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**Baromfi-Coop Group, Hungary**

**Green Bond Framework**

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**The Green Bond Framework was prepared by:**

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1. **Introduction to** **Baromfi-Coop Group**

**Issuer: Baromfi-Coop Ltd.**

**Garantor: Master Good Ltd.**

In accordance with the decisions of the owners Baromfi-Coop Ltd. intend to issue a HUF 23 billion   
( EUR 65 million), HUF-denominated bond under the Funding for Growth Scheme launched by The National Bank of Hungary. The proceeds from the Green Bond will be used for the financing of 13 projects in the main Group member companies. About 75 % of the total investment expenditures of mentioned projects will be financed from the green bond issuance.

Master Good Ltd. has given an unconditional and irrevocable guarantee for the fulfilment of the liabilities represented by the Bonds. The Issuer and the Guarantor prepare consolidated financial statements. The companies belonging to the Company Group do not always form a Group of companies in the sense of company law, so they are not fully obliged to consolidate either, only Baromfi-Coop Ltd. consolidates Master Good Ltd. and Sága Foods Ltd. Due to the common ownership and due to the organic interdependence of their business activities they are considered to be an economic unit.

The funds will be used for defined investments to be implemented by the companies of the Group. The investments will focus on increasing and modernization of capacities considering energy, raw material and water savings, reduction of GHG emissions and deepening further the vertical integration. Furthermore, we would like to strengthen the supply of the Group with its own raw materials, increase of the recycling rate of by-products, reduction of waste aiming at the improvement of the Circular Economy model.

* 1. **Corporate structure and business model**

Baromfi-Coop Group (Baromfi-Coop Ltd., Master Good Ltd. and Sága Foods Ltd.) is the 90th largest company in Hungary and the 6th largest family business with 100% Hungarian ownership. The Group of companies is one of the leading vertical integration of the agricultural- and food industry in Hungary and in Central and Eastern Europe. The Group of companies is fully owned by the Bárány Family. The current one is the third generation of the family, which has been engaged in poultry breeding and hatching. They have been working in the poultry business since 1907. In 2020 Baromfi-Coop generated sales of HUF 110 billion (EUR 315 million) and EBITDA of HUF 13,3 billion (EUR 38 million).

The Group headquartered in Debrecen, operates along the whole value chain in the chicken processing industry. While Baromfi-Coop covers the agricultural activities of the Group (procurement and corn farming), Master Good focuses on the primary processing of live poultry, the manufacturing of prepared and further processed products, as well as sales. Besides the main farm in Kisvárda, the company operates a hatchery in Petneháza, as well as feed production plants in Balsa and Nyírmada. The above units are all located in the North- Eastern part of Hungary.

In 2020 Master Good acquired 100% shares of Sága Foods Ltd., which is a significant player of poultry processing industry. The company produces cooked meat products of poultry (sausage, ham) at the company's Sárvár plant, which is located in the Western part of Hungary.

The Group operates a fully vertically integrated chicken breeding, fattening and processing business modell. Vertical integration begins with field crop production, so the Group's agricultural company - Baromfi-Coop Ltd. - produces on 5,500 hectares. The feed produced by Baromfi- Coop covers 100% of the feed needs of the integration. The Company's investment plans include the expansion of the feed mixing plant, which would bring the plant's capacity to 350,000 tons per year.The production of corn and crops are essential in the production of feed that is used in the fattening of the reared poultry. The Group procures the poultries needed for production from its own breeding farms and hatcheries. Agricultural activity is managed by Baromfi-Coop Ltd. including production of feed materials in integration, stover production, breeding, hatching, broiler Fattening (Under OSI McDonald’s auditing conditions), manure fermentation, free range chicken fattening, accredited laboratory.

At 14 locations, the Group hatches eggs from about 520,000 parents in its world-class automated hatchery with an annual capacity of 83 million. Broiler rearing takes place on more than 230,000 m2 at 19 sites. Today, this is Hungary's largest rearing capacity, which is owned by one family.

Food industry activities are partially covered by Master Good Ltd. in Kisvárda, which is primarily a chicken slaughter and processing site (one of the most modern processors in Europe). The company is producing petfood and processing the side products of slaughterhouse (meat flour, feather flour, stover fat). In Petneháza further processed comfort and ready to cook products are produced.

At the same time Sága Foods Ltd. is the producer of meat products cooked from poultry ingredients (sausage, ham) at the company’s Sárvár plant, manufacturer of quick – frozen breaded poultry dishes selling mainly in the domestic market.

**The main results and plans of the Group**

* **The Group is managing contracted production of feed raw materials in 4 sites.**
* **The feed production currently amounts to 200,000 tons/year feed in 2 sites. From 2022 we plan to produce 380-400,000 tons/year only in Nyírmada.**
* **As to parent stocks, we keep 520,000 parent stocks in 14 sites for hatching eggs production. In hatching we produce 83 million chicks/year in a fully automated world class hatchery.**
* **We keep broiler chickens on more than 230,000 m2 floor area in 19 sites. In Hungary this is the biggest broiler producing capacity which is owned by a not divided ownership.**
* **There is organic manure processing for soil enhancement: We built a 30,000 tons/year capacity chicken manure fermentation plant in 2018-2019. It is planned to be upgraded to reach a double capacity.**
* **Within processing our food division, Master Good Ltd. processes 1.4 million birds/week in Kisvárda slaughterhouse. With the ongoing investments this capacity will be increased to 1.55 million birds/week. We produce 10,100 tons/year further processed products in Petneháza plant.**
* **We produce petfood amounting to 10,800 tons/year in Kisvárda.**
* **Within animal by-product processing we make meat meal and feather meal from the by-products of the slaughterhouse. The meat meal output is 3,000 tons/year, feather meal output is 2,000 tons/year and feed fat output is 2,500 tons/year.**
* **Baromfi-Coop Group is the largest domestic player in the sector in Hungary and recognized industry player in the international market. The number of buyers is around 250, but the top 10 buyers account for nearly 60% of the customer base and turnover. The most important buyers are essentially multinational trading companies with excellent credit ratings, including Iceland Foods, TESCO-Global, Aldi, Spar and McDonald's main supplier OSI Food. 43% of the consolidated sales generated by export sales activities.**

The increasing competition and the constant challenges on the market have make it necessary to expand the company’s scope of operations, thus creating the basis of full-scale poultry integration. Thus, not only the integration that produces organic poultry products, but also the industrial broiler chicken system, with a much larger volume, received a slaughtering capacity in proper quality and size.

The strategy is focusing on the improvement of complex and integrated poultry farming and processing production chain. Our program seeks to support environmentally friendly utilization of by-products by manure fermentation, meat and feather meal production from slaughterhouse by-products.



* 1. **Leadership and Governance**

There is no separate management for member companies of the Group. Both the Issuer and the Guarantor are managed by 3 Board Members (László Bárány Sr., László Bárány, Péter Bárány), who are co-owners of the Group.

László Bárány, Sr. is responsible for strategic tasks, for the technical preparation of the Group's investments, the planning and licensing of the approved developments, the tendering and selection of the investing (subcontracting) companies, as well as the professional control, supervision and coordination of the investment processes. He covers the development, operation of the manure processing and fermentation plant in Nyírjákó and the development of related products. He works on the missing elements of the Circular Economy system proposing innovative solutions.

Péter Bárány is managing Baromfi-Coop Ltd. and responsible for breeding, hatching, industrial and free-range chicken breeding, feed raw material procurement and feed production, animal health and laboratory services, for complete service network. He covers all livestock production, external production from field purchases to the gate of the slaughterhouse and all the energy contracts of the entire Group of companies

László Bárány is managing Master Good Ltd, Sága Zrt. and responsible for the food industry, including the Kisvárda cutting and processing plant, the Petneháza further processing plant and the management of the production, commercial and technical developments of Sága Zrt. This work is supplemented by product development, marketing activities and the preparation and implementation of investments that increase the current efficiency.

The expert managers of the 3 companies - Baromfi-Coop Ltd. - Master Good Ltd. - Sága Ltd. - participates in the preparation of the decisions. Naturally, the guidelines for preparing the decision are given by the owners who manage and control each area.

In the course of decision-making the three owners decide on the location, capacity and planned date of the implementation of the investment targets. As a result of the decision, in the implementation phase there is a cost planning, a contractor tender, at least 3 valid offers are evaluated for each subcontracting task. The investment is professionally supervised by technical engineering set.

* 1. **Certificates and Trademarks**

The Baromfi-Coop Group gained and uses the following certificates and trademarks: FEMAS, HALAL certificate (0002/2019/04/20), GLOBAL G.A.P. (C813516GAPNONGMCoC-01.2019), BRC (GB09 / 78033), IFS (DE13 / 81841619), Tesco (audit according to Tesco Food Standards), Operating license (SZ / 82 / 00591-3 / 2019), QS certificate, Mc'Donalds approval certification, Integra (depends on error list), Baromfi-Coop Ltd. Veterinary Laboratory (Accredited according to MSZ EN ISO / IEC 17025: 2018 standard).

In the agricultural field, laying hens, hatcheries and slaughter chicken breeders operate a HACCP food safety system and are certified by Global GAP. The food processing plants and the poultry processing plant of Master Good Ltd. in Kisvárda (HU 112 EK) and the Petneháza processing plant (HU 215 EK) operate certified systems according to the IFS-BRC standard of commercial chains in order to ensure the quality of manufactured products and safe food production including the HACCP system as well. The BRC Global GAP audit system, which is also recognized by TESCO, certifies that the highest quality standards are met. The poultry processing plant in Kisvárda and the processing plant in Petneháza has UK Tesco FMS audit. As part of the quality management and food safety systems, all areas of the production chain are regularly monitored by laboratory tests (monitoring programme).

Some of the broiler chicken supplier partners also operate GLOBAL G.A.P. quality assurance system and also meet OSI (McDonald’s) requirements. Suppliers must comply with their obligations under the greening program (soil protection, protection of water resources, biodiversity). 51.4% of all live animals delivered to the slaughterhouse in 2020 came from a farm that has GLOBALG.A.P. certificate and OSI approval.

The companies of the Group have valid IPPC licenses according to the 314/2005. (XII. 25.Government Decree based on EU Directive 2010/75/EU of the European Parliament and the Council on industrial emissions (the Industrial Emissions Directive or IED).

The Group has a number of products under the following well-known brands:

Baromfi-Coop: Baromfi-Coop figurative trademark; Saga: Saga, Hungary's number one poultry brand, Füstli, Eat and Go, Flakes Ham, Royal Saga, etc.

Master Good: Hungarian Poultry Trademark, Hungarian Product Trademark (for Tanyasi and Aldi products), Original Farm Chicken, Quality and Tradition, Farm Chicken, etc.



* 1. **Corporate Social Responsibility (CSR)**
* As a Hungarian-owned Group of companies, we pursue a business policy in which we take into account the interests of all stakeholders. As far as the interests of the consumers is concerned, we promote the consumption of healthy, high-quality poultry meat, thus shaping the consumers’ habits, and, at the same time, set an example for the entire domestic poultry industry. We not only take responsibility towards quality and our customers, but we also do our best to help our immediate environment.
* As owners and managers of the company, we feel responsible for the Group’s more than 2,000 colleagues and their families. We actively support the programs for the feeding of children, their health and development, children without families, and disadvantaged children, as well as people with disabilities.
* Our company has a career program, under which we support the further training of our employees (machine operator courses, forklift, truck driver, etc.) professional courses (electrician, obtaining other professional qualifications), language courses, and we have our own training program. and our employees could be promoted to plant managers with the proper skills, experience and attitude.
* In 2020 we also held stress management training for some of our employees. We support youth and children's sports with a significant amount, because we believe in the positive effect of sport on health and on the personality development as well as on the spirit of competition.
* We give donations to our employees (Christmas, Easter, Women's Day).
* We feel responsible for our environment. We were the first company in Hungary, and among the first companies in Europe, to implement full-circle farming. In 2019, the Master Good established a solar power plant with a capacity of 10.5 MWh on 18 hectares.
* Financial success requires an increase in efficiency and continuous modernization, which inevitably affects the corporate culture and atmosphere. In the long term, however, our goal is to preserve our core values: a family-like, inclusive atmosphere, cooperation based on mutual responsibility, and personal attention, which also provides a livelihood for our employees and the fair recognition of their work performance.
* Our company aims to produce safe and high-quality natural food (poultry meat) that considers the European consumer habits and harmonizes with all the food safety laws in force in the European Union. The slogan “Quality and Tradition” now sounds familiar to our potential consumers – in this way we popularize the purchase of quality, and the safe consumption, of poultry meat. Our mission is healthy and natural food.
* Among our professional “solutions” for a healthy and sustainable environment, we have established an Organic Matter Management Centre and continue our energy saving program

(in addition to our daily production, we continuously monitor and analyze our use of energies).

* We have created jobs: The employment of the people living nearby has increased and we have created a safer and healthier work environment for them.
* We have built an exemplary relationship with our supply partners.
* We have implemented our project “Hungarian products to Hungarian customers”, which focuses on satisfied customers.
* We have not only supported local organizations and communities, but also provided assistance to disaster-stricken areas across the country, as well as under covid 19 to families and children in hunger and need.
* We have maintained our reputation as a “family company”, and we wish to achieve our reputation as a “large family company”.
* The human resource management of the Group is supported by a strong social network, which, in addition to cash and material benefits, is also supported by a family foundation, with a significant amount of over HUF 50 million per year.
* Several companies of our Group joined the dual training of the University of Debrecen and the University of Nyíregyháza as a traineeship location. Our company Group has a one-year management training program in its own organization, for the sixth year in a row.
* All customer (consumer feedback) is handled within 24 hours and resolved with a positive attitude.
* Participation in R & D & I research and successful operation are outstanding.
* Social relations and social care of local communities are outstanding, more than HUF 200 million is spent annually for these purposes.
* Examples of our actions of social impacts:

In 2020, the following amounts were spent on vocational training, support for our employees, support for youth / children's sports organizations, and support for foundations, hospitals, etc..

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| --- | --- | --- | --- | --- |
|  | Training | Support for our employees | Youth / children's sports organizations | Other charities (support for foundations, hospitals, etc.) |
| Amount in 2020- (thousand HUF) | 13 680 | 72 821 | 92 829 | 29 639 |

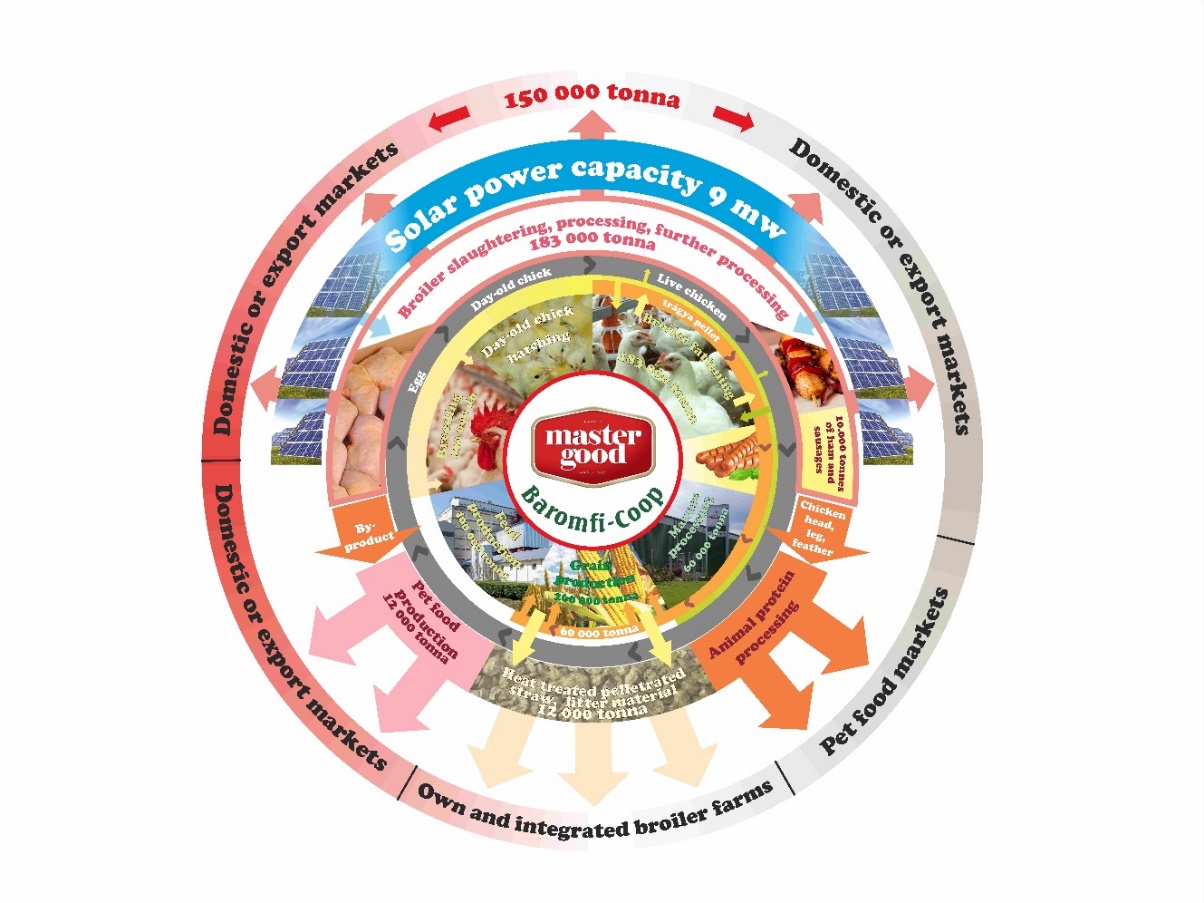
* Last year we supported several foundations, e.g. Ronald McDonald Children's Aid Foundation, Bátor Tábor Foundation, City of Debrecen DMJV Aid Fund (Corona virus Aid Fund), Kisvárda City Hospital and Kenézy Gyula Hospital in Debrecen.

1. **Sustainability approach**
   1. **Vertical integration and Circular Economy**

***Circular economy and sustainable thinking***

The harmonization of the individual capacities takes place according to the circular economy model. The Group set the following targets years ago:

* Building and operating the most efficient and modern chicken integration in Europe.
* Implementation of Industry 4.0 Circular Economy crossing economic value chains.



The approach of the management as a mission is the maximum protection of the natural resources used in the sustainable poultry meat production, the continuous replacement of non-renewable resources and the reduction of specific material and energy consumption.

The Group’s further goal is to increase the recycling rate of by-products in all segments of the product chain in accordance with the principles of the Circular Economy. The main goal is to keep the materials used in the production of the product as long as possible during the recycling process.

*In our opinion the Circular Economy is a system in which there is no, or minimum quantities of waste and in which the by-products will be the raw materials for the next production cycle. The circular economy is more than a sustainability initiative – it’s about helping companies make and save money by better managing their resources and waste efficiently. This waste can be reduced, monetized, and circulated across supply chains and value networks. In other words, the companies need to start thinking about their waste as valuable inventory. In a proper way, their consumption will be less, creating more value for the shareholders.*

The targeted focus is serving an environmentally conscious customer base while maintaining the transparent and traceable animal welfare and health of the animals entrusted to the Group of companies. The future is based on a long-term, well-thought-out strategy, the goal is continuous development and renewal, which lies in the full implementation of vertical integration. The Group is aiming at not only to make growth, but also to reintegrate the resulting by-product during poultry fattening and processing. Among other things, manure from poultry stables, non-food by-products, clippings, poultry viscera and feathers generated during slaughter processing are utilized.

***Within our climate change related strategy***

* We intend to reduce the climate impact, to analyze and reduce the harmful environmental effects.
* In our business model we intend to further expand the elements of the Circular Economy in practice not harming significantly any other environmental objectives by the planned investments.
* In our business and investment decisions we take into account metrics and indicators in order to mitigate environmental and social risks to align with the goals of the Paris Agreement and contribute to the UN Sustainable Goals.
* We are currently preparing for an innovative R&D development, where we can also integrate the by-products generated during hatching into our Circular System from the raw material side.

**Examples of our results in reduction of climate impacts:**

* **Solar panel parks established (Baktalórántháza 2.5 MW; Kisvárda 6 MW)**
* **Each of our new poultry farms are and will be equipped with a solar system with a capacity of 50 KW / farm. At present those solar parks and systems are covering about 30% of the electricity consumption of the farms.**
* **Insulated poultry farms are established, the use of which reduces energy consumption.**
* **Use of efficient heaters (Robur heat blower system)**
* **Minimum fans in poultry farms are equipped with a dust tray to reduce environmental and odor impact.**
* **We encourage our partners involved in the production of feed materials to use the organic poultry manure pellets produced by the company Group.**
* **The manure fermenter allows the environmentally friendly processing, storage and application of the amount of manure generated during the year for use during the growing season.**
* **Carbon emissions are reduced through the recycling of organic matter in the fermentation plant.**
* **A biofilter is used to filter the air leaving the Animal Protein Processor plant, providing an odor-free environment throughout the plant.**
* **Greening of sites, protection of landscapes, preparation of landscaping plans, which are obligatory before the start of investments.**
* **Leachate and manure-contaminated water are collected separately and recycled in the manure fermentation plant.**
  1. **Assessment and monitoring of environmental risks and impacts**

As active supporter of climate change mitigation, Baromfi-Coop is committed to reduce its energy use and the greenhouse gas emissions (GHG) associated with its activities.

**The following effects of climate change were identified related to the activities of the Group:**

* impact of global warming: decrease in production, increased animal mortality, the use of cooling panels has become essential;
* extra insulation of the cages has become important in summer as well;
* optimal placement of cooling panels, regular cleaning;
* effect of drought: decrease in grain yields, increase in energy consumption (need of air conditioning);
* effects of extreme storms: stress on animals, storm damage, power outages (production safety), damage to feed material production, it became necessary to use aggregators for all sites;
* deterioration of surface water resources and declining availability of groundwater resources.

**Effects of the Group’s business activities on the environment:**

* increase in GHG emissions from animals;
* all units in the product chain are significant energy consumers and significant water consumers;
* the companies of the Group produce animal waste;
* increase in manure production;
* increase in transportation needs.

**Impact assessment of poultry farms**

Prior to the construction of the poultry farms to be operated by the company Group, an environmental impact assessment and permitting procedure under the IPPC Directive are carried out by the Environmental Protection Authority on the basis of an environmental impact assessment.

The environmental impact study prepared on the basis of the environmental impact assessment with the involvement of independent environmental experts. The baseline is examined before the implementation of the planned activity and the expected environmental effects of the activity are calculated and estimated, taking into account the available technical plans.

Certain parts of the environmental impact assessment are prepared by an expert with expert rights in the sub-fields that meet the content requirements, on the basis of the legislation on environmental, nature protection and landscape protection expert activities.

After a favorable assessment or in the framework of a consolidated procedure, the IPPC (EKHE Unified Environmental Use Permit) permitting procedure will be finalized. Under IPPC the pollutant effect is examined not only for an individual technological process or activity, but also for the impact of the entire facility on the environment. Integrated Pollution Prevention and Control is governed by Directive 2010/75 / EU of the European Parliament and of the Council on Industrial Emissions (IED), which is a key piece of EU environmental legislation.

The condition for issuing an environmental permit is that the planned activity does not impede:

* achievement of the environmental target status defined in the National Environmental Protection Program;
* fulfillment of Hungary's environmental or nature protection obligations under an international agreement.

**General practice**

The implementation of the integrated approach is ensured by the application of the Best Available Techniques (BAT) required by law, which in practice means that during the processes (planning, permitting, implementation, operation, cessation of activities) emissions and the efficient use of natural resources are taken into consideration. The Group continuously minimizes the environmental impact of poultry integration activities.

IPPC directive regulates emissions, deals with energy efficiency, minimizes waste generation, accidents with environmental consequences and restores the environmental condition of a site upon abandonment. The pollutant effect is examined more broadly, not only by an individual technological process or activity, but also by the impact of the entire facility on the environment.

In the course of their activities, the companies of the Group produce animal waste, the treatment of which may pollute the environment if it is not treated in accordance with the legislation or the relevant permits. Disposal also has epidemiological, hygienic, environmental, economic and public health implications. The companies have the necessary environmental permits and apply internal regulations. Their expert staff performs their job with care required by the activity.

**To reduce and mitigate risks of climate impacts**

the following environmental monitoring is carried out during the operation of the environmentally sensitive poultry farms. According to the IPPC (EKHE) permit issued for the continuation of the activity, the following monitoring steps are being made continuously:

* in order to monitor the impact on groundwater quality, 3 groundwater monitoring wells were established at the sites;
* once a year a water sample is tested for the following parameters: ammonium, nitrite, nitrate, pH, conductivity, phosphate, sulphate, chloride, water level by an accredited laboratory;
* simultaneously with the 5-year review of the sites, the groundwater must be tested for heavy metals: As, Cd, Cr, Cu, Ni, Pb, Zn, Hg;
* the watertightness of the sewage system shall be tested as specified in the standard;
* to monitor the odor emission of the sites, olfactometric measurements must be performed by an accredited measuring organization;
* for each poultry farm an annual report about Pollutant Release and Transfer Register is to be made;
* compliance with BAT criteria must be monitored in an annual report summarizing the site's annual activities, by measurement and calculation:
  + nitrogen emissions, committed level of emissions: 0.6 N kg / animal housing / year
  + phosphorus, committed level of emissions: 0.25 P2O5 kg / animal housing / year
  + ammonia expressed as NH3, Committed level of emissions: 0.08 (kg NH3 / animal housing / year).

In addition to the required laboratory tests, 18-20 thousand test events take place in Baromfi-Coop Ltd.'s own accredited laboratory every year. The Laboratory tests cover the soil chemistry, microbiological condition of the fields, the chemical and microbiological analysis of the drinking water, as well as the veterinary and diagnostic examination of the hens of different ages and utilities (broiler chickens, parents). Our laboratory also has the necessary accreditation to perform microbiological and food hygiene tests on meats, meat products.

Agricultural production uses compound feeds and feeds made from one hundred percent GMO-free raw materials on both its own and integrated contract poultry farms. The company complements controlled domestic feeds with imported or domestically produced GMO-free soy and vegetable oils.

**Animal welfare**

We consider animal welfare as priority in line with EU’s universal, science-based standards. The birds can move freely and behave naturally. In the barns, the animals always have access to fresh drinking water and feed. Air circulation, dust content, humidity and air quality are subject to constant monitoring and all barns must be regularly and thoroughly cleaned and disinfected to ensure that the animals are reared in appropriate conditions. The flocks checked responsibly, regularly. The results are documented. The in-depth knowledge and responsibility of our companies and longstanding experience are the most decisive guarantors of animal welfare.

**There is an ongoing development for the risk assessment intervention points!**

**2.3 Sustainability Statement**

However, the Baromfi-Coop Group has not established a comprehensive sustainability strategy and has not published a Non-Financial Disclosure Statement yet, we intend to prepare and finalize our sustainability strategy and first Non-Financial Disclosure by the end of 2021. The Group undertakes to strengthen its commitment to environmental issues and climate protection by developing and implementing its strategy including the measurement and reduction of overall GHG emissions, furthermore the consideration of setting science-based targets, joining and alignment with international standards and initiatives.

We are committed to provide Environmental, Social and Governance (ESG) data to investors improving the transparency of the Group. We are ready to publish the relevant ESG information in a comparable way, by which the decision makers can obtain a range of information on environmental and social impacts.

At the same time, we are confirming hereby that an action plan and road map will be also prepared as per the recommendation of BSE (Budapest Stock Exchange) for targeting a minimum level of ESG qualification during the years of 2023-2025.

1. **Green Bond**

**Rationale for Baromfi-Coop to issue a Green Bond**

The Group takes into account the principles of Sustainable Development, contributing to the economic and social development and minimizing any potential impact on the environment. It acknowledges the importance of the United Nations’ Sustainable Development Goals (SDGs) as part of a commonly agreed global ambition to end poverty, protect our planet, and ensure prosperity for all. Furthermore, the Group is ready to take into consideration the requirements set out in the EU Taxonomy. By the use of the proceeds, we intend to contribute substantially to the Taxonomy’s environmental objectives not harming significantly any of them.

The Group commits to:

* Avoid and prevent pollution by reducing environmental impacts related to wastewater, handling of by-products and GHG emissions, saving energy and raw materials;
* Observe the United Nations (UN) Sustainable Development Goals (SDG) and to direct its actions and investments in support its objectives.

The Green Bond issuance contributes to specific environmental targets established as part of the Group’s environmental green strategy and Circular Economy model. About 75 % of the total investment expenditures of mentioned projects will be financed from the proceeds of the green bond.

Namely, the 13 investments to be carried out during 2021-2023 from the proceeds of the Green Bond would directly contribute to the followings:

Due to the new planned investments, we estimate total:

* Savings in water use 267.000 m3/ year;
* Savings in energy consumption (including renewable energy) 5.292.500 kWh/year (Min. 4 % decrease in the specific projects);
* Savings in gas consumption 973.000 m3/ year (Min. 4 % decrease in the specific projects);
* the increase of the utilization of renewable energy to the level of 50% until 2030 in the poultry farms;
* By decreasing the transport needs savings in fuel consumption 305.802 liter/ year (min. 5% decrease in the specific projects);
* Quantity of total waste reduction 46.600 ton/year;
* Re-use of by-products min. 40 %;
* NH3 emissions reduced 276.000 kg/ year. (Decrease by 40 % of the NH3 emissions related to manure processing project.)
* Total CO2 equivalent avoided or reduced will be 4.384 ton /year after the implementation of the projects. This means savings of 67,40 ton CO2 /year on EUR 1 million investment, calculated for the nominal value of the bond issuance.
* In our operations we commit ourselves to keep the level of emissions always below the regulatory thresholds and reduce specific CO2 emissions related to the new projects by 3 % /year from 2025, and reduce those specific emissions by further 2 %/year from 2030.
* We shall significantly reduce the use of antibiotic treatment below regular and certification standards.

The Group has been already implementing modern technology in its new processes, achieving high standards of safety and personnel protection while enhancing operational efficiency and energy savings. The Group adhere strictly to all the applicable laws and regulations.

This Green Bond Framework created by Baromfi-Coop Group would facilitate transparency, disclosure, and integrity of planned Green Bond issuance as recommended in the Green Bond Principles 2021 published by the International Capital Markets Association (ICMA). The four pillars of the Framework are the following:

1. Use of Proceeds
2. Project Evaluation and Selection Process
3. Management of Proceeds
4. Reporting

To confirm such alignment Baromfi-Coop Group has engaged Sustain Advisory as an external reviewer to provide a second party opinion on this framework.

* 1. **Use of Proceeds**

The amount of HUF 23 billion equivalent (proceeds of Baromfi-Coop’s Green Bond issuance) will be allocated to finance 13 projects considered as Eligible Green Projects.

Through the new investments we are considering energy efficiency, renewable energy, sustainable water and wastewater management, prevention of pollution and control, clean transportation, eco-efficient and/or circular economy adapted products, production technologies and processes categories of GBP, contributing to the high level environmental objectives of Climate change mitigation, Natural resource conservation, Biodiversity and Pollution prevention and control (see table below).

We are committed to the principles of the United Nation’s Sustainable Development Goals (SDGs). Baromfi-Coop Group contributes to several of the goals on a corporate level. In this Framework, we have mapped each Green Project category to its relevant SDGs.

Our investments to be carried out from the proceeds of the Green Bond will be aligned to the EU Taxonomy environmental objectives, not harming any other objectives.

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| --- | --- | --- |
| **Climate change mitigation** | **Climate change adaptation** | **Sustainable use and protection of water and marine resources** |
| **Transition to a circular economy** | **Pollution prevention and control** | **Protection and restoration of biodiversity and ecosystems** |

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| **Use of Green Bond proceeds** | **Content** | **GBP Eligible Category as per GBP 2021** | **Environmental objectives and fulfilment of SDG** |
| **Baromfi-Coop** | | | |
| 1. Establishment of solar cells in 10 livestock farms and in the hatchery | Construction of 50kW solar cells on 10 new livestock farms and construction of a 200 kWh solar power plant on the roof structure of the hatchery. | Energy efficiency  Renewable energy  Növény | Climate change  mitigation |
| 1. Hatchery plant investment (Petneháza) | 50% expansion of the hatchery's capacity, meeting the day-old chicks needs of suppliers of Master Good (Baromfi-Coop Ltd. and integrated poultry farms) in one place, reducing the transportation needs and reducing the amount of medicine needed to raise day-old chicks. | Clean transportation  Responsible consumption and production  Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes | Climate change  mitigation  Pollution  prevention and  control  Responsible consumption and production/ SDG 12. |
| 1. Extension and upgrading of feed mixing plant | Building of the 3rd mixing line to complete the existing two lines, the establishment of the largest and most efficient plant in Central Europe, which will ensure the feed demand of the full integration; the specific gas and electricity demand will be reduced by 25-30%. | Energy efficiency  Renewable energy | Climate change  mitigation |
| 1. Extension of drying plant and construction of crop storage silos. | Automation and reduction of specific energy consumption, stopping toxin production, keeping the microbiological quality of feed materials stable. Building of the 3rd mixing line to complete the existing two lines, the establishment of the largest and most efficient plant in Central Europe, which will ensure the feed demand of the full integration; the specific gas and electricity demand will be reduced by 25-30%. | Energy efficiency  Environmentally  sustainable management  of living natural resources  and land use | Climate change  mitigation  Biodiversity |
| 1. Construction of broiler farms (2pcs). | Replacement of “external, non-integrated” poultry farm capacities being at 250-320 km, to 30-40 km from the Kisvárda slaughterhouse.  Use of equipment and machinery operating with lower energy consumption and/ or lower emission of GHG, and/ or with lower emission of pollutants. | Energy efficiency  Renewable energy Pollution  prevention and  control  Sustainable water and  wastewater management  Clean transportation | Climate change  mitigation  Pollution  prevention and  control |
| 1. Expansion of manure fermenter | Fermentation and pelletisation of excess litter manure from increased poultry farms. Reducing CO2 and other gas emissions through the recycling of organic matter.  Completion of the two existing press lines with a 3rd line and install new dryer and air filter machines. | Sustainable water and  wastewater management  Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes  Pollution  prevention and  control | Climate change  mitigation  Pollution  prevention and  control |
| **Sága** | | | |
| 1. Modernization of Saga technological system | Modernization of slicing and packaging line improving the hygiene parameters and shelf life of the products. | Energy efficiency Pollution  prevention and  control | Climate change  mitigation  Pollution  prevention and  control |
| 1. Modernization of technological and energy system / Saga 2. | Establishment a sustainable energy-efficient infrastructure for the new plant.  Use of equipment and machinery with lower energy consumption and lower greenhouse gas emissions and lower pollutant emissions. | Energy efficiency  Renewable energy Pollution  prevention and  control | Climate change  mitigation  Pollution  prevention and  control |
| **Master Good** | | | |
| 1. Investment for poultry by-products processing | Building additional capacity to process the increasing volume of by-products, improvement of the meat meal and feather meal processing capacity.  Decrease of quantities of disposed by-products. | Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes  Pollution prevention  and control  Clean transportation | Pollution prevention  and control |
| 1. Biological wastewater management | Management of 25-30% of the generated wastewater with a modern biological treatment process,the quantity of recyclable water obtained during biological wastewater treatment is 225.000 m3 per year. | Sustainable water and  wastewater management | Natural resource  conservation |
| 1. Energy modernization   Kisvárda | With heat recovery from the plant's cooling system, the production of 80-100 m3 of 65C˚ domestic hot water per day using 99% of the recovered heat, reducing the amount of specific gas consumption. | Energy efficiency | Climate change  mitigation  Pollution  prevention and  control |
| 1. Internal logistics system development | Introduction of the supply system for live chicken, expansion of the visceral line, and pre cooling air system. replacement of the packaging line which will improve not only the shelf life but also the efficiency. | Energy efficiency  Pollution  prevention and  control | Climate change  mitigation  Pollution  prevention and  control |
| 1. Production, logistics and technology, slaughterhouse’s buildings, operational road network development | Production and logistics development related to completed investments with environmental awareness in mind.  Installation of loading robots, automatic cleaning system of the visceral line, production of hot water by heat recovery from the plant cooling system. | Energy efficiency Pollution  prevention and  control  Sustainable water and  wastewater management | Climate change  mitigation  Pollution  prevention and  control |

**Exclusions**

**Green Bond net proceeds will not be allocated to projects for which the purpose is fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare earth elements or fossil fuels), gambling or tobacco.**

* 1. **Project Selection and Evaluation Process**

Ensuring compliance with the Green Bond Framework Baromfi-Coop Group is committed to ensure transparent, written record of internal procedures and practices for the use of green proceeds. The management has established a Green Committee chaired by the member of the Board harmonized with corresponding provisions of other corporate rules. The Committee meets at least quarterly.

The Green Committee is composed of three Board Members, who are the owners of the Group of companies. One of the Board members is appointed as Chief Green and Sustainability Officer. The secretary is the Director of Production. Further standing members are the Directors of Accounting, Finance, Investment and Technical departments and Law office. Permanent invited members are the Director of Quality Assurance Directorate, the Head of Laboratory and the Chief Veterinarian.

The Green Committee is responsible for the development of the Company's Green strategy and its objectives (e.g. ESG and sustainability strategy, greening of the Company's internal operations, green strategic cooperation, etc.) and for the monitoring of the implementation of the Green Strategy and application of general aspects of sustainable development targets in all processes of the companies.

The committee initiates and supervises the introduction and implementation of the Green Bond Framework, selects the Green Bond Framework verification, second party opinion experts depending on the form of external review required. It supervises the compliance of the green bond framework, initiating the revision, amendment and renewal of the framework, if necessary. The committee is responsible for the dissemination and enforcement of green practices in the operation of the Group. The Committee identifies and manages the social and environmental risk associated to the Projects taking measures to reduce negative environmental impacts. Furthermore, it is responsible for the dissemination of circular economy practices in the operation of the company.

The Green Committee advises about the compliance with the Green Bond Framework in the case of specific investment proposals. Furthermore, the Committee advises on decisions, supervises the selection of projects, acquisitions and investments and reviews the allocation of funds.

For the selected projects and/or acquisitions, Board Members and invited expert members are responsible for ensuring the compliance with the requirements for the Use of Proceeds, preparing the audit documents and gathering the necessary evidence to facilitate the external audit check.

The Green Committee supervises the alignment of the use of the funds to the Green Bond Framework. A list of the potential Green Projects is to be presented to the Green Committee.

The committee is responsible for the decision to acknowledge the project as green, in line with the Green Bond criteria. A decision to allocate net proceeds requires a majority decision by the Green Committee. The decisions made by the Green Committee are documented and filed.

The Green Committee controls the use of green resources - allocation and targeted environmental impact- and will monitor the development of green KPIs and the achievement of the set goals (in accordance with the financial and controlling regulations). In matters requiring special sustainability expertise, the committee will require the involvement of an external expert.

The Green Committee will ensure the development of monitoring and reporting procedures related to the use of green proceeds, with special attention to the Allocation Report and Impact Report.

A Green Register (separated account in the accounting) kept by the Finance Department tracks that an amount equal to the Green Bond net proceeds is allocated to Green Projects. The purpose of the Green Register is to ensure that Green Bond net proceeds only support the financing of Green Projects or to repay Green Bonds. The management of proceeds will be reviewed by auditors yearly.

* 1. **Management of Proceeds**

The proceeds from the Green Bond will be managed by the Board and allocated to approved Eligible Green Projects following specific recommendations and decision by the Green Committee. The Finance Department will be establishing an internal record keeping system that will track the allocation of proceeds to the projects. The bond proceeds will be kept in a separate account (Green Register) and will be the subject of a separate accounting procedure. Pending allocation, the net proceeds will be invested in cash or cash equivalents in accordance with the Group cash management policies not harming any of the environmental objectives.

By the end of each calendar year, the net proceeds of the issuance will be reduced by the amounts invested in eligible investment projects in the given annual period. The information about actual allocation will be published to investors and to be updated annually until full allocation.

Throughout the life of the Bond, the Group will make and keep readily available information on the allocation of amounts equal to the Net Proceeds.

To ensure a high level of transparency the use of proceeds will be audited by an external auditor, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds.

* 1. **Reporting**

In accordance with the Green Bond Principles, Baromfi-Coop Group will provide an annual update on the activities related to its Green Bonds issuance. In such updates the Company will provide information on the allocation of the use of proceeds as well as relevant impact metrics.

Within one year of issuance, and annually thereafter until full allocation of an amount equivalent to the net proceeds of the Green Bond as well as in the event of any material changes, Baromfi-Coop Group will publish (i) an Allocation Report and (ii) an Impact Report via the Baromfi-Coop Group website: https://mastergood.hu.

The relevant information provided will include:

* Use of Proceeds
* A breakdown of proceeds in relation to Eligible Projects
* The amount of unallocated proceeds
* A closer description of the activities financed.

**Allocation Report**

Proposed indicators:

* Proportion of green investments in the corporate portfolio: Green rated investments / Total investments (%)
* Green proceeds utilization: Green bond proceeds used / Total green bond proceeds (%)
* Use of green proceeds by environmental purpose: Distribution of green proceeds used between categories defined in the Green Bond Framework (%)
* Other relevant indicators

**Impact Report**

The Impact report will illustrate the expected and achieved environmental impact made by the new investments to which green bond proceeds have been allocated. It will be based on ex-ante estimates (calculated prior to project implementation) considering previous status for a representative year before the individual project is completed and operating at normal capacity. The calculation will be made by the individual projects comparing the impacts before the project had been started (base year 2020) with the impacts after implementation.

The calculation will compare the estimated specific energy, gas and water consumption, GHG emissions, furthermore the wastewater treated or avoided figures, as well as the specific transport energy needs. Waste reduction and recycling % of by-products will be also calculated.

The Impact Reporting will include Performance Indicators (see table below) to present the environmental impact of the planned investments. The Group is ready to undertake to target the lowest emissions and increasing savings, avoiding increase of negative impacts.

The impact indicators will be measured and monitored regularly and published for assuring transparency of the Group’s commitment to sustainable and green activities.

As part of the Group's annual audit process, the internal monitoring system will follow the use of green resources and the results will be presented to the auditor. The figures about the use of Green Bond Proceeds, with respective descriptions and the amounts utilized, will also be available in the Group’s Annual Report and published on the website.

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| --- | --- | --- |
| **GBP Eligible Category as per GBP 2021** | **Use of Green Bond proceeds** | **Impact Indicators** |
| **Baromfi-Coop** | | |
| Energy efficiency  Renewable energy | 1. Establishment of solar cells in 10 livestock farms and in the hatchery | Quantity of renewable energy kWh/ year  Share of renewable energy %  CO2 equivalent avoided or reduced kg/ year |
| Clean transportation  Responsible consumption and production  Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes | 1. Hatchery plant investment (Petneháza) | Savings of gas: m3/ year  Saved energy consumption kWh / year  CO2 equivalent avoided or reduced kg/ year  Meeting specific indicators below the thresholds |
| Energy efficiency  Renewable energy | 1. Extension and upgrading of feed mixing plant | Savings of gas: m3/ year  Saved energy consumption kWh / year  CO2 equivalent avoided or reduced kg/ year |
| Energy efficiency  Environmentally  sustainable management  of living natural resources  and land use | 1. Extension of drying plant and construction of crop storage silos. | Savings of gas: m3/ year  Saved fuel consumption kWh /year  CO2 equivalent avoided or reduced kg/ year |
| Energy efficiency  Renewable energy Pollution  prevention and  control  Sustainable water and  wastewater management  Clean transportation | 1. Construction of broiler farms (2pcs). | Savings of gas m3 / year  Saved energy consumption kWh / year  Saved fuel consumption l / year  Reduction of feed consumption in kg / kg live weight  Meeting specific indicators below the thresholds  Reduction of other waste (amount of manure generated), annual savings due to littering with heat-treated pelleted straw  Water savings m3  CO2 equivalent avoided or reduced kg / year |
| Sustainable water and  wastewater management  Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes  Pollution  prevention and  control | 1. Expansion of manure fermenter | NH3 emissions (avoided or reduced) kg / year  Reduction of NH3 emissions %  Processed manure % |
| **Sága** | | |
| Energy efficiency  Pollution  prevention and  control | 1. Modernization of Saga technological system | Saved energy consumption kWh/ year  CO2 equivalent avoided or reduced kg / year |
| Energy efficiency  Renewable energy  Pollution  prevention and  control  Sustainable water and  wastewater management | 1. Modernization of technological and energy system / Saga 2. | Savings of gas: m3/ year  CO2 equivalent avoided or reduced kg / year |
| **Master Good** | | |
| Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes  Pollution prevention  and control  Clean transportation | 1. Investment for poultry by-products processing | Quantity of waste reduction t/ year  Re-use of by-products %  Re-use of by-products (disposed waste) ton/year  By termination of the by-product transport, fuel savings / year  CO2 equivalent avoided or reduced kg / year |
| Sustainable water and  wastewater management | 1. Biological wastewater management | By re-use of wastewater annual water savings (m3) |
| Energy efficiency | 1. Energy modernization, Kisvárda | Savings of gas quantity m3 / year CO2 equivalent avoided or reduced kg / year |
| Energy efficiency  Pollution  prevention and  control | 1. Internal logistic system development | Saved fuel consumption l/ year  CO2 equivalent avoided or reduced kg / year |
| Energy efficiency  Pollution  prevention and  control  Sustainable water and  wastewater management | 1. Production and logistics development   Technology, slaughterhouse’s buildings, operational road network development | Saved energy consumption kWh / year  Savings of water m3 / year  CO2 equivalent avoided or reduced kg / year |

**External review and assessment**

Baromfi-Coop Group appointed **Sustain Advisory** to provide a Second Party Opinion on the Green Bond Framework, evaluating its alignment with the Green Bond Principles 2021 guidelines. The result is to be documented in a Second Party Opinion, which will be presented in the Group’s website together with the Framework.

The process to establish this Green Bond Framework for Baromfi-Coop Group was conducted by MKB Consulting, acting as advisers in the creation of the Green Bond Framework.

**Appendix I.**

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| **GBP Eligible Category as per GBP 2021** | **Use of Green Bond proceeds** | **Impact Indicators/ Estimated targeted impacts compared to 2020 as basic line** |
| **Baromfi-Coop** | | |
| Energy efficiency  Renewable energy | 1. Establishment of solar cells in 10 livestock farms and in the hatchery | Produced renewable energy 700.000 kWh,  Share of renewable energy 50 %  CO2 equivalent avoided or reduced 245.000 kg/ year |
| Clean transportation  Responsible consumption and production  Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes | 1. Hatchery plant investment (Petneháza) | Due to lower transport needs, fuel savings/ year  Savings in gas consumption 135.000 m3/ year  Savings in energy 1.125.000 kWh/ year  Meeting specific indicators below the thresholds  CO2 equivalent avoided or reduced 636.750 kg/ year |
| Energy efficiency  Renewable energy | 1. Extension and upgrading of feed mixing plant | Savings of gas: 420.000 m3 / year  Saved energy consumption 1.530.000 kWh /year  CO2 equivalent avoided or reduced 1.291.500 kg/ year |
| Energy efficiency  Environmentally  sustainable management  of living natural resources  and land use | 1. Extension of drying plant and construction of crop storage silos. | Savings of gas: 22.500 m3 / year  Saved fuel consumption 62.500 l /year  CO2 equivalent avoided or reduced 179.100 kg / year |
| Energy efficiency  Renewable energy Pollution  prevention and  control  Sustainable water and  wastewater management  Clean transportation | 1. Construction of broiler farms (2pcs). | Savings of gas: 157.500 m3 / year  Saved energy consumption 52.500 kWh / year  Saved fuel consumption 33.750 l / year  Reduction of feed consumption in kg / kg live weight  Meeting specific indicators below the thresholds  Reduction of other waste 28.200 t/ year (amount of manure generated), annual savings due to littering with heat-treated pelleted straw  Water savings m3  CO2 equivalent avoided or reduced 390.975 kg / year |
| Sustainable water and  wastewater management  Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes  Pollution  prevention and  control | 1. Expansion of manure fermenter | NH3 emissions (avoided or reduced) 276.000 kg / year  Reduction of NH3 emissions %  Processed manure % |
| **Sága** | | |
| Energy efficiency  Pollution  prevention and  control | 1. Modernization of Saga technological system | Saved energy consumption 285.000 kWh/ year  CO2 equivalent avoided or reduced 99.750 kg / year |
| Energy efficiency  Renewable energy  Pollution  prevention and  control  Sustainable water and  wastewater management | 1. Modernization of technological and energy system / Saga 2. | Savings of gas: 38.000 m3/ year  CO2 equivalent avoided or reduced 68.400kg / year |
| **Master Good** | | |
| Eco-efficient and/or  circular economy  adapted products,  production technologies  and processes  Pollution prevention  and control  Clean transportation | 1. Investment for poultry by-products processing | Quantity of waste reduction 18.400 t/ year  Re-use of by-products % min 40 %  Re-use of by-products (disposed waste) ton/year  By termination of the by-product transport, fuel savings 69.552 l / year  CO2 equivalent avoided or reduced 183.617 kg / year |
| Sustainable water and  wastewater management | 1. Biological wastewater management | Water savings m3  By re-use of wastewater annual water savings 225.000 m3 |
| Energy efficiency | 1. Energy modernization, Kisvárda | Savings of gas quantity 200.000 m3 / year due  CO2 equivalent avoided or reduced 360.000kg / year |
| Energy efficiency  Pollution  prevention and  control | 1. Internal logistic system development | Saved fuel consumption 140.000 l/ year  CO2 equivalent avoided or reduced 360.000kg / year |
| Energy efficiency  Pollution  prevention and  control  Sustainable water and  wastewater management | 1. Production and logistics development   Technology, slaughterhouse’s buildings, operational road network development | Saved energy consumption 1.600.000 kWh / year  Savings of water 42.000 m3 / year  CO2 equivalent avoided or reduced 560.000 kg / year |