in this way.
19. Baseline 2023

GRI tables

Pillar 4: Purposeful people[20]

KPI	2023	2022
Total number of employees at end of reporting period	4,151	4,131
Gender breakdown for entire workforce	Female = 40% Male = 60%	Female = 38% Male = 62%
Gender breakdown for full-time workforce	Female = 36% Male = 64%	Female = 37% Male = 63%
Gender breakdown for part-time workforce	Female =74% Male = 26%	Female = 65% Male = 35%
Age breakdown of entire female workforce	Under 30 years old = 14% 30-39 years old = 26% 40-49 years old = 28% 50 years old and over = 31%	Under 30 years old = 15% 30-39 years old = 29% 40-49 years old = 28% 50 years old and over = 28%
Age breakdown of entire male workforce	Under 30 years old = 11% 30-39 years old = 26% 40-49 years old = 31% 50 years old and over = 32%	Under 30 years old = 12% 30-39 years old = 29% 40-49 years old = 29% 50 years old and over = 29%
Gender breakdown of senior leadership roles	Female = 43% Male = 57%	Female = 38% Male = 62%
Age breakdown of senior leadership roles	Under 30 years old = 0% 30-39 years old = 9% 40-49 years old = 47% 50 years old and over = 44%	Under 30 years old = 0% 30-39 years old = 10% 40-49 years old = 46% 50 years old and over = 44%
Total number of new hires	495	569
Gender breakdown of new-full-time hires	Female = 42% Male = 58%	Female = 35% Male = 65%
Age breakdown of new hires	Under 30 years old = 39% 30-39 years old = 34% 40-49 years old = 18% 50 years old and over = 9%	Under 30 years old = 35% 30-39 years old = 28% 40-49 years old = 24% 50 years old and over = 13%
Number of employees that left the company (employee turnover)	534	614
Gender breakdown of leavers	Female = 45% Male = 55%	Female = 41% Male = 59%
Age breakdown of leavers	Under 30 years old = 30% 30-39 years old = 24% 40-49 years old = 19% 50 years old and over = 27%	Under 30 years old = 33% 30-39 years old = 33% 40-49 years old = 17% 50 years old and over = 17%

20. Senior leadership roles considered to be: Executive Board member, Cluster General Manager, Country Manager, VP Category and functional heads at Group level.

GRI tables

GRI Context Index 2023

Global Reporting Initiative (GRI) Index 2023

The Global Reporting Initiative provides a common language, enabling us to share our impacts in a form that can be most easily understood. The following index indicates where in this sustainability report, or in our other corporate communications, you will find information pertaining to a particular GRI indicator. These indicators are explained in more detail on the GRI website: www.globalreporting.org. The data in this report relates to the fiscal year ending December 31, 2023, unless otherwise stated.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
	2-1	Organizational details	Our company page 10 - 51
	2-2	Entities included in the organization's sustainability reporting	Our methodologies, page 153 (excl. holding companies, China and MadreNatura AG).
	2-3	Reporting period, frequency and contact point	We report annually for the 12 months of January to December. Stephen Chetcuti, Corporate Communications Director, stephen.chetcuti@hero.ch
	2-4	Restatements of information	Within the sustainability content of the 2022 report we do not include any financial data (e.g., sales data or similar) so from this perspective you technically do not have to report this financial report restatement in the GRI index
	2-5	External assurance	We have obtained external assurance for financial data from Ernst & Young (EY).
	2-6	Activities, value chain and other business relationships	Our value chain page 185, Sustainable sourcing page 200 and Our categories page 16.
	2-7	Employees	4,151 FTEs
GRI 2: General disclosures	2-8	Workers who are not employees	Within the reporting period, a total of 812 workers were not employees but whose work was controlled by the Hero Group.
	2-9	Governance structure and composition	Group structure page 28
	2-10	Nomination and selection of the highest governance body	Group structure page 31
	2-11	Chair of the highest governance body	Group structure page 35
	2-12	Role of the highest governance body in overseeing the management of impacts	Group structure page 34
	2-13	Delegation of responsibility for managing impacts	Internal organization page 34
	2-14	Role of the highest governance body in sustainability reporting	This report has been reviewed and signed off by Hero's Board of Directors. Group structure page 29.
	2-15	Conflicts of interest	Hero Code of Conduct https://hero-group.ch/en/Code-of-Conduct
	2-16	Communication of critical concerns	Not currently reported.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 2: General disclosures	2-17	Collective knowledge of the highest governance body	The Board of Directors is updated by the Group Sustainability Director bi-annually and governs the sustainability agenda through the Executive Board. Page 190 (In the sustainability report governance section)
	2-18	Evaluation of the performance of the highest governance body	Board and management compensation page 43
	2-19	Remuneration policies	Board and management compensation page 43
	2-20	Process to determine remuneration	Board and management compensation page 43
	2-21	Annual total compensation ratio	Not currently reported
	2-22	Statement on sustainable development strategy	Joint Chairman / CEO message page 6, Board of Directors page 31 and Sustainability Director page 181.
	2-23	Policy commitments	The Hero Group's fundamental business principle is to create long-term success for our owners, to be sustainable, and ultimately create value for society. Hero Code of Conduct https://hero-group.ch/en/Code-of-Conduct Further information on our policies including our Risk and Information policies can be found throughout our report. Internal organization page 31, information policy page 45, insurance program page 51. Our sustainability commitment https://hero-group.ch/en/sustainability/sustainability-commitment
	2-24	Embedding policy commitments	Embedding policy commitments is the responsibility of each business within the Group.
	2-25	Processes to remediate negative impacts	This year we have continued with the roll out of our whistleblowing tool and apart from the Nordics, it is now fully implemented in Hero Spain, Hero Benelux, Schwartau and erdbär.
	2-26	Mechanisms for seeking advice and raising concerns	Individual businesses within the Group also have their own mechanisms for raising concerns and seeking advice. Hero Code of Conduct https://hero-group.ch/en/Code-of-Conduct

GRI tables

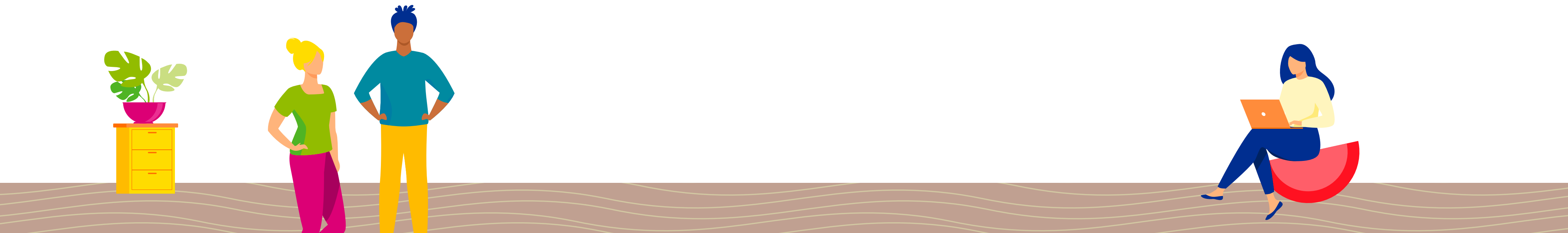
GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 2: General disclosures	2-27	Compliance with laws and regulations	The Hero Group did not record any significant incident of non-compliance with laws and regulations in environmental areas, which resulted in the inexistence of monetary sanction across its global operations in 2023. The Hero Group did not record any significant incident of non-compliance with laws and regulations in socio-economic areas, which resulted in no significant monetary sanctions across its global operations in 2023. Data excludes Hero Switzerland and erdbär due to data collection issues. For information on Hero's compliance laws and regulations in environmental, social or economic areas across its global operations in 2023 please see page 191
	2-28	Membership associations	At the Group level, we are members of several industry associations including the EU Carbon+ Farming Coalition, EIT Food, and SAI Platform. Our brands are also members of local, contextually-relevant associations. In Germany, Schwartau is a member of the German Lebensmittelverband. Hero Spain is a member of Ecoembes, a non-profit organization that coordinates the recycling of light household packaging in Spain. While based in Egypt, Hero MEA is member of the Confederation of Egyptian European Business Associations (CEEBA). More details can be found in their annual reports.
	2-29	Approach to stakeholder engagement	See our chapters on Pillar 1 – Sourcing and supplier planning (page 200) and Pillar 4 – Purposeful people (page 232) for more information on how we work with suppliers, employees, and communities.
	2-30	Collective bargaining agreements	Not currently reported.
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Read about approach to materiality here: Materiality matrix | Hero Group (hero-group.ch)
	3-2	List of material topics	Read about approach to materiality here: Materiality matrix | Hero Group (hero-group.ch)
	3-3	Management of material topics	Read about approach to materiality here: Materiality matrix | Hero Group (hero-group.ch)

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 201: Economic Performance 2021	201-1	Direct economic value generated and distributed	Key figures, page 4.
	201-2	Financial implications and other risks and opportunities due to climate change	The Hero Group Taskforce on Climate Related Financial Disclosures (TCFD) Statement 2023 , page 189.
	201-3	Defined benefit plan obligations and other retirement plans	Financial report, note 22, page 119.
	201-4	Financial assistance received from government	Not applicable, we do not receive significant financial assistance from the government that would materially affect our position. There is no government presence in the shareholding section. See Shareholders and capital structure, page 30 for further details on income.
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Within the reporting period, the Hero Group spent 59% of the total on local suppliers. Local suppliers are defined as being located in the same country as the entity from which the materials (direct goods) are procured. Data excludes spend from Hero Group's commercial entities.
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Within the reporting period, 217 employees received specific training about anti-corruption policies and procedures. Data excludes Hero Switzerland and erdbär due to data collection issues.
	205-3	Confirmed incidents of corruption and actions taken	Within the reporting period, there were zero confirmed incidents of corruption at Hero Group. Data excludes Hero Switzerland and erdbär due to data collection issues.



GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 301: Materials 2016	301-1	Materials used by weight or volume	The Hero Group purchased 300 million kg of raw materials with the following distribution: - Packaging 24% - Ingredients 38% - Fruit and vegetables 19% - Finish goods 19% During the reporting period, 15,000 mt of fruit and vegetables were purchased at Hero production sites from direct sourcing.
	301-2	Recycled input materials used	Within the reporting period, the Hero Group purchased 70 million kg of packaging, which has 45% of recycled content materials.
	301-3	Reclaimed products and their packaging materials	The nature of our products means that reclaiming our products is made difficult, we do not have packaging collection process in place from the consumer, but our packaging materials are ready to be recycled with clear labelling that shows our consumers how to dispose of our packaging. Refer to waste section of 2023 report for any detail, page 218.
GRI 302: Energy 2016	302-1	Energy consumption within the organization	The Hero Group consumed 271,773 MWh of energy in 2023, taking into account both manufacturing and commercial entities. The Hero Group's production locations consumed 265,642 MWh of energy in 2023. During the reporting period, 211 MWh of renewable energy were produced at our facilities in Egypt and Spain thanks to our solar panels in the roof of our factories.
	302-2	Energy consumption outside the organization	The Hero Group does not collect data on energy consumption outside the organization. Energy use within our value chain is reflected in our scope 3 emissions reporting. See 197 for more detail.
	302-3	Energy intensity	1.4 MWh per mt produced content
	302-4	Reduction of energy consumption	The Hero Group's production operations decreased its energy consumption by 7.9% between this reporting period and last reporting period.
	302-5	Reductions in energy requirements of products and services	Energy requirements of products and services are not deemed relevant, given that carbon emissions resulting from the use of our products do not contribute significantly to our overall scope 3 footprint. See 197 for more detail.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	See 'Treating water with respect', page 219.
	303-2	Management of water discharge-related impacts	See 'Treating water with respect', page 219.
	303-3	Water withdrawal	The Hero Group withdrew 1,259,760 m^3 of water during the reporting period, of which 749,064 m^3 came from groundwater sources and 510,696 m^3 came from municipal sources. This data excludes water from Hero Group's commercial entities which use immaterial volumes of water compared to entities which have their own manufacturing sites.
	303-4	Water discharge	The Hero Group discharged 1,133,287 m^3 of water from our own operations during the reporting period, of which: - 605,592 m^3 of water was discharged and treated in municipal wastewater treatment plant - 79,910 m^3 of water was discharged directly to water body - 233,934 m^3 of water was pretreated on our production site and discharged in municipal wastewater treatment plant - 313,851 m^3 of water was pretreated on our production site and discharged directly to water body This data excludes water from Hero Group's commercial entities which use immaterial volumes of water compared to entities which have their own manufacturing sites.
	303-5	Water consumption	The Hero Group consumed 126,473 m^3 of water for our own operations during the reporting period, being calculated as the difference between 'water withdrawal and water discharge'. This data excludes water from Hero Group's commercial entities which use immaterial volumes of water compared to entities which have their own manufacturing sites.
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.
	304-2	Significant impacts of activities, products and services on biodiversity	See 'Fostering biodiversity through awareness', page 206 and 'Fostering biodiversity through pollinator programs in our supply chain', Page 207.
	304-3	Habitats protected or restored	See 'Fostering biodiversity through awareness', page 206 and 'Fostering biodiversity through pollinator programs in our supply chain', Page 207.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	33,417 t CO2e Our carbon footprint, page 197.
	305-2	Energy indirect (Scope 2) GHG emissions	5,504 t CO2e (market based) Our carbon footprint, page 197.
	305-3	Other indirect (Scope 3) GHG emissions	584,293 t CO2e Our carbon footprint, page 197.
	305-4	GHG emissions intensity	2.5 kg CO2e per kg product sold
	305-5	Reduction of GHG emissions	The Hero Group decreased its GHG emissions by 13% between this reporting period and last reporting period.
	305-6	Emissions of ozone-depleting substances (ODS)	Incorporated in our scope 2 emissions reporting, page 197.
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Incorporated in our scope 2 emissions reporting, page 197.
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	See 'Generating less waste', page 218.
	306-2	Management of significant waste-related impacts	See 'Generating less waste', page 218.
	306-3	Waste generated	The Hero Group generated 17 mt of hazardous waste and 33,168 mt of non-hazardous waste during the reporting period. The Hero Group generated 18,709 mt of food waste during the reporting period. This data excludes: - Waste from the Hero Group's commercial entities which produce immaterial volumes of waste compared to entities which have their own manufacturing sites. - Hazardous waste from Beech-Nut, Brazil, Egypt and Switzerland are not included due to data collection issues.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 306: Waste 2020	306-4	Waste diverted from disposal	During the reporting period, Hero Group diverted 7,991 mt of waste from disposal, all of which occurred through recycling. This data excludes: - Food waste - Waste from the Hero Group's commercial entities which produce immaterial volumes of waste compared to entities which have their own manufacturing sites. - Hazardous waste from Beech-Nut, Brazil, Hero NFI and Switzerland due to data collection issues.
	306-5	Waste directed to disposal	During the reporting period, Hero Group directed 25,194 mt of waste to disposal, of which 22,906 mt was incinerated and 2,288 mt was sent to landfill. This data excludes: - Food waste - Waste from the Hero Group's commercial entities which produce immaterial volumes of waste compared to entities which have their own manufacturing sites. - Hazardous waste from Beech-Nut, Brazil, Hero NFI and Switzerland due to data collection issues.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	During the reporting period, the Hero Group continued using EcoVadis to evaluate suppliers after its implementation in 2022. We evaluate our suppliers on environmental, social, and human rights criteria based on EcoVadis. By the end of the reporting period, 30 strategic suppliers were screened with 25 achieving a EcoVadis score above 45 for environment performance. A total of 24 suppliers achieved an EcoVadis score above 45 for social performance. Since 2022, 165 of our key and strategic suppliers have been rated, with an average EcoVadis Sustainability Assessment Score of 58. A further 60 suppliers are currently in progress of their EcoVadis questionnaires at the end of the reporting period. Additionally, as part of our Procurement Policy, any new supplier must fulfil a supplier self-assessment questionnaire as part of the quality management onboarding process, which asks questions about certifications and memberships around social and environmental aspects.
	308-2	Negative environmental impacts in the supply chain and actions taken	During the reporting period, the Hero Group continued using EcoVadis to evaluate our suppliers after its implementation in 2022. We evaluate our suppliers on environmental, social, and human rights criteria based on EcoVadis. By the end of the reporting period, 30 strategic suppliers were screened with 25 achieving a EcoVadis score above 45 for environment performance. A total of 24 suppliers achieved an EcoVadis score above 45 for social performance. Since 2022, 165 of our key and strategic suppliers have been rated, with an average EcoVadis Sustainability Assessment Score of 58. A further 60 suppliers are currently in progress of their EcoVadis questionnaires at the end of the reporting period. Additionally, as part of our Procurement Policy, any new supplier must fulfil a supplier self-assessment questionnaire as part of the quality management onboarding process, which asks questions about certifications and memberships around social and environmental aspects.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	495 new employee hires - Gender split: 42% female, 58% male - Age split: 39% <30 years old; 34% 30-39 years old; 18% 40-49 years old, 9% >50 years old 534 leavers - Gender split: 45% female, 55% male - Age split: 30% <30 years old; 24% 30-39 years old; 19% 40-49 years old, 27% >50 years old
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Information unavailable/incomplete for this reporting period.
	401-3	Parental leave	Within the reporting period, 137 employees took parental leave at the Hero Group, with the following gender breakdown: 89 female and 48 male.
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Two of the Hero Group's manufacturing sites are ISO 45001-certified (Egypt and Spain), and our remaining six manufacturing sites are in the process of implementing the necessary processes required for certification. The Hero Group's Health & Safety policy (Strive for Zero) was announced in Q2 2023, stating the organizational vision, mission, and objectives towards health and safety management across the Group, along with top management support from Group EB and a communication plan that took place at all manufacturing sites.
	403-2	Hazard identification, risk assessment, and incident investigation	A Group-wide H&S improvement action plan and a local action plan were implemented in 2023 as a result of the maturity assessment done in 2022. Incident management procedures were enhanced in 2023 in terms of immediate communication of LTIs with a unified one-pager format to EB, top management, and supply chain heads. The new one-pager also contains the LTI investigation results from direct causes, and root causes in addition to learning points, corrective/preventive actions. Through the safety community, two improvement projects were identified and implemented in terms of training and behavioral safety analysis, based on the result of 2022 LTI record analysis.
	403-3	Occupational health services	Good ergonomic standards are applied at all manufacturing sites to mitigate the potential risk of excessive manual handling activities. (ongoing improvement) Health care provider in place for most production sites, providing expertise and support both preventively and in rehabilitation and work-related matters. Periodic health check-ups are done regularly as part of national laws and regulations. (ongoing)

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 403: Occupational Health and Safety 2018	403-4	Worker participation, consultation, and communication on occupational health and safety	By the end of 2023, health and safety committees were in place and fully implemented at all our manufacturing sites as part of 2023 improvement action plan. Worker participation channels are implemented and accessible by workers at all manufacturing sites. Examples include; toolbox talks, safety tours, safety meetings, and near miss/hazard alert cards. H&S software project is in progress and planned for implementation in 2024 in Germany as the pilot country. As part of the engagement survey, safety culture was surveyed and resulted in high scores on management commitment, and skills and resources to work safely.
	403-5	Worker training on occupational health and safety	All manufacturing sites have internal and regular training plans. In 2023 and as a result of 2022 LTI analysis results, a safety community project was developed and implemented to generate a Group-wide training scheme and standard that will be implemented in 2024 as part of H&S improvement action plan.
	403-6	Promotion of worker health	Periodic health check-ups are done regularly as part of national laws and regulations. Ergonomics are major part of safety standards at manufacturing sites to decrease or prevent occupational illnesses in the workplace related to musculoskeletal disorders.
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Good implementation level in place for contractor management systems including safety training and work permit procedures for contracted activities at manufacturing sites, to maintain application of site safety standards with the same criteria for both fixed and contracted workers.
	403-9	Work-related injuries	There were 74 instances of work-related lost time injuries across the Hero Group in the reporting period. There were 84 recordable work-related injuries to employees and contractors across the Hero Group in the reporting period.
	403-10	Work-related ill health	Periodic health check-ups are done regularly as part of national laws and regulations. Ergonomics are major part of safety standards at manufacturing sites to decrease or prevent occupational illnesses in the workplace related to musculoskeletal disorders.

GRI tables

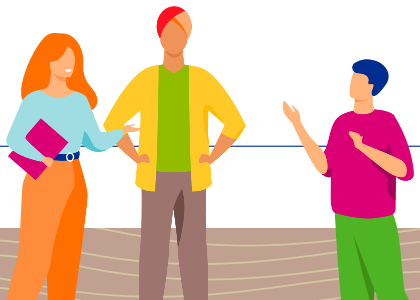
GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Information unavailable/incomplete. We are working to improve our data collection for future reporting periods.
	404-2	Programs for upgrading employee skills and transition assistance programs	At Group level, we offer a very broad set of training available for all our employees through the GoodHabitz tool. Furthermore, we provide leadership courses to develop first- line and more senior leadership capabilities. At local level, there are broad ranges of training programs offered starting from (legally) basic required programs, onboarding programs up to upskilling and personal development programs.
	404-3	Percentage of employees receiving regular performance and career development reviews	At Hero, we believe it is important to provide regular feedback to employees on their performance and career development. We have a global performance management process that applies to all permanent employees, 65% of which are formally captured in our information system.
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Gender split of entire workforce: 40% female; 60% male Gender split of senior leadership roles: 43% female; 57% male Age breakdown of entire workforce: 13% <30 years old; 26% 30-39 years old; 29% 40-49 years old, 31% >50 years old Age breakdown of senior leadership roles: 0% <30 years old; 9% 30-39 years old; 47% 40-49 years old, 44% >50 years old Senior leadership roles considered to be: Executive Borad member, Cluster General Manager, Country Manager, VP Category and functional heads at Group level.
	405-2	Ratio of basic salary and remuneration of women to men	We are currently building a formal job architecture to allow like-for-like comparison of remuneration between employees.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	During the reporting period, the Hero Group continued using EcoVadis to evaluate our suppliers after its implementation in 2022. We evaluate our suppliers on environmental, social, and human rights criteria based on EcoVadis. By the end of the reporting period, 30 strategic suppliers were screened with 25 achieving a EcoVadis score above 45 for environment performance. A total of 24 suppliers achieved an EcoVadis score above 45 for social performance. Since 2022, 165 of our key and strategic suppliers have been rated, with an average EcoVadis Sustainability Assessment Score of 58. A further 60 suppliers are currently in progress of their EcoVadis questionnaires at the end of the reporting period. Additionally, as part of our Procurement Policy, any new supplier must fulfil a supplier self-assessment questionnaire as part of the quality management onboarding process, which asks questions about certifications and memberships around social and environmental aspects.
GRI 409: Forced of Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	During the reporting period, the Hero Group continued using EcoVadis to evaluate our suppliers after its implementation in 2022. We evaluate our suppliers on environmental, social, and human rights criteria based on EcoVadis. By the end of the reporting period, 30 strategic suppliers were screened with 25 achieving a EcoVadis score above 45 for environment performance. A total of 24 suppliers achieved an EcoVadis score above 45 for social performance. Since 2022, 165 of our key and strategic suppliers have been rated, with an average EcoVadis Sustainability Assessment Score of 58. A further 60 suppliers are currently in progress of their EcoVadis questionnaires at the end of the reporting period. Additionally, as part of our Procurement Policy, any new supplier must fulfil a supplier self-assessment questionnaire as part of the quality management onboarding process, which asks questions about certifications and memberships around social and environmental aspects.



GRI tables

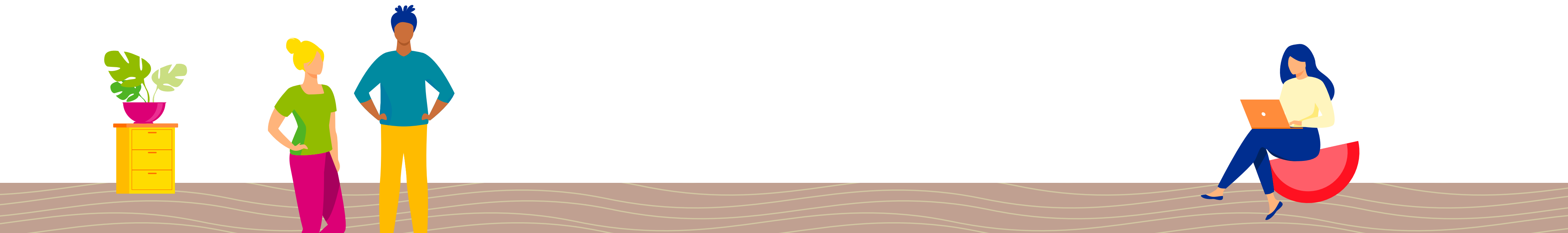
GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Within the reporting period, there were 128 projects with local communities across the Hero Group at our different commercial and manufacturing entities.
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	During the reporting period, the Hero Group continued using EcoVadis to evaluate our suppliers after its implementation in 2022. We evaluate our suppliers on environmental, social, and human rights criteria based on EcoVadis. By the end of the reporting period, 30 strategic suppliers were screened with 25 achieving a EcoVadis score above 45 for environment performance. A total of 24 suppliers achieved an EcoVadis score above 45 for social performance. Since 2022, 165 of our key and strategic suppliers have been rated, with an average EcoVadis Sustainability Assessment Score of 58. A further 60 suppliers are currently in progress of their EcoVadis questionnaires at the end of the reporting period. Additionally, as part of our Procurement Policy, any new supplier must fulfil a supplier self-assessment questionnaire as part of the quality management onboarding process, which asks questions about certifications and memberships around social and environmental aspects.
	414-2	Negative social impacts in the supply chain and actions taken	During the reporting period, the Hero Group continued using EcoVadis to evaluate our suppliers after its implementation in 2022. We evaluate our suppliers on environmental, social, and human rights criteria based on EcoVadis. By the end of the reporting period, 30 strategic suppliers were screened with 25 achieving a EcoVadis score above 45 for environment performance. A total of 24 suppliers achieved an EcoVadis score above 45 for social performance. Since 2022, 165 of our key and strategic suppliers have been rated, with an average EcoVadis Sustainability Assessment Score of 58. A further 60 suppliers are currently in progress of their EcoVadis questionnaires at the end of the reporting period. Additionally, as part of our Procurement Policy, any new supplier must fulfil a supplier self-assessment questionnaire as part of the quality management onboarding process, which asks questions about certifications and memberships around social and environmental aspects.

GRI tables

GRI Context Index 2023

GRI Standard	Disclosure		Response
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	During the reporting period, one security breach was confirmed at Schwartau and promptly reported to the local data protection authority. Following the implementation of rigorous risk mitigation measures, subsequent assessment by the local authority confirmed the effective mitigation of this incident by the company. Data excludes Switzerland and erdbär due to data collection issues.



Hero AG
Karl Roth-Strasse 8
5600 Lenzburg
Switzerland
+41 (0)62 885 51 11
www.hero-group.ch
investor@hero.ch | communications@hero.ch