



2022

## Green Bond Allocation and Impact Report



**Baromfi-Coop Ltd.**

(Master Good Group)

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## Management statement

*Dear Stakeholders,*

*Baromfi-Coop Ltd. successfully issued a green bond in a volume of HUF 23 billion in July 2021, therefore last year was a special milestone in the life of our company in terms of green financing. We are very proud that Baromfi-Coop Ltd. was the first to issue green bonds in the Hungarian food industry.*

*In accordance with the Green Bond Principles, we provide an annual update on the activities related to our Green Bonds issuance. In such updates we provide information on the allocation of the use of proceeds as well as relevant impact metrics.*

*As a part of the Green Bond Framework our management has established a Green Committee chaired by the member of the Board harmonized with corresponding provisions of other corporate rules, and our Green Committee has approved the green projects, the allocation and even the publishing this report.*

*We are confident that this green financing with the annual reports demonstrates our strong commitment to supporting a sustainable future for the benefit of all our stakeholders.*

*Best regards,  
Bárány László, id. Bárány László, Bárány Péter*

## About the Master Good Group

Master Good Group (Baromfi-Coop Ltd., Master Good Ltd. and Sága Foods Plc.) is 100% owned by the Bárány Family. They are engaged in integrated field crop production, poultry farming, hatching, broiler fattening, slaughtering and processing. The company started in 1994 with 5 persons, and in 1998 they started an intensive development with large investments and an increase of our number of employees. In 2020 they acquired a 100% share in Sága Foods Plc.

The Master Good Group operates along the entire value chain of the poultry processing industry.

**Main activities**

Agricultural activity	Food industry	Sága
<ul style="list-style-type: none"> <li>- Grain production in integration</li> <li>- Feed production</li> <li>- Breeding</li> <li>- Hatching</li> <li>- Broiler fattening – McDonald's audit compliant rearing conditions</li> <li>- Free range chicken fattening</li> <li>- Manure fermentation</li> <li>- Accredited laboratory</li> </ul>	<ul style="list-style-type: none"> <li>- Chicken slaughter and processing plant in Kisvárda, one of Europe's most modern processing plants</li> <li>- Production of further processed convenient and ready-to-cook products in Petneháza</li> <li>- Petfood production</li> <li>- Animal protein rendering (slaughterhouse by-products – meat meal, feather meal, feed fat)</li> </ul>	<ul style="list-style-type: none"> <li>- Production of cooked meat products (sausages, ham, cold cuts) mainly from poultry raw material at the company's Sárvár plant</li> <li>- Production of quick-frozen fried poultry products</li> <li>- Retailing primarily on the domestic market</li> </ul>

**The Master Good Group in numbers**

- 2,480 employees (avg. statistical number)
- HUF 16 billion consolidated EBITDA
- HUF 9.4 billion consolidated operating result
- HUF 142 billion consolidated revenue => 45 % (HUF 64 billion) abroad + 55 % (HUF 78 billion) domestic
- Exports to 43 countries
- 305 customers (TOP 10 customers → multinational trading companies with excellent credit ratings)
- (nearly 60% of our client base and turnover)
- 450 suppliers

**Sustainability at Baromfi-Coop Ltd. (Master Good Group)**

**Main characteristics of our sustainable operations**

The ESG mindset drives our business operations, our everyday life and the planning of our strategic goals. We pay particular attention to sustainable operations in our strategic objectives, as this is the basis for our future-proof and successful operations.



**We are committed to support the UN Sustainable Development Goals.**

## **Our strategic objectives with sustainability in mind**

- ✓ Reducing harmful environmental impacts
- ✓ Maintaining and improving animal welfare
- ✓ Reducing specific energy consumption
- ✓ Increasing renewable energy sources
- ✓ Adoption of a circular economy (recovery and environmentally friendly processing of by-products (e.g. manure fermentation, meat and feather meal production) Managing an efficient circular economy → zero waste through processing of by-products, new investments according to circular economy principles, etc.)

## **Our main achievements towards sustainable development**

- ✓ Hungary's first issuer of green bonds for the food industry (Baromfi Coop Ltd., 2021.)
- ✓ One of the largest employers in Northeastern Hungary
- ✓ Green Committee
- ✓ Hungary's first circular economy
  - manure fermentation, environmentally friendly processing, storage and reuse
  - encouraging partners → to use our organic poultry manure pellets in field crop production
  - separate collection and recycling of wastewater
  - recycling of organic materials → reducing CO2 emissions
  - sourcing poultry for production from our own farms and hatcheries
- ✓ Energy efficient, environmentally conscious operation
  - solar power plant → reducing the use of electricity
  - efficient heating systems
  - insulation
  - use of biofilters to filter the air in the processing plant
- ✓ First company in Europe to be certified in the McDonald's Business Model Program
- ✓ Hungarian Poultry and Hungarian Product Trademark
- ✓ 100 % GMO-free feed
- ✓ GMO-free Hungarian chicken
- ✓ Farm chicken

# Green Bond in a nutshell

In 2021, Baromfi-Coop Ltd. issued a HUF 23 billion, HUF-denominated bond under the Funding for Growth Scheme launched by the National Bank of Hungary.

## The main terms of the Green Bond

Green Bond details	
Name	BAROMFI-COOP 2031 Bond
ISIN	HU0000360706
Issuance date	19/07/2021
Maturity date	19/07/2031
Issued Amount	HUF 23 billion
Tenor in years	10
Interest rate	Fixed
Interest rate in%	3%

## Allocation of green proceeds

We give an overview of the proceeds from Green Bond as of 30. June 2022. As stated in our Green Bond Framework, the amount of HUF 23 billion (proceeds of Baromfi-Coop’s Green Bond issuance) will be allocated to finance 13 projects considered as Eligible Green Projects.

Our Green Committee has approved the projects, the allocation and even the publishing this report.



## Description of the investment projects

Investment Projects	Project description
<b>Baromfi-Coop</b>	
<b>1. Establishment of solar cells in 10 livestock farms and in the hatchery</b>	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.
<b>2. Hatchery plant investment (Petneháza)</b>	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.
<b>3. Extension and upgrading of feed mixing plant</b>	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%.
<b>4. Extension of drying plant and construction of crop storage silos</b>	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%.
<b>5. Construction of broiler farms (2pcs)</b>	Replacement of "external, non-integrated" poultry farm capacities being at 250-320 km, to 30-40 km from the Kiszárda slaughterhouse. Use of equipment and machinery operating with lower energy consumption and/ or lower emission of GHG, and/ or with lower emission of pollutants.
<b>6. Expansion of manure fermenter</b>	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.
<b>Sága</b>	
<b>7. Modernization of Saga technological system</b>	Modernization of slicing and packaging line improving the hygiene parameters and shelf life of the products.
<b>8. Modernization of technological and energy system / Saga 2.</b>	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.
<b>Master Good</b>	
<b>9. Investment for poultry by-products processing</b>	Building additional capacity to process the increasing volume of byproducts, improvement of the meat meal and feather meal processing capacity. Decrease of quantities of disposed by-product.
<b>10. Biological wastewater management</b>	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.
<b>11. Energy modernization, Kiszárda</b>	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.
<b>12. Internal logistic system development</b>	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.
<b>13. Production and logistics development, Technology, slaughterhouse's buildings, operational road network development</b>	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.

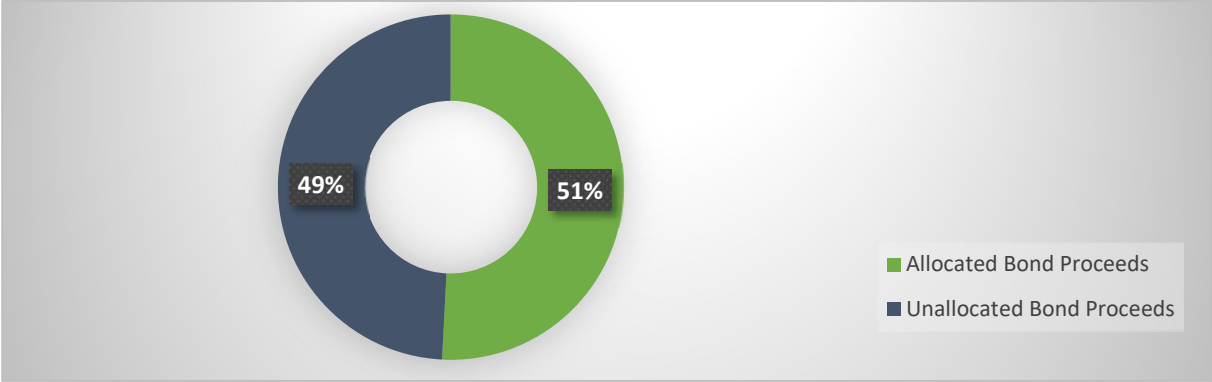
## Use of proceeds

As of 30. June 2022, we used our funds as follows:

Investment Projects	Planned Total Investment Amount (million HUF)	Allocated amount (million HUF) (as of 30.06.2022)	Planned Date of Completion	Status (as of 30.06.2022)	SDGs	GBP Category
<b>Baromfi-Coop</b>						
1. Establishment of solar cells in 10 livestock farms and in the hatchery	1 985	1 785	2023	40%	Affordable and clean energy	Energy efficiency, Renewable energy
2. Hatchery plant investment (Petneháza)	3 700	3 150	2022	80%	Responsible consumption and production	Clean transportation, Eco-efficient and/or circular economy adapted products, production technologies and processes
3. Extension and upgrading of feed mixing plant	2 900	1 783	2023	40%	Affordable and clean energy	Energy efficiency, Renewable energy
4. Extension of drying plant and construction of crop storage silos	1 600	0	2023	30%	Responsible consumption and production	Energy efficiency, Environmentally sustainable management of living natural resources and land use
5. Construction of broiler farms (2pcs)	3 500	0	2023	10%	Climate Action	Energy efficiency, Renewable energy, Pollution prevention and control, Sustainable water and wastewater management, Clean transportation
6. Expansion of manure fermenter	800	0	2023	10%	Climate Action	Sustainable water and wastewater management, Eco-efficient and/or circular economy adapted products, production technologies and processes, Pollution prevention and control
<b>Sága</b>						
7. Modernization of Saga technological system	1 800	1 363	2022	78%	Good health and well-being	Energy efficiency, Pollution prevention and control
8. Modernization of technological and energy system / Saga 2.	3 000	0	2024	20%	Responsible consumption and production	Energy efficiency, Renewable energy, Pollution prevention and control, Sustainable water and wastewater management
<b>Master Good</b>						
9. Investment for poultry by-products processing	2 000	0	2023	70%	Sustainable cities and communities	Eco-efficient and/or circular economy adapted products, production technologies and processes, Pollution prevention and control, Clean transportation
10. Biological wastewater management	3 200	0	2024	40%	Clean water and sanitation	Sustainable water and wastewater management
11. Energy modernization, Kiszárda	1 000	0	2024	40%	Climate Action	Energy efficiency
12. Internal logistic system development	1 300	0	2024	40%	Responsible consumption and production	Energy efficiency, Pollution prevention and control
13. Production and logistics development, Technology, slaughterhouse's buildings, operational road network development	8 800	3 602	2024	40%	Climate Action, Responsible consumption and production	Energy efficiency, Pollution prevention and control, Sustainable water and wastewater management
<b>Total</b>	<b>35 585</b>	<b>11 683</b>				

**Allocated and unallocated bond proceeds**

ISIN	Total Bond Proceeds (million HUF)	Allocated Bond Proceeds (million HUF)	Unallocated Bond Proceeds (million HUF)
BAROMFI-COOP 2031 Bond (HU0000360706)	23 000	11 683	11 317
	100 %	51 %	49 %



**Proportion of green investments in the corporate portfolio: 100 %**



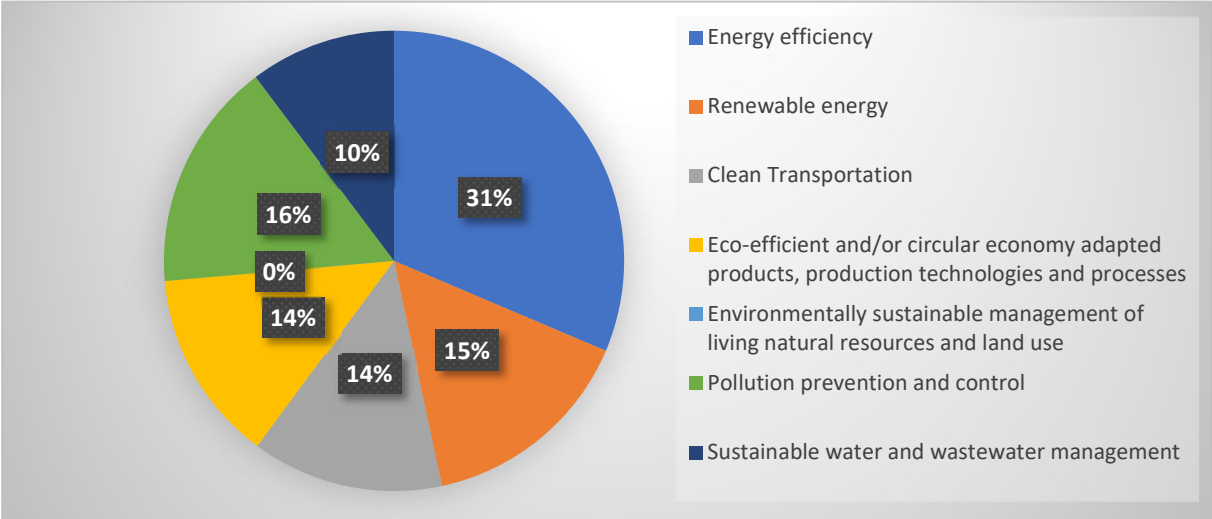
*From the date of issuance of the Green Bond (i.e. 19.07.2021) to 30.06.2022*

No other investments were made during the above period and for the corporates than the projects indicated in the bond issue.

**Use of green bond proceeds by environmental purpose**

Through the new investments we are considering categories of GBP and we are committed to the principles of the United Nation’s Sustainable Development Goals (SDGs), too.

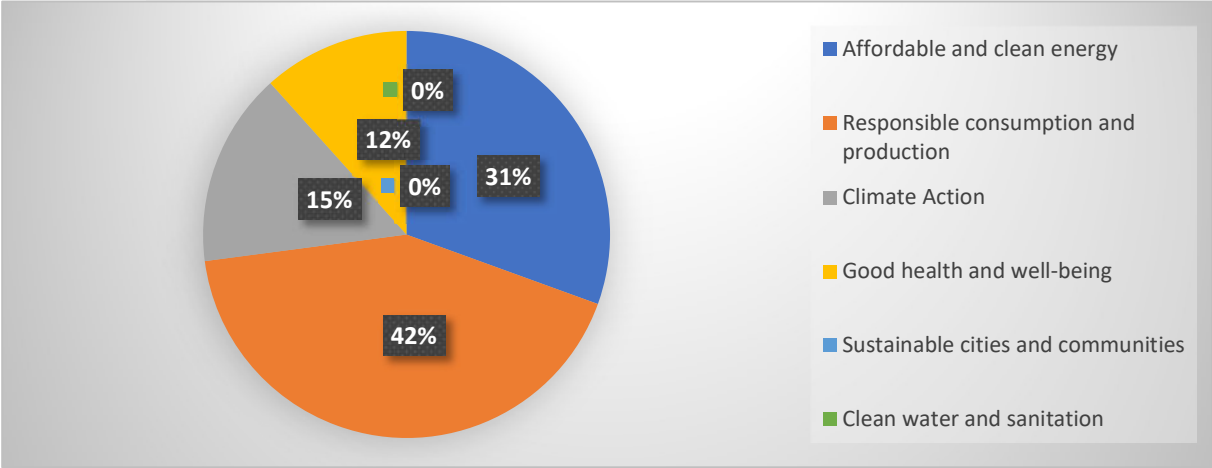
**Distribution of green bond proceeds used between GBP Eligible Categories as per GBP 2021 defined in the green bond framework (%)**





GBP Eligible Category as per GBP 2021	Green bond proceeds allocated (million HUF) (as of 30.06.2022)	%
Energy efficiency	3 666	31
Renewable energy	1 784	15
Clean Transportation	1 575	14
Eco-efficient and/or circular economy adapted products, production technologies and processes	1 575	14
Environmentally sustainable management of living natural resources and land use	0	0
Pollution prevention and control	1 882	16
Sustainable water and wastewater management	1 201	10
<b>Total</b>	<b>11 683</b>	<b>100</b>

**Distribution of green bond proceeds used between SDG's defined in the green bond framework (%)**



SDGs	Green bond proceeds allocated (million HUF) (as of 30.06.2022)	%
Affordable and clean energy	3 568	31
Responsible consumption and production	4 951	42
Climate Action	1 801	15
Good health and well-being	1 363	12
Sustainable cities and communities	0	0
Clean water and sanitation	0	0
<b>Total</b>	<b>11 683</b>	<b>100</b>

# Impact report

As the projects are not finished yet, the positive environmental effects of the use of the green bond proceeds can be expected later.

We intend to present the environmental benefits in each investment projects by using the impact metrics listed in our Green Bond Framework and below.

## Impact Indicators

The impact indicators are as follows:

Impact Indicator	
CO2 emission avoidance/reduction	ton
Energy Consumption savings, including renewable energy	kWh
Energy Consumption savings, including renewable energy	%
Gas Consumption savings	m3
Gas Consumption savings	%
Fuel consumption savings	l
Fuel consumption savings	%
NH3 emission reduction	kg
NH3 emission reduction decrease of the NH3 emissions related to manure processing project	%
Water consumption savings	m3
Waste reduction	ton
Produced renewable energy	kWh
Reduction of feed consumption	kg/kg live weight
Re-use of by-products (disposed waste)	ton
Re-use of by-products (disposed waste)	%
Increase of the utilization of renewable energy	%
Increase of the utilization of renewable energy in the poultry farms	%
Reduction of the use of antibiotic treatment below regular and certification standards	yes/no

## Performance Indicators

The Impact Reporting will include Performance Indicators to present the environmental impact of the planned investments.

Use of Green Bond proceeds	Impact Indicators/ Estimated targeted impacts compared to 2020 as basic line
<b>Baromfi-Coop</b>	
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
2. 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
3. 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
4. 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
5. 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
6. Expansion of manure fermenter	NH3 emissions (avoided or reduced) 276.000 kg / year Reduction of NH3 emissions % Processed manure %
<b>Sága</b>	
7. Modernization of Saga technological system	Saved energy consumption 285.000 kWh/ year CO2 equivalent avoided or reduced 99.750 kg / year
8. Modernization of technological and energy system / Saga 2.	Savings of gas: 38.000 m3/ year CO2 equivalent avoided or reduced 68.400kg / year
<b>Master Good</b>	
9. 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
10. Biological wastewater management	Water savings m3 By re-use of wastewater annual water savings 225.000 m3
11. Energy modernization, Kiszárda	Savings of gas quantity 200.000 m3 / year due CO2 equivalent avoided or reduced 360.000kg / year
12. Internal logistic system development	Saved fuel consumption 140.000 l/ year CO2 equivalent avoided or reduced 360.000kg / year
13. 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