Green Bond Allocation and Impact Report

Baromfi-Coop Ltd.

(Master Good Group)

2023

Tablet of contents

Management statement 1
About the Master Good Group 1
Sustainability at Baromfi-Coop Ltd. (Master Good Group) 2
Green Bond in a nutshel 4
Allocation of green proceeds 4
Impact report 10

Management statement

Dear Stakeholders,

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.

The one-year period between July 2022 and June 2023 was decisive for the progress of investments, with a number of our investments completed or close to final completion, as shown also by the increase in the use of bond proceeds.

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 rearing, 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
- Grain production in integration - Feed production - Breeding - Hatching - Broiler rearing – McDonald's audit compliant rearing conditions - Free range chicken rearing - Manure fermentation - Accredited laboratory	- Chicken slaughter and processing plant in Kisvárda, one of Europe's most modern processing plants - Production of further processed convenient and ready-to-cook products in Petneháza - Petfood production - Animal protein rendering (slaughterhouse by-products – meat meal, feather meal, feed fat)	- Production of cooked meat products (sausages, ham, cold cuts) mainly from poultry raw material at the company's Sárvár plant - Production of quick-frozen fried poultry products - Retailing primarily on the domestic market

The Master Good Group in numbers

- 2,595 employees (avg. statistical number)
- HUF 28.3 billion consolidated EBITDA
- HUF 21.6 billion consolidated operating result
- HUF 217.8 billion consolidated revenue => 42 % (HUF 91.4 billion) abroad + 58 % (HUF 126.5 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 2023. 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
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.
2. 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.
3. 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%.
4. 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%.
5. 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.
6. 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.
Sága	
7. Modernization of Saga technological system	Modernization of slicing and packaging line improving the hygiene parameters and shelf life of the products.
8. 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.
Master Good	
9. Investment for poultry by-products processing	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.
10. 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.
11. 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.
12. Internal logistic 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.
13. Production and logistics development, 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.

Use of proceeds

As of 30. June 2023, we used the bond proceeds as follows:

Investment Projects	Planned Investment Amount (million HUF)	Allocated amount (million HUF) (as of 30.06.2023)	Planned Date of Completion	Completion Status (as of 30.06.2023)	SDGs	GBP Category
Baromfi-Coop						
1. Establishment of solar cells in 10 livestock farms and in the hatchery	1 985	**1 985**	2023	100%	Affordable and clean energy	Energy efficiency, Renewable energy
2. Hatchery plant investment (Petneháza)	4 782	**2 840**	2022	100%	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	**1 740**	2023	100%	Affordable and clean energy	Energy efficiency, Renewable energy
4. Extension of drying plant and construction of crop storage silos	2 264	**1 265**	2022	100%	Responsible consumption and production	Energy efficiency, Environmentally sustainable management of living natural resources and land use
5. Construction of broiler farms (2pcs)	4 037	**2 037**	2023	50%	Climate Action	Energy efficiency, Renewable energy, Pollution prevention and control, Sustainable water and wastewater management, Clean transportation
6. Expansion of manure fermenter	800	**800**	2023	90%	Climate Action	Sustainable water and wastewater management, Eco-efficient and/or circular economy adapted products, production technologies and processes, Pollution prevention and control
Sága						
7. Modernization of Saga technological system	1 800	**1 361**	2022	100%	Good health and well-being	Energy efficiency, Pollution prevention and control
8. Modernization of technological and energy system / Saga 2.	10 000	**0**	2024	10%	Responsible consumption and production	Energy efficiency, Renewable energy, Pollution prevention and control, Sustainable water and wastewater management
Master Good						
9. Investment for poultry by-products processing	4 000	**4 000**	2022	100%	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	0%	Clean water and sanitation	Sustainable water and wastewater management
11. Energy modernization, Kisvárda	1 000	**550**	2024	90%	Climate Action	Energy efficiency
12. Internal logistic system development	1 300	**650**	2023	100%	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	**1 900**	2022	100%	Climate Action, Responsible consumption and production	Energy efficiency, Pollution prevention and control, Sustainable water and wastewater management
Total	**46 868**	**19 128**				

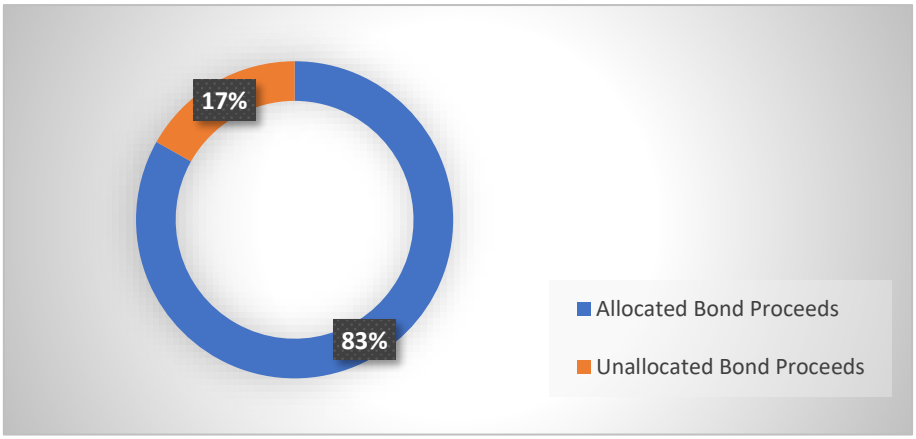
1,2

[1] Project 1 has been extended and solar panels have been installed on buildings in addition to those originally planned. Therefore, project volume increased up to HUF 1,985 million.

[2] In case of some projects allocated amount is lower than it was presented in the last reporting period. The difference is caused by subsidy amounts received in arrears, which allowed bond money to be reallocated to other eligible projects.

Allocated and unallocated bond proceeds as of 30.06.2023

ISIN	Total Bond Proceeds (million HUF)	Allocated Bond Proceeds (million HUF)	Unallocated Bond Proceeds (million HUF)
BAROMFI-COOP 2031 Bond (HU0000360706)	23 000	19 128	3 872
	100.0 %	83.2 %	16.8 %



Proportion of green investments during the reported time period*: 100 %

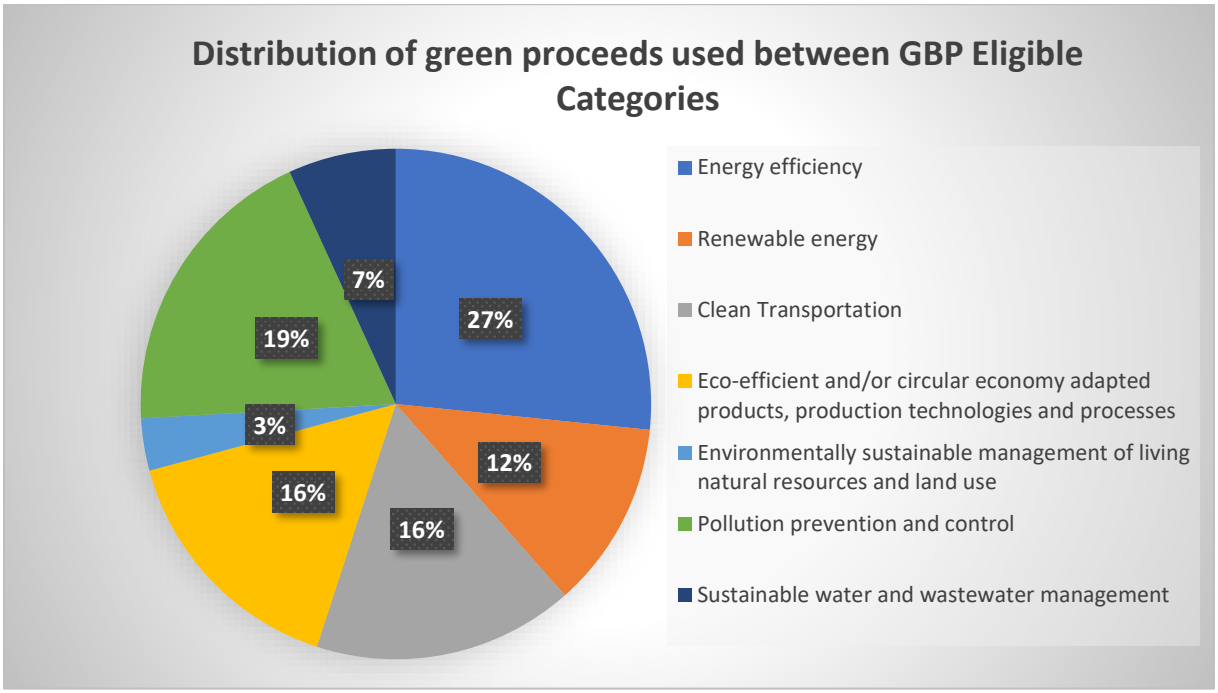
** between 01.07.2022 and 30.06.2023*

No other investments were made during the above period and for the corporates than the projects indicated in the bond issue. It has to be noted that other funds (e.g. state subsidy) than the bond proceeds were also used to finance the above projects.

Use of green bond proceeds by environmental purpose

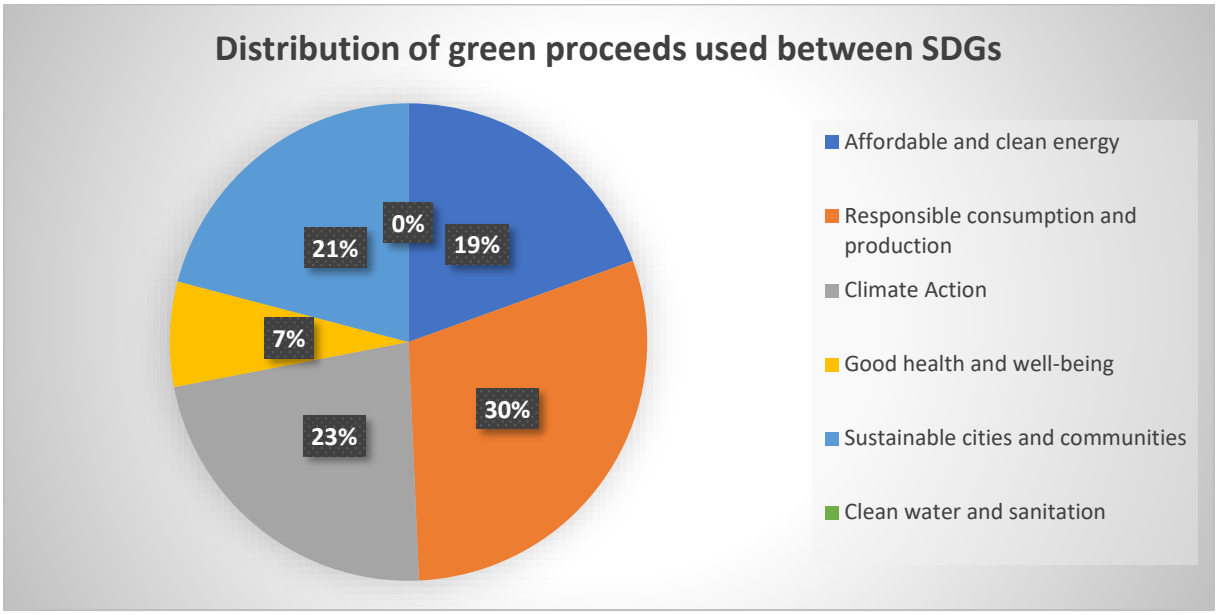
Through the new investments we are considering categories of GBP and we are committed to the principles of the United Nation's Sustainable Development Goals (SDGs), too.

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 30.06.2023)	%
Energy efficiency	5 091	26,6
Renewable energy	2 270	11,9
Clean Transportation	3 161	16,5
Eco-efficient and/or circular economy adapted products, production technologies and processes	3 020	15,8
Environmentally sustainable management of living natural resources and land use	633	3,3
Pollution prevention and control	3 646	19,1
Sustainable water and wastewater management	1 307	6,8
Total	**19 128**	**100,0**

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



SDGs	Green bond proceeds allocated (million HUF) (as of 30.06.2023)	%
Affordable and clean energy	3 725	19,5
Responsible consumption and production	5 705	29,8
Climate Action	4 337	22,7
Good health and well-being	1 361	7,1
Sustainable cities and communities	4 000	20,9
Clean water and sanitation	0	0,0
Total	**19 128**	**100,0**

Impact report

We will 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 includes Performance Indicators to present the environmental impact of the executed and planned investments.

Use of Green Bond proceeds	Impact Indicators/ Estimated targeted impacts compared to 2020 as basic line
Baromfi-Coop	
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 %
Sága	
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
Master Good	
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, Kisvárda	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

Eligible projects completed and their environmental impacts

During the current reporting period, namely between 01.07.2022, and 30.06.2023, some of our green projects presented above have been completed. The following projects have been implemented by 30.06.2023:

Use of Green Bond proceeds	Impact Indicators/ Estimated targeted impacts compared to 2020 as basic line
Baromfi-Coop	
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
Sága	
7. Modernization of Saga technological system	Saved energy consumption 285.000 kWh/ year CO2 equivalent avoided or reduced 99.750 kg / year
Master Good	
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
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

For the realized projects, we continue to assume that the expected and estimated environmental impacts (see above) are being met or will be met. However, precise measurements are not currently available for us due to the short time elapsed since the completion of the projects (each of the completed projects concluded within the preceding 1 year before 30.06.2023) and, in some cases, due

to its operation at less than 100% capacity. Once exact measurement data becomes available, they will be presented in the next upcoming impact report. Based on the currently available preliminary data and information, we do not anticipate negative deviations from the expected environmental impacts. However, validated data, confirmed by verification measurements, will only be available after the first year following the implementation of the projects. Therefore, a detailed presentation of the fulfillment of environmental impacts will be provided thereafter.